



## 1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- design and manufacture of electrical appliances
- trading of other merchandise

In April 2000, the subsidiaries which carried out the activities of the distribution of films, television dramas and sports programmes became associates as a result of the Group's disposal of part of its investments. Accordingly, these activities ceased to be principal activities of the Group during the year.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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 periodic 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 have been eliminated on consolidation.

### **Subsidiaries**

A subsidiary is a company in which the Company, directly or indirectly, controls more than half 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 permanent diminution in values, when they are written down to values determined by the directors.



### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Associates**

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provision for diminution in values, other than those considered to be temporary in nature, deemed necessary by the directors. Goodwill arising from the acquisition of associates, which is not eliminated directly to reserves, is included as part of the Group's interests in associates.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are stated at cost less any provision for permanent diminution in values, other than those considered to be temporary in nature, deemed necessary by the directors.

#### **Capital reserve**

The capital reserve arising on the acquisition of associates represents the excess fair values ascribed to the Group's share of the underlying net assets acquired over the purchase consideration.

Upon the disposal of associates, the relevant portion of the capital reserve is released to the profit and loss account to arrive at the gain or loss on the sale of the investments.

#### **Goodwill**

Goodwill arising on the consolidation of subsidiaries and on the acquisition of associates represents the excess purchase consideration paid for such companies over the fair values ascribed to the net underlying assets at the date of acquisition and is eliminated against reserves in the year in which it arises.

Upon the disposal of subsidiaries or associates, the relevant portion of attributable goodwill previously eliminated against reserves is released to the profit and loss account to arrive at the gain or loss on the sale of the investments.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after 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 asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset 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 disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

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

Leasehold land and buildings	2% or over the lease terms if less than 50 years
Furniture and fixtures	20%
Machinery, engineering and other equipment	10%
Motor vehicles	10%
Moulds	10%

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



### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **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 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.

#### **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 assets 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 finance leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. The cost of work in progress and finished goods comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### **Film rights**

Film rights are stated at cost less amortisation and provision for obsolescence, where considered necessary by directors. Film rights are amortised to the profit and loss accounts in the proportion that actual income earned during the year bears to the total estimated aggregate income from the sale of film rights. In case of where the remaining balance of the film rights is less than the estimated future income, the balance is written down to its estimated net recoverable amount.

### **Deferred tax**

Deferred tax is provided, under the liability method, on all significant timing differences 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.

### **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 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.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Retirement benefits scheme**

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The Scheme became effective on 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 Scheme. The assets of the Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

### **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) rental income, on the time proportion basis over the lease terms; and
- (c) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

### **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.

### **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 balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.



### 3. RELATED PARTY TRANSACTIONS

In addition to the balances and transactions set out elsewhere in the notes to the financial statements, the Group had the following transactions with related parties during the year:

(a)

	<i>Notes</i>	<b>Group</b>	
		<b>2001</b>	<b>2000</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Gross rental received from an associate	(i)	<b>180</b>	240
Consultancy fees income received from associates	(ii)	<b>630</b>	600
Interest income received from an associate	(iii)	<b>703</b>	—
Interest expense paid to an associate	(iv)	<b>709</b>	—

*Notes:*

- (i) The rental income related to a property included in fixed assets which was rented to an associate for office premises. The monthly rental of HK\$20,000 (2000: HK\$20,000) was calculated by reference to open market rentals. The tenancy was terminated in January 2001.
  - (ii) The consultancy fees income related to the provision of management, accounting and financial services to associates which was determined based on an agreement between the parties concerned.
  - (iii) The interest income related to a unsecured loan of HK\$11,400,000 (2000: nil) granted to an associate during the year. Interest income was calculated based on 1% above the one-month Hong Kong Interbank Offered Rate ("HIBOR").
  - (iv) The interest expense related to an advance from an associate of HK\$20,990,000 (2000: nil) at the balance sheet date. Interest was calculated at a fixed rate of 3.425% per annum.
- (b) A director of the Company has given a guarantee, amounting to HK\$19,000,000 (2000: HK\$8,000,000), in favour of a bank in respect of banking facilities granted to the Group. These facilities were utilised to the extent of HK\$7,333,000 (2000: nil) as at 31 March 2001.



#### 4. TURNOVER

Turnover represents the invoiced value of goods sold, net of returns and allowances. In the prior year, turnover also represented the proceeds from the distribution of films, television dramas and sports programmes.

Revenue from the following activities has been included in turnover:

	Group	
	2001 HK\$'000	2000 HK\$'000
Sales of goods	205,174	208,730
Distribution of films, television dramas and sports programmes	—	52,773
	<u>205,174</u>	<u>261,503</u>

#### 5. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is determined after charging:

	Group	
	2001 HK\$'000	2000 HK\$'000
Cost of sales*	171,749	192,715
Depreciation:		
Owned assets	12,653	14,354
Leased assets	198	—
Loss on disposal of fixed assets, net	—	194
Deficit on revaluation of fixed assets	344	1,379
Deficit on revaluation of investment properties — note 13	80	650
Staff costs (excluding directors' remuneration — note 7):		
Wages and salaries	26,126	34,140
Pension scheme contributions	179	—
	<u>26,305</u>	<u>34,140</u>
Operating lease rentals on land and buildings	2,150	3,547
Auditors' remuneration	670	872
and after crediting:		
Gain on disposal of interests in subsidiaries	(33)	—
Gain on disposal of interests in associates	(12,537)	—
Exchange gains, net	(867)	(2,069)
Net rental income	(896)	(995)
Interest income	<u>(1,085)</u>	<u>(200)</u>

\* The cost of sales includes a write back of a provision for inventory obsolescence of HK\$105,000 (2000: provision of HK\$1,117,000).



**6. FINANCE COSTS**

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest on bank loan, overdrafts and other borrowings wholly repayable within five years	2,355	762
Interest on convertible note	1,089	2,800
Interest on finance leases	98	29
Total finance costs	<u>3,542</u>	<u>3,591</u>

**7. DIRECTORS' REMUNERATION**

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive directors	—	—
Independent non-executive directors	100	100
Executive directors' other emoluments:		
Basic salaries, commissions and benefits in kind	9,549	9,589
Pension scheme contributions	16	—
	<u>9,665</u>	<u>9,689</u>

**7. DIRECTORS' REMUNERATION** *(continued)*

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil — HK\$1,000,000	2	2
HK\$1,000,001 — HK\$1,500,000	1	1
HK\$2,000,001 — HK\$2,500,000	1	—
HK\$2,500,001 — HK\$3,000,000	1	2
HK\$3,000,001 — HK\$3,500,000	1	1
	<u>6</u>	<u>6</u>

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

**8. SIX HIGHEST PAID INDIVIDUALS**

The six highest paid individuals during the year included four (2000: four) directors, details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining two (2000: two) non-director, highest paid individuals are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Basic salaries, commissions and benefits in kind	1,191	1,191
Pension scheme contributions	8	—
	<u>1,199</u>	<u>1,191</u>

The remuneration of each of the two non-director, highest paid individuals was below HK\$1,000,000.

**9. TAX**

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the year. In the prior year, Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profits arising in Hong Kong.

Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Hong Kong	—	129
Elsewhere	—	221
Overprovision in the prior year	—	(2)
Deferred tax written back	(21)	(23)
	<u>          </u>	<u>          </u>
Tax charge/(credit) for the year	<u>          (21)</u>	<u>          325</u>

Deferred tax is provided under the liability method at the rate of 16% (2000: 16%) on the timing differences between taxable profits and profits reported in the financial statements.

The movements in deferred tax liabilities for the year are as follows:

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	136	159
Credit for the year	(21)	(23)
Disposal of subsidiaries	(83)	—
	<u>          </u>	<u>          </u>
At end of year	<u>          32</u>	<u>          136</u>

**9. TAX (continued)**

The principal components of the Group's provision for deferred tax, and the net deferred tax asset position not recognised in the financial statements are as follows:

	Provided		Not provided	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accelerated depreciation allowances	(31)	(135)	(1,559)	(1,039)
Tax losses	—	—	9,969	7,862
Other	(1)	(1)	(65)	(45)
	<u>(32)</u>	<u>(136)</u>	<u>8,345</u>	<u>6,778</u>

Revaluation surpluses arising on the valuation of the Group's leasehold land and buildings and investment properties do not constitute timing differences for tax purposes because the realisation of the surpluses would not be subject to tax. Consequently, no deferred tax provision in respect of these surpluses is necessary.

**10. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS**

The net loss attributable to shareholders dealt with in the financial statements of the Company amounted to HK\$22,915,000 (2000: HK\$21,932,000).

**11. LOSS PER SHARE**

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$23,651,000 (2000: HK\$16,126,000) and on the weighted average of 433,357,999 (2000: 370,160,913) ordinary shares in issue during the year.

No diluted loss per share for the years ended 31 March 2001 and 2000 is shown as the potential ordinary shares in issue had an anti-dilutive effect on the basic loss per share for these years.



12. FIXED ASSETS

Group	Leasehold land and buildings HK\$'000	Furniture and fixtures HK\$'000	Machinery, engineering and other equipment HK\$'000	Motor vehicles HK\$'000	Moulds HK\$'000	Total HK\$'000
Cost or valuation:						
At beginning of year	64,580	16,810	35,644	12,137	36,944	166,115
Additions	—	3,123	2,807	290	9,701	15,921
Disposal of subsidiaries	—	(6,090)	—	(637)	—	(6,727)
Written off	—	(2,803)	(700)	(101)	(1,223)	(4,827)
Revaluation deficit	(3,220)	—	—	—	—	(3,220)
At 31 March 2001	<u>61,360</u>	<u>11,040</u>	<u>37,751</u>	<u>11,689</u>	<u>45,422</u>	<u>167,262</u>
Accumulated depreciation:						
At beginning of year	—	7,831	21,555	7,101	16,591	53,078
Provided during the year	1,517	2,403	3,756	1,211	3,964	12,851
Disposal of subsidiaries	—	(1,840)	—	(331)	—	(2,171)
Written off	—	(2,803)	(700)	(101)	(1,223)	(4,827)
Written back on revaluation	(1,517)	—	—	—	—	(1,517)
At 31 March 2001	<u>—</u>	<u>5,591</u>	<u>24,611</u>	<u>7,880</u>	<u>19,332</u>	<u>57,414</u>
Net book value:						
At 31 March 2001	<u>61,360</u>	<u>5,449</u>	<u>13,140</u>	<u>3,809</u>	<u>26,090</u>	<u>109,848</u>
At 31 March 2000	<u>64,580</u>	<u>8,979</u>	<u>14,089</u>	<u>5,036</u>	<u>20,353</u>	<u>113,037</u>

The net book value of fixed assets held under finance leases included in the total amount of machinery, engineering and other equipment at 31 March 2001 amounted to HK\$1,366,000 (2000: nil).



## 12. FIXED ASSETS (continued)

An analysis of the Group's leasehold land and buildings, which are stated at professional valuation and held under medium term leases, is as follows:

	2001 HK\$'000	2000 HK\$'000
The People's Republic of China		
The Hong Kong SAR	17,360	18,580
The Elsewhere	44,000	46,000
	<u>61,360</u>	<u>64,580</u>

The Group's leasehold land and buildings were revalued individually at the balance sheet date by DTZ Debenham Tie Leung Limited, a firm of independent professional valuers, at an aggregate open market value of HK\$61,360,000 based on their existing use. Revaluation deficits of HK\$344,000 (2000: HK\$1,379,000) and HK\$1,359,000 (2000: HK\$5,210,000) have been charged to the profit and loss account and the property revaluation reserve as set out in notes 5 and 24, respectively.

Had the Group's leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK\$42,890,000 (2000: HK\$43,909,000).

At 31 March 2001, certain of the Group's leasehold land and buildings amounting to HK\$17,360,000 (2000: HK\$18,580,000) were pledged to secure general banking facilities granted to the Group (note 21).



## 13. INVESTMENT PROPERTIES

	Group	
	2001 HK\$'000	2000 HK\$'000
At beginning of year	3,420	4,070
Deficit on revaluation — note 5	(80)	(650)
At end of year	<u>3,340</u>	<u>3,420</u>

The investment properties are situated in Hong Kong and are held under medium term leases.

The Group's investment properties were revalued on 31 March 2001 at HK\$3,340,000 (2000: HK\$3,420,000) by DTZ Debenham Tie Leung Limited, a firm of independent professional valuers, on an open market value, existing use basis.

The gross rental income earned from the investment properties during the year amounted to HK\$444,000 (2000: HK\$480,000).

At 31 March 2001, all the Group's investment properties amounting to HK\$3,340,000 (2000: HK\$3,420,000) were pledged to secure general banking facilities granted to the Group (note 21).

## 14. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	69,333	69,392
Due from subsidiaries	148,902	175,760
	<u>218,235</u>	<u>245,152</u>
Provision for diminution in values	(85,501)	(47,501)
	<u>132,734</u>	<u>197,651</u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for the prior year's balance of HK\$40,000,000 which bore interest at 7% per annum.



14. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued shares/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Anex Electrical Company Limited ("AECL")	Hong Kong	HK\$9,000 ordinary shares HK\$3,000,000 non-voting deferred shares#	100	—	Sale of electrical appliances and property investment
Anex Industrial Corporation Limited	Hong Kong	HK\$500,000 ordinary shares	—	100	Property investment
Anco Industrial Company Limited	British Virgin Islands/ People's Republic of China	US\$100 ordinary shares	—	100	Manufacture of electrical appliances
Anex USA Products, Inc.*	United States of America	US\$10,000 ordinary shares	—	100	Sale of electrical appliances
Melwick (HK) Limited	Hong Kong	HK\$2 ordinary shares	100	—	Trading of merchandise
Tenham Investment (China) Limited	Hong Kong	HK\$8,380,000 ordinary shares	100	—	Dormant
Antec Appliances Limited (formerly known as Anex OEM Limited)	Hong Kong	HK\$2 ordinary shares	100	—	Dormant
Anson Industrial Limited	British Virgin Islands	US\$100 ordinary shares	—	100	Dormant





## 14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued shares/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Anco Industrial Company Limited	Hong Kong	HK\$10,000 ordinary shares	—	100	Dormant
Kaiser Finance Limited	Hong Kong	HK\$100 ordinary shares	100	—	Dormant
Anex Germany Products GmbH*	Republic of Germany	DM50,000 ordinary shares	—	95	Sale of electrical appliances
Anex Japan Corporation*	Japan	JPY10,000,000 ordinary shares	—	95	Sale of electrical appliances

# The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of AECL by virtue or in respect of their holdings of such non-voting deferred shares. The holders of non-voting deferred shares shall not be entitled to any participation in the profits or assets of AECL except a fixed non-cumulative dividend at the rate of 5 percent per annum for any financial year of AECL in respect of which the net profits of AECL are available for dividend exceed HK\$1,000,000,000. On winding up, the holders of the non-voting deferred shares shall be entitled, out of the surplus assets of AECL, to a return of the capital paid up on the non-voting deferred shares held by them respectively after a total sum of HK\$100,000,000,000 has been distributed in such winding up in respect of each of the ordinary shares of AECL.

\* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.



15. INTERESTS IN ASSOCIATES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	—	—	5	—
Share of net assets	16,021	18,028	—	—
Due from associates	485	235	21,475	20,275
Loan to an associate	11,400	—	11,400	—
	<u>27,906</u>	<u>18,263</u>	<u>32,880</u>	<u>20,275</u>

The balances with associates are unsecured, interest-free and have no fixed terms of repayment, except for an amount of HK\$20,990,000 (2000: nil) due to an associate which bears interest at 3.425% per annum and a loan of HK\$11,400,000 to an associate which bears interest at 1% above the one-month HIBOR.

Particulars of the principal associates are as follows:

Name	Business Structure	Place of incorporation and operations	Percentage of equity interest attributable to the Group	Principal activities
Ancen Properties Limited	Corporate	Hong Kong	40	Real estate development
Cosmedia Limited	Corporate	Hong Kong	29	Media distribution
Cosmedia Group Co. Limited	Corporate	British Virgin Islands	29	Investment holding

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



15. INTERESTS IN ASSOCIATES (continued)

Extracts of the financial statements of the Group's material associates are as follows:

	Ancen Properties Limited		Cosmedia Group Co. Limited		Cosmedia Limited	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Consolidated profit and loss accounts</b>						
Turnover	7,245	3,147	1,145	—	21,752	—
Profit/(loss) attributable to shareholders	<u>(138)</u>	<u>526</u>	<u>(14,185)</u>	<u>—</u>	<u>(7,895)</u>	<u>—</u>
<b>Consolidated balance sheets</b>						
Non-current assets	26,300	23,021	3,181	—	8,559	—
Current assets*	93,822	96,677	26,135	—	24,736	—
Current liabilities	(17,176)	(17,702)	(37,253)	—	(24,936)	—
Non-current liabilities	<u>(58,013)</u>	<u>(56,925)</u>	<u>—</u>	<u>—</u>	<u>(32,994)</u>	<u>—</u>

\* A time deposit and certain cash and bank balances of Ancen Properties Limited and its subsidiaries ("Ancen Group") amounting to HK\$1,213,000 as at 31 March 2001 (2000: HK\$1,176,000) were pledged to certain banks as security for its obligation under a buy-back undertaking entered into between Ancen Group and these banks. Under this buy-back undertaking, Ancen Group may be obliged to buy back a property in the event of any defaults by the initial mortgagors (who are unrelated to the Group) or in the event of non-issuance of the property ownership certificate. As at 31 March 2001, the outstanding mortgage balances granted by the banks were HK\$2,435,000 (2000: HK\$1,677,000).

16. INVENTORIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	27,260	32,926
Work in progress	11,323	14,779
Finished goods	<u>15,853</u>	<u>14,232</u>
	<u>54,436</u>	<u>61,937</u>



## 17. 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 between 30 to 60 days after issuance, except for certain well-established customers, where the terms are extended to 90 days.

The ageing analysis of the Group's accounts receivable is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
0 - 30 days	12,927	26,044
31 - 60 days	2,622	5,469
61 - 90 days	218	2,814
More than 90 days	2,579	3,170
	<u>18,346</u>	<u>37,497</u>

## 18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	9,577	16,956	88	184
Time deposits	—	14,700	—	8,000
	<u>9,577</u>	<u>31,656</u>	<u>88</u>	<u>8,184</u>

**19. ACCOUNTS PAYABLE**

The ageing analysis of the Group's accounts payable is as follows:

	Group	
	2001	2000
	HK\$ '000	HK\$ '000
0 - 30 days	8,762	14,613
31 - 60 days	5,343	4,705
61 - 90 days	2,992	7,405
More than 90 days	14,399	7,710
	<u>31,496</u>	<u>34,433</u>

**20. INTEREST BEARING BANK LOAN AND FINANCE LEASES PAYABLE**

	Notes	Group	
		2001	2000
		HK\$ '000	HK\$ '000
Current portion of bank loan, secured	21	1,500	—
Current portion of finance leases payable	22	488	—
		<u>1,988</u>	<u>—</u>

**21. INTEREST BEARING BANK LOAN AND OTHER BORROWINGS**

	Group	
	2001	2000
	HK\$ '000	HK\$ '000
Bank loan, secured	3,875	—
Other borrowings, unsecured	18,600	—
	<u>22,475</u>	<u>—</u>



## 21. INTEREST BEARING BANK LOAN AND OTHER BORROWINGS (continued)

	Group	
	2001	2000
	HK\$'000	HK\$'000
Bank loan repayable:		
Within one year	1,500	—
In the second year	1,500	—
In the third to fifth years, inclusive	875	—
	<u>3,875</u>	<u>—</u>
Other borrowings repayable:		
In the second year	18,600	—
	<u>22,475</u>	<u>—</u>
Portions classified as current liabilities — note 20	<u>(1,500)</u>	<u>—</u>
Long term portion	<u><u>20,975</u></u>	<u><u>—</u></u>

(a) The Group's bank loan is secured by:

- (i) Mortgages over the Group's investment properties situated in Hong Kong which have an aggregate carrying value at the balance sheet date of approximately HK\$3,340,000.
- (ii) Mortgages over certain of the Group's leasehold land and buildings which have an aggregate net book value at the balance sheet date of approximately HK\$17,360,000.

(b) The other borrowings are unsecured and bear interest at rates ranging from 7.75% to 10% per annum.



## 22. FINANCE LEASES PAYABLE

There were obligations under finance leases at the balance sheet date as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Amounts repayable:		
Within one year	538	—
In the second to fifth years, inclusive	293	—
Total minimum finance lease payments	831	—
Future finance charges	(58)	—
Total net finance leases payable	773	—
Portion classified as current liabilities — note 20	(488)	—
Long term portion	285	—

## 23. SHARE CAPITAL

### Shares

	Company	
	2001 HK\$'000	2000 HK\$'000
Authorised:		
800,000,000 (2000: 600,000,000) ordinary shares of HK\$0.10 each	80,000	60,000
Issued and fully paid:		
457,524,848 (2000: 427,824,848) ordinary shares of HK\$0.10 each	45,752	42,782



### 23. SHARE CAPITAL *(continued)*

#### Share capital

Pursuant to an ordinary resolution passed on 29 September 2000, the authorised share capital of the Company increased from HK\$60,000,000 to HK\$80,000,000 by the creation of 200,000,000 additional shares of HK\$0.10 each, ranking *pari passu* in all respects with the existing share capital of the Company.

#### Share options

The Company has a share option scheme under which the directors may grant options to employees or the directors during such periods as may be determined by the directors (which shall be less than ten years from the date of issue of the relevant option) to subscribe for shares of the Company. The maximum number of shares which can be granted under the scheme may not exceed 10% of the issued share capital of the Company from time to time, excluding any shares issued pursuant to the exercise of options granted under the scheme.

During the year, 29,700,000 options were exercised at a total consideration of HK\$2,970,000.

At the balance sheet date, the Company had outstanding share options of 9,390,000 (2000: 39,090,000) at an exercise price of HK\$0.40 entitling the holders to subscribe in cash at any time during the period of three years from 1 February 2000. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 9,390,000 shares of HK\$0.40 each at a consideration of approximately HK\$3,756,000.





24. RESERVES

	Share premium account HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
<b>Group</b>						
At 1 April 1999	85,836	2,789	32,565	(92)	27,736	148,834
Issue of shares, net of expenses	18,112	—	—	—	—	18,112
Deficit on revaluation	—	—	(5,210)	—	—	(5,210)
Release on disposal	—	—	(212)	—	212	—
Loss for the year	—	—	—	—	(16,126)	(16,126)
Exchange realignments	—	—	—	22	—	22
At 31 March 2000 and beginning of year	103,948	2,789	27,143	(70)	11,822	145,632
Deficit on revaluation	—	—	(1,359)	—	—	(1,359)
Loss for the year	—	—	—	—	(23,651)	(23,651)
Exchange realignments	—	—	—	(102)	—	(102)
At 31 March 2001	<u>103,948</u>	<u>2,789</u>	<u>25,784</u>	<u>(172)</u>	<u>(11,829)</u>	<u>120,520</u>
Reserves retained by:						
Company and subsidiaries	103,948	2,789	25,784	(172)	(27,845)	104,504
Associates	—	—	—	—	16,016	16,016
At 31 March 2001	<u>103,948</u>	<u>2,789</u>	<u>25,784</u>	<u>(172)</u>	<u>(11,829)</u>	<u>120,520</u>
Company and subsidiaries	103,948	2,789	27,143	(70)	(6,206)	127,604
Associates	—	—	—	—	18,028	18,028
At 31 March 2000	<u>103,948</u>	<u>2,789</u>	<u>27,143</u>	<u>(70)</u>	<u>11,822</u>	<u>145,632</u>



## 24. RESERVES (continued)

	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Total HK\$'000
<b>Company</b>				
At 1 April 1999	85,836	60,733	585	147,154
Issue of shares, net of expenses	18,112	—	—	18,112
Loss for the year	—	—	(21,932)	(21,932)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000 and beginning of year	103,948	60,733	(21,347)	143,334
Loss for the year	—	—	(22,915)	(22,915)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	<u>103,948</u>	<u>60,733</u>	<u>(44,262)</u>	<u>120,419</u>

The contributed surplus of the Company represents the excess of the fair values of the shares of the subsidiaries acquired pursuant to the Group reorganisation in June 1991 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

**25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT****(a) Reconciliation of loss from operating activities to net cash inflow from operating activities**

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from operating activities	(13,070)	(7,391)
Interest income	(1,085)	(200)
Depreciation	12,851	14,354
Loss on disposal of fixed assets	—	194
Gain on disposal of interests in subsidiaries	(33)	—
Gain on disposal of interest in a subsidiary	—	(7)
Gain on disposal of interests in associates	(12,537)	—
Provision for/(written back on) inventory obsolescence	(105)	1,117
Deficit on revaluation of fixed assets	344	1,379
Deficit on revaluation of investment properties	80	650
Decrease/(increase) in accounts receivable	15,483	(8,781)
Decrease/(increase) in prepayments, deposits and other accounts receivable	1,841	(4,198)
Decrease in inventories	7,606	820
Decrease in film rights	—	7,539
Decrease in trust receipt loans	—	(2,555)
Increase in amounts due from associates	(250)	—
Increase/(decrease) in accounts payable	(2,399)	31,806
Increase/(decrease) in other accounts payable and accruals	7,747	(27,672)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b><u>16,473</u></b>	<b><u>7,055</u></b>



## 25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

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

	Share capital (including premium) HK\$'000	Bank loan and other borrowings HK\$'000	Finance lease obligations HK\$'000	Minority interests HK\$'000
Balance at 1 April 1999	121,618	43,500	722	2,513
Cash inflow/(outflow) from financing activities, net	25,112	(3,500)	(722)	—
Minority share of profit for the year	—	—	—	5,029
Minority share of exchange fluctuation	—	—	—	1
Acquisition of additional interest in a subsidiary	—	—	—	3
Loss on acquisition of additional interest by a minority shareholder	—	—	—	(7)
Balance at 31 March 2000 and at beginning of year	146,730	40,000	—	7,539
Cash inflow/(outflow) from financing activities, net	2,970	(17,525)	(731)	—
Inception of finance lease contracts	—	—	1,504	—
Minority share of loss for the year	—	—	—	(3)
Minority share of exchange fluctuation	—	—	—	(2)
Disposal of subsidiaries	—	—	—	(7,510)
Balance at 31 March 2001	<u>149,700</u>	<u>22,475</u>	<u>773</u>	<u>24</u>

## (c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK\$1,504,000.



## 25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

## (d) Disposal of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Fixed assets	4,556	—
Film rights	2,778	—
Accounts receivable	3,668	—
Prepayments, deposits and other accounts receivable	11,006	—
Cash and bank balances	9,119	—
Accounts payable	(538)	—
Other accounts payable and accruals	(14,141)	—
Tax payable	(1,029)	—
Deferred tax	(83)	—
Minority interests	9	—
	<u>15,345</u>	<u>—</u>
Minority interests	(7,519)	—
Reclassification to interests in associates	(7,519)	—
Gain on disposal of subsidiaries	33	—
	<u>340</u>	<u>—</u>
Satisfied by:		
Cash	<u>340</u>	<u>—</u>
Analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries:		
	2001 HK\$'000	2000 HK\$'000
Cash consideration	340	—
Cash and bank balances of disposed subsidiaries	(9,119)	—
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>(8,779)</u>	<u>—</u>

The subsidiaries disposed of during the year had no significant impact on the Group's cash flows. The results of the subsidiaries disposed of during the year had no significant impact on the consolidated turnover and the consolidated loss before minority interests for the year.



## 26. OPERATING LEASE COMMITMENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Annual commitments payable in the following year under non-cancellable operating leases for land and buildings expiring:		
Within one year	—	153
In the second to fifth years, inclusive	<u>1,357</u>	<u>1,586</u>
	<u>1,357</u>	<u>1,739</u>

## 27. CAPITAL COMMITMENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Authorised and contracted for	<u>239</u>	<u>750</u>

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

**28. CONTINGENT LIABILITIES**

Contingent liabilities not provided for in the financial statements at the balance sheet date were as follows:

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Bills discounted with recourse	<u>1,495</u>	<u>—</u>	<u>—</u>	<u>—</u>
Guarantees given to a bank for facilities granted to subsidiaries	<u>—</u>	<u>—</u>	<u>19,000</u>	<u>—</u>

As at 31 March 2001, the guarantees given to a bank in connection with facilities granted to subsidiaries by the Company were utilised to the extent of HK\$7,333,000 (2000: nil).

**29. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on 25 July 2001.