

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared under the historical cost convention, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

(b) Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries, except for Same Time Communications Equipment Manufacturing Company Limited (“STCEM”), a company set up to undertake a telecommunication project which the Group does not intend to further support, and the Group’s investment in STCEM is intended to be temporary. Full provision has been made against the Group’s investment in this subsidiary (Note 12(a)).

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries are the companies in which the Company, directly or indirectly, controls more than half of their voting power or issued share capital or registered capital or controls the composition of their board of directors.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Difference arising on consolidation represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration in connection with shares exchange on merger in a Group reorganisation programme undergone by the Group prior to its listing in The Stock Exchange of Hong Kong Limited. The amount is accounted for as a reduction of reserves.

In the Company’s balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

NOTES TO THE ACCOUNTS

31st March 2001

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Land held for development

Land held for development are stated at cost, less any provision for permanent diminution in value.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Leasehold land and buildings are depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land and buildings	2 – 2.5%
Leasehold improvements	20 – 25%
Plant and machinery	10 – 25%
Furniture, fixture and equipment	20 – 25%
Motor vehicles	25 – 30%
Moulds	20 – 50%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(e) Assets under leases***(i) Finance leases*

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the profit and loss account in proportion to the capital balances outstanding.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods.

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease term.

(f) Investments

Investments held for the long term are stated at cost less any provision for permanent diminution in value.

(g) Inventories

Inventories comprise finished goods, work in progress and raw materials and are stated at the lower of cost and net realisable value. Cost, calculated on weighted average basis, comprises materials, direct labour and an appropriate proportion of production overheads. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

NOTES TO THE ACCOUNTS

31st March 2001

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future.

(j) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in the exchange fluctuation reserve.

(k) Revenue recognition

Revenue from the sale of products or manufacturing by-products is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(l) Retirement benefit costs

The Group operates two retirement schemes. The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme before vesting fully in the contributions. The Group's contributions to the mandatory provident fund scheme ("MPF Scheme") are expensed as incurred. The assets of these schemes are held separately from those of the Group in independently administered funds.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to be readied for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

2 TURNOVER AND REVENUES

The Group is principally engaged in the manufacturing and selling of customer electronic products and printed circuit boards, and trading of semiconductors. Revenues recognised during the year are as follows:

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
Turnover		
Sale of goods	555,345,416	413,412,344
	-----	-----
Other revenues		
Sale of manufacturing by-products	727,390	509,853
Interest income	247,308	123,340
	-----	-----
	974,698	633,193
	-----	-----
Total revenues	556,320,114	414,045,537
	=====	=====

NOTES TO THE ACCOUNTS

31st March 2001

2 TURNOVER AND REVENUES (continued)

An analysis of the Group's turnover and contributions to operating profit for the year by principal activities and markets is as follows:

	Turnover		Operating profit	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Principal activities:				
Manufacturing and sale of				
consumer electronic products	108,639,283	121,586,055	(7,515,583)	(4,244,111)
Manufacturing and sale of				
printed circuit boards	425,337,263	249,985,383	28,269,095	14,651,742
Trading of semiconductors	21,368,870	41,840,906	(2,806,425)	1,024,109
	<u>555,345,416</u>	<u>413,412,344</u>	<u>17,947,087</u>	<u>11,431,740</u>
Principal markets:				
Hong Kong	174,024,409	113,159,681	2,465,668	3,128,882
America	142,255,630	187,731,736	1,384,698	5,190,969
South East Asia	74,405,708	48,834,753	5,251,448	1,350,960
Europe	164,659,669	63,686,174	8,845,273	1,760,929
	<u>555,345,416</u>	<u>413,412,344</u>	<u>17,947,087</u>	<u>11,431,740</u>

3 OPERATING PROFIT

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
Operating profit is stated after crediting and charging the following:		
Crediting		
Gains on disposal of fixed assets	<u>133,031</u>	<u>308,579</u>
Charging		
Depreciation:		
Owned fixed assets	21,223,066	19,211,031
Fixed assets held under finance leases	4,757,857	3,639,254
Operating leases rental in respect of land and buildings	3,119,366	2,990,821
Auditors' remuneration	820,000	569,000
Research and development costs	89,975	242,236
Net exchange losses	100,620	549,879
Staff costs (excluding directors' remunerations)	45,850,907	44,511,201
Retirement benefit costs (<i>note 8</i>)	308,041	281,443
Provision for slow moving and obsolete inventories	2,816,229	3,553,393
Bad debts written off	<u>8,486,540</u>	<u>–</u>

NOTES TO THE ACCOUNTS

31st March 2001

4 FINANCE COSTS

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
Interest on loans and bank overdrafts wholly repayable		
within five years	3,126,417	1,663,848
Interest element of finance lease payments	<u>3,684,040</u>	<u>2,195,914</u>
	<u><u>6,810,457</u></u>	<u><u>3,859,762</u></u>

5 TAXATION

The amount of taxation charged to the consolidated profit and loss account represents:

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
Hong Kong profits tax	36,290	28,598
Transfer to deferred taxation (<i>Note 22</i>)	<u>814,402</u>	<u>1,634,924</u>
	<u><u>850,692</u></u>	<u><u>1,663,522</u></u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year.

Deferred taxation for the year has not been provided in respect of the following :

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
Accelerated depreciation allowance	(1,202,951)	637,139
Other timing differences	<u>(998,219)</u>	<u>(455,688)</u>
	<u><u>(2,201,170)</u></u>	<u><u>181,451</u></u>

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$11,249,656 (2000: loss of HK\$84).

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$10,285,938 (2000: HK\$5,908,456) and the weighted average number of 520,029,984 (2000: 424,688,011) ordinary shares in issue during the year.

Diluted earnings per share is not shown as the potential ordinary shares are anti-dilutive.

8 RETIREMENT BENEFIT COSTS

For the MPF Scheme, the group's contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF scheme from 31st December 2000 if their relevant income is more than HK\$4,000 per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

The group also operates a defined contribution pension scheme, which is an exempted scheme ("the Exempted Scheme") under the Mandatory Provident Schemes Ordinance and provides retirement benefits to its employees in Hong Kong who joined the Group prior to 1st December 2000. These employees can elect to join the MPF Scheme or to remain as a member of the Exempted Scheme. The scheme's assets are held under provident funds managed by an independent administrator. Under the scheme, both the employers and employees are required to contribute 5% of the basic salaries on a monthly basis. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions. Forfeited contributions totalling HK\$147,506 (2000: HK\$142,728) were utilised by the group to reduce existing level of contributions during the year.

Contributions totalling HK\$308,401 (2000: HK\$281,443) were paid during the year.

NOTES TO THE ACCOUNTS

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9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
Fee	120,000	120,000
Basic salaries, housing allowances, other allowances and benefits in kind	7,060,459	5,722,233
Pension contributions	12,000	–
	<u>7,192,459</u>	<u>5,842,233</u>

Directors' fee and other emoluments disclosed above include HK\$120,000 (2000: HK\$120,000) payable to independent non-executive directors.

The emoluments of the directors fell within the following bands:

	Number of directors	
	2001	2000
HK\$Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	3	1
	<u>3</u>	<u>1</u>

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2000: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2000: two) individuals during the year are as follows:

	2001	2000
	HK\$	HK\$
Basic salaries, housing allowances, other allowances and benefits in kind	<u>1,199,920</u>	<u>1,184,000</u>

The emoluments of both individuals were in the range of HK\$Nil to HK\$1,000,000 for the years ended 31st March 2001 and 2000.

Pursuant to the Company's Share Option Scheme, the Company has granted share options to one of these two highest paid employees to subscribe for 875,000 shares. Details of the share options are set out in note 19 to the accounts.

10 FIXED ASSETS – GROUP

	Leasehold land and buildings	Plant and machinery	Leasehold improvements, furniture, fixtures and equipment	Motor vehicles	Moulds	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Cost						
At 1st April 2000	53,848,106	168,408,090	54,527,865	6,962,551	22,747,648	306,494,260
Additions	–	51,673,703	5,312,259	829,759	91,602	57,907,323
Disposals	–	–	–	(1,351,460)	–	(1,351,460)
	<u>53,848,106</u>	<u>220,081,793</u>	<u>59,840,124</u>	<u>6,440,850</u>	<u>22,839,250</u>	<u>363,050,123</u>
At 31st March 2001	<u>53,848,106</u>	<u>220,081,793</u>	<u>59,840,124</u>	<u>6,440,850</u>	<u>22,839,250</u>	<u>363,050,123</u>
Accumulated depreciation						
At 1st April 2000	7,585,164	73,394,601	44,819,114	6,738,270	20,538,238	153,075,387
Charge for the year	1,248,423	17,337,103	5,846,772	445,240	1,103,385	25,980,923
Disposals	–	–	–	(1,323,491)	–	(1,323,491)
	<u>8,833,587</u>	<u>90,731,704</u>	<u>50,665,886</u>	<u>5,860,019</u>	<u>21,641,623</u>	<u>177,732,819</u>
At 31st March 2001	<u>8,833,587</u>	<u>90,731,704</u>	<u>50,665,886</u>	<u>5,860,019</u>	<u>21,641,623</u>	<u>177,732,819</u>
Net book value						
As at 31st March 2001	<u>45,014,519</u>	<u>129,350,089</u>	<u>9,174,238</u>	<u>580,831</u>	<u>1,197,627</u>	<u>185,317,304</u>
As at 31st March 2000	<u>46,262,942</u>	<u>95,013,489</u>	<u>9,708,751</u>	<u>224,281</u>	<u>2,209,410</u>	<u>153,418,873</u>

NOTES TO THE ACCOUNTS

31st March 2001

10 FIXED ASSETS – GROUP (continued)

- (a) The Group's interests in leasehold land and buildings at their net book values are analysed as follows:

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
Held on leases of between 10 to 50 years		
Hong Kong	7,996,642	8,239,942
Overseas	<u>37,017,877</u>	<u>38,023,000</u>
	<u><u>45,014,519</u></u>	<u><u>46,262,942</u></u>

- (b) At 31st March 2001, the net book value of fixed assets pledged as securities for the Group's bank loans amounted to HK\$35,050,439 (2000: HK\$36,049,760).

- (c) At 31st March 2001, the net book value of fixed assets held by the Group under finance leases amounted to HK\$65,527,503 (2000: HK\$34,568,529).

11 INVESTMENTS IN SUBSIDIARIES

	<u>Company</u>	
	2001	2000
	HK\$	HK\$
Unlisted shares, at cost	57,165,073	57,165,073
Amounts due from subsidiaries	<u>130,663,266</u>	<u>123,869,429</u>
	<u>187,828,339</u>	181,034,502
Less: Provision	<u>(11,069,961)</u>	<u>–</u>
	<u><u>176,758,378</u></u>	<u><u>181,034,502</u></u>

The amounts due from subsidiaries are unsecured, interest-free and with no fixed terms of repayment.

11 INVESTMENTS IN SUBSIDIARIES (continued)

The following is a list of the principal subsidiaries at 31st March 2001:

<u>Name</u>	<u>Place of Incorporation</u>	<u>Principal activities</u>	<u>Particulars of issued share capital</u>	<u>Interest held</u> %
Shares held directly:				
Same Time International (B.V.I.) Limited	British Virgin Islands	Investment holding	50,000 ordinary shares of US\$1 each	100
Shares held indirectly:				
Same Time Electronics Limited	Hong Kong	Design and sale of electronic products	4 ordinary shares of HK\$1,000 each and 7,000 non-voting deferred shares of HK\$1,000 each	100
Dyford Industries Limited	Hong Kong	Design and sale of plastic parts	4 ordinary shares of HK\$1 each and 200,000 non-voting deferred shares of HK\$1 each	100
Red Board Limited	Hong Kong	Design and sale of printed circuit boards	4 ordinary shares of HK\$1 each and 5,000,000 non-voting deferred shares of HK\$1 each	100
Dyford Semiconductor Limited	Hong Kong	Trade of semiconductors	1,000 ordinary shares of HK\$10 each	100

NOTES TO THE ACCOUNTS

31st March 2001

11 INVESTMENTS IN SUBSIDIARIES (continued)

<u>Name</u>	<u>Place of Incorporation</u>	<u>Principal activities</u>	<u>Particulars of issued share capital</u>	<u>Interest held</u> %
Shares held indirectly: (continued)				
Same Time Electronics (B.V.I.) Limited	British Virgin Islands	Manufacture of moulds, electronic and plastic products and printed circuit boards	1 ordinary share of US\$1 each	100
Same Time Development Limited	British Virgin Islands	Property development	1 ordinary share of US\$1 each	100
Same Time Enterprises Limited	British Virgin Islands	Dormant	1 ordinary share of US\$1 each	100
Same Time Investment (China) Limited	British Virgin Islands	Investment holding	1 ordinary share of US\$1 each	100
Same Time Management Limited	British Virgin Islands	Investment holding	1 ordinary share of US\$1 each	100
Same Time Properties Limited	British Virgin Islands	Dormant	1 ordinary share of US\$1 each	100
Same Time Marketing Limited	British Virgin Islands	Dormant	1 ordinary share of US\$1 each	100
Same Time Marketing Inc.	Canada	Trading of electronic products	1 ordinary shares of US\$1 each	100

11 INVESTMENTS IN SUBSIDIARIES (continued)

Except for Same Time Electronics (B.V.I.) Limited, Same Time Development Limited and Same Time Investment (China) Limited which operate in the People's Republic of China (the "PRC") and Same Time Marketing Inc. which operates in Canada, all other subsidiaries operate principally in Hong Kong.

12 INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES AND AN ASSOCIATED COMPANY

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
Non-consolidated subsidiaries (<i>note a</i>)		
Unlisted investments, at cost	1,000	2,377,878
Amount due from a non-consolidated subsidiary	22,150,338	22,150,338
Less : Provision	<u>(22,151,338)</u>	<u>(24,528,216)</u>
	<u>—</u>	<u>—</u>
Associated company (<i>note b</i>)		
Unlisted shares, at cost	8	8
Amount due from an associated company	3,772,663	3,772,663
Less : Provision	<u>(3,772,671)</u>	<u>(3,772,671)</u>
	<u>—</u>	<u>—</u>

Notes:

(a) **Non-consolidated subsidiaries**

During the year ended 31st March 1999, the Group invested in a telecommunication project in the PRC through a wholly-owned subsidiary incorporated in Hong Kong, Same Time Communications Equipment Manufacturing Company Limited ("STCEM"). Following the downturn of the economy in Asia, and the resulting withdrawal of banking facilities by the banks, the Group was unable to continue funding the project. Full provision has been made for the amount of HK\$22,151,338 invested in STCEM, as the directors do not foresee that the project will be reactivated in the near future.

NOTES TO THE ACCOUNTS

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12 INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES AND AN ASSOCIATED COMPANY (continued)

(b) Associated company

The Group has a 50% interest in Samebao International Limited ("Samebao"), a company incorporated in the British Virgin Islands. The principal activities of Samebao are the manufacturing and selling of electronic products in the PRC. At 31st March 2001, Samebao had not commenced operations. A full provision has been made in previous year on the investment cost and the amount due from Samebao as the directors do not foresee Samebao will commence commercial operation in the foreseeable future.

13 INVESTMENT

This represents a transferable membership of a golf club in Dongguan, the PRC.

14 LAND HELD FOR DEVELOPMENT

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
At cost	23,545,945	23,545,945
Less : Provision	<u>(8,245,945)</u>	<u>(8,245,945)</u>
	<u>15,300,000</u>	<u>15,300,000</u>

The land held for development is situated in the PRC and is held by virtue of a land use right which will expire in 2062.

The provision on the valuation of land held for development is based on a valuation performed by Greater China Appraisal Limited, an independent professional valuer, on an open market basis at 31st March 2001.

15 INVENTORIES

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
Raw materials	45,475,527	42,617,325
Work in progress	12,714,799	9,795,788
Finished goods	19,006,176	18,314,490
	<u>77,196,502</u>	<u>70,727,603</u>

At 31st March 2001, the carrying amount of inventories that are carried at net realisable value amounted to HK\$23,421,908 (2000: HK\$33,016,063).

16 TRADE RECEIVABLES

Trade receivables are stated net of provision for bad and doubtful debts. The ageing analysis of trade debtors as at 31st March 2001 was as follows:

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
0 – 3 months	123,953,420	95,646,126
4 – 6 months	15,723,776	11,217,526
Over 6 months	3,445,656	9,087,868
	<u>143,122,852</u>	<u>115,951,520</u>

Sales are made to customers with credit terms of 60 – 120 days.

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17 TRADE PAYABLES

The ageing analysis of trade payables as at 31st March 2001 was as follows:

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
Accounts payable in the next		
0 – 3 months	65,612,027	66,720,711
4 – 6 months	34,786,031	20,926,000
	<u>100,398,058</u>	<u>87,646,711</u>

18 SHARE CAPITAL

	2001	2000
	HK\$	HK\$
<i>Authorised:</i>		
700,000,000 ordinary shares of HK\$0.10 each	<u>70,000,000</u>	<u>70,000,000</u>
	No. of shares	HK\$
<i>Issued and fully paid:</i>		
At 1st April 1999	419,341,600	41,934,160
Exercise of share options	<u>32,524,000</u>	<u>3,252,400</u>
At 31st March 2000	<u>451,865,600</u>	<u>45,186,560</u>
At 1st April 2000	451,865,600	45,186,560
Issue of new shares	<u>80,000,000</u>	<u>8,000,000</u>
At 31st March 2001	<u>531,865,600</u>	<u>53,186,560</u>

18 SHARE CAPITAL (continued)

On 8th May 2000, the Company entered into an arrangement with independent third parties for a private placement of a total of 80,000,000 new shares of HK\$0.10 each in the capital of the Company (“the Share Placing”) at a price of HK\$0.15 per share. The market price of the Company’s shares was HK\$0.27 per share on that date. The Share Placing was completed on 25th May 2000. The new shares rank pari passu in all respects with the existing issued shares of the Company. The Share Placing raised a total of approximately HK\$11,700,000 (net of expenses) for the Company. The purpose of the Share Placing is to reduce gearing and to enhance the capital base and shareholder base of the Company.

19 SHARE OPTIONS

- (i) On 4th March 1992, a share option scheme (the “Scheme”) was approved by the members of the Company under which the directors may, at their discretion, invite full time employees, including executive directors of the Group, to take up options to subscribe for shares in the Company subject to the term and conditions stipulated therein.

- (ii) On 28th August 1997, options to subscribe for 9,410,000 shares of HK\$0.10 each at a subscription price of HK\$0.55 per share were granted to certain employees under the Scheme. The options can be exercised at any time during the period commencing on the date of grant and expiring on the sixth anniversary date of the grant. During the year, none of these options were exercised.

NOTES TO THE ACCOUNTS

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20 RESERVES

	Share premium	Difference arising on consolidation	Contributed surplus	Retained profits/ (accumulated losses)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Group					
At 1st April 1999	118,283,753	(7,849,992)	–	36,368,210	146,801,971
Premium on issue of shares	1,170,864	–	–	–	1,170,864
Profit for the year	–	–	–	5,908,456	5,908,456
	<u>119,454,617</u>	<u>(7,849,992)</u>	<u>–</u>	<u>42,276,666</u>	<u>153,881,291</u>
At 31st March 2000	119,454,617	(7,849,992)	–	42,276,666	153,881,291
Premium on issue of shares	4,000,000	–	–	–	4,000,000
Share issue expenses	(300,000)	–	–	–	(300,000)
Profit for the year	–	–	–	10,285,938	10,285,938
	<u>123,154,617</u>	<u>(7,849,992)</u>	<u>–</u>	<u>52,562,604</u>	<u>167,867,229</u>
	<u>123,154,617</u>	<u>(7,849,992)</u>	<u>–</u>	<u>52,562,604</u>	<u>167,867,229</u>
Company					
At 1st April 1999	118,283,753	–	37,115,065	(25,586,988)	129,811,830
Premium on issue of shares	1,170,864	–	–	–	1,170,864
Loss for the year	–	–	–	(84)	(84)
	<u>119,454,617</u>	<u>–</u>	<u>37,115,065</u>	<u>(25,587,072)</u>	<u>130,982,610</u>
At 31st March 2000	119,454,617	–	37,115,065	(25,587,072)	130,982,610
Premium on issue of shares	4,000,000	–	–	–	4,000,000
Share issue expenses	(300,000)	–	–	–	(300,000)
Loss for the year	–	–	–	(11,249,656)	(11,249,656)
	<u>123,154,617</u>	<u>–</u>	<u>37,115,065</u>	<u>(36,836,728)</u>	<u>123,432,954</u>
At 31st March 2001	123,154,617	–	37,115,065	(36,836,728)	123,432,954
	<u>123,154,617</u>	<u>–</u>	<u>37,115,065</u>	<u>(36,836,728)</u>	<u>123,432,954</u>

20 RESERVES (continued)

- (a) The contributed surplus represents the difference between the nominal value of the Company's shares issued in exchange for all the issued ordinary shares of Same Time International (B.V.I.) Limited and the value of net assets of the underlying subsidiaries acquired as at 4th March 1992. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.
- (b) The contributed surplus is distributable under the Companies Act 1981 of Bermuda. However, the Company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if:
- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
 - (ii) 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.

As at 31st March 2001, the reserves of the Company available for distribution amounted to HK\$278,337 (2000: HK\$11,527,993)

21 LONG-TERM LIABILITIES

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
Promissory note to a financial institution	384,123	751,593
Obligations under finance leases	<u>42,841,301</u>	<u>15,185,489</u>
	43,225,424	15,937,082
Current portion of long-term liabilities	<u>(20,362,999)</u>	<u>(9,373,495)</u>
	<u><u>22,862,425</u></u>	<u><u>6,563,587</u></u>

The obligations under finance leases are wholly repayable within five years.

The promissory note to a financial institution is interest bearing at 7.5% per annum and repayable by 24 monthly installments commencing 28th March 2000.

NOTES TO THE ACCOUNTS

31st March 2001

21 LONG-TERM LIABILITIES (continued)

At 31st March 2001, the group's finance leases and promissory note to a financial institution were repayable as follows:

	2001 HK\$	2000 HK\$
Within one year	<u>20,362,999</u>	<u>9,373,495</u>
After one year		
In the second year	18,032,635	4,677,345
In the third to fifth years inclusive	<u>4,829,790</u>	<u>1,886,242</u>
	<u>22,862,425</u>	<u>6,563,587</u>
	<u>43,225,424</u>	<u>15,937,082</u>

22 DEFERRED TAXATION

	<u>Group</u>	
	2001 HK\$	2000 HK\$
At beginning of year	3,092,283	1,457,359
Transferred from profit and loss account (<i>Note 5</i>)	<u>814,402</u>	<u>1,634,924</u>
At end of year	<u>3,906,685</u>	<u>3,092,283</u>
Provided for in respect of :		
Accelerated depreciation allowances	7,589,932	7,336,819
Other timing differences	<u>(3,683,247)</u>	<u>(4,244,536)</u>
	<u>3,906,685</u>	<u>3,092,283</u>

22 DEFERRED TAXATION (continued)

The potential deferred tax (asset)/liability not provided for in the accounts amounts to:

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
Accelerated depreciation allowance	234,647	1,440,598
Other timing differences	<u>(4,083,860)</u>	<u>(3,085,641)</u>
	<u><u>(3,849,213)</u></u>	<u><u>(1,645,043)</u></u>

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	HK\$	HK\$
Profit before taxation	11,136,630	7,571,978
Depreciation	25,980,923	22,850,285
Gains on disposal of fixed assets	(133,031)	(308,579)
Increase in inventories	(6,468,899)	(13,078,590)
Increase in trade receivables, deposits and prepayments and other receivables	(27,712,832)	(42,872,772)
Increase in trade payables, accruals and other payables	6,879,878	31,596,944
Interest income	(247,308)	(123,340)
Interest expenses	<u>6,810,457</u>	<u>3,859,762</u>
Net cash inflow from operating activities	<u><u>16,245,818</u></u>	<u><u>9,495,688</u></u>

NOTES TO THE ACCOUNTS

31st March 2001

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Amount due to a director		Loans not repayable within three months and other long term liabilities		Obligations under finance leases		Share capital and premium	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At beginning of year	4,700,000	-	15,103,446	10,648,149	15,185,489	14,152,495	164,641,177	160,217,913
Issue of ordinary shares	-	-	-	-	-	-	12,000,000	4,423,264
Share issue expenses	-	-	-	-	-	-	(300,000)	-
New loans	-	4,700,000	-	4,483,704	-	-	-	-
Repayment of loans	(4,700,000)	-	(367,470)	(28,407)	-	-	-	-
Inception of finance leases *	-	-	-	-	44,055,765	13,949,785	-	-
Capital element of finance lease rental payments	-	-	-	-	(16,399,953)	(12,916,791)	-	-
At end of year	-	4,700,000	14,735,976	15,103,446	42,841,301	15,185,489	176,341,177	164,641,177

* represents non-cash transactions

24 FACILITIES FROM BANKS AND FINANCIAL INSTITUTIONS

At 31st March 2001, the total facilities granted to the Group amounted to HK\$79,351,853 (2000: HK\$56,271,853) of which HK\$50,309,287 (2000: HK\$30,840,904) were utilised. These banking facilities are secured by:

- corporate guarantee issued by the Company;
- cross corporate guarantees issued by certain fellow subsidiaries;
- a legal charge on the leasehold land and building with a net book value of HK\$35,050,439 (2000: HK\$36,049,760) (note 10(b)).

25 CONTINGENT LIABILITIES

During the year, an investigation has been undertaken by the PRC customs authorities on a factory plant of a subsidiary in Dongguan in relation to a suspected under-declaration of customs duty by this factory. Up to 31st March 2001, amounts totalling HK\$2.3 million have been paid to the relevant authorities as a result of this investigation. The final result of this investigation is still unknown as at the date of approval of the accounts of the Company. The directors have not made any further provision in the consolidated accounts at this stage as in their opinion, there is unlikely to be any further liability arising from this investigation which would have a material effect on the group's financial position or results of operations.

26 COMMITMENTS

(a) Capital commitments for the purchase of plant and machinery

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
Contracted but not provided for	<u>24,245,630</u>	<u>8,561,514</u>

(b) Commitments under operating leases

At 31st March 2001, the Group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

	<u>Group</u>	
	2001	2000
	HK\$	HK\$
Within one year	500,000	–
In the second to fifth year inclusive	660,360	1,584,420
After the fifth year	<u>1,530,377</u>	<u>1,370,984</u>
	<u>2,690,737</u>	<u>2,955,404</u>

27 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 23rd July 2001.