

Notes to Financial Statements

31 March 2002



1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

During the year, the Group and its associates were involved in the following principal activities:

- the sale of garments;
- the trading and distribution of leather, fur and garment accessories; and
- the generation and sale of electricity through the operation of a coal-fired electricity power plant (the "Power Plant") located in the Fujian Province, the People's Republic of China (the "PRC").

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following recently-issued and revised Hong Kong Statements of Standard Accounting Practice ("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" |



2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

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 of adopting these SSAPs and Interpretations are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheet. This SSAP has had no impact on these financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been 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 25 and 30 to the financial statements, respectively.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends that are declared and approved after the balance sheet date are no longer recognised in the financial statements for the year. The adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in notes 5, 11 and 28 to the financial statements.

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 as 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 4 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. This SSAP requires the provisions to be discounted to their present value at the balance sheet date, where the effect of discounting is material. This SSAP has had no major impact on these financial statements.



2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. This SSAP has had no major impact on these financial statements.

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 consolidated profit and loss account over its estimated useful life. The adoption of the SSAP has not resulted in a prior year adjustment. The required new additional disclosure is included in note 17 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.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no impact on the preparation of these financial statements.

3. 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 short term investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 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.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 interests in subsidiaries are stated at cost less any impairment losses.

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates 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 not exceeding 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries and associates, 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.

The carrying amount of goodwill 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.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost 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 asset, the expenditure is capitalised as an additional cost of that asset.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal useful lives used for this purpose are as follows:

Furniture, fixtures, equipment and leasehold improvements	5 years
Motor vehicles	5 years
Plant and machinery	5 years

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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 of 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 are 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.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leased assets (Continued)

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.

Long term investments

Long term investments represent investments in unlisted equity securities that are intended to be held on a continuing basis and for an identified long term purpose. Long term investments are stated at cost less any impairment losses, on an individual investment basis. When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise.

Where the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

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.

Short term investments

Short term investments are investments in listed equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 until 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 and short term listed equity investments, 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 and short term listed equity investments sold;
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (c) rental income, in accordance with the terms of the lease agreements over the period to which the rentals relate; and
- (d) dividends, when the shareholders' right to receive payment has been established.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associates denominated in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees in Hong Kong who are eligible to participate in the Scheme. The Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 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 garments segment involves the sale of garments;
- (b) the leather, fur and garment accessories segment involves the trading and distribution of leather, fur and garments accessories; and
- (c) the others segment comprises the Group's Power Plant business and trading of short term investments.

In determining the Group's geographical segments, revenue 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.

Intersegment sales and transfers are transacted at mutually agreed prices.

Notes to Financial Statements (Continued)

31 March 2002



4. SEGMENT INFORMATION (Continued)

(a) Business segments

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

Group

	Garments		Leather, fur and garment accessories		Others		Eliminations		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue:										
Sales to external customers	37,624	11,431	34,805	31,479	-	-	-	-	72,429	42,910
Intersegment sales	-	9,423	-	-	-	-	-	(9,423)	-	-
Other revenue and gains	-	6,090	1,438	-	6,698	-	-	-	8,136	6,090
Total	37,624	26,944	36,243	31,479	6,698	-	-	(9,423)	80,565	49,000
Segment results	176	2,571	(3,985)	(35)	6,532	-	-	-	2,723	2,536
Unallocated other revenue and gains									1,931	2,100
Unallocated expenses									(5,487)	(4,121)
Profit/(loss) from operating activities									(833)	515
Finance costs									(1,973)	(6,311)
Share of profits of associates									19,670	-
Amortisation of goodwill									(2,565)	-
									17,105	-
Profit/(loss) before tax									14,299	(5,796)
Tax									268	4,500
Profit/(loss) before minority interests									14,567	(1,296)
Minority interests									(163)	-
Net profit/(loss) from ordinary activities attributable to shareholders									14,404	(1,296)



Notes to Financial Statements (Continued)

31 March 2002

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Group

	Garments		Leather, fur and garment accessories		Others		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000 (Restated)	2002 HK\$'000	2001 HK\$'000 (Restated)
Segment assets	15,394	8,462	39,832	39,110	22,370	14,000	77,596	61,572
Interests in associates	-	-	-	-	173,733	-	173,733	-
Long term investment	-	-	-	-	-	91,404	-	91,404
Unallocated assets							25,230	18,087
Total assets							276,559	171,063
Segment liabilities	11,536	-	362	4,314	9,099	39,623	20,997	43,937
Unallocated liabilities							14,763	16,305
Total liabilities							35,760	60,242
Other segment information:								
Depreciation	187	510	643	927	-	-	830	1,437
Amortisation of goodwill	-	-	-	-	2,565	-	2,565	-
Other non-cash expenses	918	-	-	-	-	-	918	-
Unallocated non-cash expenses	-	-	-	-	-	-	574	390
Capital expenditure	381	-	67	207	-	-	448	207

Notes to Financial Statements (Continued)

31 March 2002



4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table presents revenue, profit and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Elsewhere in the PRC		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	52,132	42,910	363	–	19,934	–	72,429	42,910
Segment results*	2,628	2,536	2	–	93	–	2,723	2,536
Other segment information:								
Segment assets	99,879	67,708	176,680	103,355	–	–	276,559	171,063
Capital expenditure	448	207	–	–	–	–	448	207

* Disclosed pursuant to the requirements of the Rules Governing the listing of Securities on the Stock Exchange (the "Listing Rules").



Notes to Financial Statements (Continued)

31 March 2002

5. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All intra-group transactions have been eliminated on consolidation.

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

	Group	
	2002	2001
	HK\$'000	HK\$'000 (Restated)
Turnover		
Sale of goods	72,429	42,910
Other revenue		
Dividend income from a long term investment	4,395	–
Bad debts recovery	1,438	–
Gross rental income	427	683
Bank interest income	866	825
Others	496	382
	7,622	1,890
Gains		
Gain on disposal of investment properties	–	210
Net realised gains on trading of short term listed equity investments	956	–
Net unrealised holding gains less losses on short term listed equity investments	1,347	–
Exchange gains, net	142	–
	2,445	210
	10,067	2,100

The other revenue as previously reported in the prior year's financial statements included dividend income from the Power Plant of HK\$2,021,000. Such dividend, which was declared and approved by the Power Plant after the prior year's balance sheet date, was recognised by the Group as other revenue for that year. Due to the revisions of SSAP 18, this dividend income has been adjusted as a prior year adjustment of HK\$2,021,000. As a consequence, the dividend income from the long term investment of HK\$4,395,000 for the year ended 31 March 2002 included the above dividend of HK\$2,021,000 which was declared and approved by the Power Plant after the prior year's balance sheet date. For further details, please refer to note 11 to the financial statements.

Notes to Financial Statements (Continued)

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6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Cost of inventories sold	64,925	39,451
Auditors' remuneration	500	500
Depreciation	830	1,437
Minimum lease payments under operating leases in respect of land and buildings	1,289	353
Loss on disposal of fixed assets	118	40
Exchange losses, net	–	25
Staff costs (directors' remuneration included – note 7):		
Salaries	6,410	3,118
Pension contributions *	190	37
	6,600	3,155
Deficit on revaluation of investment properties	–	390
Provision for doubtful debts	800	–
Loss on disposal of investment properties	562	–
Loss on disposal of a subsidiary	12	–
Net rental income	(425)	(610)

* At 31 March 2002, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2001: Nil).



Notes to Financial Statements (Continued)

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7. DIRECTORS' REMUNERATION

Details of the remuneration of the directors of the Company for the year disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Fees:		
Executive directors	60	80
Independent non-executive directors	40	40
	<hr/>	<hr/>
	100	120
	<hr/>	<hr/>
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	2,284	2,435
Bonuses	172	376
Pension contributions	48	12
	<hr/>	<hr/>
	2,504	2,823
	<hr/>	<hr/>
	2,604	2,943
	<hr/>	<hr/>

There were no other emoluments paid or payable to the independent non-executive directors for the year (2001: Nil).

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

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	6	7
HK\$1,000,001 to HK\$1,500,000	1	1
	<hr/>	<hr/>
	7	8
	<hr/>	<hr/>

There was no arrangement under which a director waived or agreed to waive any remuneration in respect of the year (2001: Nil). No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2001: Nil).

Notes to Financial Statements (Continued)

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7. DIRECTORS' REMUNERATION (Continued)

No share options were granted to the directors of the Company during the year. In the prior year, 249,745,713 (subsequently adjusted to 265,242,537 share options following the open offer of the Company in June 2001) share options were granted to the directors in respect of their services rendered to the Group. The details of the share options granted in the prior year and still outstanding at the balance sheet date are set out in the section headed "Share option scheme" in the Report of the Directors on pages 18 to 20 and in note 27 to the financial statements. No value in respect of the share options granted in the prior year has been charged to the prior year's profit and loss account.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2001: Four) directors of the Company, details of whose remuneration are set out in note 7 above. The remuneration of the remaining non-director, highest paid employee, which fell within the band of nil – HK\$1,000,000 for the year ended 31 March 2001, is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	–	285
Bonuses	–	42
Pension contributions	–	3
	–	330

In the prior year, 38,540,000 (subsequently adjusted to 40,948,750 share options following the open offer of the Company in June 2001) share options were granted to the remaining non-director, highest paid employee in respect of his/her service to the Group. The details of the share options granted in the prior year and still outstanding at the balance sheet date are set out in the section headed "Share option scheme" in the Report of the Directors on pages 18 to 20 and in note 27 to the financial statements. No value in respect of the share options granted in the prior year has been charged to the prior year's profit and loss account.

No emoluments were paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.



Notes to Financial Statements (Continued)

31 March 2002

9. FINANCE COSTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Interest on:		
Bank loans wholly repayable within five years	668	2,738
Bank loans wholly repayable beyond five years	181	2,267
Convertible note	1,105	700
Finance leases	19	75
Amounts due to related companies	–	531
	1,973	6,311

10. TAX

	Group	
	2002 HK\$'000	2001 HK\$'000
Overprovision in the prior years	(1,860)	(4,266)
Deferred tax credit	–	(234)
	(1,860)	(4,500)
Share of tax attributable to associates	1,592	–
Tax credit for the year	(268)	(4,500)

No provisions for Hong Kong and overseas profits taxes have been made as the Group did not generate any assessable profits arising in Hong Kong or in the overseas countries in which the Group operates during the year (2001: Nil).

Notes to Financial Statements (Continued)

31 March 2002



10. TAX (Continued)

The movements of deferred tax during the year are as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
At beginning of year	-	234
Credit for the year	-	(234)
At 31 March	-	-

At the balance sheet date, the Group had an unrecognised deferred tax asset in respect of tax losses carried forward of HK\$15,308,000 (2001: HK\$15,240,000).

The Company did not have any significant unprovided deferred tax liabilities at the balance sheet date (2001: Nil).

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2002 dealt with in the financial statements of the Company was HK\$4,991,000 (2001: restated net loss of HK\$1,085,000).

The comparative amount for 2001 has been restated by a prior year adjustment resulting in a net debit of HK\$2,021,000 to the Company's net profit for that year, and a net credit of the same amount to the dividend receivable in the Company's balance sheet. The prior year adjustment reversed dividend income from a long term investment which was declared and approved by the Power Plant after the prior year's balance sheet date, but which was recognised by the Company as revenue in its financial statements for the year. The prior year adjustment resulted in no change to the amount of accumulated losses at 1 April 2000. This change in accounting policy has arisen from the adoption of revisions to SSAP 18, as further detailed in notes 2 and 28 to the financial statements.

The effect of this change in accounting policy on the Company's result for the current year, was to increase the net profit of HK\$2,970,000 by HK\$2,021,000 to HK\$4,991,000 and for the prior year, was to decrease the net profit of HK\$936,000 by HK\$2,021,000 to net loss of HK\$1,085,000, as disclosed above.



12. DIVIDEND

	Group	
	2002	2001
	HK\$'000	HK\$'000
Proposed final – HK0.05 cent (2001:Nil) per ordinary share	3,708	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Following the adoption of the revised SSAP 9, the current year's proposed final dividend of HK\$3,708,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet.

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the year of HK\$14,404,000 (2001: restated loss of HK\$1,296,000), and the weighted average of 6,474,018,000 (2001: 2,169,743,000) ordinary shares in issue during the year, adjusted to reflect the open offer during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK\$14,404,000. The weighted average number of ordinary shares used in the calculation is the 6,474,018,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 130,366,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of certain of the Company's share options outstanding during the year.

Diluted loss per share amount for the year ended 31 March 2001 has not been disclosed, as the ordinary shares assumed to have been issued at no consideration on the deemed exercise of certain of the Company's share options and warrants outstanding during the year ended 31 March 2001 had an anti-dilutive effect on the basic loss per share for that year.

Notes to Financial Statements (Continued)

31 March 2002



14. FIXED ASSETS

Group	Furniture, fixtures, equipment and leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:				
At beginning of year	3,914	985	799	5,698
Additions	448	–	–	448
Acquisition of a subsidiary	223	–	3	226
Disposals	(266)	–	–	(266)
Disposal of a subsidiary	–	(388)	–	(388)
At 31 March 2002	4,319	597	802	5,718
Accumulated depreciation:				
At beginning of year	3,011	927	681	4,619
Provided during the year	710	58	62	830
Disposals	(148)	–	–	(148)
Disposal of a subsidiary	–	(388)	–	(388)
At 31 March 2002	3,573	597	743	4,913
Net book value:				
At 31 March 2002	746	–	59	805
At 31 March 2001	903	58	118	1,079

At 31 March 2001, the net book value of the fixed assets of the Group held under finance leases included in the total amount of motor vehicles amounted to approximately HK\$58,000.



15. INVESTMENT PROPERTIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
At beginning of year	7,700	1,700
Transfers from fixed assets	–	8,090
Disposals	(7,700)	(1,700)
Deficit on revaluation	–	(390)
	<hr/>	<hr/>
At 31 March	–	7,700

The Group's investment properties were all situated in Hong Kong and held under medium term leases. These properties were pledged to a bank to secure banking facilities granted to the Group at 31 March 2001.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	82,058	82,058
Due from subsidiaries	393,485	282,688
Due to subsidiaries	(79,825)	(60,399)
	<hr/>	<hr/>
	395,718	304,347
Less: Provision for impairment	(176,724)	(176,724)
	<hr/>	<hr/>
	218,994	127,623

The balances with subsidiaries are unsecured, interest-free and not repayable in the next 12 months.

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

Notes to Financial Statements (Continued)

31 March 2002



16. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries of the Company at 31 March 2002 were as follows:

Name	Place of incorporation/ operations	Nominal value of issued ordinary share	Percentage of equity attributable to the Company	Principal activities
Directly held				
Dragonfield Group (BVI) Limited	British Virgin Islands ("BVI")	US\$1,000	100	Investment holding
Indirectly held				
Best Concept Industrial Limited	Hong Kong	HK\$10,000	100	Property investment
Dragonfield Group (HK) Limited**	Hong Kong	HK\$2	100	Provision of management services
Dragonfield Management Limited	Hong Kong	HK\$2	100	Provision of management services
Flying Gain Holdings Limited	BVI	US\$2	100	Investment holding
Grand Gain International Limited	Hong Kong	HK\$2	100	Provision of management services
King Fair Properties Limited	Hong Kong	HK\$2	100	Property investment
Luchino (Int'l) Leatherware & Garment Limited	Hong Kong	HK\$2	100	Sale of garments
New Eastern Harbour (Int'l) Trading Limited	Hong Kong	HK\$2	100	Trading of leather, fur and garment accessories



16. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries of the Company at 31 March 2002 were as follows (continued):

Name	Place of incorporation/ operations	Nominal value of issued ordinary share	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Perfect Yield Holdings Limited	BVI	US\$7	100	Investment holding
Region Link Holdings Limited	BVI	US\$2	100	Investment holding
Royalink Industrial Limited [#]	Hong Kong	HK\$2,000,000	51	Sale of garments
Royce Group Limited	BVI	US\$1	100	Investment holding
Telcone Star Co., Ltd.	Hong Kong	HK\$2	100	Material sourcing
Yi Lok Limited	Hong Kong	HK\$2	100	Material sourcing

[#] Newly acquired during the year

^{##} Disposed of during the year

During the year, the Group acquired Royalink Industrial Limited from an independent third party. Further details of the acquisition are included in note 29(c) to the financial statements.

Notes to Financial Statements (Continued)

31 March 2002



17. INTERESTS IN ASSOCIATES

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	106,721	–
Unamortised goodwill on acquisition	67,012	–
	173,733	–

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
<u>Held indirectly</u>				
Concade Assets Limited (“Concade”)	Corporate	BVI	44	Investment holding
Everbest Century Limited	Corporate	Hong Kong	44	Investment holding
Longyan Hengfa Electric Industry Co., Ltd. (“Longyan Hengfa”) 龍岩恆發電業有限公司	Corporate	PRC	39.6	Management and operation of the Power Plant

Extracts of the operating results and financial position of Concade and its subsidiaries (the “Concade Group”), which are based on the financial statements of the Concade Group prepared under accounting principles generally accepted in Hong Kong, are as follows:

HK\$'000

Operating results for the period from 17 August 2001
(date of acquisition by the Group) to 31 March 2002:

Turnover	113,204
Profit before tax	44,704
Profit after tax	41,086
Net profit attributable to the Group	18,078



17. INTERESTS IN ASSOCIATES (Continued)

	<i>HK\$'000</i>
Financial position at 31 March 2002:	
Non-current assets	374,416
Current assets	104,892
Non-current liabilities	(121,373)
Current liabilities	(94,448)
Minority interests	(20,939)
	<hr/>
	242,548

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amount of the goodwill capitalised and included as part of the Group's interests in associates, arising from the acquisition of associates, is as follows:

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:		
Acquisition of associates and at end of year	69,577	–
Accumulated amortisation:		
Amortisation provided during the year and at end of year	(2,565)	–
	<hr/>	<hr/>
Net book value:		
At end of year	67,012	–

On 3 July 2001, the Company entered into a conditional sale and purchase agreement (the "Agreement") with For Good Investments Limited ("For Good"), a company incorporated in the BVI and beneficially owned by Mr. Chan Chun Keung, an executive director of the Company. Pursuant to the Agreement, among other things, the Company agreed conditionally to acquire an additional indirect 27.0% attributable interest in the Power Plant located in the Fujian Province, the PRC for a cash consideration of HK\$90 million. The transaction constituted a disclosable and connected transaction under the Listing Rules.

The transaction was approved by the Company's independent shareholders in a special general meeting on 17 August 2001 and the transaction was completed thereafter.

Together with the indirect 12.6% attributable interest in the Power Plant which was acquired and accounted for as a long term investment in the prior year, the Group owned an aggregate indirect 39.6% attributable interest in the Power Plant in the current year. Accordingly, the aggregate indirect 39.6% attributable interest in the Power Plant was accounted for under investments in associates in the current year. For further details, please refer to notes 18 and 34 to the financial statements.

Notes to Financial Statements (Continued)

31 March 2002



18. LONG TERM INVESTMENT

	Group	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	–	91,404

The balance in the prior year represented an indirect 12.6% attributable interest in a Sino-foreign equity joint venture established in the PRC, namely Longyan Hengfa, acquired by the Group in the prior year. Longyan Hengfa is principally engaged in the management and operation of the Power Plant located in the Fujian Province, the PRC.

Upon the completion of the Agreement, the Group held an aggregate indirect 39.6% attributable interest in the Power Plant in the current year. Accordingly, the interests in the Power Plant was accounted for under investments in associates in the current year. Please also refer to notes 17 and 34 to the financial statements for further details.

19. INVENTORIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Raw materials	2,373	11,951
Finished goods	574	–
	2,947	11,951

The carrying amount of inventories carried at net realisable value included in the above balance was approximately HK\$0.3 million (2001: HK\$12 million) at 31 March 2002.

20. TRADE AND BILLS RECEIVABLES

Trade debtors, which generally have credit terms of not more than 180 days, are recognised and carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.



20. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of the Group's trade and bills receivables at the balance sheet date, based on invoice date, is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Current – 90 days	15,817	9,137
91 – 180 days	10,131	7,463
Over 180 days	13,353	11,351
	39,301	27,951
Less: Provisions	(1,312)	(3,269)
	37,989	24,682

21. SHORT TERM INVESTMENTS

The short term investments represented Hong Kong listed equity investments stated at market value at 31 March 2002.

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK\$17,484,000.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	12,647	10,387	184	327
Time deposits	12,583	–	11,369	–
	25,230	10,387	11,553	327
Less: Pledged time deposits for trade finance facilities	(1,215)	–	–	–
Cash and cash equivalents	24,015	10,387	11,553	327

Notes to Financial Statements (Continued)

31 March 2002



23. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables at the balance sheet date, based on invoice date, is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Current - 90 days	9,707	—
91 days - 180 days	269	—
	<hr/>	<hr/>
	9,976	—

24. INTEREST-BEARING BANK LOANS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Bank loans repayable:		
Within one year	3,910	5,306
In the second year	912	1,301
In third to fifth years, inclusive	2,282	1,243
Beyond five years	7,659	8,455
	<hr/>	<hr/>
	14,763	16,305
Portion classified as current liabilities	<hr/>	<hr/>
	(3,910)	(5,306)
Non-current portion	<hr/>	<hr/>
	10,853	10,999
Analysed as follows:		
Secured	2,976	—
Unsecured	11,787	16,305
	<hr/>	<hr/>
	14,763	16,305



24. INTEREST-BEARING BANK LOANS (Continued)

- (a) The Group's trade finance facilities amounting to HK\$10,000,000 (2001: Nil), of which HK\$1,010,000 (2001: Nil) has been utilised at the balance sheet date, are secured by the pledge of certain of the Group's time deposits amounting to HK\$1,215,000 (2001: Nil).
- (b) The Group's banking facilities at 31 March 2002 were secured by:
- (i) corporate guarantees executed by the Company;
 - (ii) legal charges over the Group's time deposits amounted to approximately HK\$1,215,000 (2001: Nil);
 - (iii) unlimited personal guarantees executed by certain directors of the Group;
 - (iv) joint and personal guarantee and security over deposits of HK\$700,000 executed by certain directors of the Group and the spouse of one of the directors; and
 - (v) a leasehold property and a car parking space owned by certain directors of the Group and a spouse of one of the directors.

25. FINANCE LEASE PAYABLES

The Group leased certain of its motor vehicles for its garment business in the prior year. These leases are classified as finance leases and were fully repaid during the year.

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

Group

	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total minimum finance lease payments payable within one year	–	81	–	56
Future finance charges	–	(25)		
Total net finance lease payables classified as current liabilities	–	56		

Notes to Financial Statements (Continued)

31 March 2002



25. FINANCE LEASE PAYABLES (Continued)

SSAP 14 was revised and implemented during the year, as detailed in note 2 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.

26. CONVERTIBLE NOTE

	Group and Company	
	2002	2001
	HK\$'000	HK\$'000
4% convertible note	–	30,000

On 23 August 2000, the Company issued a convertible note with a principal amount of HK\$30,000,000 as part of the consideration for the acquisition of a 12.6% attributable interest in the Power Plant located in the Fujian Province, the PRC. The convertible note was issued at par and bore interest at 4% per annum. The convertible note was redeemable up to a maximum amount of HK\$12,000,000 on 22 November 2001, while the entire principal amount of HK\$30,000,000 was redeemable in full on 22 February 2002.

The convertible note carried the rights for the conversion of the note principal, in whole or in part and at the discretion of its holders, into 300,000,000 shares of the Company at a conversion price of HK\$0.10 per share during the period of 17 months commencing from the date, being one month after the date of issue. The convertible note was freely transferable. The conversion price was adjusted to HK\$0.07 per share as a result of the rights issue of the Company in November 2000 and remained unchanged as a result of the open offer of the Company in June 2001.

During the year, the whole amount of the convertible note was fully repaid.



27. SHARE CAPITAL

Shares

	2002	2001
	HK\$'000	HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	200,000	200,000
Issued and fully paid:		
7,416,002,000 (2001: 3,108,000,000) ordinary shares of HK\$0.01 each	74,160	31,080

The following movements in the Company's issued share capital took place during the year:

- (i) 1,142 shares of HK\$0.01 each were issued for cash at a subscription price of HK\$0.07 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK\$80.
- (ii) On 18 June 2001, the Company raised approximately HK\$77.7 million, before share issue expenses, by way of open offer of 3,108,001,142 offer shares of HK\$0.01 each of the Company at a subscription price of HK\$0.025 per offer share, on the basis of one offer share for every existing share held by shareholders whose names appeared on the register on 28 May 2001. The net proceeds of the open offer were raised for the purpose of funding the Group's future investments and for general working capital of the Group. Further details of the open offer are set out in a circular to the shareholders of the Company dated 28 May 2001.
- (iii) On 5 June 2001, the Company's substantial shareholder, Century Enterprise Investments Inc. ("Century Enterprise") entered into an agreement to place out 600 million ordinary shares of the Company to an independent third party at HK\$0.025 per share. On the same date, Century Enterprise entered into a subscription agreement with the Company to subscribe for 600 million new ordinary shares of HK\$0.01 each of the Company, to rank pari passu with the existing ordinary shares of the Company in issue in all respects, at a price of HK\$0.025 per share (the "First Subscription").

The First Subscription was completed on 18 June 2001. The proceeds of such subscription pursuant to the subscription agreement of HK\$15 million, before share issue expenses, will be used for the purpose of funding future possible investment opportunities and were used for the general working capital of the Group.

Notes to Financial Statements (Continued)

31 March 2002



27. SHARE CAPITAL (Continued)

- (iv) On 19 June 2001, Century Enterprise entered into an agreement to place out another 600 million ordinary shares of the Company to an independent third party at HK\$0.04 per share. On the same date, Century Enterprise entered into a subscription agreement with the Company to subscribe for 600 million new ordinary shares of HK\$0.01 each of the Company, to rank pari passu with the existing ordinary shares of the Company in issue in all respects, at a price of HK\$0.04 per share (the "Second Subscription")

The Second Subscription was completed on 29 June 2001. The proceeds of such subscription pursuant to the subscription agreement approximating HK\$24 million, before share issue expenses, will be used for the purpose of funding future possible investment opportunities and were used for the general working capital of the Group.

A summary of the above movements in the issued share capital of the Company is as follows:

	Notes	Number of ordinary shares of HK\$0.10 each '000	Number of ordinary shares of HK\$0.01 each '000	Amount HK\$'000
Authorised:				
At 1 April 2000		2,000,000	–	200,000
Subdivision of shares under the capital reduction in October 2000		(2,000,000)	20,000,000	–
At 31 March 2001 and 2002		–	20,000,000	200,000
Issued and fully paid:				
At 1 April 2000		518,000	–	51,800
Rights issue in April 2000		518,000	–	51,800
Capital reduction of issued shares in October 2000		(1,036,000)	1,036,000	(93,240)
Rights issue in November 2000		–	2,072,000	20,720
At 31 March 2001 and 1 April 2001		–	3,108,000	31,080
Warrants exercised	<i>(i)</i>	–	1	–
Open offer in June 2001	<i>(ii)</i>	–	3,108,001	31,080
First Subscription in June 2001	<i>(iii)</i>	–	600,000	6,000
Second Subscription in June 2001	<i>(iv)</i>	–	600,000	6,000
At 31 March 2002		–	7,416,002	74,160

**27. SHARE CAPITAL (Continued)****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 pages 18 to 20.

Details of the movements in the Company's share options during the year were as follows:

Exercise price of share options HK\$	Exercise period	Number of share options		
		Outstanding at 1 April 2001	Adjusted during the year	Outstanding at 31 March 2002
0.066 (note (i))	10 April 2000 to 9 April 2002	71,428,571	4,329,005	75,757,576
0.016 (note (ii))	16 January 2001 to 15 January 2006	239,000,000	14,937,500	253,937,500
		310,428,571	19,266,505	329,695,076

Notes:

- (i) These share options outstanding at 1 April 2001 were granted on 10 April 2000 to certain directors of the Company and an employee of the Group at a minimal cash consideration. The share options were originally exercisable at a price of HK\$0.07 per share, subject to adjustment. Following the completion of the open offer of about 3,108 million ordinary shares of the Company in June 2001, the exercise price of the share options was adjusted from HK\$0.07 per share to HK\$0.066 per share in accordance with the terms of the share option agreement dated 3 April 2000. Due to the open offer, the number of outstanding share options was also adjusted from 71,428,571 to 75,757,576.
- (ii) These share options outstanding at 1 April 2001 were granted on 4 January 2001 to certain directors of the Company and employees of the Group at a minimal cash consideration. Following the open offer of the Company as mentioned in (i) above, the exercise price and the number of outstanding share options were adjusted from HK\$0.017 per share to HK\$0.016 per share and from 239,000,000 share options to 253,937,500 share options, respectively.

No share options were exercised during the year and the exercise in full of the 329,695,076 share options would, under the present capital structure of the Company, result in the issue of 329,695,076 additional shares of HK\$0.01 each and proceeds of approximately HK\$9 million.



27. SHARE CAPITAL (Continued)

Warrants

At 1 April 2001, there were a total of HK\$20,720,000 warrants outstanding. Each warrant entitles the holder thereof to the right to subscribe for a new ordinary share at a subscription price of HK\$0.07 per share, subject to adjustment, at any time during the period commencing from 26 April 2000 (the date of the commencement of dealings in such warrants on the Stock Exchange) up to and including 1 May 2002.

During the year, HK\$80 warrants with an aggregate amount of subscription price of approximately HK\$80 were exercised, which resulted in the issue of 1,142 shares of HK\$0.01 each.

At the balance sheet date, the Company had HK\$20,719,920 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 295,998,858 additional shares of HK\$0.01 each at the adjusted subscription price of HK\$0.07 per share.

Subsequent to the balance sheet date, the subscription rights attaching to the outstanding warrants lapsed on 30 April 2002.



Notes to Financial Statements (Continued)

31 March 2002

28. RESERVES

Group

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i> (Restated)	Total <i>HK\$'000</i>
At 1 April 2000	53,914	378	(641)	(90,334)	(36,683)
Issue of shares	31,080	–	–	–	31,080
Share issue expenses	(6,605)	–	–	–	(6,605)
Capital reduction	–	93,240	–	–	93,240
Transfers to accumulated losses	–	(90,334)	–	90,334	–
Net loss for the year (as restated)	–	–	–	(1,296)	(1,296)
	<u>78,389</u>	<u>3,284</u>	<u>(641)</u>	<u>(1,296)</u>	<u>79,736</u>
At 31 March 2001 and 1 April 2001:					
As previously reported	78,389	3,284	(641)	725	81,757
Prior year adjustment: SSAP 18 (Revised) – dividend from a long term investment no longer recognised as income for the year (<i>notes 2 and 11</i>)	–	–	–	(2,021)	(2,021)
As restated	<u>78,389</u>	<u>3,284</u>	<u>(641)</u>	<u>(1,296)</u>	<u>79,736</u>
Issue of shares	73,620	–	–	–	73,620
Share issue expenses	(2,269)	–	–	–	(2,269)
Net profit for the year	–	–	–	14,404	14,404
Proposed final 2002 dividend	–	–	–	(3,708)	(3,708)
At 31 March 2002	<u>149,740</u>	<u>3,284</u>	<u>(641)</u>	<u>9,400</u>	<u>161,783</u>

Notes to Financial Statements (Continued)

31 March 2002



28. RESERVES (Continued)

Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i> (Restated)	Total <i>HK\$'000</i>
At 1 April 2000	53,914	81,858	(172,455)	(36,683)
Issue of shares	31,080	–	–	31,080
Share issue expenses	(6,605)	–	–	(6,605)
Capital reduction	–	93,240	–	93,240
Transfers to accumulated losses	–	(172,455)	172,455	–
Net loss for the year (as restated)	–	–	(1,085)	(1,085)
	78,389	2,643	(1,085)	79,947
At 31 March 2001 and 1 April 2001:				
As previously reported	78,389	2,643	936	81,968
Prior year adjustment: SSAP 18 (Revised) – dividend from a long term investment no longer recognised as income for the year (notes 2 and 11)	–	–	(2,021)	(2,021)
As restated	78,389	2,643	(1,085)	79,947
Issue of shares	73,620	–	–	73,620
Share issue expenses	(2,269)	–	–	(2,269)
Net profit for the year	–	–	4,991	4,991
Proposed final 2002 dividend	–	–	(3,708)	(3,708)
At 31 March 2002	149,740	2,643	198	152,581



28. RESERVES (Continued)

The contributed surplus of the Group arose as a result of the Group reorganisation in 1997 and represents the difference between the nominal value of the Company's shares issued under the reorganisation scheme and the nominal value of the aggregate share capital of the subsidiaries acquired. In the prior year, the amount of HK\$90,334,000 in the contributed surplus account was applied in eliminating the Group's accumulated losses brought forward from prior years.

The contributed surplus of the Company arose as a result of the same reorganisation and represents the excess of the fair value of the shares of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances prescribed by Section 54 thereof. In the prior year, the amount of HK\$172,455,000 in the contributed surplus account was applied in eliminating the Company's accumulated losses brought forward from prior years.

Notes to Financial Statements (Continued)

31 March 2002



29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
		(Restated)
Profit/(loss) from operating activities	(833)	515
Bank interest income	(866)	(825)
Dividend income from a long term investment	(4,395)	–
Depreciation	830	1,437
Deficit on revaluation of investment properties	–	390
Loss on disposal of fixed assets	118	40
Loss/(gain) on disposal of investment properties	562	(210)
Loss/(gain) on disposal of a subsidiary	12	(6,090)
Net realised gains on trading of short term listed equity investments	(956)	–
Net unrealised holding gains less losses on short term listed equity investments	(1,347)	–
Decrease in inventories	11,358	3,568
Decrease/(increase) in trade and bills receivables	(8,974)	3
Decrease/(increase) in prepayments, deposits and other receivables	11,933	(13,909)
Increase in trade and bills payables	5,673	631
Decrease in other payables and accruals	(1,205)	(297)
Net cash inflow/(outflow) from operating activities	11,910	(14,747)



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

(b) Analysis of changes in financing during the year

	Issued capital and share premium account <i>HK\$'000</i>	Due to related companies <i>HK\$'000</i>	Finance lease payables <i>HK\$'000</i>	Bank and other loans <i>HK\$'000</i>	Convertible note <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
At 1 April 2000	105,714	8,692	400	83,933	–	5
Net cash inflow/ (outflow) from financing	96,995	(8,692)	(344)	(67,628)	–	–
Convertible note issued as part of the consideration for the acquisition of 12.6% attributable interest in the Power Plant	–	–	–	–	30,000	–
Capital reduction	(93,240)	–	–	–	–	–
At 31 March 2001 and 1 April 2001	109,469	–	56	16,305	30,000	5
Net cash inflow/(outflow) from financing	114,431	–	(56)	(3,559)	(30,000)	–
Share of profit after tax of subsidiaries	–	–	–	–	–	163
Subsidiary acquired during the year	–	–	–	2,017	–	980
At 31 March 2002	223,900	–	–	14,763	–	1,148

Notes to Financial Statements (Continued)

31 March 2002



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

(c) Acquisition of a subsidiary

	Group	
	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Fixed assets	226	—
Inventories	2,354	—
Trade and bills receivables	4,333	—
Prepayments, deposits and other receivables	1,491	—
Cash and cash equivalents	180	—
Trade and bills payables	(4,303)	—
Tax payable	(99)	—
Other payables and accruals	(165)	—
Interest-bearing bank borrowings	(2,017)	—
Minority interests	(980)	—
	1,020	—
Goodwill on acquisition	—	—
	1,020	—
Satisfied by cash	1,020	—

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Cash consideration paid	1,020	—
Cash and bank balances acquired	(180)	—
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	840	—

**29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)****(c) Acquisition of a subsidiary (Continued)**

On 2 April 2001, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of a 51% equity interest in Royalink. Royalink was incorporated in Hong Kong and is engaged in the garment business. The purchase consideration for the acquisition was paid in cash of HK\$1,020,000 on 28 April 2001. The transaction was completed and became unconditional on 6 April 2001.

Since its acquisition, Royalink contributed HK\$37,624,000 to the Group's turnover and HK\$332,000 to the consolidated profit after tax and before minority interests for the year ended 31 March 2002.

For the year ended 31 March 2002, Royalink contributed HK\$671,000 to the Group's net operating cash flows, paid HK\$386,000 in respect of the cash flows for net returns on investments and servicing of finance, paid tax of HK\$176,000 and incurred HK\$1,477,000 cash outflow from investing activities. In relation to financing activities, there was cash inflow of HK\$1,368,000.

(d) Disposal of a subsidiary

	Group	
	2002	2001
	HK\$'000	HK\$'000
Net assets disposed of:		
Fixed assets	–	743
Inventories	–	6,205
Cash and bank balances	2	272
Trade receivables	–	7,662
Prepayments, deposits and other receivables	10	207
Trade payables	–	(2,195)
Other payables and accruals	–	(9,922)
	12	2,972
Gain/(loss) on disposal of a subsidiary	(12)	6,090
	–	9,062
Satisfied by:		
Cash	–	600
Other receivables	–	8,462
	–	9,062

Notes to Financial Statements (Continued)

31 March 2002



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

(d) Disposal of a subsidiary (Continued)

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of a subsidiary:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Cash consideration	–	600
Cash and bank balances disposed of	(2)	(272)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of a subsidiary	(2)	328

The subsidiary disposed of during the year had no significant impact in respect of the Group's cash flows from operating activities, returns on investments and servicing of finance, tax, investing activities and financing activities.

The subsidiaries disposed of in the prior year contributed HK\$5,949,000 to the Group's net operating cash outflow and paid HK\$1,324,000 in respect of returns on investments and servicing of finance.

The results of the subsidiary disposed of in the year ended 31 March 2002 had no significant impact on the Group's consolidated turnover or profit after tax for that year. The turnover and loss attributable to shareholders contributed by the subsidiaries disposed of in the prior year amounted to, in aggregate, approximately HK\$10,670,000 and HK\$917,000, respectively, for year ended 31 March 2001.

30. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (*note 15*) under operating lease arrangements, with leases negotiated for terms of two years in the prior year. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2002, the Group and the Company had no future minimum lease receivables under non-cancellable operating leases with its tenants as a result of the disposal of the Group's investment properties in the current year.



30. OPERATING LEASE ARRANGEMENTS (Continued)

(a) As lessor (Continued)

At 31 March 2001, the Group had total future minimum lease receivables of HK\$305,000 under non-cancellable operating leases with its tenants falling due within one year.

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two.

At 31 March 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
		(Restated)
Within one year	858	940
In the second to fifth years, inclusive	213	432
	1,071	1,372

SSAP 14 (Revised), which was adopted during the year, requires lessor under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in (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.

The Company did not have significant lease commitments at the balance sheet date (2001: Nil).

Notes to Financial Statements (Continued)

31 March 2002



31. CONTINGENT LIABILITIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Bills discounted with recourse	1,464	–

At 31 March 2002, the Company had given guarantees to banks in connection with banking facilities granted to subsidiaries in an aggregate amount of HK\$35,550,000 (2001: HK\$52,677,000), of which approximately HK\$13,195,000 (2001: HK\$16,305,000) was utilised at the balance sheet date.

32. PLEDGE OF ASSETS

Details of the Group's banking facilities secured by the assets of the Group are included in note 24 to the financial statements.

33. POST BALANCE SHEET EVENT

The following event took place subsequent to 31 March 2002:

On 25 April 2002, the Group entered into a loan agreement with Concade, one of the Group's associates, pursuant to which the Group agreed to grant a short term loan of US\$1,200,000 to Concade. The transaction constituted a connected transaction as defined in the Listing Rules. Further details of which are set out in note 34(ii) to the financial statements.

The loan is unsecured and bears interest of 5% per annum and shall be repaid on or before 31 July 2002.

34. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year and up to the date of this report, the Group had the following material transactions with connected and/or related parties:

- (i) The Company entered into the Agreement with For Good, a company beneficially owned by Mr. Chan Chun Keung, an executive director of the Company. Pursuant to the Agreement, among other things, the Company agreed conditionally to acquire an indirect 27% attributable interest in the Power Plant located in the Fujian Province, the PRC, for a cash consideration of HK\$90 million, further details of which are set out in notes 17 and 18 to the financial statements.

The transaction constituted a disclosable and connected transaction under the Listing Rules and was approved by shareholders in a special general meeting on 17 August 2001. The transaction was completed and became unconditional thereafter.



34. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

- (ii) On 25 April 2002, the Group entered into a loan agreement with Concade, an associate of the Group. Concade is owned by the Group, Mr. Chan Chun Keung, an executive director of the Company, through certain companies wholly-owned by him and an independent third party as to 44%, 55% and 1%, respectively. Pursuant to the loan agreement, the Group granted an unsecured loan of US\$1,200,000 which bears interest at 5% per annum and is repayable on or before 31 July 2002 (note 33).
- (iii) During the year, certain directors of the Group and the spouse of one of the directors executed joint and personal guarantee and legal charges on certain of their personal assets for the general banking facilities of the Group (note 24).
- (iv) In prior years, Royalink, the Group's newly acquired subsidiary (for further details of the acquisition, please refer to note 29(c) to the financial statements), advanced funds of approximately HK\$2.1 million to a director of Royalink (who is not a director of the Company) and the advance was outstanding upon the acquisition of Royalink during the year. The amount advanced is unsecured, bears interest at Hong Kong dollar prime rate per annum and has no fixed terms of repayment. Approximately HK\$0.3 million has been settled up to 31 March 2002. The amount due from a director of Royalink was approximately HK\$1.8 million at 31 March 2002.

35. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current 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 prior year adjustments have been made and certain comparative amounts have been reclassified to conform with current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 July 2002.