



2 Principal accounting policies (cont'd)

(a) Consolidation (cont'd)

- (ii) Subsidiaries are companies 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 boards of directors. In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivables.

(b) Revenue recognition

- (i) Revenue from the sale of goods is recognised on the transfer of ownership, which generally coincides with the time of cash receipt for retail sales or the time when the goods are delivered to customers and the title has passed for credit sales, net of returns and discounts given.
- (ii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (iii) Management fee income is recognised when the services are rendered.

(c) Deferred taxation

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

(d) Fixed assets

- (i) *Leasehold land and buildings*

Leasehold land and buildings are stated at valuation, being open market value for existing use at the date of revaluation, less accumulated amortisation or depreciation. Independent valuations are performed periodically. In the intervening years, the directors review the carrying value of the leasehold land and buildings and adjustment is made where there has been a material change. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and thereafter debited to the operating profit. Any subsequent increases are credited to the operating profit up to the amount previously debited.

Leasehold land is depreciated over the periods of the leases on a straight-line basis.

Leasehold buildings are depreciated on the straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group, whichever is the shorter. The principal annual rate used for this purpose is 2%.

2 Principal accounting policies (cont'd)

(d) Fixed assets (cont'd)

(ii) Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other cost incurred to bring the asset into its existing use. Other tangible fixed assets are depreciated to write off the cost on the straight-line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:

Leasehold improvements	20%
Furniture, fixtures and equipment	10%-20%
Motor vehicles	20%

(iii) Impairment of fixed assets

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, their carrying amount is reduced to their recoverable amount. Recoverable amount is the amount which the Group expects to recover from the future use of the asset, including its residual value on disposal. Expected future cash flows have not been discounted in determining the recoverable amount. The amount of the reduction to recoverable amount is charged to the profit and loss account, unless it reverses a previous revaluation increase, in which case it is charged directly against any related revaluation reserve to the extent that the reduction does not exceed the amount held in the revaluation reserve in respect of the same item or group of identical assets.

(iv) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(v) Cost of restoring and improving fixed assets

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

2 Principal accounting policies (cont'd)

(j) Translation of foreign currencies

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

The accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves. Upon disposal of an overseas subsidiary, the related accumulated exchange difference is recognised in the profit and loss account as part of the gain or loss on disposal.

3 Revenues and turnover

- (a) The Group is principally engaged in the importing and sale of architectural builders hardware and bathroom collection. Revenues recognised during the year are as follows:-

	Group	
	2001	2000
	HK\$'000	HK\$'000
Turnover - Sale of goods	281,564	294,128
Other revenues		
Interest income	3,791	698
Management fee income	-	215
Others (<i>note (i)</i>)	-	1,207
	<u>3,791</u>	<u>2,120</u>
Total revenues	<u><u>285,355</u></u>	<u><u>296,248</u></u>

- (i) This represented an amount received from a supplier as compensation to the Group in respect of that supplier's failure to fulfil its obligations under a sales contract with the Group.

- (b) All of the turnover and operating profit of the Group for the year are contributed by the importing and sale of architectural builders hardware and bathroom collection.

No geographical analysis of turnover and operating profit is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated trading results of the Group are attributable to markets outside Hong Kong.



4 Operating profit

Operating profit is stated after charging/(crediting) the following:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Auditors' remuneration	892	480
Cost of inventories sold	174,103	177,310
Depreciation of owned fixed assets	2,706	2,408
Depreciation of fixed assets held under finance leases	70	151
Loss on disposal of fixed assets	112	58
Net exchange gains	(1,270)	(1,109)
Payments under operating leases for leasehold land and buildings	10,180	7,399
Provision for doubtful debts	4,401	734
Provision for slow-moving inventories/(write-back of provision), included in cost of inventories sold above	4,857	(1,236)
Staff costs, including directors' emoluments (note 10)	47,334	38,898
	<u>47,334</u>	<u>38,898</u>

5 Finance costs

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank borrowings	2,689	2,853
Interest element of finance leases	37	44
	<u>2,726</u>	<u>2,897</u>

6 Taxation

(a) Hong Kong profits tax is calculated at the rate of 16% (2000: 16%) on the estimated assessable profits for the year.

	Group	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax		
- current year	3,602	7,993
- under/(over)provision in previous year	238	(80)
Deferred taxation (note 6(b))	(19)	-
	<u>3,821</u>	<u>7,913</u>

6 Taxation (cont'd)

(b) The movements in the deferred taxation account are as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Brought forward	411	411
Transfer from profit and loss account (<i>note 6(a)</i>)	19	-
	<hr/>	<hr/>
Carried forward	<u>392</u>	<u>411</u>

The deferred taxation is provided for in respect of accelerated depreciation allowances. There was no material unprovided deferred taxation for the year.

7 Profit attributable to shareholders

Included in the profit attributable to shareholders is a profit of HK\$10,735,000 (2000: Nil) which is dealt with in the accounts of the Company.

8 Dividends

	2001	2000
	HK\$'000	HK\$'000
Dividends paid by certain subsidiaries to their then shareholders prior to the Reorganisation (<i>note 8(a)</i>)	-	69,683
2001 interim, paid, of HK\$0.03 (2000: Nil) per share	6,000	-
2001 final dividend, proposed, of HK\$0.01 (2000: HK\$0.01) per share (<i>note 8(b)</i>)	2,000	2,000
	<hr/>	<hr/>
	<u>8,000</u>	<u>71,683</u>

(a) The dividend rates and the number of shares ranking for the dividends mentioned above are not presented as such information is not considered meaningful for the purpose of these consolidated accounts.

(b) On 3rd October 2001, the directors recommend the payment of a final dividend for the year ended 31st March 2001 of HK\$0.01 per share, totally HK\$2,000,000. As a result of the adoption of SSAP 9 (revised), this proposed dividend is not reflected as a dividend payable in the accounts for the year and will be reflected as an appropriation of retained earnings for the year ending 31st March 2002.

9 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$15,205,000 (2000: HK\$42,736,000) and on the weighted average number of 198,849,000 shares in issue (2000: 140,000,000 shares deemed to be in issue) during the year. In determining the number of shares deemed to be in issue for the year ended 31st March 2000, the 1,000,000 shares issued before the capitalisation issue and the capitalisation issue of 139,000,000 shares made to Bache Hill Group Limited immediately following the initial public offering of the Company's shares which took place in early April 2000, were deemed to have been in issue on 1st April 1999.

Diluted earnings per share was not disclosed as there were no dilutive potential ordinary shares.



10 Directors' and senior management's emoluments

(a) Directors' remuneration

Emoluments of the directors of the Company during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Fees (i)	240	20
Other emoluments		
– Basic salaries and allowances	7,172	6,177
– Discretionary bonuses (ii)	2,989	–
– Retirement scheme contributions	594	309
	10,995	6,506
	10,995	6,506

(i) Fees paid to the two independent non-executive directors during the year

(ii) The discretionary bonuses were paid to certain executive directors who have service contracts with the Company.

The emoluments of the directors fell within the following bands:

<i>Emoluments bands</i>	Number of directors	
	2001	2000
HK\$Nil – HK\$1,000,000	* 2	* 4
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	1	3
HK\$2,000,001 – HK\$2,500,000	3	–
HK\$2,500,001 – HK\$3,000,000	1	–
	6	7
	6	7

* Included the two independent non-executive directors.

No director waived or agreed to waive their emoluments in respect of the years ended 31st March 2001 and 2000.

(b) Five highest paid individuals

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

	2001 HK\$'000	2000 HK\$'000
Basic salaries and allowances	3,258	3,263
Discretionary bonuses	818	–
Retirement scheme contributions	180	173
	4,256	3,436
	4,256	3,436

10 Directors' and senior management's emoluments (cont'd)

(b) Five highest paid individuals (cont'd)

The emoluments fell within the following bands:

<i>Emoluments bands</i>	Number of individuals	
	2001	2000
HK\$1,500,001 – HK\$2,000,000	-	2
HK\$2,000,001 – HK\$2,500,000	2	-

11 Fixed assets

	Group				
	Land and buildings under long leases in Hong Kong	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Cost or valuation					
At 1st April 2000	14,000	10,184	9,606	1,590	35,380
Additions	-	3,590	1,511	587	5,688
Disposals	-	-	-	(709)	(709)
At 31st March 2001	14,000	13,774	11,117	1,468	40,359
Accumulated depreciation					
At 1st April 2000	-	4,916	6,447	1,245	12,608
Charge for the year	195	1,403	939	239	2,776
Disposals	-	-	-	(512)	(512)
At 31st March 2001	195	6,319	7,386	972	14,872
Net book value					
At 31st March 2001	13,805	7,455	3,731	496	25,487
At 31st March 2000	14,000	5,268	3,159	345	22,772

The analysis of the cost or valuation of the above assets at 31st March 2001 is as follows:

At cost	-	13,774	11,117	1,468	26,359
At 2000 professional valuation (note a)	14,000	-	-	-	14,000
	14,000	13,774	11,117	1,468	40,359



11 Fixed assets (cont'd)

- (a) The leasehold land and buildings were revalued by Vigers Hong Kong Limited, an independent firm of professional valuers at 31st January 2000 on the basis of open market value. The revaluation of the Group's leasehold land and buildings does not constitute a timing difference for tax purposes.
- (b) The carrying amount of the property would have been approximately HK\$3,969,000 (2000: HK\$4,053,000) had they been stated at cost less accumulated depreciation.
- (c) At 31st March 2001, the cost and accumulated depreciation of fixed assets held by the Group under finance leases amounted to approximately HK\$349,000 (2000: HK\$755,000) and HK\$70,000 (2000: HK\$639,000) respectively.

12 Investments in subsidiaries

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	90,917	90,917

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

Name	Country/place incorporation or establishment	Issued and fully paid up share capital/ registered capital	Principal activities and place of operation	Percentage interest held
<i>Shares held directly:-</i>				
E. Bon (BVI) Holdings Limited	British Virgin Islands	50,000 ordinary shares of US\$1 each	Investment holding in Hong Kong	100
<i>Shares held indirectly:</i>				
Asia Bon Company Limited	Hong Kong	100,000 ordinary shares of HK\$1 each	Property holding in Hong Kong	100
E. Bon Building Materials Company Limited	Hong Kong	6,000 ordinary shares of HK\$1,000 each	Importing and sale of architectural builders hardware and bathroom collection in Hong Kong	100
Right Century Limited	Hong Kong	2 ordinary shares of HK\$1 each	Retail of bathroom accessories and decoration materials in Hong Kong	100

12 Investments in subsidiaries (cont'd)

Name	Country/place incorporation or establishment	Issued and fully paid up share capital/ registered capital	Principal activities and place of operation	Percentage interest held
Sunny Building and Decoration Materials Company Limited	Hong Kong	6,000 ordinary shares of HK\$1,000 each	Retail of architectural builders hardware and bathroom collection in Hong Kong	100
Shanghai Tech Pro International Trading Co., Ltd.	People's Republic of China ("PRC")	US\$300,000	Importing and sale of architectural builders hardware and bathroom collections in PRC	100
Twinwood Venture Limited	British Virgin Islands	1 ordinary share of US\$1 each	Investment holding in Hong Kong	100
H2O (Pro) Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of bathroom collection in Hong Kong	100

The Company has the following additional subsidiaries subsequent to the balance sheet date:

Shares held indirectly:-

Massford Holdings Limited	British Virgin Islands	1 ordinary share of US\$1 each	Investment holding in Hong Kong	100
Techpro Trading Limited	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of architectural builders hardware in Hong Kong	100
Massford (Hong Kong) Limited	Hong Kong	2 ordinary shares of HK\$1 each	Supplying architectural builders hardware and bathroom collection for property development in Hong Kong	100
Bonco Ironmongery Limited (formerly known as Ranco Limited)	Hong Kong	2 ordinary shares of HK\$1 each	Importing and sale of architectural builders hardware in Hong Kong	100



13 Amounts due from/(to) subsidiaries

The amounts are unsecured, interest-free and are repayable on demand.

14 Inventories

	Group	
	2001 HK\$'000	2000 HK\$'000
Inventories	73,562	53,861
Less: Provision for slow-moving inventories	(35,697)	(30,840)
	<u>37,865</u>	<u>23,021</u>

15 Trade receivables, other receivables, deposits and prepayments

Included in the balance are trade receivables and their ageing analysis is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Below 30 days	22,149	34,126
30-60 days	16,793	21,700
61-90 days	7,465	14,644
Over 90 days	37,306	27,838
	<u>83,713</u>	<u>98,308</u>
Provision of doubtful debts	(11,089)	(6,688)
	<u>72,624</u>	<u>91,620</u>

The majority of the Group's sales are with credit terms of 30 to 90 days. The remaining amounts are on letter of credit or documents against payment.

16 Trade payables, accruals and deposits received

Included in the balance are trade payables and their ageing analysis is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Below 30 days	3,337	3,281
30-60 days	2,545	2,572
61-90 days	155	2,751
Over 90 days	3,375	222
	<u>9,412</u>	<u>8,826</u>

17 Share capital

	Authorised ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 7th January 2000 (date of incorporation)	3,800,000	380
Increase in authorised capital (<i>note (b)(i)</i>)	996,200,000	99,620
	<hr/>	<hr/>
At 31st March 2000 and 31st March 2001	<u>1,000,000,000</u>	<u>100,000</u>
	<hr/>	<hr/>
	Issued and fully paid ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
At 7th January 2000 (date of incorporation)	1	–
Issue of shares (<i>note (b)(ii)</i>)	999,999	100
	<hr/>	<hr/>
At 31st March 2000	1,000,000	100
New issue of shares to the public (<i>note (c)</i>)	60,000,000	6,000
Capitalisation issue (<i>note (d)</i>)	139,000,000	13,900
	<hr/>	<hr/>
At 31st March 2001	<u>200,000,000</u>	<u>20,000</u>
	<hr/>	<hr/>

- (a) The Company was incorporated on 7th January 2000 with an authorised capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each of which one share was allotted and issued at par to the subscriber on the date of incorporation.
- (b) In preparation for a listing of the Company's shares on the Main Board of the Stock Exchange, the following changes in authorised and issued share capital of the Company took place on 22nd March 2000:
- (i) The authorised share capital of the Company was increased to HK\$100,000,000 by the creation of an additional 996,200,000 shares of HK\$0.1 each.
- (ii) As consideration for the acquisition by the Company of the entire issued capital of E. Bon (BVI) Holdings Limited ("E. Bon BVI"), an aggregate of 999,999 shares of HK\$0.1 each, credited as fully paid, were issued and allotted to BHGL, the then shareholder of E. Bon BVI.
- (c) In April 2000, 60,000,000 shares of HK\$0.1 each were issued to the public at a premium of HK\$1.10 per share for cash totalling HK\$72,000,000 (the "New Issue"). The excess of the issue price over the par value of the shares issued has been credited to the share premium account of the Company.
- (d) Immediately after the New issue, 139,000,000 shares of HK\$0.1 each were issued, allotted at par and fully paid to BHGL by way of the capitalisation of a sum of HK\$13,900,000 out of the credit of the share premium account of the Company created as a result of the New issue.
- (e) Pursuant to a share option scheme approved on 22nd March 2000, the executive directors may, at their discretion, grant options to themselves and the full-time employees of the Group entitling them to subscribe for shares representing up to a maximum of 10% of the shares in issue from time to time (excluding shares which have been allotted and issued pursuant to the Share Option Scheme). No share option was granted by the Company during the year.



18 Reserves

(a) Group

	Share premium	Revaluation reserve	Merger reserve	Capital reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 1999	-	3,292	-	2,896	94,650	100,838
Profit attributable to shareholders	-	-	-	-	42,736	42,736
Dividends paid by certain subsidiaries to their then shareholders prior to the Reorganisation	-	-	-	-	(69,683)	(69,683)
Surplus on merger	-	-	6,979	-	-	6,979
Surplus on revaluation of leasehold land and buildings	-	9,947	-	-	-	9,947
Release of revaluation reserve to the retained earnings upon disposal of leasehold land and buildings	-	(3,292)	-	-	3,292	-
Reserves	-	9,947	6,979	2,896	68,995	88,817
Proposed dividend	-	-	-	-	2,000	2,000
At 31st March 2000	-	9,947	6,979	2,896	70,995	90,817
At 1st April 2000 as previously reported	-	9,947	6,979	2,896	68,995	88,817
Prior year adjustment on adopting SSAP 9 (revised)	-	-	-	-	2,000	2,000
At 1st April 2000 as restated	-	9,947	6,979	2,896	70,995	90,817
Issue of shares	66,000	-	-	-	-	66,000
Capitalisation of new issue	(13,900)	-	-	-	-	(13,900)
Issuing expenses	(10,839)	-	-	-	-	(10,839)
Profit attributable to shareholders	-	-	-	-	15,205	15,205
2000 final dividend paid	-	-	-	-	(2,000)	(2,000)
2001 interim dividend paid	-	-	-	-	(6,000)	(6,000)
Reserves	41,261	9,947	6,979	2,896	76,200	137,283
Proposed dividend	-	-	-	-	2,000	2,000
At 31st March 2001	41,261	9,947	6,979	2,896	78,200	139,283

18 Reserves (cont'd)

(b) Company

	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st April 1999	-	-	-
Issue of shares pursuant to the Reorganisation (note (i))	90,817	-	90,817
Reserves	88,817	-	88,817
Proposed dividend	2,000	-	2,000
Balance at 31st March 2000	90,817	-	90,817
Issue of shares	66,000	-	66,000
Capitalisation issue	(13,900)	-	(13,900)
Issuing expenses	(10,839)	-	(10,839)
Profit for the year	-	10,735	10,735
2000 final dividend paid	(2,000)	-	(2,000)
2001 interim dividend paid	-	(6,000)	(6,000)
Reserves	130,078	2,735	132,813
Proposed dividend	-	2,000	2,000
At 31st March 2001	130,078	4,735	134,813

- (i) The balance represented the difference between the consolidated net worth of E. Bon (BVI) Holdings Limited at the date on which its shares were acquired by the Company, and the nominal value of the Company's shares issued for the acquisition pursuant to the Reorganisation in March 2000.

19 Non-current liabilities

	Group	
	2001 HK\$'000	2000 HK\$'000
Obligations under finance leases	244	163
Bank loans	9,764	18,129
	10,008	18,292
Less: amounts payable within one year shown under current liabilities	(5,924)	(7,359)
	4,084	10,933
Deferred taxation (note 6(b))	392	411
	4,476	11,344



19 Non-current liabilities (cont'd)

Long-term borrowings are repayable as follows:

	Group					
	Obligations under finance leases		Bank loans		Total	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
On demand or						
within one year	82	163	5,842	7,196	5,924	7,359
In the second year	83	-	1,553	3,060	1,636	3,060
In the third to fifth years	79	-	2,369	7,873	2,448	7,873
	<u>244</u>	<u>163</u>	<u>9,764</u>	<u>18,129</u>	<u>10,008</u>	<u>18,292</u>
Current portion of long-term borrowings	(82)	(163)	(5,842)	(7,196)	(5,924)	(7,359)
	<u>162</u>	<u>-</u>	<u>3,922</u>	<u>10,933</u>	<u>4,084</u>	<u>10,933</u>

20 Notes to cash flow statement

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

	2001 HK\$'000	2000 HK\$'000
Operating profit	21,752	53,546
Interest income	(3,791)	(698)
Depreciation of owned fixed assets	2,706	2,408
Depreciation of fixed assets held under finance leases	70	151
Loss on disposal of fixed assets	112	58
Increase in inventories	(14,844)	(7,810)
Decrease/(increase) in trade receivables, other receivables, deposits and prepayments	28,284	(18,385)
Decrease in trade payables, accruals and deposits received and bills payable	(2,643)	(328)
Net cash inflow from operating activities	<u>31,646</u>	<u>28,942</u>

20 Notes to cash flow statement (cont'd)

(b) Analysis of changes in financing during the year

	Share capital including premium		Obligations under finance leases		Bank loans		Trust receipt loans	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance brought forward	100	-	163	405	18,129	19,541	40,115	31,743
Issue of ordinary shares	72,000	100	-	-	-	-	-	-
Issuing expenses	(10,839)	-	-	-	-	-	-	-
Bank loans repaid	-	-	-	-	(8,365)	(1,412)	-	-
Repayment of capital element of finance leases	-	-	(249)	(242)	-	-	-	-
Inception of finance leases	-	-	330	-	-	-	-	-
Net trust receipt loans (repaid)/raised	-	-	-	-	-	-	(6,038)	8,372
Balance carried forward	<u>61,261</u>	<u>100</u>	<u>244</u>	<u>163</u>	<u>9,764</u>	<u>18,129</u>	<u>34,077</u>	<u>40,115</u>

(c) Major non-cash transactions

During the year, the Group entered into finance leases arrangements in respect of assets with a total capital value at the inception of the leases of HK\$330,000 (2000: Nil).

21 Contingent liabilities

- (a) In August 2001, a subsidiary of the Company sued one of its customers (the "Defendant") for recovery of an amount of approximately HK\$5,333,000 in respect of goods sold and delivered to the Defendant. In September 2001, the Defendant filed a counter-claim in a sum of approximately HK\$6,148,000 (the "Counter-claim") on that subsidiary for the alleged losses and damages as a result of the alleged breach of the supply agreement entered into between the Defendant and that subsidiary. The proceedings are still in an early pleading stage and the directors of the Company, on the basis of independent legal advice obtained, consider the subsidiary has a good arguable case against the Defendant for the Counter-claim and accordingly no provision in respect of the amount of the Counter-claim has been made in the accounts.
- (b) As at 31st March 2001, the Group had indemnities in respect of performance bonds amounting to approximately HK\$2,926,000 (2000: HK\$2,253,000) given to certain customers in respect of commitments for the supply of goods to such customers.
- (c) As at 31st March 2001, the Company had guarantees given to banks for banking facilities utilised by certain subsidiaries to the extent of approximately HK\$67 million.

Apart from the above, the Group and the Company had no material litigation or contingent liabilities as at 31st March 2001 and up to the date of the approval of the accounts.



22 Commitments

(a) Capital commitments

As at 31st March 2001, the Company had capital commitment contracted but not provided for in respect of property, plant and equipment amounting to HK\$900,000 (2000: Nil).

(b) Commitments under operating leases

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

	2001 HK\$'000	2000 HK\$'000
Within one year	–	972
In the second to fifth years inclusive	11,094	7,556
	<u>11,094</u>	<u>8,528</u>

23 Pledge of assets

The banking facilities prior to the listing of the Company's shares on the Main board of Stock Exchange on 12th April 2000 were secured by charges on the leasehold land and buildings and certain time deposits held by the Group, personal guarantees given by certain directors and corporate guarantees given by a subsidiary of the Company and Negotiator Consultants Limited ("NCL"), a fellow subsidiary of the Company. Following the listing of the Company's shares on the Main Board of the Stock Exchange, the charges and guarantees mentioned above have been replaced by a corporate guarantee given by the Company.

24 Related party transactions

Save as disclosed in note 23 to the accounts, during the year, the Group undertook the following material transactions with NCL in the normal course of business at terms mutually agreed between the Group and NCL:

		Group	
	Note	2001 HK\$'000	2000 HK\$'000
Rental expense paid to NCL		2,736	84
Sale proceeds of leasehold land and buildings to NCL	(a)	–	48,704
		<u> </u>	<u> </u>

(a) The leasehold land and buildings were sold by the Group to NCL at the net book value on the date of disposal.

25 Ultimate holding company

The directors regard Bache Hill Group Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

26 Approval of accounts

The accounts were approved by the board of directors on 3rd October 2001.