Notes to Financial Statements

31 March 2002

1. CORPORATE INFORMATION

The principal place of business of the Company is located at 18/F, Gitic Center, 28 Queens' Road East, Hong Kong. The principal activities of the Group during the year were the manufacturing and trading of plastic products.

2. BASIS OF PRESENTATION

At 31 March 2002, the Group had net current liabilities and deficiency in assets of approximately HK$226,077,000 and HK$75,627,000, respectively. The Group also incurred a net loss attributable to shareholders and reported a decrease in cash and cash equivalents for the year ended 31 March 2002 of approximately HK$96,207,000 and HK$31,496,000, respectively.

The Group has had difficulty in repaying short term bank loans on time and certain of the Group's banks have withdrawn or reduced the facilities granted to the Group. During the year, the directors were in active negotiations with the Group's bankers for their ongoing support to the Group and the Group has been under an informal standstill arrangement with its banks (excluding those in the People's Republic of China (the "PRC")) (collectively the "Participating Banks"). Subsequent to the balance sheet date, on 30 May 2002, the Group entered into a Rescheduling and Restructuring Deed (the "Deed") with the Participating Banks. Summary details of the Deed are set out below.

The total indebtedness to the Participating Banks of approximately HK$194.5 million at the date of completion of the Deed (the "Completion"), including interest accrued up to the date of Completion, will be restructured and discharged as follows:

(i) A restructuring into short term secured loans (the "STS Loans") of HK$11 million face value, subject to the deduction of any proceeds from the disposal of assets pledged (the "Secured Assets") to the Participating Banks arising on or before the Completion. Each STS Loan will be secured by the relevant Secured Assets, which include a leasehold property situated in Hong Kong (note 14) and the Group's 25% interest in a jointly-controlled entity (note 17), and bear an annual interest rate of 1% over monthly HIBOR, payable monthly after the Completion;

(ii) A cash repayment of HK$32 million;

(iii) A write off by the Participating Banks of HK$18 million owed to them;

(iv) A restructuring into a secured term loan (the "ST Loan") of HK$36 million face value. The ST Loan will bear an annual interest rate of 1% over monthly HIBOR. The principal repayment of the ST Loans will commence 25 months after Completion by way of 47 consecutive equal monthly payments of HK$750,000 each, and an additional payment of HK$750,000 together with any outstanding interest payable on the 72nd month after the Completion on a pro rata basis;

2. BASIS OF PRESENTATION (cont'd)

(v) The issue by the Company to the Participating Banks of 3% First Tranche Secured Convertible Bonds of HK$40 million face value (the "CB One"), maturing 7 years from the Completion. The terms of the CB One include:

(a) the Company may at any time before the maturity date redeem all or some of the CB One on a pro rata basis at an amount equal to 102% of the principal amount of the CB One and the accrued interest thereon;

(b) conversion rights at a price of HK$0.05 (subject to adjustments) per share of HK$0.01 each of the Company (after the capital reduction and subdivision as further explained below), exercisable at any time during the period of 7 years after the Completion; and

(c) the outstanding amounts of the CB One will be redeemed by the Company at their principal amount and the accrued interest thereon on the maturity;

(vi) The issue by the Company to the Participating Banks of 1.5% Second Tranche Secured Convertible Bonds of an amount which will be equal to the total bank indebtedness at Completion, including interest accrued from 1 April 2002 up to the date of Completion, less the aggregate of the amounts as mentioned in (i) to (v) above, plus any shortfall of the STS Loan after the net proceeds from the disposal of the Secured Assets (the "CB Two"), maturing 7 years from the date of the Completion. The directors expect such amount to be approximately HK$57.5 million. The terms of the CB Two include:

(a) the Company may at any time before the maturity date redeem some of the CB Two on a pro rata basis at an amount equal to 102% of the principal amount of the CB Two and the accrued interest thereon;

(b) conversion rights at a price of HK$0.20 (subject to adjustments) per share of HK$0.01 each of the Company (after the capital reduction and subdivision as further explained below), exercisable at any time during the period of 7 years after the Completion; and

(c) the outstanding amounts of CB Two will be mandatorily converted into shares of HK$0.01 each of the Company on the maturity date.

Default interest currently payable by the Group, of approximately HK$11 million, will be waived by the Participating Banks and deemed to be extinguished twelve months after the Completion in the absence of an event of default under the terms of the Deed.

2. BASIS OF PRESENTATION (cont'd)

In addition to the restructuring of the total indebtedness and default interest, as part of the Deed, the Company will carry out an open offer of shares (the "Open Offer") as soon as practicable after the capital reduction and subdivision of the Company have become effective. Pursuant to an announcement of the Company dated 3 October 2001, the Company proposed that:

(i) the paid-up capital and nominal value of the issued share capital of the Company be reduced from HK$0.10 per share to HK$0.01 each by the cancellation of paid-up capital of HK$0.09 on each issued share (the "Capital Reduction"); and

(ii) each of the unissued shares of HK$0.10 each for the authorised share capital of the Company be subdivided into ten new shares of HK$0.01 each (the " Subdivision").

Pursuant to the terms of the Open Offer, one share of HK$0.01 each (the "Offer Shares") will be offered for subscription for every then existing ordinary share in issue (after the Capital Reduction and Subdivision) at a price of HK$0.022 per Offer Share. On the basis that the Offer Shares will be fully underwritten, 1,425,600,000 Offer Shares will be issued pursuant to the Open Offer for cash proceeds of HK$31,363,000 before the related issue expenses, estimated to be approximately HK$1 million. The Offer Shares, when fully paid, will rank pari passu in all respects with the ordinary shares in issue.

The Completion of the Deed, including the Capital Reduction, Subdivision and Open Offer, is conditional upon the satisfactory fulfillment of conditions noted in the Deed on or before 30 August 2002. Such conditions include, inter alia, the following:

(i) The shareholders passing all necessary resolutions to approve the Deed and the transactions contemplated thereunder, and the Capital Reduction and Subdivision to effect the Open Offer;

(ii) The Stock Exchange of Hong Kong Limited granting permission for the listing of, and permission to deal in, the new shares falling to be issued upon exercise of the conversion right attaching to the aforesaid secured convertible bonds (the "Conversion Shares");

(iii) Other than as anticipated in the Deed, the Company from the date of the Deed until the date of Completion not having any share placement, rights issue, capital reduction or similar event in the absence of the approval of the coordinating agent of the Deed (the "Coordinating Agent");

(iv) The Bermuda Monetary Authority or other relevant authorities approving any matters requiring its consent including, without limitation to, the issue of the secured convertible bonds and the Conversion Shares;

(v) From the date of the Deed until the date of Completion, the listing or trading of the shares of the Company not having been suspended or cancelled or threatened to be suspended, unless otherwise approved by the Coordinating Agent; and

2. BASIS OF PRESENTATION (cont'd)

(vi) No event of default having occurred at or before Completion.

Having regard to the aforementioned conditions contemplated under the Deed, the directors are of the opinion that the proposed debt restructuring plan will ultimately be successful. Should the financing and restructuring measures as set out in the Deed have taken place on 31 March 2002, the Group's net current liabilities and deficiency in assets would have been reduced to approximately HK$38 million and HK$24 million, respectively.

Further details of the Deed are set out in the Company's circular dated 5 July 2002.

In addition to the restructuring plan, the directors have also adopted the following measures in order to improve the financial position, immediate liquidity, cash flows and profitability of the Group:

(a) The Group had disposed of two loss-making subsidiaries during the year. This arrangement released the Group from having to provide financial/working capital support to these loss-making subsidiaries and to avoid further losses accruing to the Group (note 20);

(b) The Group sold and is still in the process of seeking to sell certain of the Group's properties in Hong Kong, with the consent of the bankers with whom the properties have been pledged as security (notes 14 and 15); and

(c) The directors have been taking action to tighten cost controls over factory overheads and various general and administrative expenses, including the strict monitoring of the Group's accounts receivable and payable.

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 liquidity as at 31 March 2002.

Should the Group be unable to continue 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. The effects of these adjustments have not been reflected in the financial statements.

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

• SSAP 9 (Revised):	"Events after the balance sheet date"
• SSAP 14 (Revised):	"Leases"
• SSAP 18 (Revised):	"Revenue"
• SSAP 26:	"Segment reporting"
• SSAP 28:	"Provisions, contingent liabilities and contingent assets"
• SSAP 29:	"Intangible assets"
• SSAP 30:	"Business combinations"
• SSAP 31:	"Impairment of assets"
• SSAP 32:	"Consolidated financial statements and accounting for investments in subsidiaries"
• Interpretation 12:	"Business combinations - subsequent adjustment of fair values and goodwill initially reported"
• Interpretation 13:	"Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements arising from those SSAPs which have had significant effects on these financial statements are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements and accordingly no prior year adjustment was required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 24 and 31 to the financial statements, respectively.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 6 to the financial statements.

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (cont'd)

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has resulted in a prior year adjustment, further details of which are included in notes 5 and 28 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. 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 whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's investments in subsidiaries are stated at cost less any impairment losses.

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

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the activities of the joint venture company, capital contributions of the joint venture parties and details regarding the appointment of the board of directors or equivalent governing body of the joint venture company. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control with other joint venture parties over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's share/registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's share/registered capital, and neither has joint control nor is in a position to exercise significant influence over the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control by the Group and other joint venture partners, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

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 impairment losses.

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

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 10 to 20 years. In the case of jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001 to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

Impairment of assets (cont'd)

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. 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 assets, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, other than investment properties, 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 asset revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

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

Leasehold land and buildings outside Hong Kong	Over the lease terms
Leasehold land 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

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

Fixed assets and depreciation (cont'd)

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.

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.

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. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

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

Long term investments

Long term investments represent the Group's interests in its former associates and subsidiaries in the PRC and are intended to be held on a long term basis. They are stated at their carrying value at the time of their transfer to long term investments less any impairment losses, on an individual investment basis.

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.

Related parties

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

Cash equivalents

For the purpose of 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 and bank balances represent assets which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

4. 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.

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

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

(d) subcontracting fee income, on the accrual basis and in accordance with the relevant subcontracting agreements.

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 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.

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

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. 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 MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the 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.

5. PRIOR YEAR ADJUSTMENT

In prior years, goodwill arising on the acquisition of subsidiaries and jointly-controlled entities was eliminated against reserves in the year of acquisition. SSAP 30 "Business combination" is effective for the first time for the current year's financial statements which requires that goodwill is amortised to the profit and loss account over its estimated useful life. The Group adopted the transitional provision of SSAP 30 "Business combinations", that permits goodwill on acquisitions which occurred prior to 1 January 2001 to remain eliminated against reserves.

In accordance with the requirements of SSAP 31 "Impairment of assets", an assessment of the recoverable amount of the goodwill reserve has been performed. The goodwill reserve of HK$15,711,000 which was impaired during the year ended 31 March 2001 was directly charged to the profit and loss account during that year. The effect of this prior year adjustment to the financial statements of the Group for the year ended 31 March 2001 was to increase the impairment of goodwill reserve by HK$15,711,000. As a result, net loss from ordinary activities attributable to shareholders for that year has been increased by HK$15,711,000.

6. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 3 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the PVC sheets products segment engages in the manufacture and sale of PVC sheets;

6. SEGMENT INFORMATION (cont'd)

(b) the PVC floor coverings products segment engages in the manufacture and sale of PVC floor coverings; and

(c) the corporate and others segment engages in investment holding; and also includes general corporate income and expense items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group	PVC sheets		PVC floor coverings		Corporate and others		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**220,139**	296,417	**47,613**	50,159	**-**	–	**267,752**	346,576
Other revenue	**-**	444	**-**	–	**879**	5,190	**879**	5,634
	220,139	296,861	**47,613**	50,159	**879**	5,190	**268,631**	352,210
Segment results	**(6,840)**	(138,789)	**(7,786)**	(6,479)	**(51,889)**	(137,886)	**(66,515)**	(283,154)
Interest income and unallocated revenue							**720**	350
Finance costs							**(30,188)**	(27,968)
Share of profits less losses of jointly-controlled entities	**-**	–	**-**	–	**(237)**	(129)	**(237)**	(129)
Loss before tax							**(96,220)**	(310,901)
Tax							**-**	(9,099)
Loss before minority interests							**(96,220)**	(320,000)
Minority interests							**13**	(84)
Net loss from ordinary activities attributable to shareholders							**(96,207)**	(320,084)

6. SEGMENT INFORMATION (cont'd)

(a) Business segments (cont'd)

Group	PVC sheets		PVC floor coverings		Corporate and others		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**195,047**	225,208	**37,442**	45,782	**40,200**	83,436	**272,689**	354,426
Interests in jointly-controlled entities	**-**	-	**-**	-	**10,848**	18,052	**10,848**	18,052
Total assets	**195,047**	225,208	**37,442**	45,782	**51,048**	101,488	**283,537**	372,478
Segment liabilities	**(243,031)**	(235,204)	**(16,295)**	(16,667)	**(85,333)**	(83,431)	**(344,659)**	(335,302)
Other segment information:								
Depreciation	**15,552**	12,732	**5,167**	5,473	**1,746**	9,835	**22,465**	28,040
Impairment of long term investments	**-**	2,486	**-**	-	**250**	3,803	**250**	6,289
Impairment of investment in a jointly-controlled entity	**-**	-	**-**	-	**7,105**	6,981	**7,105**	6,981
Impairment of goodwill reserve	**-**	15,548	**-**	-	**-**	163	**-**	15,711
Deficit on revaluation of leasehold land and buildings	**3,235**	7,170	**-**	-	**9,641**	3,356	**12,876**	10,526
Deficit on revaluation of investment properties	**-**	4,120	**-**	-	**1,980**	3,040	**1,980**	7,160
Provision against doubtful debts	**2,388**	2,583	**-**	626	**-**	26	**2,388**	3,235
Provision against other receivables	**518**	24	**1,026**	1,101	**10,943**	25,581	**12,487**	26,706
Capital expenditure	**3,681**	16,866	**107**	421	**95**	27	**3,883**	17,314

(b) Geographical segments

Over 90% of the Group's revenue, results and assets are attributable to its operations in the PRC.

7. TURNOVER AND REVENUE

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

An analysis of the Group's turnover and revenue is as follows:

	2002 *HK$'000*	2001 *HK$'000*
Turnover		
Sale of goods:		
PVC sheets	**220,139**	296,417
PVC floor coverings	**47,613**	50,159
	267,752	346,576
Other revenue		
Gross rental income	**412**	1,234
Interest income	**76**	33
Subcontracting fee income	**467**	4,400
Other	**644**	317
	1,599	5,984
	269,351	352,560

8. LOSS FROM OPERATING ACTIVITIES

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

	2002 *HK$'000*	2001 *HK$'000* *(Restated)*
Cost of inventories sold	**239,277**	313,322
Depreciation	**22,465**	28,040
Less: Amount included in cost of inventories sold	**(17,389)**	(21,504)
	5,076	6,536
Minimum lease payments under operating leases in respect of land and buildings	**5,069**	2,561
Less: Amount included in cost of inventories sold	**(3,441)**	(2,093)
	1,628	468
Auditors' remuneration	**1,000**	1,800
Staff costs (excluding directors' remuneration - note 9):		
Wages and salaries	**16,469**	21,015
Less: Amount included in cost of inventories sold	**(5,867)**	(6,968)
	10,602	14,047
Pension contributions	**174**	193
Less: Forfeited contributions	**(112)**	(140)
Net pension contributions	**62**	53
Gross rental income	**(412)**	(1,234)
Less: Outgoings	**215**	194
Net rental income	**(197)**	(1,040)

8. LOSS FROM OPERATING ACTIVITIES (cont'd)

	2002 HK$'000	2001 HK$'000 (Restated)
Impairment of long term investments *	**250**	6,289
Impairment of investment in a jointly-controlled entity *	**7,105**	6,981
Impairment of goodwill reserve *	**–**	15,711
Deficit on revaluation of leasehold land and buildings *	**12,876**	10,526
Deficit on revaluation of investment properties *	**1,980**	7,160
Provisions against doubtful debts *	**2,388**	3,235
Provisions against other receivables *	**12,487**	26,706
Loss/(gain) on disposal of fixed assets	**(83)**	117
Loss/(gain) on disposal of investment properties	**5,337**	(2,660)

* These items are included in "Other operating expenses" on the face of the consolidated profit and loss account.

9. DIRECTORS' REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS

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

	Group	
	2002 **HK$'000**	2001 HK$'000
Fees	**–**	–
Other emoluments:		
Basic salaries, allowances and benefits in kind	**5,391**	5,024
Pension scheme contributions	**36**	83
	5,427	5,107

No directors' remuneration was payable to the independent non-executive directors during the year.

9. DIRECTORS' REMUNERATION AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS (cont'd)

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2002	2001
Nil – HK$1,000,000	**7**	5
HK$1,000,001 – HK$1,500,000	**1**	3
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$2,500,000	**1**	–
	10	8

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

The five highest paid individuals during the year included three (2001: four) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining two (2001: one) non-director, highest paid individuals are as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	**1,674**	770
Pension scheme contributions	**12**	9
	1,686	779

The number of non-director, highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2002	2001
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**1**	–
	2	1

10. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans		
wholly repayable within five years	**30,114**	26,549
Interest on finance leases	**74**	2,170
Total interest	**30,188**	28,719
Less: Interest capitalised	**–**	(751)
	30,188	27,968

11. TAX

	2002	2001
	HK$'000	*HK$'000*
Group:		
Hong Kong	**–**	152
Elsewhere	**–**	2,385
Underprovision in prior years	**–**	6,561
	–	9,098
Share of overseas tax of a jointly-controlled entity	**–**	1
Tax charge for the year	**–**	9,099

Hong Kong profits tax has not been provided for the year ended 31 March 2002 as the Group did not generate any assessable profits during the year. For the year ended 31 March 2001, Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during that 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.

The subsidiaries and one of the Group's jointly-controlled entities operating in the PRC are exempt 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. The PRC subsidiaries and jointly-controlled entities did not generate any assessable profits during the year.

11. TAX (cont'd)

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

No deferred tax has been provided on the revaluation surplus of the Group's properties situated in the PRC as the Group presently does not have any intention to dispose of such properties.

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK$12,151,000 (2001: HK$249,113,000).

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$96,207,000 (restated 2001: HK$320,084,000) and the weighted average of 1,425,600,000 (2001: 1,423,469,589) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2002 and 2001 have not been calculated because the share options outstanding during these years had an anti-dilutive effect on the basic loss per share.

14. FIXED ASSETS

Group

	Leasehold land and buildings 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	46,902	12,338	223,446	11,005	293,691
Additions	–	–	3,746	137	3,883
Disposals	(3,100)	–	–	(416)	(3,516)
Deficit on revaluation	(14,808)	–	–	–	(14,808)
At 31 March 2002	28,994	12,338	227,192	10,726	279,250
Accumulated depreciation:					
At beginning of year	–	1,652	77,445	8,694	87,791
Provided during the year	1,225	756	19,606	878	22,465
Disposals	(42)	–	–	(388)	(430)
Deficit on revaluation	(1,183)	–	–	–	(1,183)
At 31 March 2002	–	2,408	97,051	9,184	108,643
Net book value:					
At 31 March 2002	28,994	9,930	130,141	1,542	170,607
At 31 March 2001	46,902	10,686	146,001	2,311	205,900
Analysis of cost and valuation:					
At cost	–	12,338	227,192	10,726	250,256
At 2002 valuation	28,994	–	–	–	28,994
	28,994	12,338	227,192	10,726	279,250

14. FIXED ASSETS (cont'd)

The Group's leasehold land and buildings are held under the following lease terms:

	2002 HK$'000	2001 HK$'000
Long term leases in Hong Kong	6,820	12,900
Medium term leases in Hong Kong	–	900
Medium term leases outside Hong Kong	22,174	33,102
	28,994	46,902

Subsequent to the balance sheet date, in April 2002, one of the Group's leasehold land and buildings was disposed of for a consideration of HK$520,000. Such property was stated at its valuation of HK$520,000 as at 31 March 2002, which was determined by the directors with reference to its subsequent selling price.

The remaining leasehold land and buildings situated in Hong Kong and outside Hong Kong were revalued by LCH (Asia-Pacific) Surveyors Limited ("LCH"), an independent firm of professionally qualified valuers, on the open market, existing use basis and depreciated replacement cost basis respectively at 31 March 2002 at HK$28,474,000 in aggregate. The deficits of HK$12,876,000 (note 8) and HK$749,000 (note 28) so arising have been charged to the profit and loss account and the asset revaluation reserve respectively.

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK$64,696,000 (2001: HK$72,790,000).

The leasehold land and buildings included a parcel of land located at Lingxia Development Area, Shishuikou Village, Qiaotou Town, Dongguan City, Guangdong Province, the PRC together with a production plant constructed thereon, 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 use right certificate. The aggregate carrying value of the land and buildings in this respect as at 31 March 2002 amounted to approximately HK$17,750,000.

The net book value of assets held under finance leases included in the total amount of plant and machinery at 31 March 2002 amounted to HK$19,405,000 (2001: HK$39,910,000).

Certain leasehold land and buildings and plant and machinery were pledged to secure banking facilities granted to the Group (note 23).

15. INVESTMENT PROPERTIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
At beginning of year	**19,040**	26,000
Reclassified from leasehold land and buildings	**–**	6,200
Disposal during the year	**(14,880)**	(6,000)
Deficit on revaluation — note 8	**(1,980)**	(7,160)
At 31 March	**2,180**	19,040

Subsequent to the balance sheet date, in April 2002, the Group's investment property was disposed of for a consideration of HK$2,180,000. As at 31 March 2002, such property was stated at its valuation which was determined by the directors with reference to its subsequent selling prices.

The property was pledged to secure banking facilities granted to the Group at the balance sheet date.

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	*HK$'000*
Unlisted shares, at cost	**159,593**	159,593
Provision for impairment	**(147,956)**	(147,956)
	11,637	11,637
Due from subsidiaries	**266,533**	270,513
Provision for impairment	**(262,587)**	(262,587)
	3,946	7,926
	15,583	19,563

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

16. INVESTMENTS IN SUBSIDIARIES (cont'd)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Bestway Group International Limited	British Virgin Islands	US$1,100	100	–	Investment holding
Bestget Plastic Products Limited	Hong Kong	Ordinary HK$2 Deferred HK$3,900,000 (Note (a))	–	100	Sale of plastic products
Bestway Plastic Products Limited	Hong Kong	Ordinary HK$2 Deferred HK$37,440,000 (Note (a))	–	100	Sale of plastic products
Foga Trading Company, Limited	Hong Kong	Ordinary HK$200 Deferred HK$5,500,000 (Note (a))	–	100	Property investment
Full Happy Limited	Hong Kong	Ordinary HK$2 Deferred HK$3,900,000 (Note (a))	–	100	Investment holding
Happy Trip Limited	Hong Kong	Ordinary HK$2 Deferred HK$1,200,000 (Note (a))	–	100	Property investment

16. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Rich Ocean Limited	Hong Kong	Ordinary HK$2 Deferred HK$1,000,000 (Note (a))	–	100	Investment holding
Jetwonder Limited	Hong Kong	HK$1,750,000	–	100	Dormant
Best Faith Plastic Products Limited	Hong Kong	HK$10,000	–	100	Trading of plastic products
Beijing William Shun Plastic Products Co., Ltd.	PRC	US$4,920,000	–	(Note (b))	Manufacturing of plastic products
Dongguan Bestway Plastic Manufactory	PRC	US$12,741,664	–	97.65	Manufacturing of plastic products
Dongguan Best Faith Plastic Products Limited	PRC	US$2,111,600	–	100	Manufacturing of plastic products

Notes:

(a) 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 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 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.

16. INVESTMENTS IN SUBSIDIARIES (cont'd)

(b) Beijing William Shun Plastic Products Co., Ltd ("BJWS") is a joint venture company established by the Group and a PRC partner for a period of 20 years commencing on 6 August 1992. According to the original joint venture agreement and as revised by the supplementary agreement subsequent thereto, the Group and the PRC partner was entitled to 51% and 49% respectively of the results of BJWS. However, pursuant to the subcontracting agreements entered into between the Group and the PRC partner, the PRC partner agreed to waive its 49% entitlement to the results of BJWS in return for a fixed and guaranteed annual fee. Accordingly, the entire results of BJWS for the year have been included in the Group's profit and loss account. At the expiry of the tenure of the co-operative joint venture, the net assets of BJWS will vest with the Group.

The above table lists the subsidiaries of the Company as at 31 March 2002 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.

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Share of net assets	**46,178**	46,277
Provision for impairment	**(35,330)**	(28,225)
	10,848	18,052

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed term of repayment.

Particulars of the jointly-controlled entities are as follows:

Name	**Business structure**	**Place of incorporation/ registration and operations**	**Percentage of ownership 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

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

SWJ's major asset is the holding of a parcel of land located at Yantian Port, Yantian, Shenzhen, Guangdong Province, the PRC (the "Land"). The provision for impairment is determined with reference to the deficit arising from the revaluation of the Land performed by professional qualified valuers.

The Group's entire interest in SWJ is pledged to secure banking facilities granted to the Group (note 23).

18. LONG TERM INVESTMENTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Unlisted equity investments:		
Shenyue Fushi Plastic Products Co., Ltd. ("Shenyue Fushi")		
and Suzhou Fuyi Plastic Products Co., Ltd. ("Suzhou Fuyi")	**–**	12,337
Chengdu Xingxing Rich Ocean Plastic Products		
Co., Ltd. ("CD Rich Ocean")	**11,128**	11,128
	11,128	23,465
Provision for impairment	**(7,978)**	(20,065)
	3,150	3,400

The Group's investments in Shenyue Fushi and Suzhou Fuyi, former jointly-controlled entities of the Group, and CD Rich Ocean, a former subsidiary of the Company, 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/control over the financial and operating policy decisions of these companies in return for fixed and guaranteed annual subcontracting fees. Since these entities lost their status as jointly-controlled entities or a subsidiary of the Group in prior years, they were reclassified to long term investments accordingly.

In the prior year, the investment costs in Shenyue Fushi and Suzhou Fuyi were fully provided for. During the year, the directors have, in view of the fact that these two companies were under the process of liquidation and no significant amount is expected to be recovered therefrom, eliminated the investment costs against the corresponding provision for impairment.

The Group's interest in CD Rich Ocean are held on a long term basis and are stated at the Group's share of the 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 impairment losses.

19. PREPAID RENTALS

As at 31 March 2002, the Group has prepaid an amount of approximately HK$12,903,000 (2001:HK$20,000,000) in respect of the rentals for the land and buildings situated in the PRC under an operating lease agreement for the period up to 26 July 2008. At the balance sheet date, the portion of the prepaid rental for the year ending 31 March 2003 of approximately HK$2,054,000 (2001:HK$6,756,000) has been included in prepayments, deposits and other receivables under current assets, while an amount of approximately HK$10,849,000 (2001:HK$13,244,000) attributable to the period after 31 March 2003 has been classified as a non-current asset.

During the year ended 31 March 2002, rentals of approximately HK$2,098,000 (2001: HK$2,121,000) were credited to the prepaid rentals and charged to the profit and loss account.

20. OTHER INVESTMENTS

In the prior year, because of their loss of status as subsidiaries, two former subsidiaries of the Company were accordingly deconsolidated and reclassified as other investments and were stated at their net realisable values of HK$9.9 million in aggregate as at 31 March 2001. As a result of the reclassification, a loss of HK$187,003,000 was charged to the profit and loss account for the year ended 31 March 2001. During the year, these two investments were disposed of at an aggregate consideration of approximately HK$9.9 million.

21. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**13,404**	17,297
Work in progress	**545**	687
Finished goods	**2,578**	2,191
	16,527	20,175

No inventories included above were carried at net realisable value as at the balance sheet date (2001: Nil).

22. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of two months, extending up to three months for major customers. Each customer has a maximum credit limit. Overdue balances are regularly reviewed by the senior management of the Group.

22. ACCOUNTS AND BILLS RECEIVABLE (cont'd)

As at the balance sheet date, an aged analysis of the accounts and bills receivable, based on invoice date, is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within 30 days	**24,579**	23,437
Between 31 to 60 days	**5,214**	15,099
Between 61 to 90 days	**5,452**	4,463
Over 90 days	**6,901**	83,103
	42,146	126,102
Less: Provisions against doubtful debts	**(3,959)**	(83,463)
	38,187	42,639

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank overdrafts:				
Secured	**61,809**	43,570	**–**	–
Unsecured	**2,198**	939	**987**	939
	64,007	44,509	**987**	939
Trust receipt loans:				
Secured	**47,901**	39,428	**–**	–
Unsecured	**58,538**	51,879	**–**	–
	106,439	91,307	**–**	–
Other bank loans:				
Secured	**23,233**	40,408	**–**	–
Unsecured	**20,094**	23,984	**–**	–
	43,327	64,392	**–**	–
Other loans:				
Secured	**16,448**	16,915	**–**	–
Unsecured	**12,871**	12,871	**–**	–
	29,319	29,786	**–**	–
	243,092	229,994	**987**	939

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

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

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank overdrafts repayable on demand	**64,007**	44,509	**987**	939
Trust receipt loans repayable within one year	**106,439**	91,307	**–**	–
Other bank loans repayable:				
Within one year or on demand	**24,635**	58,471	**–**	–
In the second year	**18,692**	4,906	**–**	–
In the third to fifth years, inclusive	**–**	1,015	**–**	–
	43,327	64,392	**–**	–
Other loans repayable:				
Within one year or on demand	**19,015**	15,505	**–**	–
In the second year	**5,888**	3,568	**–**	–
In the third to fifth years, inclusive	**4,416**	10,713	**–**	–
	29,319	29,786	**–**	–
Total bank and other borrowings	**243,092**	229,994	**987**	939
Portion classified as current liabilities	**(214,096)**	(209,792)	**(987)**	(939)
Long term portion	**28,996**	20,202	**–**	–

As at 31 March 2002, the Group's bank and other borrowings were secured by:

(i) certain leasehold land and buildings, with an aggregate net book value of HK$16,020,000 (note 14);

(ii) certain plant and machinery with an aggregate net book value of HK$47,967,000 (note 14);

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

(iii) first legal charges over all of the Group's properties held for disposal (notes 14 and 15);

(iv) the Group's entire interest in a jointly-controlled entity (note 17);

(v) first legal charges over 135,000,000 and 30,000,000 ordinary shares of the Company held by a substantial shareholder and a former director of the Company, respectively;

(vi) a joint and several personal guarantee executed by a director and a former director of the Company to the extent of HK$20,000,000 and a personal guarantee executed by a director of the Company to the extent of HK$10,000,000;

(vii) an unlimited corporate guarantee executed by a substantial shareholder of the Company to the extent of approximately HK$72,259,000 for loans owed by the Group to one of the Participating Banks; and

(viii) guarantees and pledged deposits from independent third parties to the extent of approximately HK$20,093,000 and HK$3,694,000.

24. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its manufacturing activities. These leases are classified as finance leases and have remaining lease terms of four years.

At 31 March 2002, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 2002 HK$'000	Minimum lease payments 2001 HK$'000	Present value of minimum lease payments 2002 HK$'000	Present value of minimum lease payments 2001 HK$'000
Amounts payable:				
Within one year	1,372	9,699	1,315	9,312
In the second year	1,372	–	1,214	–
In the third to fifth years, inclusive	2,788	–	2,186	–
Total minimum finance lease payments	5,532	9,699	4,715	9,312
Future finance charges	(817)	(387)		
Total net finance lease payables	4,715	9,312		
Portion classified as current liabilities	(1,032)	(9,312)		
Long term portion	3,683	–		

SSAP 14 was revised and implemented during the year, as detailed in note 3 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

25. ACCOUNTS AND BILLS PAYABLE

As at the balance sheet date, an aged analysis of the accounts and bills payable, based on invoice date, is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within 30 days	**13,168**	12,403
Between 31 to 60 days	**3,524**	7,367
Between 61 to 90 days	**3,316**	3,340
Over 90 days	**10,209**	9,870
	30,217	32,980

26. DUE TO JOINT VENTURE PARTNERS

The amounts due to joint venture partners are unsecured, interest-free and repayable on demand.

27. SHARE CAPITAL

Shares

	2002	2001
	HK$'000	*HK$'000*
Authorised		
2,400,000,000 ordinary shares of HK$0.10 each	**240,000**	240,000
Issued and fully paid:		
1,425,600,000 ordinary shares of HK$0.10 each	**142,560**	142,560

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on page 21.

At the beginning of the year, there were 48,600,000 options outstanding under the Scheme, which entitled the holders to subscribe for shares of the Company at any time during periods ranging from 27 February 2000 to 28 March 2003. The subscription price payable upon the exercise of these options was HK$0.10, subject to adjustment.

27. SHARE CAPITAL (cont'd)

Share options (cont'd)

A total of 10,400,000 share options with an exercise price of HK$0.10 were cancelled during the year.

At the balance sheet date, the Company had 38,200,000 share options outstanding under the Scheme, with exercise periods ranging from 27 February 2000 to 28 March 2003 and an exercise price of HK$0.10. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 38,200,000 additional shares of HK$0.10 each and proceeds of approximately HK$3,820,000.

28. RESERVES

Group

	Share premium account	Contributed surplus	Goodwill reserve	Capital reserve	Asset revaluation reserve	Investment property revaluation reserve	General reserve	Exchange fluctuation reserve	Accumulated losses	Total
	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 realignment	–	–	–	–	–	–	–	(352)	–	(352)
Release of reserves upon reclassification of subsidiaries to other investments	–	–	53,077	–	(36,599)	–	–	11,734	36,599	64,811
Impairment of goodwill reserve	–	–	15,711	–	–	–	–	–	–	15,711
Net loss for the year (as restated)	–	–	–	–	–	–	–	–	(320,084)	(320,084)
At 31 March 2001	131,062	52,743	–	4,581	4,184	–	186	(16,854)	(297,271)	(121,369)
Reserves retained by:										
Company and subsidiaries	131,062	52,743	–	4,581	3,331	–	–	(16,683)	(296,789)	(121,755)
Jointly-controlled entities	–	–	–	–	853	–	186	(171)	(482)	386
At 31 March 2001	131,062	52,743	–	4,581	4,184	–	186	(16,854)	(297,271)	(121,369)

28. RESERVES (cont'd)

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Goodwill reserve HK$'000	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Investment property revaluation reserve HK$'000	General reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumu-lated losses HK$'000	Total HK$'000
At 1 April 2001:										
As previously reported	131,062	52,743	(15,711)	4,581	4,184	–	186	(16,854)	(281,560)	(121,369)
Prior year adjustment – note 5	–	–	15,711	–	–	–	–	–	(15,711)	–
As restated	131,062	52,743	–	4,581	4,184	–	186	(16,854)	(297,271)	(121,369)
Deficit on revaluation	–	–	–	–	(749)	–	–	–	–	(749)
Share of reserves of a jointly-controlled entity	–	–	–	–	138	–	–	–	–	138
Release of reserves upon disposal	–	–	–	–	(2,231)	–	–	–	2,231	–
Net loss for the year	–	–	–	–	–	–	–	–	(96,207)	(96,207)
At 31 March 2002	131,062	52,743	–	4,581	1,342	–	186	(16,854)	(391,247)	(218,187)
Reserves retained by:										
Company and subsidiaries	131,062	52,743	–	4,581	351	–	–	(16,683)	(390,528)	(218,474)
Jointly-controlled entities	–	–	–	–	991	–	186	(171)	(719)	287
At 31 March 2002	131,062	52,743	–	4,581	1,342	–	186	(16,854)	(391,247)	(218,187)

28. RESERVES (cont'd)

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2000	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	–	–	(249,113)	(249,113)
At 31 March 2001 and 1 April 2001	131,062	159,393	(416,851)	(126,396)
Net loss for the year	–	–	(12,151)	(12,151)
At 31 March 2002	131,062	159,393	(429,002)	(138,547)

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.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002 HK$'000	2001 HK$'000 (Restated)
Loss from operating activities	(65,795)	(282,804)
Interest received	(76)	(33)
Impairment of investment in a jointly-controlled entity	7,105	6,981
Impairment of long term investments	250	6,289
Impairment of goodwill reserve	–	15,711
Deficit on revaluation of leasehold land and buildings	12,876	10,526
Deficit on revaluation of investment properties	1,980	7,160
Provision against doubtful debts	2,388	3,235
Provision against other receivables	12,487	26,706
Depreciation	22,465	28,040
Loss/(gain) on disposal of fixed assets	(83)	117
Loss/(gain) on disposal of investment properties	5,337	(2,660)
Loss on reclassification of subsidiaries to other investments	–	187,002
Decrease in prepaid rentals	2,395	–
Decrease/(increase) in inventories	3,648	(32,641)
Decrease in accounts and bills receivable	2,064	51,338
Decrease/(increase) in prepayments, deposits and other receivables	(5,428)	2,828
Decrease in amounts due from joint venture partners	–	584
Increase/(decrease) in trust receipt loans with maturity more than three months	4,979	(2,731)
Decrease in accounts and bills payable	(2,763)	(4,953)
Increase in other payables and accruals	7,946	12,433
Increase/(decrease) in amounts due to joint venture partners	(1,572)	2,629
Net cash inflow from operating activities	10,203	35,757

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

(b) Analysis of changes in financing during the year

	Share capital and share premium account	Bank loans	Other loans	Finance lease obligations	Minority interests
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2000	256,357	149,253	8,103	22,493	17,332
Net cash inflow/(outflow) from financing activities	17,265	(57,885)	21,683	(13,181)	(1,431)
Share of profit after tax of a subsidiary	–	–	–	–	84
On reclassification of subsidiaries to other investments	–	(26,976)	–	–	–
At 31 March 2001 and 1 April 2001	273,622	64,392	29,786	9,312	15,985
Net cash outflow from financing activities	–	(21,065)	(467)	(4,597)	(1,467)
Share of loss after tax of a subsidiary	–	–	–	–	(13)
At 31 March 2002	273,622	43,327	29,319	4,715	14,505

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

(c) Reclassification of subsidiaries to other investments

	2002	2001
	HK$'000	HK$'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 fluctuation 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 to other investments:		
Cash and bank balances disposed of	–	1,251

30. CONTINGENT LIABILITIES

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

	2002 **HK$'000**	2001 *HK$'000*
Guarantees of banking facilities granted to subsidiaries	**320,816**	370,780
Guarantees of finance leases granted to subsidiaries	**4,716**	7,354
	325,532	378,134

In respect of the Company's guarantees for banking facilities granted to its subsidiaries, the balance drawn down by the subsidiaries at the balance sheet date amounted to approximately HK$192,692,000 (2001: HK$168,869,000).

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leased its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002 **HK$'000**	2001 *HK$'000*
Within one year	**–**	421

31. OPERATING LEASE ARRANGEMENTS (cont'd)

(b) As lessee

The Group leases certain of its staff quarters under operating lease arrangements. Leases for premises are negotiated for terms of two years. The terms of the leases generally require the Group to pay deposits.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
		(Restated)
Within one year	**750**	223
In the second to fifth years, inclusive	**274**	39
	1,024	262

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease payments receivable under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above have been restated to accord with the current year's presentation.

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31(b) above, the Group and the Company had the following commitments at the balance sheet date:

(a) The Company had contracted commitments in respect of investments in a subsidiary operating in the PRC amounting to US$3,189,000 (equivalent to HK$24,872,000).

(b) The Group had a contracted commitment in respect of guaranteed annual payments to the minority owner of a PRC subsidiary of approximately HK$23,832,000 in aggregate (with HK$1,869,000 payable within one year).

(c) The Group had unprovided commitments of RMB18,197,000 (equivalent to HK$17,006,000) in respect of the land premium for a parcel of land located in Dongguan, the PRC.

32. COMMITMENTS (cont'd)

(d) The Group and the Company had contracted commitments in respect of purchases of fixed assets amounting to HK$315,000.

33. POST BALANCE SHEET EVENTS

(a) Subsequent to the balance sheet date, the Group's properties held for disposal situated in Hong Kong were disposed of for an aggregate consideration of HK$2,700,000. No significant gain or loss on disposal of the properties has been arisen.

(b) On 30 May 2002, the Group entered into a Rescheduling and Restructuring Deed with the Participating Banks in respect of the proposed debt restructuring of the Group. Further details of this are set out in note 2 to the financial statements and in the Company's circular dated 5 July 2002.

34. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 July 2002.