



Notes to Financial Statements

Year ended 31 March 2001

1. BASIS OF PRESENTATION

At 31 March 2001, the Group had net current liabilities of approximately HK\$203,231,000 (2000: HK\$64,469,000). The Group also incurred a net loss attributable to the shareholders of approximately HK\$304,373,000 (2000: HK\$120,404,000) and reported a decrease in cash and cash equivalents for the year ended 31 March 2001 of HK\$84,427,000 (2000: HK\$36,061,000).

During the year, certain of the Group's banks withdrew or reduced the facilities granted to the Group and the Group has had difficulty in repaying short term bank loans on time. In view of the liquidity problems faced by the Group, the Group's major bankers are currently reviewing the financial position of the Group in order to assess the provision of future support or facilities. However, notwithstanding the "informal standstill" that the Group currently enjoys, no formal agreement in this regard has been reached as at the date of this report.

Having regard to this background, in order to improve the Group's financial position, immediate liquidity, cash flows, profitability and operations, the directors have adopted the following measures:

- (a) the directors are in active negotiations with the Group's banks with a view to finalizing a formal restructuring proposal;
- (b) the directors are in the process of seeking to sell certain of the Group's leasehold land and buildings and investment properties in Hong Kong, with the consent of the bankers to whom the properties have been pledged as security;
- (c) the directors have taken action to tighten cost controls over the factory overheads and various general and administrative expenses, including the strict monitoring of the Group's accounts receivable and payable; and
- (d) subsequent to the balance sheet date, the Group disposed of two loss-making subsidiaries to an independent third party and a joint venture party. The directors believe that this arrangement will release the Group's pressure to support the loss-making subsidiaries and to avoid further losses accruing to the Group.

In the opinion of the directors, in light of the measures taken to date, together with the expected results of the restructuring proposal, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to return to a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial position and tight cash flows as at 31 March 2001.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

1. BASIS OF PRESENTATION (cont'd)

Should the Group be unable to continue its 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 and liabilities as current assets and liabilities, respectively.

2. CORPORATE INFORMATION

The principal activities of the Group are the manufacturing and trading of plastic products.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

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

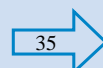
Subsidiaries

A subsidiary is a company other than a jointly-controlled entity in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

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

Jointly-controlled entities

A jointly-controlled entity is a joint venture which involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The joint venture operates in the same way as other enterprises, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.





Notes to Financial Statements (cont'd)

Year ended 31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Jointly-controlled entities (cont'd)

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

Goodwill

Goodwill arising on consolidation of subsidiaries and on acquisition of jointly-controlled entities represents the difference between the purchase consideration and the fair values ascribed to the net underlying assets of the subsidiaries and jointly-controlled entities at the date of acquisition and is eliminated against reserves in the year of acquisition. On disposal of subsidiaries or jointly-controlled entities, 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.

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, 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 asset 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.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fixed assets and depreciation (cont'd)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life:

Leasehold land and buildings held outside Hong Kong	Over the lease terms
Leasehold land and buildings in Hong Kong	Over the remaining unexpired lease terms
Buildings in Hong Kong	40 years
Leasehold improvements	5 to 10 years
Plant and machinery	2 to 15 years
Furniture, fixtures, equipment and motor vehicles	3 to 5 years

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.

Construction in progress represents building and factory premises under construction, and is stated at cost and is not depreciated. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

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

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 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.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 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 depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

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 charged to the profit and loss account on the straight-line basis over the lease terms.

Other investments

Other investments represent the Group's interest in its former subsidiaries in the PRC. They are stated at their estimated fair values on an individual basis as determined by the directors. The gains or losses arising from changes in the fair value of the other investments are credited or charged to the profit and loss account for the period in which they arise.

Long term investments

Long term investments represent the Group's interests in its former associates and subsidiaries in the People's Republic of China (the "PRC"), which are intended to be held on a continuing long term basis. They are stated at their carrying values at the time of their transfer to long term investments, less provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

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 estimated costs to be incurred to completion and disposal.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless 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 the Group's share of net assets of jointly-controlled entities 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 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 assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating 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 Group's employer contributions vest fully with the employees when contributed into the Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a monthly capitalisation rate at 1% has been applied to the expenditure on the individual assets.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and
- (c) rental income, on an accrual basis.

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

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.

Credit terms

Trading terms with customers are largely on credit. Invoices are normally payable within 60 days of issuance. Overdue balances are regularly reviewed by senior management.

4. TURNOVER

Turnover represents the net invoiced value of goods sold during the year, after allowances for goods returned and trade discounts, but excludes intra-Group transactions.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

5. LOSS FROM OPERATING ACTIVITIES

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

	2001 HK\$'000	2000 HK\$'000
Cost of inventories sold	313,322	430,218
Depreciation:		
Owned fixed assets	19,285	22,514
Leased fixed assets	8,755	8,675
Less: Amounts included in cost of inventories sold	(21,504)	(27,142)
	6,536	4,047
Write off/amortisation of deferred pre-operating expenses	–	703
Operating lease rentals in respect of land and buildings	2,561	2,495
Less: Amounts included in cost of inventories sold	(2,093)	(2,044)
	468	451
Auditors' remuneration	1,800	1,300
Staff costs (excluding directors' remuneration – note 6):		
Wages and salaries	21,015	28,286
Less: Amounts included in cost of inventories sold	(6,968)	(11,440)
	14,047	16,846
Pension contributions	276	381
Less: Forfeited contributions	(140)	(202)
Net pension contributions	136	179
Provisions for diminution		
in value of long term investments	6,289	10,755
Release of reserves of former jointly-controlled entities	–	4,355
Provision for diminution		
in value of a jointly-controlled entity	6,981	21,244



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

5. LOSS FROM OPERATING ACTIVITIES (cont'd)

	2001 HK\$'000	2000 HK\$'000
Deficit on revaluation of leasehold land and buildings	10,526	3,946
Deficit on revaluation of investment properties	7,160	–
Provisions against doubtful debts	3,235	53,316
Provisions against other receivables	26,706	–
Provisions against trade deposits	–	14,913
Provision against subcontracting fees receivable	–	4,545
Provisions against receivables from former associates	–	1,861
Provision against receivable from a former subsidiary	–	520
Loss on disposal of fixed assets	117	151
Loss/(gain) on disposal of an investment property	(2,660)	3,500
Loss on reclassification of subsidiaries to other investments	187,002	–
Exchange losses, net	2,206	1,138
Gross rental income	(1,234)	(783)
Less: Outgoings	194	45
Net rental income	(1,040)	(738)
Dividend income	–	(166)
Interest income	(33)	(290)



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

6. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the Company's directors are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive directors	–	–
Non-executive directors	–	–
Other emoluments to executive directors:		
Basic salaries, housing, other allowances and benefits in kind	5,024	4,577
Pension scheme contributions	83	192
	5,107	4,769

The remuneration of the directors fell within the following bands:

	Number of director	
	2001	2000
Nil – HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	3	3
	8	8

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

The remuneration to directors also includes certain option benefits. The benefits of such options have not been included in the remuneration disclosed above because, in the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

6. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (cont'd)

The five highest paid employees during the year included four (2000: four) directors, details of whose remuneration are set out above. The details of the remuneration of the remaining one (2000: one) non-director, highest paid employee is as follows:

	2001 HK\$'000	2000 HK\$'000
Basic salary, housing, other allowances and benefits in kind	770	768
Pension scheme contributions	9	24
	779	792

The remuneration of the non-director, highest paid employee fell within the band of Nil to HK\$1,000,000.

7. FINANCE COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	26,549	29,992
Interest on finance leases	2,170	2,667
Total finance costs	28,719	32,659
Interest capitalised	(751)	–
	27,968	32,659



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

8. TAX

	2001 HK\$'000	2000 HK\$'000
Group:		
Hong Kong	152	–
Elsewhere	2,385	1,883
Under/(over)provision in prior years	6,561	(1,973)
	9,098	(90)
Share of overseas tax of a jointly-controlled entity	1	2
Tax charge/(write back) for the year	9,099	(88)

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

All subsidiaries and a jointly-controlled entity operating in the People's Republic of China ("PRC") are exempted from income tax for two years starting from their first profitable year of operations and are entitled to 50% relief from income tax for the following three years under the Income Tax Law of the PRC. Provision for income tax of a jointly-controlled entity for the year ended 31 March 2001 has been made at the reduced applicable rate of 15%. The remaining PRC subsidiaries and a jointly-controlled entity did not generate any assessable profits arising in the PRC during the year.

Deferred tax has not been provided because there were no significant timing differences at the balance sheet date.

The revaluations of the Group's investment properties, land and buildings, construction in progress and plant and machinery do not constitute timing differences and, consequently, the amount of potential deferred tax thereon has not been quantified.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

9. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK\$249,113,000 (2000: HK\$137,724,000).

10. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$304,373,000 (2000: HK\$120,404,000) and the weighted average of 1,423,469,589 (2000: 1,092,581,107) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 March 2001 and 2000 has not been calculated because the options outstanding during these years had an anti-dilutive effect on the basic loss per share.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

11. FIXED ASSETS

Group

	Leasehold land and buildings HK\$'000	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures, equipment and motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:						
At beginning of year	63,299	28,000	6,475	368,574	14,965	481,313
Additions	-	-	9,285	6,892	1,137	17,314
Disposals	(2,750)	-	-	(197)	(3,173)	(6,120)
Transfer	28,168	(28,000)	-	(313)	145	-
Reclassified to investment properties - note 12	(6,200)	-	-	-	-	(6,200)
Movement arising from re-classification of subsidiaries to other investments	(23,800)	-	(3,422)	(151,510)	(2,069)	(180,801)
Deficit on revaluation	(11,815)	-	-	-	-	(11,815)
At 31 March 2001	46,902	-	12,338	223,446	11,005	293,691
Accumulated depreciation:						
At beginning of year	-	-	3,588	115,649	11,244	130,481
Provided during the year	2,087	-	538	23,677	1,738	28,040
Transfer	-	-	-	(120)	120	-
Disposals	-	-	-	(159)	(2,602)	(2,761)
Movement arising from re-classification of subsidiaries to other investments	(946)	-	(2,474)	(61,602)	(1,806)	(66,828)
Deficit on revaluation	(1,141)	-	-	-	-	(1,141)
At 31 March 2001	-	-	1,652	77,445	8,694	87,791
Net book value:						
At 31 March 2001	46,902	-	10,686	146,001	2,311	205,900
At 31 March 2000	63,299	28,000	2,887	252,925	3,721	350,832
Analysis of cost and valuation:						
At cost	-	-	12,338	223,446	11,005	246,789
At valuation	46,902	-	-	-	-	46,902
	46,902	-	12,338	223,446	11,005	293,691



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

11. FIXED ASSETS (cont'd)

The Group's leasehold land and buildings are further analysed as follows:

	Hong Kong	Outside	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Medium term lease	900	33,102	34,002
Long term lease	12,900	–	12,900
	13,800	33,102	46,902

The revaluation of leasehold land and buildings aggregating HK\$46,902,000 was carried out by LCH (Asia-Pacific) Surveyors Limited (“LCH”) and Castores Magi Surveyors Limited (“Castores”), independent firms of professional qualified valuers, on the open market existing use and depreciated replacement cost bases on 31 March 2001. The deficits of HK\$10,526,000 (note 5) and HK\$148,000 (note 25) so arising have been charged to the profit and loss account and the asset revaluation reserve, respectively.

Had the leasehold land and buildings and plant and machinery been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK\$47,815,000 (2000: HK\$78,771,000) and nil (2000: HK\$15,372,000), respectively.

The leasehold land and buildings included a production plant constructed on a parcel of land located at Lingxia Development Area, Shishuikou Village, Qiaotou Town, Dongguan City, Guangdong Province, the PRC, for which the Group is still in the process of obtaining the land use right certificate. According to the opinion of a PRC legal advisor, there is no legal barrier for the Group to obtain the land and buildings using right certificate. The aggregate carrying value of the land and buildings in this respect as at 31 March 2001 was approximately HK\$ 28,650,000.

The net book value of assets held under finance leases and hire purchase contracts included in the total amount of plant and machinery, and motor vehicles at 31 March 2001 amounted to HK\$39,910,000 (2000: HK\$68,627,000) and nil (2000: HK\$897,000), respectively. The depreciation charge for the year in respect of such plant and machinery, and motor vehicles amounted to HK\$8,583,000 (2000: HK\$8,261,000) and HK\$172,000 (2000: HK\$414,000), respectively.

Certain leasehold land and buildings and plant and machinery were pledged to secure banking facilities granted to the Group (note 21).



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

12. INVESTMENT PROPERTIES

	Group	
	2001 HK\$'000	2000 HK\$'000
At beginning of year	26,000	26,765
Reclassified from leasehold land and buildings – note 11	6,200	7,800
Disposal during the year	(6,000)	(6,800)
Deficit on revaluation	(7,160)	(1,765)
At balance sheet date	19,040	26,000

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

The Group's investment properties were revalued on 31 March 2001 by LCH, at HK\$19,040,000 on an open market, existing use basis. The deficit of HK\$7,160,000 arising therefrom has been charged to the profit and loss account (note 5).

All of the investment properties were pledged to secure banking facilities granted to the Group (note 21).

13. INTERESTS IN SUBSIDIARIES

	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	159,593	159,593
Due from subsidiaries	270,513	258,207
Provisions for diminutions in values	(410,543)	(168,108)
	19,563	249,692

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

13. INTERESTS IN SUBSIDIARIES (cont'd)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Group	Principal activities
Directly held				
Bestway Group International Limited	British Virgin Islands	US\$1,100	100%	Investment holding
Indirectly held				
Bestget Plastic Products Limited	Hong Kong	Ordinary HK\$2 Deferred* HK\$3,900,000	100%	Sale of plastic products
Bestway Plastic Products Limited	Hong Kong	Ordinary HK\$2 Deferred* HK\$37,440,000	100%	Sale of plastic products
Foga Trading Company, Limited	Hong Kong	Ordinary HK\$200 Deferred* HK\$5,500,000	100%	Property investment
Full Happy Limited	Hong Kong	Ordinary HK\$2 Deferred* HK\$3,900,000	100%	Investment holding
Happy Trip Limited	Hong Kong	Ordinary HK\$2 Deferred* HK\$1,200,000	100%	Property investment



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

13. INTERESTS IN SUBSIDIARIES (cont'd)

Name	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Group	Principal activities
Indirectly held (cont'd)				
Rich Ocean Limited	Hong Kong	Ordinary HK\$2 Deferred* HK\$1,000,000	100%	Investment holding
Jetwonder Limited	Hong Kong	HK\$1,750,000	100%	Dormant
Best Faith Plastic Products Limited	Hong Kong	Ordinary HK\$10,000	100%	Trading of plastic products
Beijing William Shun Plastic Products Company, Ltd.	PRC	US\$4,920,000	51%	Manufacturing of plastic products
Dongguan Bestway Plastic Manufactory	PRC	US\$12,741,664	98.27%	Manufacturing of plastic products
Dongguan Best Faith Plastic Products Limited	PRC	US\$2,111,600	100%	Manufacturing of plastic products

* *The profits which the company may determine to distribute in respect of any financial year shall be distributed, as regards the first HK\$1,000,000,000,000 thereof, among the holders of the ordinary shares, with one half of the balance of the said profits being distributed among the holders of the non-voting deferred shares and the other half of such balance being distributed among the holders of the ordinary shares. Save as aforesaid, the non-voting deferred shares have no other rights to dividends. The non-voting deferred shares have no rights to attend or vote at general meetings, but carry the right to receive one half of the balance of any surplus in a return of capital in a winding-up after the holders of the ordinary shares have received a total return of HK\$500,000,000,000.*

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



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	46,277	46,352
Due from a jointly-controlled entity	973	973
	47,250	47,325
Provision for diminution in value other than those considered to be temporary:		
At beginning of year	(21,244)	–
Provided during the year	(6,981)	(21,244)
	(28,225)	(21,244)
	19,025	26,081

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of establishment/ registration and operations	Percentage of equity interest, voting power and profit sharing	Principal activities
Shantou SEZ Hua Chang Plastic Packing Co. Ltd	Corporate	PRC	40%	Manufacturing of plastic products
Shenzhen Wuye Jifa Warehouse Co. Ltd. ("SWJ")	Corporate	PRC	25%	Property holding



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (cont'd)

SWJ has remained dormant since its establishment except for the holding of a parcel of land located at Yantian Port, Yantian District, Shenzhen, Guangdong Province, the PRC, with a site area of approximately 100,000 square metres. The provision for diminution in value represents the deficit arising from the revaluation of the parcel of land held by SWJ and shared by the Group. The Group's entire interest in SWJ has been pledged to secure banking facilities granted to the Group (note 21). The balance with the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

15. LONG TERM INVESTMENTS

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted equity investments:		
Shenyue Fushi Plastic Products Co., Ltd. ("Shenyue Fushi") and Suzhou Fuyi Plastic Products Co., Ltd. ("Suzhou Fuyi")	12,337	12,337
Chengdu Xingxing Rich Ocean Plastic Products Co. Ltd. ("CD Rich Ocean")	11,128	11,128
	23,465	23,465
Provisions for diminutions in values other than those considered to be temporary:		
At beginning of year	(13,776)	(3,021)
Provided during the year	(6,289)	(10,755)
	(20,065)	(13,776)
At 31 March	3,400	9,689



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

15. LONG TERM INVESTMENTS (cont'd)

The Group's investments in Shenyue Fushi and Suzhou Fuyi, two former jointly-controlled entities of the Group, and CD Rich Ocean, a former subsidiary of the Group, were subcontracted to the PRC joint venture partners during the prior years. According to the subcontracting agreements, the Group forfeited its rights to exercise significant influence over the financial and operating policy decisions of these companies in return for fixed guaranteed annual subcontracting fees. Since these entities lost their status as jointly-controlled entities or as a subsidiary of the Group, they were reclassified to long term investments.

The Group's interests in these entities are held on a long term basis and are stated at the Group's share of their net assets, as at the date when the Group's forfeiture of its control became effective, less (i) amortisation for the investment amounts which will be recovered through the receipt of subcontracting fees from the joint venture partners over the subcontracting period; and (ii) any provisions for diminutions in values other than those considered to be temporary deemed necessary by the directors.

16. OTHER INVESTMENTS

In prior years, the results, assets and liabilities of Shantou Plastics Decorative Materials Manufacturer, Ltd ("Shantou Plastics") and Zhanjiang Rich Ocean Plastics Ltd. ("Zhanjiang Rich Ocean") (collectively known as the "Loss Making Subsidiaries"), wholly-owned subsidiaries established in the PRC, were consolidated in the financial statements.

In the current year, the directors of the Company reassessed its investments in the Loss Making Subsidiaries and entered into agreements on 8 December 2000 and 20 February 2001 with an independent third party (the "Subcontracting Party") and a joint venture party (the "Joint Venture Party") whereby the Group forfeited its share in the operating results of Shantou Plastics and Zhanjiang Rich Ocean in return for guaranteed subcontracting fees in the amount of RMB3,600,000 (equivalent to HK\$3,364,000) and RMB600,000 (equivalent to HK\$561,000) per annum, respectively up to the end of the operating period of these subsidiaries. Apart from the foregoing, all profits and losses of these subsidiaries are for the sole account of the Subcontracting Party and the Joint Venture Party.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

16. OTHER INVESTMENTS (cont'd)

Subsequent to the balance sheet date, on 14 August 2001 and 6 September 2001, the Group further entered into sale and purchase agreements with a company beneficially owned by the existing management of the Subcontracting Party and the Joint Venture Party, respectively. According to these agreements, the Group agreed to dispose of its entire interest in Shantou Plastics and Zhanjiang Rich Ocean in return for a cash consideration of HK\$ 9 million fully repayable by the end of 30 December 2001 and a cash consideration of approximately HK\$0.9 million fully repayable by the end of December 2003 plus the waiver of an amount due to the Joint Venture Party of approximately HK\$3.2 million, respectively.

Since Shantou Plastics and Zhanjiang Rich Ocean have in substance lost their status as subsidiaries of the Group in December 2000 and March 2001, respectively, the Group's interests in them were deconsolidated and reclassified as other investments and were stated at their aggregate net realisable value of HK\$ 9.9 million. The results of Shantou Plastics and Zhanjiang Rich Ocean, based on their management accounts for the period from 1 April 2000 to the date when the forfeiture of the control over them became effective and before eliminating intra-group transactions, consolidated in the Group's financial statements were as follows:

	<i>HK\$'000</i>
Turnover	60,909
Cost of sales	(62,978)
Gross profit	(2,069)
Other income and revenue	6,325
Selling and distribution costs	(2,090)
Administrative expenses	(7,909)
Loss from operating activities	(5,743)
Finance costs	(2,101)
Loss before tax	(7,844)
Tax	-
Net loss for the year	(7,844)



Notes to Financial Statements

Year ended 31st March 2001

17. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	17,297	31,829
Work in progress	687	2,255
Finished goods	2,191	8,116
	20,175	42,200

No inventories included above are carried at net realisable value (2000: Nil).

18. ACCOUNTS AND BILLS RECEIVABLE

As at 31 March 2001, the aged analysis of the accounts and bills receivable was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within 30 days	23,437	41,170
Between 31 to 60 days	15,099	18,150
Between 61 to 90 days	4,463	14,753
Over 90 days	83,103	158,215
	126,102	232,288
<i>Less:</i> Provision for doubtful debts	(83,463)	(130,803)
	42,639	101,485



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

19. PREPAID RENTALS

During the year, the Group advanced approximately HK\$20,000,000 to one of the beneficial owners of a minority shareholder (“Winnerway”). The amount is interest-free. Pursuant to an agreement entered into between the Group and Winnerway, Winnerway agreed to settle the amount. The settlement of this advance was made by means of setting off the amount due from the Group to Winnerway of approximately HK\$5,140,000 as at 30 June 2001. The remaining balance was settled by way of an agreement that it should serve as a prepaid rental for the land and buildings in Dongguan leased by the Group from Winnerway under an operating lease agreement for the period up to 26 July 2008.

Accordingly, the prepaid rental for the period up to 31 March 2002 of approximately HK\$6,756,000 was included in prepayments, deposits and other receivables while an amount of approximately HK\$13,244,000 for the period after 31 March 2002 was classified as a non-current asset.

20. BALANCES WITH JOINT VENTURE PARTNERS

The balances with joint venture partners are unsecured, interest-free and are repayable on demand.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

21. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank overdrafts:				
Secured	43,570	12,362	–	741
Unsecured	939	–	939	–
	44,509	12,362	939	741
Bank loans:				
Secured	45,080	130,288	–	–
Unsecured	23,984	23,637	–	–
	69,064	153,925	–	–
Trust receipts:				
Secured	39,428	23,920	–	–
Unsecured	51,879	58,843	–	–
	91,307	82,763	–	–
Other loans:				
Secured	12,243	–	–	–
Unsecured	12,871	3,431	–	–
	25,114	3,431	–	–
	229,994	252,481	939	741



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

21. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (cont'd)

The interest-bearing bank loans and other borrowings are further analysed as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank overdrafts repayable on demand	44,509	12,362	939	741
Bank loans repayable:				
Within one year or on demand	63,143	78,492	–	–
In the second year	4,906	68,246	–	–
In the third to fifth years, inclusive	1,015	7,105	–	–
Wholly repayable beyond five years	–	82	–	–
	69,064	153,925	–	–
Trust receipt loans repayable within one year	91,307	82,763	–	–
Other loans repayable:				
Within one year or on demand	10,833	3,431	–	–
In the second year	3,568	–	–	–
In the third to fifth years, inclusive	10,713	–	–	–
	25,114	3,431	–	–
Total bank loans and other borrowings	229,994	252,481	939	741
Portion classified as current liabilities	(209,792)	(177,048)	(939)	(741)
Long term portion	20,202	75,433	–	–



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

21. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (cont'd)

The Group's bank and other borrowings are secured by:

- (i) certain leasehold land and buildings, with a net book value of HK\$23,800,000 (2000: HK\$57,750,000);
- (ii) certain plant and machinery with a net book value of HK\$48,734,000 (2000: HK\$53,874,000);
- (iii) first legal charges over all of the investment properties of the Group;
- (iv) the Group's entire interest in SWJ (note 14); and
- (v) guarantees from a minority shareholder and an independent third party to the extent of approximately HK\$10,000,000 and HK\$20,093,000, respectively.

22. FINANCE LEASE AND HIRE PURCHASE CONTRACT PAYABLES

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Amounts payable:		
Within one year	9,699	16,703
In the second year	–	7,063
In the third to fifth years, inclusive	–	661
Total minimum finance lease and hire purchase contract payments	9,699	24,427
Future finance charges	(387)	(1,934)
Total net finance lease and hire purchase contract payables	9,312	22,493
Portion classified as current liabilities	(9,312)	(15,137)
Long term portion	–	7,356



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

23. ACCOUNTS AND BILLS PAYABLE

As at 31 March 2001, the aged analysis of the accounts and bills payable was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within 30 days	12,403	15,193
Between 31 to 60 days	7,367	5,800
Between 61 to 90 days	3,340	3,456
Over 90 days	9,870	24,629
	32,980	49,078

24. SHARE CAPITAL

Shares

	Number of HK\$0.10 ordinary shares	Amount HK\$
Authorised	2,400,000,000	240,000,000
Issued and fully paid:		
At beginning of year	1,296,000,000	129,600,000
Private placement	129,600,000	12,960,000
At end of year	1,425,600,000	142,560,000

On 7 April 2000, a private placement of 129,600,000 new shares in the share capital of the Company was made at a price of HK\$0.138 per share. The proceeds of the new issue of approximately HK\$17.9 million, before issue expenses, were used to increase the working capital of the Group.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

24. SHARE CAPITAL (cont'd)

Share options

On 13 September 1995, the Company adopted a share option scheme under which the directors may, at their discretion, make an offer to any employee of the Company or of any of its subsidiaries, including directors of the Company or any such subsidiaries, for the grant of options to subscribe for shares in the Company. The subscription price of any options granted is the higher of 80% of the average of the closing share price on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of the offer of the option and the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed in nominal amount 10% of the issued share capital of the Company from time to time which has been duly allotted and issued. The scheme became effective upon the listing of the Company's shares on 2 October 1995.

The options granted by the Company under the scheme which remained outstanding at the balance sheet date were as follows:

Date of grant of options	Exercise price per share	Exercisable period	Number of shares under options (in thousand)
27 August 1999	HK\$0.10	27 February 2001 – 26 February 2003	30,400
29 September 1999	HK\$0.10	29 March 2001 – 28 March 2003	18,200
			48,600

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 48,600,000 additional ordinary shares at a total consideration, before issue expenses, of approximately HK\$4,860,000.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

25. RESERVES

Group

	Share		Goodwill	Capital reserve	Investment		Exchange		Retained profits	Total
	premium account	Contributed surplus			Asset revaluation reserve	property revaluation reserve	General reserve	fluctuation reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 1999	126,747	52,743	(55,330)	4,581	46,536	5,844	547	(30,222)	104,680	256,126
Issue of shares	1,440	-	-	-	-	-	-	-	-	1,440
Share issue expenses	(1,430)	-	-	-	-	-	-	-	-	(1,430)
Deficit on revaluation	-	-	-	-	(3,770)	(1,765)	-	-	-	(5,535)
Share of reserves of										
a jointly-controlled entity	-	-	-	-	48	-	20	-	-	68
Release of reserves of former										
jointly-controlled entities	-	-	2,750	-	-	-	(381)	1,986	-	4,355
Goodwill on acquisition of										
additional equity interest										
of a subsidiary	-	-	(16,208)	-	-	-	-	-	-	(16,208)
Net loss for the year										
ended 31 March 2000	-	-	-	-	-	-	-	-	(120,404)	(120,404)
At 31 March 2000	126,757	52,743	(68,788)	4,581	42,814	4,079	186	(28,236)	(15,724)	118,412
Reserves retained by:										
Company and subsidiaries	126,757	52,743	(68,625)	4,581	42,016	4,079	-	(28,065)	(15,535)	117,951
Jointly-controlled entities	-	-	(163)	-	798	-	186	(171)	(189)	461
At 31 March 2000	126,757	52,743	(68,788)	4,581	42,814	4,079	186	(28,236)	(15,724)	118,412



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

25. RESERVES (cont'd)

Group

	Share		Goodwill	Capital	Investment		General	Exchange	Retained	Total
	premium	Contributed			Asset	property				
	account	surplus	reserve	reserve	reserve	reserve	reserve	reserve	profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2000	126,757	52,743	(68,788)	4,581	42,814	4,079	186	(28,236)	(15,724)	118,412
Issue of shares	4,925	-	-	-	-	-	-	-	-	4,925
Share issue expenses	(620)	-	-	-	-	-	-	-	-	(620)
Deficit on revaluation	-	-	-	-	(148)	-	-	-	-	(148)
Share of reserves of a jointly-controlled entity	-	-	-	-	55	-	-	-	-	55
Release of reserves upon disposal	-	-	-	-	(1,938)	(4,079)	-	-	1,938	(4,079)
Exchange realignments	-	-	-	-	-	-	-	(352)	-	(352)
Release of reserves upon reclassification of subsidiaries to other investment	-	-	53,077	-	(36,599)	-	-	11,734	36,599	64,811
Net loss for the year ended 31 March 2001	-	-	-	-	-	-	-	-	(304,373)	(304,373)
At 31 March 2001	131,062	52,743	(15,711)	4,581	4,184	-	186	(16,854)	(281,560)	(121,369)
Reserves retained by:										
Company and subsidiaries	131,062	52,743	(15,548)	4,581	3,331	-	-	(16,683)	(281,241)	(121,755)
Jointly-controlled entities	-	-	(163)	-	853	-	186	(171)	(319)	386
At 31 March 2001	131,062	52,743	(15,711)	4,581	4,184	-	186	(16,854)	(281,560)	(121,369)



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

25. RESERVES (cont'd)

Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 1999	126,747	159,393	(30,014)	256,126
Issue of shares	1,440	–	–	1,440
Share issue expenses	(1,430)	–	–	(1,430)
Net loss for the year ended 31 March 2000	–	–	(137,724)	(137,724)
At 31 March 2000 and at beginning of year	126,757	159,393	(167,738)	118,412
Issue of shares	4,925	–	–	4,925
Share issue expenses	(620)	–	–	(620)
Net loss for the year ended 31 March 2001	–	–	(249,113)	(249,113)
At 31 March 2001	131,062	159,393	(416,851)	(126,396)

The contributed surplus of the Group arose as a result of the Group reorganisation prior to its public listing on 2 October 1995 and represents the difference between the nominal value of the share capital of the former holding company of the Group acquired pursuant to the Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus of the Company arose as a result of the same Group reorganisation scheme and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefor.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operating activities to net cash inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Loss from operating activities	(267,093)	(87,119)
Interest received and receivable	(33)	(290)
Deficit on revaluation of leasehold land and buildings	10,526	3,946
Deficit on revaluation of investment properties	7,160	–
Release of reserves of former jointly-controlled entities	–	4,355
Provision against trade deposits	–	14,913
Provision against subcontracting fees receivable	–	4,545
Provision against receivables from former associates	–	1,861
Provision against receivable from a former subsidiary	–	520
Provisions against other receivables	26,706	–
Provisions against doubtful debts	3,235	53,316
Provision for diminution in value of a jointly-controlled entity	6,981	21,244
Provisions for diminution in value of long term investments	6,289	10,755
Depreciation	28,040	31,189
Write off/amortisation of deferred pre-operating expenses	–	703
Loss on disposal of fixed assets	117	151
Loss/(gain) on disposal of investment properties	(2,660)	3,500
Loss on reclassification of subsidiaries to other investments	187,002	–
Increase in inventories	(32,641)	(9,572)
Decrease in accounts and bills receivable	51,338	78,249
Decrease/(increase) in prepayments, deposits and other receivables	2,828	(806)
Decrease in amounts due from joint venture partners	584	3,491
Decrease in trust receipt loans with maturity of more than three months	(2,731)	(37,199)
Increase/(decrease) in accounts and bills payables	(4,953)	5,733
Increase in other payables and accruals	12,433	2,195
Increase/(decrease) in amounts due to joint venture partners	2,629	(968)
Net cash inflow from operating activities	35,757	104,712



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(b) Analysis of changes in financing during the year

	Share capital and share premium account <i>HK\$'000</i>	Bank and other loans, finance lease and hire purchase contract obligations <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
At 1 April 1999	198,747	233,859	32,972
Net cash inflow/(outflow) from financing activities	57,610	(61,760)	(1,431)
Inception of finance lease contracts	–	7,750	–
Share of profit after tax of a subsidiary	–	–	583
Interest acquired	–	–	(14,792)
At 31 March 2000 and 1 April 2000	256,357	179,849	17,332
Net cash inflow/(outflow) from financing activities	17,265	(49,383)	(1,431)
Share of profit after tax of a subsidiary	–	–	84
On reclassification of subsidiaries to other investments	–	(26,976)	–
At 31 March 2001	273,622	103,490	15,985



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(c) Reclassification of subsidiaries to other investments

	2001 HK\$'000	2000 HK\$'000
Net assets deconsolidated:		
Fixed assets	113,973	–
Cash and bank balances	1,251	–
Accounts receivable	4,273	–
Inventories	54,666	–
Prepayments, deposits and other receivables	3,761	–
Short term bank loans, secured	(26,976)	–
Accounts payable	(11,145)	–
Accrued liabilities and other payables	(4,496)	–
	135,307	–
Exchange translation reserve	11,734	–
Goodwill reserve	53,077	–
	200,118	–
Loss on reclassification of subsidiaries to other investments	(187,002)	–
	13,116	–
Satisfied by:		
Other investments	9,935	–
Waiver of an amount due to a joint venture partner	3,181	–
	13,116	–
Analysis of the net outflow of cash and cash equivalents in respect of the reclassification of subsidiaries as other investments:		
Cash and bank balances disposed of	1,251	–



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

27. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantees of banking facilities granted to subsidiaries	–	–	370,780	403,200
Guarantees of finance leases granted to subsidiaries	–	–	7,354	17,250

In respect of the Company guarantees for banking facilities granted to subsidiaries, the balance drawn down by the subsidiaries as at the balance sheet date amounted to HK\$168,869,000 (2000: HK\$180,454,000).

28. COMMITMENTS

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	223	800
Beyond five years	–	2,121
	223	2,921

- (b) At the balance sheet date, the Group had contracted commitments in respect of investments in joint ventures in the PRC amounting to US\$6,207,000 (equivalent to HK\$48,101,000) (2000: US\$6,006,000 (equivalent to HK\$46,549,000)).



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

28. COMMITMENTS (cont'd)

- (c) At the balance sheet date, the Group had contracted commitments to guarantee the minority owner of a PRC subsidiary an annual amount of RMB4,000,000 (equivalent to HK\$3,738,000) for each of the first ten years, RMB1,000,000 (equivalent to HK\$935,000) for each of the next five years and another RMB500,000 (equivalent to HK\$467,000) for each of the following five years, commencing 1 April 1998. Apart from these payments to the minority owner, all profits and losses of this subsidiary are for the sole account of the Group.
- (d) At the balance sheet date, the Group had unprovided commitments of RMB18,197,000 (equivalent to HK\$17,006,000) in respect of a piece of land in Dongguan, the PRC.

At the balance sheet date, the Company did not have any commitments.

29. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events took place:

- (a) On 12 April 2001 and 22 June 2001, the Group disposed of one of its investment properties and land and buildings for cash considerations of HK\$3,600,000 and HK\$1,550,000, respectively.
- (b) On 14 August 2001, the Group entered into an agreement with an independent third party for the disposal of its entire interest in Shantou Plastics for a cash consideration of HK\$9 million in cash as detailed in note 16 to the financial statements.
- (c) On 6 September 2001, the Group entered into an agreement with the Joint Venture Party for the disposal of its entire interest in Zhanjiang Rich Ocean for a cash consideration of approximately HK\$0.9 million and a waiver of the amount due to the Joint Venture Party of approximately HK\$3.2 million as further detailed in note 16 to the financial statements.



Notes to Financial Statements (cont'd)

Year ended 31 March 2001

30. RELATED PARTY TRANSACTIONS

In addition to the disclosures made elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Subcontracting fee expenses paid to joint venture partners	4,836	4,785

The subcontracting fee expenses were paid to the joint venture partners of the subsidiaries in the PRC according to the subcontracting agreements entered into between the Group and the joint venture partners. After the payment of these subcontracting fees, the results of the related subsidiaries are wholly attributable to the Group.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 14 September 2001.