

# Notes to Financial Statements

31 March 2001

## 1. FUNDAMENTAL ACCOUNTING CONCEPT

As the Group sustained a consolidated net loss of HK\$171,091,000 for the year ended 31 March 2001, the directors have been in negotiation with the Group's major bankers with a view to renew the existing banking facilities granted to the Group by these banks. Although no bank has indicated to the directors that the Group's existing banking facilities will not be renewed, the Group has received no written confirmation of renewal from the banks as of the date on which these financial statements were approved. Should the Group be unable to renew its existing banking facilities and continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current.

## 2. CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Corporate information

The registered office of Great Wall Cybertech Limited is located at Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda. During the year, the Group was involved in the manufacture and sale of consumer electronic products.

### 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 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 the 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.

### Subsidiaries

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

### Associates

An associate is a company, not being a subsidiary, 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 the 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 provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors. Goodwill arising from the acquisition of associates is eliminated directly to reserves in the year of acquisition.

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 provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

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### 2. CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Goodwill on consolidation

Goodwill arising on the consolidation of subsidiaries and on the acquisition of associates represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. On disposal of subsidiaries or associates, the relevant portion of attributable goodwill previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

#### Property development projects

Property development projects are stated at cost, which comprises the cost of land, development expenditure and financial expenses, less provisions for any diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

#### Fixed assets

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 the fixed assets have been put into operation, such as repairs and maintenance costs, 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 profits as a movement in reserves.

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:

Land	Over the unexpired lease terms
Buildings	2% - 4%
Plant and machinery	10% - 33 $\frac{1}{3}$ %
Moulds	20% - 30%
Furniture, fixtures and equipment	20% - 33 $\frac{1}{3}$ %
Motor vehicles and vessels	12 $\frac{1}{2}$ % - 33 $\frac{1}{3}$ %

Freehold land is not depreciated. No depreciation is provided on properties under development until they are completed and put into use.

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.

#### 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 leased 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 their expected useful lives or, where it is shorter, the terms of the lease on the same basis as owned fixed 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. Rental expenses/income 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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### 2. CORPORATE INFORMATION AND 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 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 estimated selling prices less any further costs expected to be incurred to completion and disposal.

#### **Deferred tax**

Deferred tax is provided, using 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.

#### **Deferred development expenditure**

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 commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

#### **Trademark**

The trademark is held on a long term basis and is stated at cost less accumulated amortisation and provision for any diminutions in value, other than those considered to be temporary in nature, deemed necessary by the directors.

The trademark is amortised using the straight-line basis over the estimated commercial life of fifteen years.

#### **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.

#### **Retirement benefits scheme**

The Group operates defined contribution retirement benefits schemes under the Mandatory Provident Fund Schemes Ordinance for its employees who are eligible to participate. 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 schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the Mandatory Provident Fund Exempted ORSO retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. In respect of the Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme"), the Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

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### 2. CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 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) from the rendering of services, as the underlying services are provided;
- (c) rental income, on a time proportion basis over the lease terms; and
- (d) 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 and 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. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold during the year, after allowances for returns and trade discounts.

An analysis of turnover and revenue is as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover:		
Sale of consumer electronic products	2,605,785	3,039,292
Other revenue:		
Interest income	6,814	9,840
Net rental income	1,545	45
Management fee income	4,016	1,152
Gain on disposal of fixed assets, net	101	16
Others	1,623	1,063
	<u>14,099</u>	<u>12,116</u>
Total revenue	<u><u>2,619,884</u></u>	<u><u>3,051,408</u></u>

## Notes to Financial Statements

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### 4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Depreciation:		
Owned fixed assets	63,523	68,465
Leased fixed assets	7,680	9,855
Operating lease rentals in respect of land and buildings	1,213	3,676
Auditors' remuneration	2,502	2,327
Amortisation and write off of intangible assets	1,714	4,345
Gain on disposals of fixed assets, net	(101)	(16)
Provision for interests in property development projects	7,642	—
Staff costs, including directors' remuneration detailed in note 6:		
Wages and salaries	167,851	192,097
Pension contributions*	1,598	1,534
	<u>169,449</u>	<u>193,631</u>
Provisions for trade receivables from associates	<u>73,000</u>	<u>5,000</u>

\* At 31 March 2001, there were no forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years (2000: Nil).

### 5. FINANCE COSTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	46,086	35,617
Finance leases	2,944	3,344
	<u>49,030</u>	<u>38,961</u>

## Notes to Financial Statements

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### 6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules of The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance is as follows:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors:		
Fees	—	—
Salaries, allowances and benefits in kind	8,675	9,078
Bonuses	623	2,052
Pension costs	784	658
	<u>10,082</u>	<u>11,788</u>
Independent non-executive directors:		
Fees	360	250
Salaries and allowances	—	—
	<u>360</u>	<u>250</u>
	<u><u>10,442</u></u>	<u><u>12,038</u></u>

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil - HK\$1,000,000	4	5
HK\$1,000,001 - HK\$1,500,000	2	—
HK\$2,000,001 - HK\$2,500,000	—	3
HK\$2,500,001 - HK\$3,000,000	1	—
HK\$3,000,001 - HK\$3,500,000	1	1
	<u>8</u>	<u>9</u>

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

### 7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2000: Four) executive directors of the Company, details of whose remuneration are set out in note 6 above. Details of the remuneration of the remaining one non-director, highest paid employee in 2000 are as follows:

	Group
	2000
	<i>HK\$'000</i>
Salaries and allowances	1,040
Pension costs	15
	<u>1,055</u>

## Notes to Financial Statements

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### 8. TAX

	Group	
	2001	2000
	HK\$'000	HK\$'000
Company and subsidiaries:		
Current year provision — Hong Kong and the PRC	795	8,578
Prior year overprovision	—	(1,802)
Deferred tax (note 26)	—	(2,664)
	<u>795</u>	<u>4,112</u>
Associates:		
Prior year overprovision	—	(368)
Tax charge for the year	<u>795</u>	<u>3,744</u>

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

### 9. NET PROFIT/(LOSS) 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\$1,657,000 (2000: HK\$159,670,000).

### 10. DIVIDENDS

	Group and Company	
	2001	2000
	HK\$'000	HK\$'000
Interim dividend — HK0.5 cent (2000: HK1.0 cent) per ordinary share	8,159	13,583
Proposed final dividend — Nil (2000: HK1.0 cent) per ordinary share	—	16,318
	<u>8,159</u>	<u>29,901</u>

### 11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK\$171,091,000 (2000: Profit of HK\$85,054,000) and the weighted average number of 1,629,599,804 (2000: 1,377,128,224) ordinary shares in issue during the year.

The diluted earnings/(loss) per share for the years ended 31 March 2001 and 2000 have not been shown as the effect of the dilutive potential ordinary shares for those years was anti-dilutive.

## Notes to Financial Statements

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### 12. FIXED ASSETS

#### Group

	*Land and buildings HK\$'000	Properties under development HK\$'000	Plant and machinery HK\$'000	Moulds HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and vessels HK\$'000	Total HK\$'000
Cost or valuation:							
At beginning of year	593,266	2,818	366,218	116,547	58,596	17,616	1,155,061
Additions	66,164	1,275	10,152	18,740	9,815	2,787	108,933
Reclassifications	2,588	(2,588)	—	—	—	—	—
Disposals	—	—	(486)	(327)	(557)	(92)	(1,462)
Exchange realignment	(1,001)	—	(1,204)	—	(245)	(372)	(2,822)
At 31 March 2001	<u>661,017</u>	<u>1,505</u>	<u>374,680</u>	<u>134,960</u>	<u>67,609</u>	<u>19,939</u>	<u>1,259,710</u>
Accumulated depreciation:							
At beginning of year	80,952	—	220,292	74,183	47,381	8,638	431,446
Provided during the year	14,421	—	34,217	15,551	4,868	2,146	71,203
Disposals	—	—	(353)	(15)	(349)	(4)	(721)
Exchange realignment	(284)	—	(1,000)	—	(210)	(338)	(1,832)
At 31 March 2001	<u>95,089</u>	<u>—</u>	<u>253,156</u>	<u>89,719</u>	<u>51,690</u>	<u>10,442</u>	<u>500,096</u>
Net book value:							
At 31 March 2001	<u>565,928</u>	<u>1,505</u>	<u>121,524</u>	<u>45,241</u>	<u>15,919</u>	<u>9,497</u>	<u>759,614</u>
At 31 March 2000	<u>512,314</u>	<u>2,818</u>	<u>145,926</u>	<u>42,364</u>	<u>11,215</u>	<u>8,978</u>	<u>723,615</u>
Analysis of cost and valuation:							
At cost	329,517	1,505	374,680	134,960	67,609	19,939	928,210
At valuation	331,500	—	—	—	—	—	331,500
	<u>661,017</u>	<u>1,505</u>	<u>374,680</u>	<u>134,960</u>	<u>67,609</u>	<u>19,939</u>	<u>1,259,710</u>

\* The titles to certain land and buildings of net book value of HK\$92,463,971 (2000: HK\$18,475,916) were not registered in the Group's name. The Group has submitted applications to the relevant authority in the PRC to have the titles of such land and buildings to be registered in the Group's name. As at 31 March 2001, approvals of such applications have yet to be finalized.

Certain of the Group's land and buildings and properties under development situated outside Hong Kong were revalued on 31 March 1995 by Brooke Hillier Parker, independent professional qualified valuers, at HK\$331,500,000, being their open market value based on their existing use. No valuations have been carried out subsequently because the Group has adopted the transitional provisions of Statement of Standard Accounting Practice No. 17 "Property, Plant and Equipment" issued in September 1995, of not making regular future revaluations by the class of those assets stated at revalued amounts at that date. Had such land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK\$197,277,000 (2000: HK\$199,140,000).

Certain properties of the Group with net book values of HK\$315,170,000 (2000: HK\$298,986,000) and HK\$4,379,000 (2000: HK\$4,429,000) are pledged to secure the Group's and an associate's borrowings, respectively (note 24).



## Notes to Financial Statements

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### 12. FIXED ASSETS (Continued)

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Leasehold land and buildings held under:		
Long term leases in Hong Kong	78,168	77,948
Medium term leases outside Hong Kong	555,877	487,345
Freehold properties outside Hong Kong	26,972	27,973
	<u>661,017</u>	<u>593,266</u>

The properties under development of the Group at the balance sheet date were held under medium term leases outside Hong Kong.

The net book value of assets held under finance leases included in the total amount of fixed assets at 31 March 2001 amounted to HK\$48,337,000 (2000: HK\$57,105,000).

### 13. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	9,246	5,001
Amounts due from subsidiaries	1,110,499	1,211,131
	<u>1,119,745</u>	<u>1,216,132</u>

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

Particulars of the principal subsidiaries are set out in note 32 to the financial statements.

The consolidated financial statements include 100% of the results of certain partially-owned subsidiaries in the PRC, reflecting the substance of agreements reached with the minority shareholders of these subsidiaries. In return for the payment of a fixed annual fee, the minority shareholders have foregone their rights to participate in the results of the companies for certain agreed periods and are entitled only to a return of capital invested upon termination of the agreements. Such agreements operate for a fixed period, but are extendable by mutual agreement of the parties.

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### 14. INTANGIBLE ASSETS

	Trademark <i>HK\$'000</i>	Group Deferred development expenditure <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost:</b>			
At beginning of year	11,377	1,542	12,919
Exchange realignment	—	(54)	(54)
	<u>11,377</u>	<u>1,488</u>	<u>12,865</u>
At 31 March 2001	11,377	1,488	12,865
<b>Accumulated amortisation:</b>			
At beginning of year	305	514	819
Provided during the year	1,218	496	1,714
Exchange realignment	—	(18)	(18)
	<u>1,523</u>	<u>992</u>	<u>2,515</u>
At 31 March 2001	1,523	992	2,515
<b>Net book value:</b>			
At 31 March 2001	<u>9,854</u>	<u>496</u>	<u>10,350</u>
At 31 March 2000	<u>11,072</u>	<u>1,028</u>	<u>12,100</u>

### 15. INTERESTS IN ASSOCIATES

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Share of net assets other than goodwill	135,622	139,264
Loans to associates	<u>18,420</u>	<u>38,894</u>
	<u>154,042</u>	<u>178,158</u>

The Group's share of the post-acquisition accumulated losses of its associates at 31 March 2001 was HK\$18,288,000 (2000: Post-acquisition retained profits of HK\$8,945,000).

Particulars of the principal associates are set out in note 32 to the financial statements.

The loan made to an associate was interest-free during the year. For the year ended 31 March 2000, the loans made to associates were interest-bearing at Hong Kong prime rate plus 1.0% per annum.

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### 15. INTERESTS IN ASSOCIATES (Continued)

The financial information of Qingyuan Rowa Electronics Company Limited, the Group's major associate, for the years ended 31 March 2001 and 2000 are summarized below:

	2001 HK\$'000	2000 HK\$'000
Non-current assets	281,413	247,780
Current assets	1,139,327	791,075
Current liabilities	(1,267,979)	(869,762)
Long term liabilities	<u>(13,953)</u>	<u>(13,953)</u>
Net assets	<u>138,808</u>	<u>155,140</u>
Turnover	841,761	1,108,265
Loss before tax	<u>(16,332)</u>	<u>(19,949)</u>
The Group's attributable share of 50% loss	<u>(8,166)</u>	<u>(9,975)</u>

### 16. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	467,333	470,727
Work in progress	56,025	100,273
Finished goods	<u>239,283</u>	<u>292,267</u>
	<u>762,641</u>	<u>863,267</u>

The amount of inventories carried at net realisable value included in the above is HK\$76,475,000 (2000: HK\$15,988,000).

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### 17. TRADE AND BILLS RECEIVABLES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Trade receivables	77,529	81,729
Bills receivable	59,732	53,927
	<u>137,261</u>	<u>135,656</u>

The age analysis of trade and bills receivables is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Aged:		
Within 30 days	101,193	113,338
Between 31 days and 60 days	5,989	5,411
Between 61 days and 90 days	5,421	7,753
Between 91 days and 120 days	10,292	2,357
Over 120 days	14,366	6,797
	<u>137,261</u>	<u>135,656</u>

### 18. TRADE RECEIVABLES FROM AND PAYABLES TO ASSOCIATES

The age analysis of trade receivables from associates is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Aged:		
Within 30 days	103,097	87,534
Between 31 days and 60 days	96,086	72,094
Between 61 days and 90 days	73,907	205,388
Between 91 days and 120 days	136,234	2,588
Over 120 days	304,412	45
	<u>713,736</u>	<u>367,649</u>

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### 18. TRADE RECEIVABLES FROM AND PAYABLES TO ASSOCIATES (Continued)

The age analysis of trade payables to associates is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Aged:		
Within 30 days	4,702	54,934
Between 31 days and 60 days	2,666	119
Between 61 days and 90 days	4,618	—
Between 91 days and 120 days	2,652	—
Over 120 days	133	73
	<u>14,771</u>	<u>55,126</u>

The balances with associates are unsecured and interest-free.

### 19. PLEDGED BANK DEPOSITS

These bank deposits are pledged to certain financial institutions in the PRC to secure endorsable bill facilities utilised by the Group.

### 20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	124,681	235,241	287	390
Time deposits	<u>63,011</u>	<u>105,057</u>	<u>—</u>	<u>—</u>
	<u>187,692</u>	<u>340,298</u>	<u>287</u>	<u>390</u>

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### 21. TRADE AND BILLS PAYABLES

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Trade payables	216,928	181,274
Bills payable	331,733	291,099
	<u>548,661</u>	<u>472,373</u>

The age analysis of trade and bills payables is as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Aged:		
Within 30 days	232,388	183,919
Between 31 days and 60 days	72,517	46,087
Between 61 days and 90 days	42,896	20,985
Between 91 days and 120 days	87,800	70,333
Over 120 days	113,060	151,049
	<u>548,661</u>	<u>472,373</u>

### 22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Accrued liabilities	188,424	144,371	1,325	2,744
Other payable	93,023	—	—	—
Dividend payable	—	16,318	—	16,318
	<u>281,447</u>	<u>160,689</u>	<u>1,325</u>	<u>19,062</u>

Included in accrued liabilities is a provision of HK\$11,000,000 for certain customs claims in respect of an overseas subsidiary. The final assessment in respect thereof has not been obtained as at the date of approval of these financial statements (note 30(c)).

The other payable represents an amount paid by an independent third party intended to be the capital contribution to a subsidiary of the Group. As at the balance sheet date, the capital verification process is still in progress.

## Notes to Financial Statements

31 March 2001

### 23. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		Group	
		2001	2000
	Notes	HK\$'000	HK\$'000
Bank overdrafts	24	294	1,677
Trust receipt loans	24	138,728	226,177
Current portion of bank loans	24	531,502	365,602
Current portion of finance lease payables	25	10,122	11,555
		<u>680,646</u>	<u>605,011</u>

### 24. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

		Group	
		2001	2000
		HK\$'000	HK\$'000
Bank overdrafts		294	1,677
Bank loans:			
Secured		352,090	436,429
Unsecured		331,163	168,373
		<u>683,547</u>	<u>606,479</u>

		Group	
		2001	2000
		HK\$'000	HK\$'000
Bank overdrafts		294	1,677
Bank loans repayable:			
Within one year or on demand		670,230	591,779
In the second year		13,023	13,023
		<u>683,547</u>	<u>606,479</u>
Less: Amounts shown under current liabilities		<u>(670,524)</u>	<u>(593,456)</u>
Long term portion		<u>13,023</u>	<u>13,023</u>

The Group's secured bank loans are secured by the pledge of certain properties of the Group (note 12) and/or are guaranteed by the Company and certain subsidiaries.

Pursuant to certain bank loan agreements, the Group has to comply with certain financial covenants.

## Notes to Financial Statements

31 March 2001

### 25. FINANCE LEASE PAYABLES

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Amounts payable:		
Within one year	12,224	14,398
In the second year	8,569	11,067
In the third to fifth years, inclusive	10,735	14,773
After five years	5,406	8,562
	<hr/>	<hr/>
Total minimum lease payments	36,934	48,800
	<hr/>	<hr/>
Future finance charges	(6,379)	(9,114)
	<hr/>	<hr/>
Total net finance lease payables	30,555	39,686
	<hr/>	<hr/>
Portion classified as current liabilities (note 23)	(10,122)	(11,555)
	<hr/>	<hr/>
Long term portion of finance lease payables	<u>20,433</u>	<u>28,131</u>

### 26. DEFERRED TAX

	Group	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of year	8,017	16,380
Release on disposal of a subsidiary	—	(5,699)
Release during the year (note 8)	—	(2,664)
	<hr/>	<hr/>
At 31 March	<u>8,017</u>	<u>8,017</u>

The principal component of the Group's provision for deferred tax mainly represented accelerated depreciation allowances.

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



## Notes to Financial Statements

31 March 2001

### 27. SHARE CAPITAL

	Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Authorised:		
2,500,000,000 ordinary shares of HK\$0.10 each	<u>250,000</u>	<u>250,000</u>
Issued and fully paid:		
1,619,097,404 (2000: 1,632,877,404) ordinary shares of HK\$0.10 each	<u>161,910</u>	<u>163,288</u>

During the current and prior years, the following movements in share capital were recorded:

	<i>Note</i>	Number of shares of HK\$0.10 each	Amount <i>HK\$'000</i>
At 1 April 1999		1,358,277,404	135,828
Exercise of share options		4,600,000	460
Private placement		<u>270,000,000</u>	<u>27,000</u>
At 31 March 2000 and at 1 April 2000		1,632,877,404	163,288
Share repurchased and cancelled	(a)	<u>(13,780,000)</u>	<u>(1,378)</u>
At 31 March 2001		<u>1,619,097,404</u>	<u>161,910</u>

Notes:

- (a) During the year, the Company repurchased 13,780,000 ordinary shares through The Stock Exchange of Hong Kong Limited at a cash consideration of HK\$2,368,000. The lowest and highest prices paid for the above repurchases were HK\$0.126 and HK\$0.390 per ordinary share, respectively.

The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares was transferred from retained profits to capital redemption reserve (note 28).

- (b) Subsequent to the balance sheet date in April 2001, the Company repurchased 3,846,000 ordinary shares on The Stock Exchange of Hong Kong Limited at a cash consideration of HK\$431,000. The lowest and highest prices paid for the above repurchases was HK\$0.102 and HK\$0.122 per ordinary share, respectively.

## Notes to Financial Statements

31 March 2001

### 27. SHARE CAPITAL (Continued)

#### Share options

Pursuant to share option schemes adopted on 20 March 1991 and 30 January 1997, respectively, the Company may grant options to executive directors and employees of the Group to subscribe for shares in the Company. The share subscription price of any options granted under the schemes is the higher of 80% of the average of the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date on which an option is granted, or the nominal value of the shares. The maximum number of shares for which options may be granted may not exceed 10% of the ordinary share capital in issue from time to time, excluding those shares which have been issued under the schemes.

As at 1 April 2000, there were 104,800,000 options and 14,800,000 options outstanding which entitled the holders to subscribe for shares of the Company from 20 December 1996 to 29 October 2000 and from 7 March 2000 to 6 March 2003, respectively. The subscription price payable upon exercise of each option is ranged from HK\$0.4336 to HK\$0.7441.

A total of 104,800,000 share options were lapsed during the year and the Company had 14,800,000 options outstanding at the balance sheet date. The exercise in full of the remaining outstanding share options would, under the present share capital structure of the Company, result in the issue of 14,800,000 additional shares at an exercise price HK\$0.510 each.

Details of the share options outstanding are as follows:

Date of options granted	Number of options as at 1 April 2000	Number of options lapsed during the year	Number of options as at 31 March 2001
10 July 1995	300,000	(300,000)	—
27 August 1997	73,000,000	(73,000,000)	—
5 September 1997	700,000	(700,000)	—
30 October 1997	30,800,000	(30,800,000)	—
7 March 2000	14,800,000	—	14,800,000
	<u>119,600,000</u>	<u>(104,800,000)</u>	<u>14,800,000</u>

## Notes to Financial Statements

31 March 2001

### 28. RESERVES

	Share premium account <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Group</b>							
At 31 March 1999	691,113	(35,324)	8,161	46,564	(3,825)	591,050	1,297,739
Goodwill arising on acquisition of a subsidiary	—	(69,188)	—	—	—	—	(69,188)
Issue of new shares	109,534	—	—	—	—	—	109,534
Share issue expenses	(4,124)	—	—	—	—	—	(4,124)
Exchange realignments	—	—	—	—	(3,403)	—	(3,403)
Retained profit for the year	—	—	—	—	—	55,153	55,153
At 31 March 2000 and 1 April 2000	796,523	(104,512)	8,161	46,564	(7,228)	646,203	1,385,711
Transfer of nominal value of shares repurchased	—	—	1,378	—	—	(1,378)	—
Premium paid in respect of shares repurchased	(990)	—	—	—	—	—	(990)
Goodwill arising in acquisition of additional interests in associates	—	(7,598)	—	—	—	—	(7,598)
Exchange realignments	—	—	—	—	(3,510)	—	(3,510)
Loss for the year	—	—	—	—	—	(179,250)	(179,250)
At 31 March 2001	<u>795,533</u>	<u>(112,110)</u>	<u>9,539</u>	<u>46,564</u>	<u>(10,738)</u>	<u>465,575</u>	<u>1,194,363</u>
Reserves retained by:							
Company and subsidiaries	795,533	(112,110)	9,539	46,564	(10,738)	483,863	1,212,651
Associates	—	—	—	—	—	(18,288)	(18,288)
At 31 March 2001	<u>795,533</u>	<u>(112,110)</u>	<u>9,539</u>	<u>46,564</u>	<u>(10,738)</u>	<u>465,575</u>	<u>1,194,363</u>
Company and subsidiaries	796,523	(104,512)	8,161	46,564	(7,228)	637,258	1,376,766
Associates	—	—	—	—	—	8,945	8,945
At 31 March 2000	<u>796,523</u>	<u>(104,512)</u>	<u>8,161</u>	<u>46,564</u>	<u>(7,228)</u>	<u>646,203</u>	<u>1,385,711</u>

## Notes to Financial Statements

31 March 2001

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### 28. RESERVES (Continued)

Company	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 1999	691,113	8,161	71,382	48,483	819,139
Issue of shares	109,534	—	—	—	109,534
Share issue expenses	(4,124)	—	—	—	(4,124)
Net profit attributable to shareholders	—	—	—	159,670	159,670
Dividends	—	—	—	(29,901)	(29,901)
At 31 March 2000 and 1 April 2000	796,523	8,161	71,382	178,252	1,054,318
Transfer of nominal value of shares repurchased	—	1,378	—	(1,378)	—
Premium paid in respect of shares repurchased	(990)	—	—	—	(990)
Net profit attributable to shareholders	—	—	—	1,657	1,657
Dividends	—	—	—	(8,159)	(8,159)
At 31 March 2001	<u>795,533</u>	<u>9,539</u>	<u>71,382</u>	<u>170,372</u>	<u>1,046,826</u>

### 29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Profit/(loss) from operating activities	(92,555)	136,449
Interest income	(6,814)	(9,840)
Depreciation	71,203	78,320
Amortisation and write off of intangible assets	1,714	4,345
Provision for trade receivables from associates	73,000	—
Provisions for interests in property development projects	7,642	—
Gain on net disposal of fixed assets	(101)	(16)
Gain on disposal of a subsidiary	—	(9)
Increase in balances with associates	(417,311)	(71,514)
Decrease/(increase) in inventories	100,626	(123,913)
Increase in trade and bills receivables, prepayments, deposits and other receivables	(15,319)	(145,119)
Increase in trade and bills payables, trust receipt loans, other payables and accruals	339,600	53,146
Net cash inflow/(outflow) from operating activities	<u>61,685</u>	<u>(78,151)</u>

## Notes to Financial Statements

31 March 2001

### 29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

#### (b) Acquisition of a subsidiary

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net assets purchased:		
Fixed assets	—	30,073
Intangible assets	—	11,377
Trade receivables	—	136,677
Prepayments, deposits and other receivables	—	15,690
Cash and bank balances	—	11,489
Trade payables and accrued liabilities	—	(36,713)
Bank loans	—	(69,767)
Minority interests	—	(39,530)
	<u>—</u>	<u>—</u>
Goodwill	—	59,296
	<u>—</u>	<u>69,188</u>
	<u>—</u>	<u>128,484</u>
Satisfied by:		
Cash	—	79,070
Reclassified from interests in associates	—	49,414
	<u>—</u>	<u>49,414</u>
	<u>—</u>	<u>128,484</u>
Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary:		
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Cash consideration	—	(79,070)
Cash and bank balances acquired	—	11,489
	<u>—</u>	<u>11,489</u>
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	<u>—</u>	<u>(67,581)</u>

## Notes to Financial Statements

31 March 2001

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### 29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

#### (c) Disposal of a subsidiary

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net assets disposed of:		
Fixed assets	—	35,332
Deferred expenditure	—	2,950
Trade and bills receivables	—	36,652
Prepayments, deposits and other receivables	—	266,660
Cash and bank balances	—	4,368
Deferred tax	—	(5,699)
Bank loans and overdrafts	—	(16,193)
Finance lease payables	—	(1,965)
Trade payables and accrued liabilities	—	(322,122)
	—	(17)
Gain on disposal of a subsidiary	—	9
	—	(8)
Satisfied by:		
Cash	—	1
Reclassified to interests in associates	—	(9)
	—	(8)
Analysis of the net outflow of cash and cash equivalents in respect of disposal of a subsidiary:		
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Cash consideration	—	1
Cash and bank balances disposed of	—	(4,368)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	—	(4,367)

## Notes to Financial Statements

31 March 2001

### 29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

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

	Share capital (including share premium) <i>HK\$'000</i>	Loans and finance lease obligations <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
Balance at 1 April 1999	826,941	139,260	11,730
Cash inflows from financing activities, net	132,870	167,413	1,715
Share of net profits of subsidiaries	—	—	108
Acquisition of additional interest in a subsidiary	—	69,767	39,530
Disposal of a subsidiary	—	(18,158)	(5,963)
Inception of finance lease contracts	—	12,942	—
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2000 and 1 April 2000	959,811	371,224	47,120
Share of net profits of subsidiaries	—	—	1,478
Cash inflows/(outflows) from financing activities, net	(2,368)	67,937	815
	<hr/>	<hr/>	<hr/>
At 31 March 2001	<u>957,443</u>	<u>439,161</u>	<u>49,413</u>

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

There are no new finance lease arrangement entered into by the Group during the year. During the year ended 31 March 2000, 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\$8,746,000.

### 30. CONTINGENT LIABILITIES

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
(a) Guarantees given to banks in respect of credit facilities granted to:				
Subsidiaries	—	—	756,992	750,290
Associates	325,761	512,571	112,923	111,926
Bills discounted with recourse	82,871	23,568	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>408,632</u>	<u>536,139</u>	<u>869,915</u>	<u>862,216</u>

As at 31 March 2001, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilised to the extent of approximately HK\$560,094,000 (2000: HK\$420,690,000) and, in connection with the facilities granted by the Group to associates were utilised to the extent of approximately HK\$154,613,000 (2000: HK\$130,524,000).

## Notes to Financial Statements

31 March 2001

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### 30. CONTINGENT LIABILITIES (Continued)

- (b) An associate of the Group (which was formerly a subsidiary) is currently a defendant in a law suit brought by a customer alleging that certain goods of approximately US\$300,000 (approximately HK\$2,340,000) delivered were defective and that the Group had breached the sales agreement which prohibited the Group from selling the goods to the customers' competitor. Having considered advice from the Group's legal counsel, the directors believe that they have valid defences against the litigation and adequate provision for any liabilities to the Group resulting from this contingency has been made and, therefore, that any potential unprovided liability that could arise will not have a material adverse effect on the financial position of the Group.
- (c) In 1995, a customs review was performed on an overseas subsidiary of the Group (which was formerly an associate) and certain custom claims of approximately HK\$24,500,000 subsequently emerged. Negotiations with the Custom Services are still in progress. Having taken legal advice, the directors believe that they have valid defences against the claims and that adequate provisions have been made for any potential liabilities to the Group resulting from the contingencies (note 22).
- (d) During the year, the Inland Revenue Department ("IRD") has conducted a field audit on the Company and subsidiaries for the year of assessment from 1994/95 to 1999/2000. The Group has agreed with the IRD on the basis of settlement and has submitted a formal proposal for settlement to the IRD. The Group believes that the proposal would be favourably considered by the IRD. Accordingly, the Group is confident that no further provision will be needed for the additional assessments.

### 31. COMMITMENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Capital commitments contracted for	<u>42,586</u>	<u>22,062</u>
Annual commitments payable under non-cancellable operating leases to make payments in the following year in respect of land and buildings expiring:		
Within one year	786	887
In the second to fifth years, inclusive	<u>360</u>	<u>741</u>
	<u>1,146</u>	<u>1,628</u>

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



## Notes to Financial Statements

31 March 2001

### 32. SUBSIDIARIES AND ASSOCIATES

Particulars of the Group's principal subsidiaries and associates at 31 March 2001, which are private companies incorporated and operating in Hong Kong, except as otherwise noted, are as follows:

Name	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable equity interest of the Company		Principal activities
		Direct	Indirect	
<b>Subsidiary</b>				
Aroma Enterprises Limited #	US\$1	—	100%	Investment holding
Art-Tech Electronics (Huizhou) Limited +	HK\$6,500,000	—	100%	Manufacture and sale of transformers and moulds
Art-Tech Speakers Manufacturing (Huizhou City) Limited +	US\$725,000	—	62%	Manufacture and sale of speakers
Brilliant Plastic and Mould Manufacturing (Huizhou) Limited +	US\$8,000,000	—	90%	Manufacture and sale of plastic products and moulds
Brilliant Plastic Industrial (Huizhou) Limited +	HK\$25,000,000	—	100%	Manufacture and sale of plastic products
Brilliant Plastic Manufacturing Limited	HK\$100 HK\$1,200,000 ++	—	100%	Manufacture and sale of plastic products
Epoch Audio Visual Industrial Limited ~	US\$5,000	—	100%	Provision of logistic and quality assurance services
Epoch Financial Services Limited *	US\$10,000	—	100%	Provision of technical services
Fei See Developments Limited	HK\$1,000	—	100%	Property development

## Notes to Financial Statements

31 March 2001

### 32. SUBSIDIARIES AND ASSOCIATES (Continued)

Name	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable equity interest of the Company		Principal activities
		Direct	Indirect	
<b>Subsidiary</b>				
Great Wall Bio-chemical Technology Company Limited ^	HK\$1,000,000	—	65%	Investment holding
Great Wall Capital Management Limited	HK\$10,000	—	100%	Investment holding
Great Wall Electronics Group Limited #	US\$100	100%	—	Investment holding
Great Wall Electronics Holding Limited	HK\$5,000,000	100%	—	Investment holding
Great Wall Financial Services Limited	HK\$10,000	—	100%	Provision of technical services
Great Wall France SA @ ##	FFr491,000	—	100%	Manufacture and sale of television products
Great Wall Industrial Limited #	US\$50,000	—	100%	Investment holding
Great Wall Industries Company Limited +	US\$10,000,000	—	90%	Property development
Great Wall Properties (BVI) Limited #	US\$50,000	—	100%	Investment holding
Great Wall Properties Limited	HK\$10,000	—	100%	Property investment
Great Wall Strategic Holdings (BVI) Limited #	US\$50,000	—	100%	Investment holding
Guangzhou Rowa Electronics Company Limited +	RMB110,000,000	—	60%	Manufacture and trading of electronics products
Huifeng Electronics (China) Limited +	US\$1,000,000	—	90%	Manufacture and sale of audio products

## Notes to Financial Statements

31 March 2001

### 32. SUBSIDIARIES AND ASSOCIATES (Continued)

Name	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable equity interest of the Company		Principal activities
		Direct	Indirect	
<b>Subsidiary</b>				
Huizhou City Caixing Electrical Appliance Limited +	US\$1,230,000	—	75%	Manufacture and sale of video and audio products
Huizhou City Hang Tung Paper Products Printing Limited +	HK\$1,200,000	—	70%	Manufacture and sale of paper printing products
Huizhou City Hua Xing Packing Material Company Limited +	US\$3,500,000	—	88%	Manufacture and sale of polyfoam products
Legacy Enterprises Limited*	US\$1	—	100%	Trading of audio and video products
Linkward Developments Limited	HK\$2	—	100%	Investment holding
Lipon Products Limited #	US\$50,000	—	100%	Investment holding
Pearl Button Holdings # ^	US\$1	—	100%	Investment holding
Po Lai Speaker Box Limited +	US\$1,000,000	—	80%	Manufacture and sale of speaker boxes
Rowa (Qing Yuan) Colour Printing Company Limited +	HK\$11,181,575	—	100%	Manufacture of colour-print products
Shenzhen Rowa Digital Network Technology Limited +^	RMB5,000,000	90%	—	Provision of internet services
Springwater Services Limited #	US\$2,000	—	100%	Investment holding
Star Source Industries Limited	HK\$1,000,000	—	100%	Property holding
TCL (Huizhou) PCB Factory Limited +	HK\$3,600,440	—	70%	Manufacture and sale of printed circuit boards and metal products

## Notes to Financial Statements

31 March 2001

### 32. SUBSIDIARIES AND ASSOCIATES (Continued)

Name	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable equity interest of the Company		Principal activities
		Direct	Indirect	
<b>Subsidiary</b>				
Video Epoch Electronic (Huizhou) Limited +	HK\$28,000,000	—	100%	Manufacture and sale of television products
Video Epoch Limited	HK\$1,000,000	—	100%	Manufacture and sale of television products
Well Concur Limited	HK\$10,000	—	100%	Property development
Wellfund Electronics Limited	HK\$10,000 HK\$6,000,000 ++	—	100%	Manufacture and sale of audio and video products
Wellfund Investments (BVI) Limited #	US\$50,000	—	100%	Investment holding
<b>Associate</b>				
Cybersky Asia Pacific Limited	HK\$3,000,000	—	49.5%	Provision of data broadcasting services
Eltic Electronics Company Limited	HK\$5,000,000	—	50%	Manufacture and sale of car stereo products
Eltic Electronics (Huizhou) Limited +	HK\$7,000,000	—	50%	Manufacture and sale of car stereo products
Great Wall Electronics Limited	HK\$1,000 HK\$4,000,000 ++	—	50%	Manufacture and sale of audio products
Guangdong Rowa Air-Conditioner Limited +	RMB68,000,000	—	39.5%	Manufacture and sale of air-conditioning products
Harrods Trading Limited *	US\$2	—	50%	Trading of electronics products
Qingyuan Rowa Electronics Company Limited +	US\$40,000,000	—	50%	Manufacture and sale of video and audio products

## Notes to Financial Statements

31 March 2001

### 32. SUBSIDIARIES AND ASSOCIATES (Continued)

Name	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable equity interest of the Company		Principal activities
		Direct	Indirect	
<b>Associate</b>				
Rowa Electronics (Hong Kong) Company Limited	HK\$1,000,000	—	50%	Trading of air-conditioning products
Taiyuan Caixing Electronic Equipment Company Limited +	RMB50,000,000	—	37.5%	Manufacture and sale of audio and video products
Welsona Polyfoam Limited ##	HK\$2,500,000	—	40%	Manufacture and sale of polyfoam products
Wuhan Hualong Bio-chemical Pharmaceutical Company Limited +^	RMB40,000,000	—	32.5%	Manufacture of bio-chemical and pharmaceutical products

# Incorporated and operating in the British Virgin Islands.

@ Incorporated and operating in France.

+ Registered and operating in the PRC.

\* Registered and operating in Western Samoa.

~ Registered and operating in Malaysia.

^ Established/incorporated/acquired during the year.

++ Non-voting deferred shares.

## Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firm.

The above table lists the subsidiaries and associates of the Group as at 31 March 2001 which, in the opinion of the directors, either 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 and associates would, in the opinion of the directors, result in particulars of excessive length.

## Notes to Financial Statements

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### 33. RELATED PARTY TRANSACTIONS

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

		Group	
		2001	2000
	Notes	HK\$'000	HK\$'000
Sales to associates	(i)	259,014	196,750
Purchases from associates	(ii)	(103,249)	(156,229)
Management fees paid to an associate	(iii)	(360)	(30,312)
Management fees received from associates	(iv)	2,816	1,152
Sub-contracting fee paid to an associate	(v)	—	(8,083)
Interest income received from associates	(vi)	—	1,759
Purchases of fixed assets from an associate	(vii)	—	(11,333)
Recharges of utility expenses to associates	(viii)	1,200	—
Purchases of land and buildings from a minority shareholder	(ix)	<u>(61,778)</u>	<u>—</u>

#### Notes:

- (i) The sales of raw materials and finished goods to associates were based on prices and conditions similar to those offered to other customers in the ordinary course of business.
  - (ii) The purchases of raw materials and finished goods from associates were based on prices and conditions similar to those offered from other suppliers in the ordinary course of business.
  - (iii) The management fees paid to an associate for the provision of accounting and secretarial services to the Group were charged based on mutually agreed terms with reference to actual time and staff costs incurred.
  - (iv) The management fees received from associates for the provision of accounting and secretarial services provided to associates were charged based on mutually agreed terms with reference to actual time and staff costs incurred.
  - (v) The sub-contracting fees paid to an associate during the year ended 31 March 2000 in respect of processing, repairing and transportation services provided to the Group in the normal course of business were charged based on mutually agreed terms with reference to actual time and material costs incurred.
  - (vi) The interest income received from associates during the year ended 31 March 2000 related to a loans granted, further details of which are included in note 15 to the financial statements.
  - (vii) The Group purchased certain plant and machinery, furniture and fixtures, motor vehicles and moulds from an associate during the year ended 31 March 2000 based on the net book values of the fixed assets.
  - (viii) The Group recharged associates utility expenses incurred on behalf these associates, based on mutually agreed terms with reference to actual usage.
  - (ix) Land and buildings were purchased based on mutually agreed terms.
- (b) The Group and certain associates have provided cross-guarantees to banks for banking facilities granted to the Group's subsidiaries and associates totalling approximately HK\$212,000,000 as at 31 March 2001 (2000: HK\$319,571,999).

### 34. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited. Further details of the repurchases are set out in note 27 to the financial statements.

### 35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 31 August 2001.