



31 March 2001

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties and certain fixed assets, as further explained below.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) provision of electroplating services, when the related services are rendered;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and
- (e) dividend income, on a cash basis.

### **Subsidiaries**

A subsidiary is a company in which the Company, directly or indirectly, controls more than 50% of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been diminutions in values, other than those considered to be temporary in nature, when they are written down to values determined by the directors.

### **Associate**

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.



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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### **Associate** (Cont'd)

The Group's share of the post-acquisition results and reserves of its associate is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in the associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting together with the premium or discount on the acquisition of the interest in the associate in so far as it has not already been amortised, less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

### **Joint ventures**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and where none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

A jointly-controlled entity is accounted for as a subsidiary when the Group can control the composition of the board of directors or exercise dominant influence over the jointly-controlled entity.

Investments in jointly-controlled entities other than those accounted for as a subsidiary or under the equity method of accounting are stated at cost less provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors. Investment income is recognised on a cash basis.

### **Goodwill/capital reserve**

Goodwill arising on the consolidation of subsidiaries and on the acquisition of associates represents the excess purchase consideration paid for subsidiaries or associates over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition.

The capital reserve arising on the consolidation of subsidiaries and on the acquisition of associates represents the excess of the fair values ascribed to the acquired subsidiaries' or associates' net underlying assets at the date of acquisition over the purchase consideration for such subsidiaries or associates.

Upon the disposal of subsidiaries or associates, the relevant portion of the attributable amount of purchased goodwill relating to subsidiaries or associates which was previously eliminated against reserves on consolidation, or capital reserve relating to subsidiaries or associates which was previously taken to reserves, is included in the calculation of gain or loss on disposal of subsidiaries or associates and is reflected in the profit and loss account.

### **Patents and trademarks**

Patents and trademarks, which represent the registration fees of patents and trademarks, are written off on the straight-line basis over their useful economic lives.



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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost or valuation less accumulated depreciation. Surpluses arising on revaluations are credited directly to reserves, except that a revaluation increase is recognised as income to the extent that it reverses a revaluation deficit of the same asset previously recognised as an expense.

In accordance with the transitional provisions, as set out in paragraph 80 of SSAP No. 2.117 "Property, plant and equipment" issued in 1995 (as amended in 2001), subsequent revaluations of the leasehold land and buildings of the Group will not be undertaken on a regular basis.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of the fixed assets.

Construction in progress represents the costs incurred in connection with the construction of fixed assets. Cost comprises direct costs incurred during the period of construction, installation and testing. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

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

Leasehold land	Over the lease terms
Leasehold buildings	5%
Leasehold improvements	15%
Plant and machinery	20%
Furniture, equipment and motor vehicles	15% to 25%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the sales proceeds and the carrying amount of the relevant asset. On the disposal or retirement of a fixed asset that has previously been revalued, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are not determined using discounted cash flows. Reductions of carrying amounts are charged to the profit and loss account, except to the extent that they reverse previous revaluation surpluses in respect of the same items, when they are charged to the revaluation reserve.



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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### **Investment properties**

Investment properties are interests in land and buildings in respect of which construction work and development have been completed, and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying amount over the remaining terms of the lease, and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

### **Accounts receivable**

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are regularly reviewed by senior management.

### **Leased assets**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the asset is capitalised at the present value of the minimum lease payments and is recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and are depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. The rentals applicable to such operating leases are charged/credited to the profit and loss account on the straight-line basis over the lease terms.



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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of the balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and financial reporting purposes, to the extent that it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

### Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised using the straight-line basis over the expected useful lives of the related products subject to a maximum period of five years commencing from the date when the products are put into commercial production.

### Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

### Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Hong Kong Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Hong Kong Scheme. The Hong Kong Scheme became effective from 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Hong Kong Scheme. The assets of the Hong Kong Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Hong Kong Scheme.



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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Pension scheme (Cont'd)

The Company's subsidiaries in the People's Republic of China (the "PRC") are members of the state-managed retirement benefits scheme operated by the PRC government. The retirement scheme contributions, which are based on a certain percentage of the salaries of the PRC subsidiaries' employees, are charged to the profit and loss account in the period to which they relate and represent the amount of contributions payable by these subsidiaries to this scheme.

## 2. CORPORATE INFORMATION AND RELATED PARTY/CONNECTED TRANSACTIONS

The principal activity of the Company is investment holding. During the year, the Group was involved in the following principal activities:

- manufacturing and marketing of clocks and lighting products;
- trading of metals; and
- provision of electroplating services.

The Group had the following transactions with related parties during the year:

	<i>Notes</i>	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Sales of finished goods to an associate	(i)	-	990
Purchases of raw materials from a jointly-controlled entity	(ii)	<u><b>5,339</b></u>	<u>7,002</u>

*Notes:*

- (i) Last year's sales of finished goods to an associate were made according to the published prices and conditions offered to other major customers of the Group.
- (ii) The directors consider that purchases of raw materials from a jointly-controlled entity were made according to the published prices and conditions similar to those offered to other customers of the jointly-controlled entity, except that no interest was charged for overdue trade debts.

During the year ended 31 March 2000, the Group received HK\$29,500,000, before expenses, as compensation for a shortfall of the guaranteed profits from certain former directors of the Company (note 24) and disposed of partial interests in two former subsidiaries to the then minority shareholder of these former subsidiaries at a total consideration of RMB5,250,000 (equivalent to HK\$4,646,000) (note 25(d)).



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### 3. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and income from the provision of electroplating services.

### 4. PROFIT FROM OPERATING ACTIVITIES

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

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Staff costs (excluding directors' emoluments, note 5)	<b>45,565</b>	47,527
Cost of inventories sold	<b>215,292</b>	204,340
Cost of services provided	<b>6,155</b>	4,329
Depreciation:		
Owned fixed assets	<b>11,768</b>	11,537
Leased fixed assets	<b>80</b>	591
Amortisation of patents and trademarks	<b>198</b>	286
Write off of patents and trademarks	–	131
Auditors' remuneration	<b>916</b>	873
Research and development expenditure	<b>2,466</b>	2,474
Operating lease rentals in respect of land and buildings	<b>497</b>	1,211
Exchange losses, net	<b>346</b>	1,308
Provision for bad and doubtful debts	<b>206</b>	4,000
Provision for impairment in value of fixed assets	–	1,700
Deficit on revaluation of fixed assets	<b>400</b>	–
Loss/(gain) on disposal of fixed assets	<b>136</b>	(39)
Gain on disposal/partial disposal of subsidiaries	–	(902)
Write back of provision for interest in an associate	–	(1,353)
Write back of provision for inventories	<b>(1,556)</b>	(3,091)
Write back of provision for interests in a jointly-controlled entity	<b>(1,040)</b>	(147)
Gain on disposal of interests in a jointly-controlled entity	<b>(942)</b>	(2,592)
Dividend income from unlisted investments in jointly-controlled entities	<b>(424)</b>	(1,128)
Gross and net rental income	<b>(1,024)</b>	(410)
Interest income	<b>(495)</b>	(355)

The pension scheme contributions for the two years ended 31 March 2001 were insignificant.

The costs of inventories sold and services provided include HK\$28,812,000 (2000: HK\$24,648,000) relating to staff costs, depreciation and operating lease rentals in respect of land and buildings, which are also included in the respective total amounts disclosed separately above for these types of expenses.



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## 5. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the aggregate remuneration paid to the directors of the Company disclosed pursuant to Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance are as follows:

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Fees:		
Executive directors	<b>240</b>	199
Independent non-executive directors	<b>200</b>	200
	<b>440</b>	399
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	<b>6,455</b>	8,826
	<b>6,895</b>	9,225

In addition to the above remuneration, a total of 18,980,000 share options to subscribe for ordinary shares in the Company were granted to certain executive directors of the Company during the year ended 31 March 2000. In the absence of a readily available market value for share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of these share options. Accordingly, no value has been included in the directors' remuneration in respect thereof. No share options were granted to the directors during the year.

The number of directors whose remuneration fell within the bands set out below is as follows:

	<b>2001</b> <b>Number of</b> <b>directors</b>	2000 Number of directors
Nil – HK\$1,000,000	<b>9</b>	8
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	3
HK\$1,500,001 – HK\$2,000,000	<b>–</b>	1
HK\$2,000,001 – HK\$2,500,000	<b>1</b>	–
	<b>11</b>	12

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2000: Nil).

The five highest paid employees of the Group for the current and prior year were all directors, details of whose remuneration are set out above.





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## 6. FINANCE COSTS

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Interest expense on:		
Bank loans and overdrafts wholly repayable within five years	<b>1,731</b>	1,438
Obligations under finance leases	<b>126</b>	184
	<u><b>1,857</b></u>	<u>1,622</u>

## 7. TAX

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

At 31 March 2001, five (2000: five) subsidiaries, which were established in the PRC, were exempted from PRC income tax for two years from their first profit-making year and were eligible for a 50% relief from PRC corporate income tax ("CIT") for the following three years under the Income Tax Law of the PRC. The current tax rates that would otherwise be applicable to these subsidiaries ranging from 15% to 24%.

Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the subsidiaries operated during the year based on existing legislation, interpretations and practices in respect thereof.

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Group:		
Hong Kong:		
Current year	<b>(1,146)</b>	(1,689)
Overprovision in prior years	<b>254</b>	173
	<u><b>(892)</b></u>	<u>(1,516)</u>
Elsewhere:		
Current year	<b>(451)</b>	(1,194)
Overprovision in prior years	<b>-</b>	332
Rebate relating to prior years	<b>1,439</b>	-
	<u><b>988</b></u>	<u>(862)</u>
Tax credit/(charge) for the year	<u><b>96</b></u>	<u>(2,378)</u>

## 8. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$291,000 (2000: Loss of HK\$3,807,000).



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## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$4,330,000 (2000: HK\$4,213,000) and the weighted average number of 242,807,500 (2000: 235,244,147) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$4,330,000 (2000: HK\$4,213,000) and on 249,803,214 (2000: 241,230,843) ordinary shares, being the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive potential ordinary shares outstanding during the year.

The reconciliation of weighted average number of shares used in calculating basic and diluted earnings per share is as follows:

	2001	2000
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>242,807,500</b>	235,244,147
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of all options outstanding during the year	<b>6,995,714</b>	5,986,696
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b><u>249,803,214</u></b>	<b><u>241,230,843</u></b>

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## 10. FIXED ASSETS

### Group

	Investment properties <i>HK\$'000</i>	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Con- struction in progress <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:							
At beginning of year	9,000	93,748	786	1,399	45,047	38,004	187,984
Additions	-	469	47	3,810	2,116	1,646	8,088
Transfers	-	2,728	-	(5,213)	513	1,972	-
Disposals	-	(3,836)	-	-	(1,075)	(1,101)	(6,012)
Deficit on revaluation	(400)	-	-	-	-	-	(400)
Exchange adjustments	-	102	-	4	(355)	13	(236)
<b>At 31 March 2001</b>	<b>8,600</b>	<b>93,211</b>	<b>833</b>	<b>-</b>	<b>46,246</b>	<b>40,534</b>	<b>189,424</b>
Accumulated depreciation:							
At beginning of year	-	14,495	87	-	31,940	32,030	78,552
Provided during the year	-	3,473	101	-	5,054	3,220	11,848
Disposals	-	(742)	-	-	(1,060)	(1,006)	(2,808)
Exchange adjustments	-	15	-	-	(349)	7	(327)
<b>At 31 March 2001</b>	<b>-</b>	<b>17,241</b>	<b>188</b>	<b>-</b>	<b>35,585</b>	<b>34,251</b>	<b>87,265</b>
Net book value:							
<b>At 31 March 2001</b>	<b>8,600</b>	<b>75,970</b>	<b>645</b>	<b>-</b>	<b>10,661</b>	<b>6,283</b>	<b>102,159</b>
At 31 March 2000	9,000	79,253	699	1,399	13,107	5,974	109,432

An analysis of the cost or valuation of the leasehold land and buildings of the Group at the balance sheet date is as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Medium term leasehold land and buildings in Hong Kong:		
At cost	4,129	4,129
At 1995 professional valuation	31,809	35,609
	<b>35,938</b>	39,738
Medium term leasehold land and buildings outside Hong Kong:		
At cost	26,447	23,242
At 1995 professional valuation	30,826	30,768
	<b>57,273</b>	54,010
Total cost or valuation	<b>93,211</b>	93,748



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## 10. FIXED ASSETS (Cont'd)

The valuation of the medium term leasehold land and buildings was carried out by Knight, Frank & Kan, an independent firm of professional valuers, on an open market, existing use basis as at 31 January 1995. Had the revalued assets been valued at their cost less accumulated depreciation, the total carrying amount of land and buildings as at 31 March 2001 would be restated at HK\$44,435,000 (2000: HK\$49,744,000).

The net book value of assets held under a finance lease included in the total amount of fixed assets of the Group as at 31 March 2001 amounted to HK\$1,316,000 (2000: Nil). The depreciation charge for the year in respect of such assets amounted to HK\$80,000 (2000: HK\$591,000).

The Group's investment properties were revalued on 31 March 2001 by K.T. Liu Surveyors Limited, an independent firm of professional valuers, at HK\$8,600,000 (2000: HK\$9,000,000) on an open market basis.

At 31 March 2001, the Group's investment properties, certain of the Group's land and buildings and plant and machinery with a net book value of a total of approximately HK\$42,372,000 (2000: HK\$40,405,000) were pledged to secure general banking facilities granted to the Group (note 21).

## 11. INTERESTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Unlisted investments, at cost	<b>118,249</b>	118,249
Due from subsidiaries	<b>82,881</b>	81,339
Less: Provisions for diminutions in values	<b>(39,754)</b>	(39,754)
	<b><u>161,376</u></b>	<u>159,834</u>

The amounts due from subsidiaries are unsecured, interest-free and are not repayable within twelve months.



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## 11. INTERESTS IN SUBSIDIARIES (Cont'd)

The following table lists the particulars of the subsidiaries of the Company as at 31 March 2001 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2001	2000	
<i>Directly held:</i>					
Artfield Company Limited	British Virgin Islands	Ordinary US\$50,000	<b>100%</b>	100%	Investment holding
<i>Indirectly held:</i>					
Artfield Manufacturing Company Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$2,000,000	<b>100%</b>	100%	Manufacture and marketing of clocks, and trading of metal
Artfield Industries (Shenzhen) Ltd.	People's Republic of China	RMB46,000,000	<b>100%</b>	100%	Manufacture of clocks
Ultra Good Electroplating Limited	Hong Kong	Ordinary HK\$4,000,000	<b>79.75%</b>	79.75%	Provision of electroplating services
Ultra Good Electroplating Surface Finishing (Shenzhen) Co., Ltd.	People's Republic of China	US\$600,000	<b>79.75%</b>	79.75%	Provision of electroplating services
Dixon Design Limited	British Virgin Islands	Ordinary US\$10,000	<b>100%</b>	100%	Ownership of patents and trademarks
Wehrle Uhrenfabrik GmbH	Germany	DM500,000	<b>100%</b>	100%	Manufacture and marketing of clocks
Precision Group Limited	British Virgin Islands	Ordinary US\$437,000	<b>100%</b>	100%	Investment holding
Better Bright Industrial Limited	Hong Kong	Ordinary HK\$10,000	<b>100%</b>	100%	Trading of lighting products



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## 11. INTERESTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2001	2000	
<i>Indirectly held: (Cont'd)</i>					
City Bright International Limited	Hong Kong	Ordinary HK\$2,000,000	100%	100%	Investment holding
Everbright Lighting Limited	Hong Kong	Ordinary HK\$1,000,000	100%	100%	Trading of lighting products
Everbright Lighting (Hong Kong) Limited	Hong Kong	Ordinary HK\$2	100%	100%	Trading of lighting products
City Bright Lighting (Shenzhen) Co., Ltd.	People's Republic of China	RMB3,220,620	100%	100%	Manufacture of lighting products
German Time Limited	Hong Kong	Ordinary HK\$2,000,000	100%	100%	Manufacture of clock movements
Artfield Industries (Gaoming) Ltd.	People's Republic of China	HK\$1,000,000	100%	100%	Manufacture of wooden products
高明豐雅鐘錶有限公司	People's Republic of China	HK\$1,500,000	100%	100%	Manufacture and marketing of clocks
East Champion International Limited	Hong Kong	Ordinary HK\$1,200	100%	100%	Property investment
Right Time Group, Inc.	United States of America	US\$10,000	100%	100%	Marketing of clocks
Royal Success Enterprises Limited	Hong Kong	Ordinary HK\$4	100%	100%	Investment holding
Smart Best Development Limited	Hong Kong	Ordinary HK\$4	100%	100%	Property investment
Ferdinand International (Marketing) Limited	United Kingdom	GBP10,000	100%	100%	Marketing of clocks



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## 11. INTERESTS IN SUBSIDIARIES (Cont'd)

The turnover and net profit from ordinary activities attributable to shareholders for the year ended 31 March 2000 contributed by the subsidiaries acquired during the year ended 31 March 2000 were not material to the Group.

The turnover and net profit from ordinary activities attributable to shareholders contributed by the subsidiaries partially disposed of during the year ended 31 March 2000 were HK\$20,568,000 and HK\$1,044,000, respectively, for the year ended 31 March 2000.

## 12. INTEREST IN AN ASSOCIATE

	<b>2001</b>	<b>Group</b>
	<b>HK\$'000</b>	<b>2000</b>
		<b>HK\$'000</b>
Share of net assets	-	-
Premium on acquisition of an associate	-	1,362
Less: Provision for diminution in value	-	(1,362)
	<hr/>	<hr/>
	-	-
Due from an associate	-	2,999
Less: Provision for doubtful debts	-	(2,999)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

The Group did not account for its share of the operating results of an associate for the year ended 31 March 2000 because the Group had ceased to exercise control or significant influence over the operating and financial policies of the associate, and had fully provided for its interest in the associate in the prior year. The Group's share of the post-acquisition accumulated deficit of the associate was HK\$627,000 (2000: HK\$627,000). The associate was put into liquidation in the United States of America during the year ended 31 March 2000.

Particulars of the associate were as follows:

Name	Business structure	Place of incorporation and operations	Paid-up ordinary share capital	Percentage of equity attributable to the Group		Principal activity
				2001	2000	
Phorm Designs, Inc.	Corporate	United States of America	US\$282,664	30%	30%	Under liquidation



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## 13. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Notes	2001 HK\$'000	Group 2000 HK\$'000
Investments in jointly-controlled entities, at cost	(a)	–	4,340
Share of net assets of an equity-accounted jointly-controlled entity	(b)	1,012	872
Due from a jointly-controlled entity	(c)	–	1,753
Due to jointly-controlled entities	(c)	(1,092)	(1,282)
		<b>(80)</b>	5,683
Less: Provisions for interests in jointly-controlled entities		–	(3,313)
		<b>(80)</b>	2,370

### Notes:

- (a) Investments in jointly-controlled entities as at 31 March 2000 represented the Group's investments in Jiangxi Yujiang-Artfield Company Limited, which was disposed of during the year; and Jiangxi Guixi-Acepoint Lightings Co., Ltd. ("Acepoint") and Jiangxi Hongya Lamps Co., Ltd. ("Hongya"), which were classified as current assets (note 15) during the year.
- (b) The investment in an equity-accounted, jointly-controlled entity represents the Group's investment in a jointly-controlled entity, Shanghai Shen Ya Lacquerware Wooden Products Co., Ltd. ("Shenya").

The Group's share of net profits generated by Shenya for the year amounted to HK\$140,000 (2000: HK\$108,000). The Group's share of the post-acquisition accumulated losses of Shenya as at 31 March 2001 was HK\$207,000 (2000: HK\$347,000).

- (c) The balances with jointly-controlled entities are unsecured, interest-free and are repayable on demand.

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation and operations	Paid-up capital	Percentage of equity attributable to the Group		Principal activities
				2001	2000	
Jiangxi Guixi-Acepoint Lightings Co., Ltd. #	Corporate	People's Republic of China	US\$600,000	25%	25%	Manufacture and marketing of lighting products
Jiangxi Hongya Lamps Co., Ltd. #	Corporate	People's Republic of China	RMB3,000,000	25%	25%	Manufacture and marketing of lighting products
Jiangxi Yujiang-Artfield Company Limited *	Corporate	People's Republic of China	US\$500,000	–	40%	Manufacture and marketing of clocks and components



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### 13. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Cont'd)

Name	Business structure	Place of incorporation and operations	Paid-up capital	Percentage of equity attributable to the Group		Principal activities
				2001	2000	
Shanghai Shen Ya Lacquerware Wooden Products Co., Ltd.	Corporate	People's Republic of China	US\$500,000	48%	48%	Manufacture of wooden products

\* This jointly-controlled entity was disposed of during the year.

# These jointly-controlled entities were classified as current assets during the year.

### 14. PATENTS AND TRADEMARKS

	Group HK\$'000
Cost:	
At beginning of year	1,580
Additions	50
Exchange adjustments	(44)
<b>At 31 March 2001</b>	<b>1,586</b>
Accumulated amortisation:	
At beginning of year	1,171
Provided during the year	198
Exchange adjustments	(36)
<b>At 31 March 2001</b>	<b>1,333</b>
Net book value:	
<b>At 31 March 2001</b>	<b>253</b>
At 31 March 2000	409

### 15. INVESTMENTS HELD FOR DISPOSAL

The investments held for disposal represent the Group's investments in Acepoint and Hongya. During the year ended 31 March 2000, the Group disposed of 35% and 30% of the equity interests in Acepoint and Hongya, respectively. Pursuant to the respective sale and purchase agreements (the "Agreements") regarding the partial disposals, the Group has the option to dispose of its remaining equity interests of 25% each in Acepoint and Hongya after 30 June 2001. The Group exercised the option in July 2001. Accordingly, the Group's attributable equity interests in Acepoint and Hongya are classified under current assets as at 31 March 2001.

The Group's carrying amount of investments in Acepoint and Hongya as at 31 March 2001 represented its share of each of the net assets in Acepoint and Hongya up to the time when the Group ceased to exercise control or significant influence over the operating and financial policies of Acepoint and Hongya during the year ended 31 March 2000.



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## 16. INVENTORIES

	<b>2001</b>	<b>Group</b>
	<i>HK\$'000</i>	2000 <i>HK\$'000</i>
Raw materials	28,273	23,155
Work in progress	29,127	22,913
Finished goods	11,183	17,418
	<u>68,583</u>	<u>63,486</u>

No inventories (2000: Nil) were stated at net realisable values at 31 March 2001.

The carrying amount of inventories of the Group pledged as security for liabilities amounted to nil (2000: HK\$6,466,000) – note 21.

## 17. ACCOUNTS AND BILLS RECEIVABLE

The ages of the Group's accounts and bills receivable are analysed as follows:

	<b>2001</b>	<b>Group</b>
	<i>HK\$'000</i>	2000 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	43,606	25,945
Between 91 to 365 days	1,998	7,601
Over 1 year	166	–
	<u>45,770</u>	<u>33,546</u>

The amount of accounts receivable of the Group pledged as security for liabilities amounted to nil (2000: HK\$2,001,000) – note 21.

## 18. ACCOUNTS AND BILLS PAYABLE

The ages of the Group's accounts and bills payable are analysed as follows:

	<b>2001</b>	<b>Group</b>
	<i>HK\$'000</i>	2000 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	6,056	10,165
Between 91 to 365 days	164	1,020
Over 1 year	158	–
	<u>6,378</u>	<u>11,185</u>

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## 19. INTEREST-BEARING BANK BORROWINGS

	<b>2001</b>	<b>Group</b>
	<b>HK\$'000</b>	2000 <b>HK\$'000</b>
Bank overdrafts, secured	1,532	751
Trust receipt loans, secured	13,376	4,077
Bank loans, secured and repayable:		
Within one year	8,117	6,378
In the second year	187	387
	<u>23,212</u>	<u>11,593</u>
Portion classified as current liabilities	<u>(23,025)</u>	<u>(11,206)</u>
Non-current portion	<u>187</u>	<u>387</u>

## 20. OBLIGATIONS UNDER FINANCE LEASES

There were commitments under non-cancellable finance leases at the balance sheet date as follows:

	<b>2001</b>	<b>Group</b>
	<b>HK\$'000</b>	2000 <b>HK\$'000</b>
Amounts payable:		
Within one year	765	470
In the second year	528	215
In the third to fifth years, inclusive	158	25
	<u>1,451</u>	<u>710</u>
Total minimum lease payments	1,451	710
Future finance charges	(135)	(54)
	<u>1,316</u>	<u>656</u>
Total net finance lease payables	1,316	656
Portion classified as current liabilities	(754)	(445)
	<u>562</u>	<u>211</u>
Non-current portion	<u>562</u>	<u>211</u>

## 21. BANKING FACILITIES

At 31 March 2001, the Group's banking facilities were supported by the following:

- (a) fixed deposits of HK\$5,400,000 (2000: HK\$5,400,000) of certain wholly-owned subsidiaries of the Company;
- (b) investment properties, certain leasehold land and buildings and plant and machinery of the Group of HK\$42,372,000 (2000: HK\$40,405,000) (note 10); and
- (c) corporate guarantees from the Company and certain subsidiaries of the Company.



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## 21. BANKING FACILITIES (Cont'd)

The Group's accounts receivable and inventories of HK\$2,001,000 and HK\$6,466,000 as at 31 March 2000, respectively, which were pledged to secure the Group's banking facilities at 31 March 2000, were released during the year.

## 22. DEFERRED TAX

	<b>2001</b>	<b>Group</b>
	<b>HK\$'000</b>	2000
		<b>HK\$'000</b>
At beginning and end of year	<u>1,771</u>	<u>1,771</u>

The principal components of the Group's deferred tax liabilities provided for at the balance sheet date represent accelerated depreciation allowances.

The revaluation of the Group's leasehold land and buildings does not constitute timing differences and, consequently, the amount of potential deferred tax thereon has not been quantified.

Deferred tax has not been provided (2000: Nil) for the Company because it had no significant timing differences at the balance sheet date.

## 23. SHARE CAPITAL

### Shares

	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Authorised:		
900,000,000 ordinary shares of HK\$0.10 each	<u>90,000</u>	<u>90,000</u>
Issued and fully paid:		
242,807,500 ordinary shares of HK\$0.10 each	<u>24,281</u>	<u>24,281</u>

Movements in the issued and fully paid ordinary shares during the year ended 31 March 2000 were as follows:

	<b>Number of ordinary shares of HK\$0.10 each (in thousands)</b>	<b>Amount HK\$'000</b>
At 1 April 1999	<b>234,736</b>	23,474
Exercise of share options (see below)	<u>8,072</u>	<u>807</u>
At 31 March 2000, 1 April 2000 and 31 March 2001	<u><b>242,808</b></u>	<u>24,281</u>



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## 23. SHARE CAPITAL (Cont'd)

### Share options

Pursuant to the Company's share option scheme approved and adopted by the shareholders of the Company on 21 March 1995, the directors of the Company may, at their discretion, grant to directors or employees of the Group options to subscribe for shares in the capital of the Company. The subscription price is equal to the higher of the nominal value of the shares of the Company or 80% of the average of the closing prices per share of the Company on the Stock Exchange on the five trading days immediately preceding the date of the grant of the share options.

The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company.

Details of movements in share options during the year ended 31 March 2000 and the share options which remained outstanding as at 31 March 2000 and 2001 are as follows:

Exercise price per share	Exercise period	Date of share options granted	Number of share options (in thousands)			
			At 1 April 1999	Granted during the year ended 31 March 2000	Exercised during the year ended 31 March 2000	At 31 March 2000 and 2001
HK\$0.2608	6/10/1999-20/3/2005	6/10/1999	-	16,144	(8,072)	8,072
HK\$0.6464	27/1/2000-20/3/2005	27/1/2000	-	2,836	-	2,836
			-	18,980	(8,072)	10,908

During the year ended 31 March 2000, 8,072,000 fully paid shares of the Company were issued at a subscription price of HK\$0.2608 per share, upon the exercise of the share options, resulting in total cash proceeds to the Company, before expenses, of HK\$2,105,000.

The exercise in full of the outstanding 10,908,000 (2000: 10,908,000) share options at 31 March 2001 would, under the present capital structure of the Company, result in the issuance of 10,908,000 (2000: 10,908,000) additional shares for a total consideration, before expenses, of HK\$3,938,000 (2000: HK\$3,938,000).

No share options were granted/exercised during the year ended 31 March 2001.



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## 24. RESERVES

### Group

2000

	Share premium	Property revaluation reserve	Capital reserve	Reserve and enterprise expansion funds	Exchange fluctuation reserve	Investment reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year	24,964	29,269	2,454	8,490	(4,046)	1,792	75,130	138,053
Transfer to capital reserve	-	-	9,404	-	-	-	(9,404)	-
Transfer to reserve and enterprise expansion funds	-	-	-	490	-	-	(490)	-
Exercise of share options	1,298	-	-	-	-	-	-	1,298
On acquisition of a subsidiary	-	-	1,097	-	-	-	-	1,097
On acquisition of additional interests in subsidiaries	-	-	(30)	-	-	-	-	(30)
Released upon disposal of a jointly-controlled entity	-	-	-	-	-	(1,792)	-	(1,792)
Disposal of fixed assets	-	(1,098)	-	-	-	-	1,098	-
Reversal on impairment in value of fixed assets	-	(1,064)	-	-	-	-	1,064	-
Reduction of goodwill arising on acquisition of subsidiaries in prior years	-	-	28,430	-	-	-	-	28,430
Arising on consolidation of overseas subsidiaries	-	-	-	-	1,326	-	-	1,326
On disposal/partial disposal of subsidiaries	-	-	1,161	(529)	-	-	-	632
Net profit for the year	-	-	-	-	-	-	4,213	4,213
At 31 March 2000	<u>26,262</u>	<u>27,107</u>	<u>42,516</u>	<u>8,451</u>	<u>(2,720)</u>	<u>-</u>	<u>71,611</u>	<u>173,227</u>
Reserves retained by:								
Company and subsidiaries	26,262	27,107	42,516	8,451	(3,305)	-	72,585	173,616
Associate	-	-	-	-	-	-	(627)	(627)
Jointly-controlled entity	-	-	-	-	585	-	(347)	238
At 31 March 2000	<u>26,262</u>	<u>27,107</u>	<u>42,516</u>	<u>8,451</u>	<u>(2,720)</u>	<u>-</u>	<u>71,611</u>	<u>173,227</u>

During the year ended 31 March 2000, retained profits of a subsidiary of HK\$9,404,000 were capitalised as its additional paid-up capital, and this amount was therefore transferred to the capital reserve on consolidation.

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**24. RESERVES** (Cont'd)

**Group** (Cont'd)

**2000** (Cont'd)

On 2 April 1997, the Group acquired 95% of the issued share capital of Precision Group Limited ("PGL") for a total consideration of HK\$42,750,000 from certain former directors of the Company. The goodwill of HK\$34,078,000 arising from such acquisition was eliminated against reserves during the year ended 31 March 1998. In connection with the acquisition, these former directors of the Company warranted and guaranteed that, inter alia, the calculated profit of PGL and its subsidiaries (the "Precision Group") should not be less than the sum of HK\$45,000,000 ("Guaranteed Profit") for the three financial years ended 31 March 1999. The Precision Group failed to meet the Guaranteed Profit. On 22 September 1999, the Group announced that a deed of settlement and a deed of release and indemnity (collectively the "Settlement Deeds") had been executed. Under the Settlement Deeds, these former directors of the Company agreed to pay the Company HK\$29,500,000 in cash as full and final settlement of all claims and liabilities that any parties in connection with the acquisition shall have or may have against the other parties arising in respect of the acquisition or any of the ancillary agreements. The relevant expenses incurred were HK\$1,070,000. As a result, the compensation received, net of the relevant expenses incurred, of HK\$28,430,000 was accounted for during the year ended 31 March 2000 as a reduction in the consideration of the acquisition previously paid. In accordance with SSAP No. 2.107 "Group Accounts", the goodwill which arose at the time of the acquisition was adjusted accordingly.

**2001**

	Share premium <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Reserve and enterprise expansion funds <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At beginning of year	26,262	27,107	42,516	8,451	(2,720)	71,611	173,227
Transfer to reserve and enterprise expansion funds	-	-	-	433	-	(433)	-
Disposal of fixed assets	-	(947)	-	-	-	947	-
Arising on consolidation of overseas subsidiaries	-	-	-	-	322	-	322
Net profit for the year	-	-	-	-	-	4,330	4,330
<b>At 31 March 2001</b>	<b><u>26,262</u></b>	<b><u>26,160</u></b>	<b><u>42,516</u></b>	<b><u>8,884</u></b>	<b><u>(2,398)</u></b>	<b><u>76,455</u></b>	<b><u>177,879</u></b>
Reserves retained by:							
Company and subsidiaries	26,262	26,160	42,516	8,884	(2,983)	77,289	178,128
Associate	-	-	-	-	-	(627)	(627)
Jointly-controlled entity	-	-	-	-	585	(207)	378
<b>At 31 March 2001</b>	<b><u>26,262</u></b>	<b><u>26,160</u></b>	<b><u>42,516</u></b>	<b><u>8,884</u></b>	<b><u>(2,398)</u></b>	<b><u>76,455</u></b>	<b><u>177,879</u></b>



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## 24. RESERVES (Cont'd)

### Group (Cont'd)

#### 2001 (Cont'd)

In accordance with PRC regulations, all of the Group's subsidiaries in the PRC are required to transfer part of their profits after tax to the reserve and enterprise expansion funds, which are non-distributable, before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of directors of these companies in accordance with their joint venture agreements and/or articles of association.

#### Company

	<b>Share premium</b> <i>HK\$'000</i>	<b>Contributed surplus</b> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 1999	24,964	128,013	(14,924)	138,053
Exercise of share options	1,298	–	–	1,298
Net loss for the year	–	–	(3,807)	(3,807)
At 31 March 2000 and 1 April 2000	26,262	128,013	(18,731)	135,544
Net profit for the year	–	–	291	291
<b>At 31 March 2001</b>	<b><u>26,262</u></b>	<b><u>128,013</u></b>	<b><u>(18,440)</u></b>	<b><u>135,835</u></b>

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued shares of the companies being acquired and the value of net assets of the underlying companies acquired at the time of the Group's reorganisation in preparation for its listing in 1995. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of the contributed surplus in certain circumstances.



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**25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT**

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

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Profit from operating activities	<b>6,949</b>	9,302
Interest income	<b>(495)</b>	(355)
Dividend received	<b>(424)</b>	(1,128)
Depreciation of fixed assets	<b>11,848</b>	12,128
Provision for impairment in value of fixed assets	–	1,700
Deficit on revaluation of fixed assets	<b>400</b>	–
Amortisation of patents and trademarks	<b>198</b>	286
Write off of patents and trademarks	–	131
Gain on disposal/partial disposal of subsidiaries	–	(902)
Gain on disposal of interest in a jointly-controlled entity	<b>(942)</b>	(2,592)
Write back of provision for amount due from an associate	–	(1,353)
Write back of provision for amount due from a jointly-controlled entity	<b>(1,040)</b>	(147)
Loss/(gain) on disposal of fixed assets	<b>136</b>	(39)
Decrease/(increase) in accounts and bills receivable, prepayments, deposits and other receivables	<b>(4,777)</b>	4,477
Increase in inventories	<b>(4,858)</b>	(11,906)
Increase/(decrease) in accounts and bills payable, accrued liabilities and other payables	<b>(8,514)</b>	3,997
Decrease in balance with an associate	–	1,549
Decrease/(increase) in balances with jointly-controlled entities	<b>(190)</b>	726
Decrease in amount due to a related company	–	(362)
Net cash inflow/(outflow) from operating activities	<b><u>(1,709)</u></b>	<u>15,512</u>



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## 25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

### (b) Analysis of changes in financing during the years

	Share capital and share premium <i>HK\$'000</i>	Bank loans and obligations under finance leases <i>HK\$'000</i>	Minority interests and amounts due to minority shareholders <i>HK\$'000</i>	Pledge of bank deposits <i>HK\$'000</i>
Balance at 1 April 1999	48,438	21,325	10,502	(3,070)
Net cash inflow/(outflow) from financing	2,105	(14,646)	-	(2,330)
Arising on partial disposal of subsidiaries	-	-	(4,970)	-
Acquisition of a subsidiary	-	742	-	-
Acquisition of additional interests in subsidiaries	-	-	(370)	-
Dividend paid to minority shareholders of a subsidiary	-	-	(1,215)	-
Share of net profit	-	-	1,197	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2000 and 1 April 2000	50,543	7,421	5,144	(5,400)
Net cash inflow from financing	-	803	-	-
Inception of a finance lease	-	1,396	-	-
Dividend paid to minority shareholders of a subsidiary	-	-	(405)	-
Share of net profit	-	-	998	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2001</b>	<b><u>50,543</u></b>	<b><u>9,620</u></b>	<b><u>5,737</u></b>	<b><u>(5,400)</u></b>



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**25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)**

(c) **Acquisition of a subsidiary**

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Net assets acquired:		
Fixed assets	-	2,285
Bank balances	-	1
Other payables	-	(54)
Bank loans	-	(742)
	<u>-</u>	<u>1,490</u>
Capital reserve on acquisition	-	(1,097)
	<u>-</u>	<u>393</u>
Consideration	<u>-</u>	<u>393</u>
Satisfied by:		
Cash	<u>-</u>	<u>393</u>

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Cash consideration paid	-	393
Bank balances acquired	-	(1)
	<u>-</u>	<u>392</u>

The subsidiary acquired during the year ended 31 March 2000 made no significant contribution to the Group in respect of cash flows, turnover and contribution to the consolidated profit after tax and before minority interests for the year ended 31 March 2000.



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## 25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

### (d) Disposal/partial disposal of subsidiaries

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Net assets disposed of:		
Fixed assets	-	12,107
Cash and bank balances	-	2,224
Inventories	-	4,238
Accounts receivable, prepayments, deposits and other receivables	-	3,986
Due from jointly-controlled entities	-	840
Accounts payable, accrued liabilities and other payables	-	(12,087)
Due to minority shareholders of subsidiaries	-	(1,957)
Tax payable	-	(446)
Minority interests	-	(3,013)
	<hr/>	<hr/>
	-	5,892
Release of reserves arising on consolidation	-	632
Gain on disposal of subsidiaries	-	902
Transfer to investment in a jointly-controlled entity	-	(2,780)
	<hr/>	<hr/>
Consideration	-	4,646
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash consideration	-	3,650
Inventories	-	996
	<hr/>	<hr/>
	-	4,646
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries disposed of during the year ended 31 March 2000 contributed HK\$2,264,000 to the Group's net operating cash flows, utilised HK\$955,000 for investing activities and paid HK\$1,215,000 in respect of returns on investments and servicing of finance for the year ended 31 March 2000.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal/partial disposal of interests in subsidiaries is as follows:

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Cash consideration received	-	3,650
Cash and bank balances disposed of	-	(2,224)
	<hr/>	<hr/>
	-	1,426
	<hr/> <hr/>	<hr/> <hr/>

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**25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)**

(e) **Major non-cash transaction**

During the year, the Group entered into a finance lease arrangements in respect of fixed assets with a total capital value at the inception of the lease of HK\$1,396,000 (2000: Nil).

**26. CONTINGENT LIABILITIES**

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bills discounted with recourse	76	1,209	-	-
Guarantees provided for banking facilities and a finance lease utilised by certain subsidiaries	-	-	16,454	6,411
	<u>76</u>	<u>1,209</u>	<u>16,454</u>	<u>6,411</u>

**27. COMMITMENTS**

At 31 March 2001, the Group had the following commitments:

- (a) Annual commitments payable in the following year under non-cancellable operating leases for land and buildings expiring:

	2001 HK\$'000	2000 HK\$'000
Within one year	1,056	770
In the second to fifth years, inclusive	311	529
	<u>1,367</u>	<u>1,299</u>

- (b) The Group had contracted commitments of HK\$4,292,000 (2000: HK\$3,541,000) in respect of construction in progress in the PRC.

- (c) At 31 March 2000, the Group had a contracted commitment of HK\$6,000,000 in respect of an investment in a subsidiary in the PRC.

The Company had no significant commitments at the balance sheet date (2000: Nil).

**28. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on 26 July 2001.