



Notes to the Financial Statements

For the year ended 31st March, 2001

1. GENERAL

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

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of accessories for photographic, electrical and multimedia products and act as property holding companies.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and other investments.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition, or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

Goodwill and capital reserve

Goodwill or capital reserve arising on acquisition of an interest in a subsidiary, which represents respectively the excess or shortfall of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets of the subsidiary at the date of acquisition, is dealt with through reserves in the year of acquisition.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Goodwill and capital reserve (cont'd)

On disposal of a subsidiary, the attributable amount of goodwill or capital reserve previously written off against or credited to reserves at the time of acquisition is included in the determination of the profit or loss on disposal of the subsidiary.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Commission income is recognised when services are rendered.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged as expenses. Where a deficit has previously been charged as expenses and a revaluation surplus subsequently arises, this surplus is credited as income to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is credited as income.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease or the term of the joint venture to which the investment properties are held is twenty years or less.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged as expenses 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 asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in the net profit or loss for the year.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation and amortisation are provided to write off the cost of property, plant and equipment, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the remaining terms of the leases
Buildings	Over the estimated useful lives of 50 years or the terms of the leases or the term of the relevant joint venture by which the buildings are held, whichever is the shorter
Leasehold improvements	15% or the terms of the leases, if shorter
Furniture, fixtures and equipment	15%
Plant and machinery	20%
Motor vehicles	20%

Assets held under hire purchase contracts are depreciated over their estimated useful lives on the same basis as owned assets.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Licence

Licence is stated at cost less amortisation and impairment loss, if any, which is to be amortised using the straight-line method over its estimated useful life, but not exceeding the licence period of three years.

Subsidiaries

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

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in value of the subsidiary that is other than temporary.

The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all 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, is calculated using the first-in, first-out method. Net realisable value represents 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.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments in securities (cont'd)

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Hire purchase contracts

Assets held under hire purchase contracts are capitalised at their fair values at the dates of acquisition. The corresponding liability to the hirer, net of interest charges, is included in the balance sheet as an obligation under hire purchase contracts. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired at the inception of the contracts, are charged as expenses over the period of the respective contracts so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

Operating leases

Rentals payable under operating leases are charged as expenses on a straight line basis over the respective lease terms.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation

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

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the net profit or loss for the year.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than Hong Kong dollars and which operate in the People's Republic of China ("PRC") and overseas are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Retirement benefits cost

The amount of contributions payable to the retirement benefits schemes is charged as expenses.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

3. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the amounts received and receivable for goods sold to outside customers and rental income from investment properties during the year. The following is an analysis of the Group's turnover and contribution to (loss) profit from operations by principal activity and geographical market:

(a) By principal activity

	Turnover		Contribution to (loss) profit from operations	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Sales of goods	163,875,458	206,210,115	(30,858,425)	16,331,849
Property investment	4,990,671	4,245,043	(22,323,717)	(2,982,419)
	168,866,129	210,455,158	(53,182,142)	13,349,430

(b) By geographical market

	Turnover	
	2001	2000
	HK\$	HK\$
Europe	99,683,106	127,455,522
United States of America	29,015,680	35,307,493
Hong Kong	15,574,784	22,972,483
Other regions in the PRC	6,528,473	4,928,685
Others	18,064,086	19,790,975
	168,866,129	210,455,158

An analysis of contribution to (loss) profit from operations by geographical market has not been presented as the ratio of contribution to (loss) profit from operations to turnover for each individual market is substantially in line with the overall group ratio.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

4. OTHER REVENUE

Other revenue comprise of:

	2001	2000
	HK\$	HK\$
Commission income	139,939	1,455,904
Exchange gain	64,298	620,690
Gain on disposal of other investment	200,000	–
Gain on disposal of property, plant and equipment	176,873	128,547
Interest income	1,004,039	1,011,327
Management fee from properties	14,000	32,020
Sundry income	119,359	496,493
	1,718,508	3,744,981

5. (LOSS) PROFIT FROM OPERATIONS

	2001	2000
	HK\$	HK\$

(Loss) profit from operations has been arrived at after charging:

Auditors' remuneration		
– Current year	607,477	550,000
– Underprovision in prior years	138,000	150,000
Depreciation and amortisation	4,977,735	5,570,483
Loss on disposal of investment properties	407,985	–
Operating lease payments in respect of		
– rented premises	2,596,431	2,335,779
– plant and machinery	46,656	47,843
Staff costs including directors' emoluments	26,941,783	22,670,057

and after crediting:

Gross rental income from investment properties	4,990,671	4,245,043
Less: Outgoings	(705,387)	(590,067)
	4,285,284	3,654,976



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

6. FINANCE COSTS

Finance costs comprise of:

	2001 HK\$	2000 HK\$
Interest on bank borrowings wholly repayable		
within five years	341,245	469,774
Interest on obligations under hire purchase contracts	–	2,821
	341,245	472,595

7. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

Directors' emoluments

The directors' emoluments are analysed as follows:

	2001 HK\$	2000 HK\$
Fees:		
Executive	–	–
Independent non-executive	200,000	233,333
	200,000	233,333
Other emoluments paid to executive directors:		
Salaries and other benefits	3,387,440	3,705,287
Contributions to retirement benefits schemes	8,000	–
Rentals paid in respect of quarters provided	256,500	–
	3,851,940	3,938,620



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

7. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES (cont'd)

Directors' emoluments (cont'd)

The emoluments were within the following bands:

	No. of directors	
	2001	2000
Nil to HK\$ 1,000,000	4	4
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	1	–

Highest paid employees

The five highest paid individuals of the Group included two (2000: four) executive directors, details of whose emoluments are set out above. The emoluments of the remaining three highest paid individuals (2000: one highest paid individual), other than directors of the Company, are as follows:

	2001	2000
	HK\$	HK\$
Salaries and other benefits	1,599,000	455,000
Contributions to retirement benefits schemes	24,000	–
Rentals paid in respect of quarters provided	418,000	192,000
	2,041,000	647,000

The emoluments were within the following bands:

	No. of employees	
	2001	2000
Nil to HK\$ 1,000,000	3	1



Notes to the Financial Statements *(cont'd)*

For the year ended 31st March, 2001

8. TAXATION

	2001 HK\$	2000 HK\$
The charge comprises:		
Hong Kong Profits Tax:		
– Current year	387,832	410,000
– (Over)underprovision in prior years	(239,174)	38,764
	148,658	448,764
Other jurisdictions	35,330	17,691
	183,988	466,455

Hong Kong Profits Tax is calculated at 16 per cent. of the estimated assessable profits for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. PRC income tax is calculated at the rates prevailing in the relevant PRC jurisdictions.

No provision for deferred taxation has been made in the financial statements as there are no significant timing differences during the year or at the balance sheet date.

9. NET (LOSS) PROFIT FOR THE YEAR

The Group's (loss) profit for the year included a loss of HK\$46,437,946 (2000: profit of HK\$7,494,949) which has been dealt with in the financial statements of the Company.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

10. DIVIDEND

	2001	2000
	HK\$	HK\$
Proposed final dividend of 2 cents (2000: 2 cents) per share payable to the shareholders of the Company	8,480,002	8,480,002

The amount of the proposed final dividend for both years has been calculated by reference to 424,000,100 shares in issue as at the date of this report.

11. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share is based on the following data:

	2001	2000
	HK\$	HK\$
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	(57,117,188)	10,596,338

Number of ordinary shares:

Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	401,178,182	354,000,075
Effect of dilutive share options	N/A	4,751,252

Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	N/A	358,751,327
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No diluted loss per share has been presented for the year ended 31st March, 2001 as the exercise of share options would result in a decrease in loss per share for the year.

The computation of diluted earnings per share in 2000 did not assume the exercise of the Company's outstanding warrants which lapsed on 30th September, 1999 as the exercise price was higher than the fair value per share for that year.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

12. INVESTMENT PROPERTIES

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
VALUATION		
At beginning of the year	76,963,175	84,646,475
Currency realignment	–	16,915
Disposal	(3,673,175)	–
Deficit on revaluation	(26,240,000)	(7,700,215)
	<hr/>	<hr/>
At end of the year	47,050,000	76,963,175
	<hr/>	<hr/>
DEPRECIATION AND AMORTISATION		
Provided for the year	1,000,000	1,065,915
Eliminated on revaluation	(1,000,000)	(1,065,915)
	<hr/>	<hr/>
At end of the year	–	–
	<hr/>	<hr/>
NET BOOK VALUES		
At end of the year	47,050,000	76,963,175
	<hr/>	<hr/>
At beginning of the year	76,963,175	84,646,475
	<hr/>	<hr/>

The net book values of the Group's investment properties at 31st March, 2001 are analysed as follows:

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Situated in Hong Kong held under long leases	5,050,000	6,790,000
Situated in Hong Kong held under medium-term leases	28,000,000	48,500,000
Situated outside Hong Kong – freehold	–	3,673,175
Situated in the PRC held under medium-term leases	14,000,000	18,000,000
	<hr/>	<hr/>
	47,050,000	76,963,175
	<hr/>	<hr/>



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

12. INVESTMENT PROPERTIES (cont'd)

The investment properties were leased out for rental purposes under operating leases. The investment properties situated in Hong Kong and the PRC were revalued at 31st March, 2001 by Chung, Chan & Associates, Chartered Surveyors, on an open market value basis. The net deficit arising on revaluation of HK\$25,240,000 (2000: HK\$6,634,300) has been charged as expense.

Details of the investment properties are set out on page 68.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$	Leasehold improvements HK\$	Furniture, fixtures and equipment HK\$	Plant and machinery HK\$	Motor vehicles HK\$	Total HK\$
THE GROUP						
COST						
At 1st April, 2000	40,642,586	3,768,522	2,932,303	19,225,063	4,673,643	71,242,117
Additions	–	541,105	215,957	240,330	–	997,392
Disposals	–	(109,698)	(48,428)	(421,672)	(339,550)	(919,348)
At 31st March, 2001	40,642,586	4,199,929	3,099,832	19,043,721	4,334,093	71,320,161
DEPRECIATION AND AMORTISATION						
At 1st April, 2000	5,673,017	1,310,310	1,813,130	15,818,718	3,072,055	27,687,230
Provided for the year	1,099,949	606,375	315,189	1,467,604	488,618	3,977,735
Provision for						
impairment in value	3,175,898	–	–	–	–	3,175,898
Eliminated on disposals	–	(78,122)	(35,495)	(268,353)	(198,071)	(580,041)
At 31st March, 2001	9,948,864	1,838,563	2,092,824	17,017,969	3,362,602	34,260,822
NET BOOK VALUES						
At 31st March, 2001	30,693,722	2,361,366	1,007,008	2,025,752	971,491	37,059,339
At 31st March, 2000	34,969,569	2,458,212	1,119,173	3,406,345	1,601,588	43,554,887



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The net book values of the Group's leasehold land and buildings at 31st March, 2001 are analysed as follows:

	2001 HK\$	2000 HK\$
Situated in Hong Kong held under long leases	12,789,321	15,114,889
Situated in Hong Kong held under medium-term leases	6,084,381	7,339,365
Situated in PRC held under medium-term leases	11,820,020	12,515,315
	30,693,722	34,969,569

14. LICENCE

THE GROUP

	HK\$
COST	
Additions during the year and balance at 31st March, 2001	36,570,000
AMORTISATION/IMPAIRMENT	
Provision for impairment in value during the year and balance at 31st March, 2001	(36,570,000)
NET BOOK VALUE	
At 31st March, 2001	-



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

15. DEPOSITS PAID

	THE GROUP	
	2001	2000
	HK\$	HK\$
Deposit for acquisition of a property	2,963,460	–
Deposit for acquisition of an interest in a property development project (<i>note</i>)	6,000,000	–
	8,963,460	–

Note: Pursuant to an agreement (the “Agreement”) signed between the Group and a company in the PRC (the “Vendor”) on 1st December, 2000, the Group agreed to acquire 19% interest in a property development project of the Vendor for a consideration of HK\$6,000,000. Under the Agreement, the Vendor has the right to repurchase the 19% interest within 15 months from the date of the Agreement at HK\$6,000,000 plus interest at a rate of 10% per annum calculated from the date of payment of the deposit.

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK\$	HK\$
Unlisted shares, at cost	89,260,976	89,260,976
Less: provision for impairment in value	(45,000,000)	–
	44,260,976	89,260,976
Amounts due from subsidiaries	113,679,468	83,246,760
	157,940,444	172,507,736

In the opinion of the directors, the amounts due from subsidiaries are not repayable in the next twelve months period and, accordingly, the amounts are classified as non-current.

Particulars of the subsidiaries at 31st March, 2001 are set out in note 39.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

17. INVENTORIES

	THE GROUP	
	2001	2000
	HK\$	HK\$
Raw materials	7,319,691	9,119,409
Work in progress	660,967	873,637
Finished goods	4,343,891	6,821,789
	12,324,549	16,814,835

Included above are raw materials of HK\$531,329 (2000: HK\$Nil) and finished goods of HK\$267,771 (2000: HK\$Nil) which are carried at net realisable value.

18. TRADE DEBTORS

The Group allowed an average credit period of 45 days to its trade customers.

	THE GROUP	
	2001	2000
	HK\$	HK\$
Aged analysis of trade debtors – others:		
Within 60 days	14,623,205	18,856,950
61-180 days	6,069,299	7,250,395
More than 180 days	5,060,996	8,231,444
	25,753,500	34,338,789

Aged analysis of trade debtors – related parties:

More than 180 days	–	777,029
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Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

19. LOANS RECEIVABLE

Included in the unsecured loans receivable is an amount of HK\$773,300 (2000: HK\$1,159,950) which carries interest at the Hong Kong dollar prime rate and is repayable on demand. The other loan of HK\$2,000,000 (2000: HK\$500,000) carries interest at Hong Kong dollar prime rate and is repayable within one year.

20. OTHER INVESTMENT

The investment represented the Group's effective and beneficial interest in 50% of the registered capital of 中山君悦房地產開發有限公司 (the "JV"), a company incorporated in the PRC. Pursuant to a conditional agreement signed between the Group and a related company of the joint venture partner on 30th May, 2000, the Group has agreed to dispose of the 50% equity interest in the JV for a consideration of HK\$16,850,000 in cash plus entitlements to a certain portion of property and five car parks when the property development project of the JV is completed. The cash consideration was settled during the year whereas the fair value of the portion of property and car parks to be received upon completion of the property development project were not recognised in the financial statements as the fair value of these assets cannot be measured reliably.

21. TRADE CREDITORS

THE GROUP

	2001	2000
	HK\$	HK\$

Aged analysis of trade creditors:

Within 60 days	7,353,467	8,669,464
61-180 days	95,387	525,665
More than 180 days	258,667	—
	7,707,521	9,195,129



Notes to the Financial Statements *(cont'd)*

For the year ended 31st March, 2001

22. BANK BORROWINGS

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
The secured bank borrowings comprise the following:		
Bank overdrafts	45,963	161,921
Bank loans	1,537,562	2,022,166
Trust receipt loans	–	258,440
	<hr/> 1,583,525	<hr/> 2,442,527

The secured bank borrowings are repayable as follows:

Within one year	537,404	908,485
More than one year and not more than two years	545,702	489,191
More than two years and not more than five years	500,419	1,044,851
	<hr/> 1,583,525	<hr/> 2,442,527
Amount due within one year shown under current liabilities	<hr/> (537,404)	<hr/> (908,485)
	<hr/> 1,046,121	<hr/> 1,534,042



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

23. SHARE CAPITAL

	Number of shares		Amounts	
	2001	2000	2001	2000
			HK\$	HK\$
Ordinary shares of HK\$0.10 each:				
Authorised:				
At beginning and end of the year	1,000,000,000	1,000,000,000	100,000,000	100,000,000
Issued and fully paid:				
At beginning of the year	354,000,100	354,000,050	35,400,010	35,400,005
Issued upon the exercise of warrants	–	50	–	5
Issued as share consideration for the acquisition of a license	70,000,000	–	7,000,000	–
At end of the year	424,000,100	354,000,100	42,400,010	35,400,010

On 17th July, 2000, the Group entered into an agreement with a company pursuant to which the Group has been granted a licence by the company to use certain technical information and know-how for the production, manufacture, distribution, marketing and sale of digital cameras. The consideration was satisfied by the allotment and issue of 70,000,000 ordinary shares of HK\$0.10 each in the Company at a price of HK\$0.45 and a cash payment of US\$650,000 (equivalent to HK\$5,070,000).

During the year ended 31st March, 2000, 50 ordinary shares of the Company were issued at HK\$1.20 per share upon the exercise of warrants by a warrant holder. The remaining warrants were lapsed on 30th September, 1999.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

24. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme (the "Scheme"), the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than 80 per cent. of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options or the nominal value of the shares, whichever is the higher.

The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme shall not, when aggregated with any shares subject to any other schemes, exceed such number of shares as shall represent 10 per cent. of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee cannot exceed 25 per cent. of the maximum number of shares in respect of which options may be granted under the Scheme.

At 31st March, 2001, options to subscribe for a total of 20,000,000 ordinary shares (2000: 20,000,000 ordinary shares) of HK\$0.10 each at an initial subscription price of HK\$0.241 per share were outstanding. These options are exercisable from 16th August, 1998 to 15th August, 2001.

No share option was granted or exercised during the year.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

25. RESERVES

	Share premium	Special reserve	Capital (goodwill) reserve	Translation reserve	Reserve fund	Enterprise expansion reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
THE GROUP								
At 1st April, 1999	42,309,890	14,900,773	645,821	(1,090,244)	1,083,258	1,083,258	86,970,978	145,903,734
Goodwill arising on acquisition of a subsidiary	-	-	(11,439,596)	-	-	-	-	(11,439,596)
Exchange adjustment	-	-	-	11,604	-	-	-	11,604
Premium arising on issue of shares	55	-	-	-	-	-	-	55
Net profit for the year	-	-	-	-	-	-	10,596,338	10,596,338
Final dividend	-	-	-	-	-	-	(8,480,002)	(8,480,002)
At 31st March, 2000	42,309,945	14,900,773	(10,793,775)	(1,078,640)	1,083,258	1,083,258	89,087,314	136,592,133
Exchange adjustment	-	-	-	(71,665)	-	-	-	(71,665)
Premium arising on issue of shares	24,500,000	-	-	-	-	-	-	24,500,000
Expenses incurred in connection with issue of shares	(137,458)	-	-	-	-	-	-	(137,458)
Provision for impairment in value of goodwill	-	-	2,235,587	-	-	-	-	2,235,587
Net loss for the year	-	-	-	-	-	-	(57,117,188)	(57,117,188)
Final dividend	-	-	-	-	-	-	(8,480,002)	(8,480,002)
At 31st March, 2001	66,672,487	14,900,773	(8,558,188)	(1,150,305)	1,083,258	1,083,258	23,490,124	97,521,407

The special reserve represents the difference between the nominal amount of the share capital issued by the Company in exchange for the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation on 5th September, 1997.

Reserve fund and enterprise expansion reserve are reserves required by the relevant PRC laws applicable to the Group's subsidiary in PRC.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

25. RESERVES (cont'd)

	Share premium HK\$	Contributed surplus HK\$	Retained profits (accumulated losses) HK\$	Total HK\$
THE COMPANY				
At 1st April, 1999	42,309,890	89,160,976	7,039,175	138,510,041
Premium arising on issue of shares	55	–	–	55
Net profit for the year	–	–	7,494,949	7,494,949
Final dividend	–	–	(8,480,002)	(8,480,002)
<hr/>				
At 31st March, 2000	42,309,945	89,160,976	6,054,122	137,525,043
Premium arising on issue of shares	24,500,000	–	–	24,500,000
Expenses incurred in connection with the issue of shares	(137,458)	–	–	(137,458)
Net loss for the year	–	–	(46,437,946)	(46,437,946)
Final dividend	–	(8,480,002)	–	(8,480,002)
<hr/>				
At 31st March, 2001	66,672,487	80,680,974	(40,383,824)	106,969,637

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the Group's subsidiary at the date on which the group reorganisation became effective and the nominal amount of the share capital of the Company issued under the group reorganisation on 5th September, 1997.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

25. RESERVES (cont'd)

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

In the opinion of the directors, at the balance sheet date, the Company's reserves available for distribution to the shareholders were as follows:

	2001	2000
	HK\$	HK\$
Contributed surplus	80,680,974	89,160,976
(Accumulated losses) retained profits	(40,383,824)	6,054,122
	40,297,150	95,215,098



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

26. RECONCILIATION OF (LOSS) PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001	2000
	HK\$	HK\$
(Loss) profit before taxation	(55,758,974)	12,876,835
Depreciation and amortisation	4,977,735	5,570,483
Loss on disposal of investment properties	407,985	–
Provision for loan receivables	500,000	–
Interest income	(1,004,039)	(1,011,327)
Gain on disposal of other investment	(200,000)	–
Gain on disposal of property, plant and equipment	(176,873)	(128,547)
Interest on bank borrowings	341,245	469,774
Interest on obligations under hire purchase contracts	–	2,821
Deficit on revaluation of investment properties	25,240,000	6,634,300
Provision for impairment in value of property, plant and equipment	3,175,898	–
Provision for impairment in value of a licence	36,570,000	–
Provision for impairment in value of goodwill	2,235,587	–
Decrease (increase) in inventories	4,490,286	(3,224,617)
Decrease in trade debtors – others and related party	9,362,318	7,087,023
(Increase) decrease in other debtors and prepayments	(4,654,001)	5,477,687
Decrease in trade creditors	(1,487,608)	(2,985,395)
(Decrease) increase in bills payable	(288,348)	288,348
Decrease in other creditors and accrued charges	(1,424,415)	(1,826,470)
Net cash inflow from operating activities	22,306,796	29,230,915



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

27. ACQUISITION OF SUBSIDIARIES

	2000
	HK\$
NET ASSETS ACQUIRED	
Property, plant and equipment	56,590
Inventories	690,556
Trade debtors	306,592
Bank balances and cash	1,002,870
Trade creditors	(954,018)
Other creditors and accrued charges	(15,000)
Taxation	(380,916)
Minority interest	(346,270)
	<hr/>
	360,404
Goodwill	11,439,596
	<hr/>
	11,800,000
	<hr/>
Satisfied by:	
Cash consideration	6,800,000
Other debtors	2,800,000
Consideration payable	2,200,000
	<hr/>
	11,800,000
	<hr/>

Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:

	2000
	HK\$
Cash consideration	(6,800,000)
Bank balances and cash acquired	1,002,870
	<hr/>
	(5,797,130)
	<hr/>

The subsidiary acquired in 2000 did not have any effect on the cash flow, turnover and operating profit of the Group.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium HK\$	Bank loans HK\$	Trust receipt loans HK\$	Obligations under hire purchase contracts HK\$	Minority interests HK\$
Balance at 1st April, 1999	77,709,895	5,110,059	2,357,913	40,794	923,553
Repayment of bank loans	–	(3,087,893)	–	–	–
Repayment of trust receipt loans	–	–	(2,357,913)	–	–
Issue of new shares	60	–	–	–	–
Repayment of obligations under hire purchase contracts	–	–	–	(40,794)	–
Acquisition of a subsidiary	–	–	–	–	346,270
Contribution by a minority shareholder	–	–	–	–	777,081
Share of profit	–	–	–	–	1,814,042
Movement of exchange reserve	–	–	–	–	108,151
Balance at 31st March, 2000	77,709,955	2,022,166	–	–	3,969,097
Consideration for purchase of a licence	31,500,000	–	–	–	–
Expenses incurred in connection with issue of shares	(137,458)	–	–	–	–
Repayment of bank loans	–	(484,604)	–	–	–
Dividend paid to a minority shareholder	–	–	–	–	(956,232)
Share of profit	–	–	–	–	1,174,226
Movement of exchange reserve	–	–	–	–	(58,631)
Balance at 31st March, 2001	109,072,497	1,537,562	–	–	4,128,460

29. MAJOR NON-CASH TRANSACTION

During the year, 70,000,000 ordinary shares of HK\$0.10 each were issued at HK\$0.45 per share as part of the consideration for purchase of a licence.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

30. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001	2000
	HK\$	HK\$
Bank balances and cash	35,943,581	21,584,811
Bank overdrafts	(45,963)	(161,921)
Trust receipt loans	–	(258,440)
	35,897,618	21,164,450

31. RETIREMENT BENEFIT SCHEME

Prior to 1st December, 2000, the Group operated a defined contribution retirement benefit scheme (“Defined Contribution Scheme”) for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

With effective from 1st December, 2000, the Group has joined a Mandatory Provident Fund scheme (“MPF Scheme”) for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

31. RETIREMENT BENEFIT SCHEME (cont'd)

The retirement benefit scheme contributions arising from the Defined Contribution Scheme and the MPF Scheme charged to the income statement represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

During the year, the Group made retirement benefits scheme contributions of HK\$404,136 (2000: HK\$191,075) after forfeited contributions utilised in the Defined Contribution Scheme of HK\$19,253 (2000: HK\$23,223).

As 31st March, 2001 and 2000, there were no amount of forfeited contributions, which arose upon employees leaving the scheme and which are available to reduce the contributions payable by the Group in the future years.

32. CAPITAL COMMITMENTS

THE GROUP

	2001	2000
	HK\$	HK\$
Capital expenditure in respect of the acquisition of a property contracted for but not provided in the financial statements	16,792,940	–

THE COMPANY

The Company did not have any capital commitment at the balance sheet date.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

33. LEASE COMMITMENTS

THE GROUP

At the balance sheet date, the Group had commitments payable within the following year under non-cancellable operating leases as follows:

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Land and buildings		
Operating leases which expire:		
– Within one year	403,500	243,592
– In the second to fifth year inclusive	392,778	300,540
– Over five years	998,448	1,001,159
	<hr/> 1,794,726	<hr/> 1,545,291

Plant and machinery

Operating leases which expire:		
– Within one year	46,656	–
– In the second to fifth year inclusive	–	46,656
	<hr/> 46,656	<hr/> 46,656

THE COMPANY

The Company did not have any operating lease commitments at the balance sheet date.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

34. CONTINGENT LIABILITIES

THE GROUP

At the balance sheet date, the Group had contingent liabilities of HK\$5,054,611 (2000: HK\$4,333,585) in respect of bills discounted with recourse.

THE COMPANY

At the balance sheet date, the Company provided corporate guarantees of approximately HK\$53,770,000 (2000: HK\$54,100,000) to banks to secure general banking facilities granted to subsidiaries. The total amount of facilities utilised by the subsidiaries at the balance sheet date amounted to approximately HK\$1,584,000 (2000: HK\$2,443,000).

35. RELATED PARTY TRANSACTIONS

During the year, the following related party transactions took place:

- (i) Transactions with directors' related companies:

Name of party	Directors' interest	Nature of transactions	2001 HK\$	2000 HK\$
Dawnvast Ltd.	Mr. Cheng Lok Hing Mr. Cheng Chun Kit	Rental expense	369,600	369,600
Techford Development Ltd.	Ms. Chan Oi Ling, Maria Olimpia	Rental expense	156,000	-
Wing Nin Trading Co. Ltd.	Family member of Ms. Chan Oi Ling, Maria Olimpia	Rental expense	252,240	-



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

35. RELATED PARTY TRANSACTIONS (cont'd)

(ii) Transactions with minority shareholders:

Name of party	Nature of transactions	2001	2000
		<i>HK\$</i>	<i>HK\$</i>
東莞市橋光實業集團公司 Dongguan City Qiao Guang Industrial Group Company	Rental expenses	998,448	1,000,224

惠州市益發光學機電有限公司	Management fee expenses	106,184	–
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(iii) Transactions with a subsidiary of a minority shareholder:

Name of party	Nature of transactions	2001	2000
		<i>HK\$</i>	<i>HK\$</i>
麥科特集團(惠州)光學機電 有限公司 Market Group (Hui Zhou) Optical, Machinery & Electrical Co. Ltd.	Rental income	–	2,040,000

Rental income and expenses represent amounts agreed with reference to the market rate between the respective management of the companies concerned.

Management fee expenses were carried out at terms mutually agreed by both parties.

At the balance sheet date, amounts due from a minority shareholder of HK\$Nil (2000: HK\$777,029) and HK\$Nil (2000: HK\$2,290,701) are included in trade debtors and other debtors respectively in the balance sheet.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

36. PLEDGE OF ASSETS

The Group had pledged its investment properties and leasehold land and buildings situated in Hong Kong with carrying value of HK\$3,200,000 (2000: HK\$4,450,000) and HK\$11,516,304 (2000: HK\$12,840,368) respectively to a bank to secure banking facilities granted to the Group.

37. LITIGATION

Pursuant to a factoring agreement made among Mee Lee Shing Plastic Factory Limited (“MLS”) as vendor, Mr. Cheang (“Cheang”) as purchaser and Mascotte Industrial Associates (Hong Kong) Limited (“MIA”), a wholly owned subsidiary of the Company, as trustee for Cheang dated 25th August, 1999 and an assignment of debt made between MLS as assignor and MIA (as trustee for Cheang) as assignee dated 25th August, 1999. MLS, in consideration of certain sum agreed to be paid by Cheang to MLS, assigned to MIA as trustee for Cheang debts in the total sum of approximately HK\$4,750,000, being the aggregate amount of the trade receivables due from Vtech Communications Limited (“Vtech”) to MLS. Thereafter, MIA received on behalf of Cheang from Vtech two payments in aggregate amounting to approximately HK\$2,750,000 and MLS unilaterally terminated the said factoring agreement and claimed to be entitled to the sum of HK\$2,000,000 out of the assigned debts. Vtech took out interpleader proceedings in Court of First Instance of the High Court of Hong Kong in which both MLS and MIA were defendants. Vtech has since paid approximately HK\$2,000,000 into the court and the balance of the assigned debts to MIA (as trustee for Cheang) and been released from the interpleader proceedings. MLS and MIA (as trustee for Cheang) are in the process of proving their respective claims to the disputed sum of HK\$2,000,000 in the interpleader proceedings. In the opinion of the directors, the subsidiary, MIA has no likely liability in respect of the interpleader proceedings save in respect of certain legal costs. During the year and up to the date of approval of the financial statements, there is no material progress on this litigation.

38. POST BALANCE SHEET EVENT

On 12th April, 2001, the Group acquired the remaining 45% of the issued share capital of Mascotte Europe Company Limited, (“Mascotte Europe”) from the minority shareholder at nominal consideration.



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

39. SUBSIDIARIES

Particulars of the subsidiaries at 31st March, 2001 are as follows:

Name	Place of incorporation or registration/operation	Issued and fully paid ordinary share capital/registered and contributed capital	Attributable equity interest held by the Group	Principal activities
東莞德雅皮具製品廠有限公司 Dongguan Tak Ya Leather Goods Manufactory Limited	PRC	HK\$8,000,000	70% (note b)	Manufacture of accessories for photographic, electrical and multimedia products
Mana Industrial Limited	Hong Kong	HK\$10,000	100%	Trading of general merchandise
March Professional Bags Company Limited	Hong Kong/PRC	HK\$50,000	51%	Manufacturing and trading of accessories for photographic, electrical and multimedia products
Mascotte Europe Company Limited	Liechtenstein	CHF50,000	55%	Distribution of Benetton products
Mascotte Industrial Associates (Hong Kong) Limited	Hong Kong	HK\$2	100%	Trading of accessories for photographic, electrical and multimedia products
Mascotte Investments Limited	Hong Kong	HK\$1,000 HK\$1,000,000*	100%	Property holding
Mascotte Investment (USA) Limited	United States of America	US\$1,000	100%	Property holding



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

39. SUBSIDIARIES (cont'd)

Name	Place of incorporation or registration/operation	Issued and fully paid ordinary share capital/registered and contributed capital	Attributable equity interest held by the Group	Principal activities
Mascotte Group Limited	British Virgin Islands/Hong Kong	US\$100	100%	Investment holding
麥科特集團志豪照相器材(惠州)工貿有限公司 Market Group Zhi Hao Photographic Equipment (Hui Zhou) Industry & Trade Co. Ltd.	PRC	US\$3,180,000	90%	Property holding and manufacture of accessories for photographic, electrical and multimedia products
Mascotte Hui Zhou Limited	British Virgin Islands/PRC	US\$1	100%	Investment holding
Mascotte Overseas Limited	British Virgin Islands/Macau	US\$1,795,000	100%	Trading of accessories for photographic, electrical and multimedia products
Mascotte Photographic Trading Limited	British Virgin Islands/Macau	US\$1	100%	Trading of accessories for photographic, electrical and multimedia products
Newland Kingdom Limited	Hong Kong	HK\$9,998 HK\$2*	100%	Property investment
Resourceful Enterprise Limited	Hong Kong	HK\$2	100%	Distribution of Benetton products
Tak Ya Leather Goods Manufactory Limited	British Virgin Islands/PRC	US\$1	100%	Investment holding

* This represents non-voting deferred shares (note c).



Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2001

39. SUBSIDIARIES (cont'd)

Note:

- a. Except for Mascotte Group Limited, all the companies above are indirectly held by the Company.
- b. Dongguan Tak Ya Leather Goods Manufactory Limited was established by the Group with an independent party in the PRC. Under various agreements entered into with the PRC party, the Group is entitled to all of the net profits derived from its operations for terms of nine years from the date of registration up to 31st December, 2001.
- c. These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of the respective companies. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the respective companies only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the respective companies.