

Notes to the Financial Statements

For the Year ended 31st March, 2002

I. GENERAL

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of voltage converters and coils and rechargeable battery products.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP"s) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Company's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

In accordance with SSAP No. 9 (Revised) "Events after the balance sheet date" ("SSAP 9 (Revised)"), dividends proposed or declared after the balance sheet date should be disclosed as a separate component of equity. In prior years, dividends proposed or declared after the balance sheet date were recognised as liabilities in the balance sheet. The adoption of SSAP 9 (Revised) has been applied retrospectively and resulted in an increase of dividend reserve of the Group and the Company as at 31st March, 2001 by HK\$27,876,920.

In adopting SSAP No. 30 "Business combinations" ("SSAP 30"), the Group has applied the transitional relief provided by paragraph 88 of SSAP 30 not to restate goodwill or negative goodwill arising from the acquisition of subsidiaries which were written off against goodwill reserve. However, as a result of adopting SSAP No. 31 "Impairment of assets", any identified impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiaries and the date of adoption of SSAP 30 have been recognised prospectively. An amount of HK\$372,126 representing the resulting impairment loss was adjusted and charged to the consolidated income statement for the current year.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries and associates acquired and disposed of during the year are included in the consolidated income statement from and up to their effective dates of acquisition and disposal respectively.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

Notes to the Financial Statements

For the Year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition the Group's interest in the fair value of the identifiable assets and liabilities of subsidiaries and associates at date of acquisition.

The Group has adopted the transitional relief provided by paragraph 88 of SSAP No. 30 "Business combinations" from the requirement to restate goodwill which was written off against reserves as assets and to amortise the restated goodwill over its economic useful life since the date of acquisition.

Goodwill arising on acquisition prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

On disposal of a business, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisition after 1st April, 2001 is recognised as an asset and amortised on a straight line basis over its economic useful life. Goodwill arising on the acquisition of subsidiary or associate is presented separately in the balance sheet.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

The Group has adopted the transitional relief provided by paragraph 88 of SSAP No. 30 "Business combination" from the requirement to restate the negative goodwill which has previously credited to reserve as a deduction from assets and to recognise the restated negative goodwill as income.

Negative goodwill arising on acquisition prior to 1st April, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisition after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful lives of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately. Negative goodwill arising on the acquisition of subsidiary is presented separately in the balance sheet as a deduction from assets.

Turnover

Turnover represents the net amount received and receivable for goods sold to outside customers, less returns and allowances.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Sales of goods are recognised when goods are delivered and title has been passed.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the term of the leases.

Other interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on professional valuation at the balance sheet date. Any surplus or deficit arising on revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit on a portfolio basis in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided in respect of investment properties which are held on leases with unexpired terms, including the renewable period, of more than twenty years.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and amortisation and any identified impairment loss.

Construction in progress is not depreciated until completion of construction.

Depreciation and amortisation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the remaining unexpired terms of the leases
Leasehold buildings	Over the remaining unexpired terms of the leases or fifty years, whichever is the shorter
Furniture, fixtures and equipment	10% - 25%
Motor vehicles	20% - 25%
Plant and machinery	10% - 33 $\frac{1}{3}$ %

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of that asset and is recognised in the income statement.

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For the Year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions of the investee.

The results and assets and liabilities of the associates are incorporated in these financial statements using the equity method of accounting.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in the net profit or loss for the period.

Marketable securities

Marketable securities are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life subject to a maximum period of five years.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the approximate rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the results, assets and liabilities of operations outside Hong Kong are translated at the rates ruling at the balance sheet date. All exchange differences arising on translation are dealt with in the translation reserve.

Operating leases

Rentals payment under operating leases are charged to the income statement on a straight line basis over the terms of the leases.

Notes to the Financial Statements

For the Year ended 31st March, 2002

4. SEGMENT INFORMATION

Business Segments

The Group's principal activities are manufacture and trading of voltage converters and coils and rechargeable battery products. These two business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented as below:

	Voltage converters and coils HK\$	Rechargeable battery products HK\$	Elimination HK\$	Consolidated HK\$
For the year ended 31st March, 2002				
Turnover				
External sales	340,665,062	25,231,006	—	365,896,068
Inter-segment sales	4,945,250	—	(4,945,250)	—
	<u>345,610,312</u>	<u>25,231,006</u>	<u>(4,945,250)</u>	<u>365,896,068</u>
Inter-segment sales are carried out at cost.				
Result				
Segment result	<u>3,209,665</u>	<u>(6,613,704)</u>		(3,404,039)
Unallocated corporate expenses				(6,778,080)
Interest income				2,045,510
Finance costs				(21,521)
Share of results of associates				(7,057,780)
Gain on winding up of subsidiaries				1,000,000
Impairment losses recognised in respect of goodwill				
- segment	(108,708)	(64,978)		(173,686)
- corporate				(198,440)
Loss before taxation				(14,588,036)
Taxation				(127,743)
Loss before minority interests				(14,715,779)
Minority interests				225,258
Net loss for the year				<u>(14,490,521)</u>
Other information				
Additions of property, plant and equipment	8,255,796	778,040		9,033,836
Depreciation and amortisation of property, plant and equipment	<u>14,595,036</u>	<u>3,479,610</u>		<u>18,074,646</u>

4. SEGMENT INFORMATION (continued)

Business Segments (continued)

	Voltage converters and coils HK\$	Rechargeable battery products HK\$	Consolidated HK\$
As at 31st March, 2002			
Balance sheet			
Assets			
Segment assets	<u>205,175,547</u>	<u>20,672,149</u>	225,847,696
Investments in associates			5,005,852
Unallocated corporate assets			<u>67,700,592</u>
Consolidated total assets			<u>298,554,140</u>
Liabilities			
Segment liabilities	<u>58,239,064</u>	<u>6,236,554</u>	64,475,618
Unallocated corporate liabilities			<u>1,406,919</u>
Consolidated total liabilities			<u>65,882,537</u>

Notes to the Financial Statements

For the Year ended 31st March, 2002

4. SEGMENT INFORMATION (continued)

Business Segments (continued)

	Voltage converters and coils HK\$	Rechargeable battery products HK\$	Elimination HK\$	Consolidated HK\$
For the year ended 31st March, 2001				
Turnover				
External sales	622,764,841	31,271,745	—	654,036,586
Inter-segment sales	8,713,681	—	(8,713,681)	—
	<u>631,478,522</u>	<u>31,271,745</u>	<u>(8,713,681)</u>	<u>654,036,586</u>
Inter-segment sales are carried out at cost.				
Result				
Segment result	<u>91,311,102</u>	<u>(5,946,184)</u>		85,364,918
Unallocated corporate expenses				(9,401,747)
Net realised gain on disposal of investments in securities and forfeiture of deposit received for disposal of other investments				14,007,496
Interest income				4,733,315
Finance costs				(642,237)
Share of results of associates				(138,918)
Profit before taxation				93,922,827
Taxation				(5,381,896)
Profit before minority interests				88,540,931
Minority interests				(195,216)
Net profit for the year				<u>88,345,715</u>
Other information				
Additions of property, plant and equipment	14,311,219	3,322,105		17,633,324
Depreciation and amortisation of property, plant and equipment	<u>12,842,062</u>	<u>3,710,136</u>		<u>16,552,198</u>

4. SEGMENT INFORMATION (continued)

Business Segments (continued)

	Voltage converters and coils HK\$	Rechargeable battery products HK\$	Consolidated HK\$
As at 31st March, 2001			
Balance sheet			
Assets			
Segment assets	260,737,514	29,290,714	290,028,228
Investments in associates			7,433,632
Unallocated corporate assets			95,080,791
Consolidated total assets			<u>392,542,651</u>
Liabilities			
Segment liabilities	58,553,144	6,473,083	65,026,227
Unallocated corporate liabilities			7,015,153
Consolidated total liabilities			<u>72,041,380</u>

Geographical Segments

The Group's operations are located in Mainland China and Hong Kong of the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market Year ended 31st March,	
	2002 HK\$	2001 HK\$
The PRC		
Mainland China	92,471,945	38,496,051
Hong Kong	40,545,388	55,497,270
	133,017,333	93,993,321
Western Europe	87,646,759	125,090,309
Northern Europe	62,608,786	304,610,952
Asia (excluding the Mainland China and Hong Kong of the PRC)	57,485,011	34,253,212
United States of America, South America and Canada	23,928,981	94,653,253
Australia	1,209,198	1,435,539
	365,896,068	<u>654,036,586</u>

Contribution to profit by geographical market has not been presented as the contribution to profit from each market is substantially in line with the overall group ratio of profit to turnover.

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For the Year ended 31st March, 2002

4. SEGMENT INFORMATION (continued)

Geographical Segments (continued)

The following is an analysis of the carrying amount of consolidated total assets and additions to property, plant and equipment analysed by the geographical areas in which the assets are located:

	As at 31st March,	
	2002 HK\$	2001 HK\$
Carrying amount of consolidated total assets		
Mainland China	110,295,260	173,548,905
Hong Kong	187,933,610	218,627,787
United States of America	325,270	365,959
	298,554,140	392,542,651

	Year ended 31st March,	
	2002 HK\$	2001 HK\$
Additions to property, plant and equipment		
Mainland China	8,072,691	17,108,967
Hong Kong	870,400	294,603
United States of America	90,745	229,754
	9,033,836	17,633,324

5. OTHER INCOME

	2002 HK\$	2001 HK\$
Included in other income is as follows:		
Interest earned on bank deposits and balances	2,045,510	4,733,315
Net realised gain on disposal of investment securities	—	12,156,007
Forfeiture of deposit received for disposal of other investments	—	1,851,489
Gain on disposal of property, plant and equipment	—	691,230

6. OTHER OPERATING EXPENSES

	2002 HK\$	2001 HK\$
The other operating expenses comprise:		
Write-off of property, plant and equipment	5,028,015	—
Deficit arising on revaluation of investment properties (note 14)	750,000	350,000
Factory relocation and closure expenses	193,966	—
	5,971,981	350,000

During the year, the Group closed certain manufacturing factories in the Mainland China of the PRC to streamline the Group's operations. It resulted in the write-off of property, plant and equipment and factory relocation and closure expenses of HK\$5,028,015 and HK\$193,966 respectively.

7. (LOSS) PROFIT FROM OPERATIONS

	2002 HK\$	2001 HK\$
(Loss) profit from operations has been arrived at after charging:		
Directors' remuneration (Note)	6,936,000	10,912,000
Staff salaries, allowance and welfare	30,815,482	23,941,162
Mandatory provident fund contributions	311,524	277,543
Direct labour costs	23,731,164	43,037,316
Provision for long service payments	1,003,094	1,020,000
Total staff costs	62,797,264	79,188,021
Auditors' remuneration	842,910	857,400
Depreciation and amortisation of property, plant and equipment		
Owned assets	18,074,646	16,467,418
Assets held under finance leases	—	84,780
Loss on disposal of property, plant and equipment	187,718	—
Minimum lease payments in respect of rented premises	5,114,483	4,693,955
Research and development expenses	455,841	862,175
and after crediting:		
Property rental income net of outgoings	894,058	1,049,189

Notes to the Financial Statements

For the Year ended 31st March, 2002

7. (LOSS) PROFIT FROM OPERATIONS (continued)

Note:

Information regarding directors' and employees' emoluments

	2002 HK\$	2001 HK\$
Directors		
Fees to independent non-executive directors	360,000	360,000
Other emoluments to executive directors:		
Salaries and other benefits	6,552,000	10,552,000
Mandatory provident fund contributions	24,000	—
	6,576,000	10,552,000
	6,936,000	10,912,000

Emoluments of the directors were within the following bands:

	Number of director(s)	
	2002	2001
Nil - HK\$1,000,000	8	9
HK\$1,500,001 - HK\$2,000,000	2	—
HK\$2,500,001 - HK\$3,000,000	1	1
HK\$3,000,001 - HK\$3,500,000	—	1
HK\$4,500,001 - HK\$5,000,000	—	1

Employees

The five highest paid individuals of the Group included three (2001: three) directors, details of whose emoluments are set out above. The emoluments of the two (2001: two) highest paid employees, other than directors of the Company, were as follows:

	2002 HK\$	2001 HK\$
Salaries and other benefits	2,058,000	2,278,000

Emoluments of these employees were within the following bands:

	Number of employee(s)	
	2002	2001
Nil - HK\$1,000,000	1	—
HK\$1,000,001 - HK\$1,500,000	1	2

8. FINANCE COSTS

	2002	2001
	HK\$	HK\$
Interest on:		
Bank borrowings wholly repayable within five years	21,521	628,532
Obligations under finance leases	—	13,705
Total borrowing costs	21,521	642,237

9. GAIN ON WINDING UP OF SUBSIDIARIES

The amount represents the capital reserve realised upon winding up of two subsidiaries during the year (see note 26).

10. TAXATION

	2002	2001
	HK\$	HK\$
The charge comprises:		
The Company and its subsidiaries:		
Hong Kong Profits Tax		
- current year	—	6,694,995
- under (over) provision in prior years	127,743	(1,340,006)
	127,743	5,354,989
Share of taxation of an associate	—	26,907
	127,743	5,381,896

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the year. In the previous year, Hong Kong Profits Tax was calculated at 16% of the estimated assessable profit for that year.

In the opinion of the directors of the Company, a substantial portion of the Group's profit neither arises in, nor is derived from, Hong Kong and, accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax. Furthermore, the subsidiaries of the Company that are operating in the PRC are currently not subject to income tax of the PRC as these companies either operate under assembly and processing arrangements in the PRC or are exempted from income tax for the first two profitable years of operations and, thereafter, are entitled to 50% relief from income tax for the next three years under the tax laws of the PRC.

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11. NET (LOSS) PROFIT FOR THE YEAR

Of the consolidated net loss for the year of HK\$14,490,521 (2001: profit of HK\$88,345,715), a profit of HK\$43,593,152 (2001: profit of HK\$142,102,229) has been dealt with in the financial statements of the Company.

12. DIVIDENDS / DISTRIBUTION

	2002 HK\$	2001 HK\$
Interim dividend, paid - 8 cents (2001: 5 cents per share)	44,603,072	27,902,920
Special dividend/distribution, paid - nil (2001: 10 cents per share)	—	55,805,840
Special dividend, paid - nil (2001: 5 cents per share)	—	27,902,920
Final dividend, declared - nil (2001: 5 cents per share)	—	27,876,920
	44,603,072	139,488,600

13. (LOSS) EARNINGS PER SHARE

The calculation of (loss) earnings per share is based on the net loss for the year of HK\$14,490,521 (2001: profit of HK\$88,345,715) and the 557,538,400 (2001: weighted average of 557,923,058) shares in issue during the year.

No diluted loss per share has been presented as the exercise of the Company's outstanding share options would have an anti-dilutive effect on the loss per share for the year.

No diluted earnings per share had been presented for the previous year as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's shares for that year.

14. INVESTMENT PROPERTIES

	THE GROUP HK\$
AT VALUATION	
At 1st April, 2000	7,700,000
Deficit on revaluation (note 6)	(350,000)
At 31st March, 2001 and 1st April, 2001	7,350,000
Deficit on revaluation (note 6)	(750,000)
At 31st March, 2002	6,600,000

The investment properties are situated in Hong Kong and are held under long leases. The investment properties are rented out for use under operating leases. The valuation of investment properties was carried out by DTZ Debenham Tie Leung Limited, a firm of independent professional valuers, as at 31st March, 2002 on an open market value for existing use basis.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Plant and machinery HK\$	Construction in progress HK\$	Total HK\$
THE GROUP						
COST						
At 1st April, 2001	41,451,358	31,203,764	5,990,334	92,517,484	310,909	171,473,849
Currency realignment	—	153	—	1,331	—	1,484
Additions	—	5,932,667	—	2,416,060	685,109	9,033,836
Transfer	—	310,909	—	—	(310,909)	—
Disposals	—	(1,308,484)	—	(1,234,091)	—	(2,542,575)
Write-off	—	(11,077,989)	(601,909)	(4,023,239)	—	(15,703,137)
At 31st March, 2002	41,451,358	25,061,020	5,388,425	89,677,545	685,109	162,263,457
DEPRECIATION AND AMORTISATION						
At 1st April, 2001	4,710,825	16,648,220	4,180,410	47,037,467	—	72,576,922
Currency realignment	—	14	—	214	—	228
Provided for the year	829,028	5,136,808	645,878	11,462,932	—	18,074,646
Eliminated on disposals	—	(436,789)	—	(910,006)	—	(1,346,795)
Write-off	—	(6,723,292)	(521,655)	(3,430,175)	—	(10,675,122)
At 31st March, 2002	5,539,853	14,624,961	4,304,633	54,160,432	—	78,629,879
NET BOOK VALUES						
At 31st March, 2002	<u>35,911,505</u>	<u>10,436,059</u>	<u>1,083,792</u>	<u>35,517,113</u>	<u>685,109</u>	<u>83,633,578</u>
At 31st March, 2001	<u>36,740,533</u>	<u>14,555,544</u>	<u>1,809,924</u>	<u>45,480,017</u>	<u>310,909</u>	<u>98,896,927</u>
				2002		2001
				HK\$		HK\$

The net book value of the Group's property interests shown above comprises:

Leasehold properties held under long leases in Hong Kong	18,334,794	18,764,164
Leasehold properties outside Hong Kong held under		
- long leases	4,246,232	4,342,924
- medium term leases	13,330,479	13,633,445
	35,911,505	<u>36,740,533</u>

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16. INTEREST IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$	2001 HK\$
Unlisted shares, at carrying value (Note)	71,111,124	71,111,124
Unlisted shares, at cost	18	18
	71,111,142	71,111,142
Amounts due from subsidiaries	464,347,736	414,186,697
	535,458,878	485,297,839
Allowance made	(274,400,000)	(274,400,000)
	261,058,878	210,897,839

Note: The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group pursuant to the group reorganisation in 1994.

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

Particulars of the Company's principal subsidiaries at 31st March, 2002 are set out in note 38.

17. INVESTMENTS IN ASSOCIATES

	THE GROUP	
	2002 HK\$	2001 HK\$
Share of net assets	5,005,852	7,433,632

During the year, a subsidiary of the Company entered into a sale and purchase agreement to purchase the remaining 50% equity interest in Pan Electrium Industrial Company Limited ("Pan Electrium"), a then 50% owned associate of the Group, at a consideration of HK\$120,000 from the other shareholder of Pan Electrium. In addition, prior to the acquisition of the remaining 50% equity interest in Pan Electrium, both of the then existing shareholders of Pan Electrium agreed to waive the loans to Pan Electrium with an aggregate value of HK\$9,500,000. Upon the completion of the sale and purchase agreement, Pan Electrium became a wholly-owned subsidiary of the Company.

Particulars of the Group's associate at 31st March, 2002 are as follows:

Name of company	Place of incorporation/ operation	Percentage of nominal value of issued capital indirectly held by the Group	Principal activities
Mahan Industrial Co. Limited	Hong Kong	25%	Manufacture of and trading in electrical parts

18. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002 HK\$	2001 HK\$
INVESTMENT SECURITIES		
Unlisted shares, at cost	773,450	773,450
Impairment loss	(773,450)	(773,450)
	<u>—</u>	<u>—</u>
OTHER INVESTMENTS		
Listed shares, at cost (Note)	67,110,720	67,110,720
Impairment loss	(67,110,720)	(67,110,720)
	<u>—</u>	<u>—</u>
Market value of listed shares at 31st March	<u>1,641,792</u>	<u>5,609,456</u>

Note: The amount represents the Group's investment in the shares of Climax International Company Limited ("CICL"), a company incorporated in Bermuda with its shares listed on the Stock Exchange, representing approximately a 1.89% (2001: 1.89%) of the issued share capital of CICL.

In the opinion of the directors, in view of the low volume of transactions in the market for the CICL's shares, the fair value of other investments as at 31st March, 2002 and 31st March, 2001 was insignificant.

19. INVENTORIES

	THE GROUP	
	2002 HK\$	2001 HK\$
Raw materials	30,587,556	50,213,152
Work in progress	4,916,157	3,005,718
Finished goods	7,982,453	29,565,551
	<u>43,486,166</u>	<u>82,784,421</u>

At the balance sheet date, all the inventories were carried at cost.

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20. DEBTORS AND PREPAYMENTS

The balance of debtors and prepayments included trade debtors of HK\$90,466,500 (2001: HK\$99,368,103). The aged analysis of trade debtors at the reporting date is as follows:

	THE GROUP	
	2002 HK\$	2001 HK\$
0 - 60 days	46,990,929	62,941,180
61 - 90 days	15,290,306	9,820,668
> 90 days	28,185,265	26,606,255
	90,466,500	99,368,103

The Group allows an average credit period ranged from 60 to 90 days to its trade customers.

21. MARKETABLE SECURITIES

	THE GROUP	
	2002 HK\$	2001 HK\$
Listed warrants in Hong Kong, at fair value	—	—
Market value at 31st March	136,816	437,811

Pursuant to the completion a subscription agreement of CICL on 11th January, 2001, the Group was granted 13,681,600 bonus warrants of CICL on 29th January, 2001 on the basis of one bonus warrant for every five shares of CICL held by the Group on that date. No listed warrants of CICL were acquired nor disposed of during both years.

In the opinion of the directors, in view of the low volume of transactions in the market for these warrants, the fair value of these warrants as at 31st March, 2002 and 31st March, 2001 was insignificant.

22. CREDITORS AND ACCRUED CHARGES

The balance of creditors and accrued charges included trade creditors of HK\$43,452,630 (2001: HK\$41,981,809). The aged analysis of trade creditors at the reporting date is as follows:

	THE GROUP	
	2002 HK\$	2001 HK\$
0 - 60 days	25,239,305	35,146,135
61 - 90 days	8,790,323	6,084,221
> 90 days	9,423,002	751,453
	43,452,630	41,981,809

23. OTHER BORROWINGS

THE GROUP

The other borrowings represent loans from a joint venture partner of a subsidiary in the PRC (the "PRC Partner") and details of the terms and arrangement are set out in note 38(c).

24. SHARE CAPITAL

	2002	2001
	HK\$	HK\$
Authorised:		
1,000,000,000 shares of HK\$0.1 each	<u>100,000,000</u>	<u>100,000,000</u>
	Number of shares	Amount
		HK\$
Issued and fully paid:		
Shares of HK\$0.1 each:		
Balance at 1st April, 2000	558,058,400	55,805,840
Repurchase of shares	(520,000)	(52,000)
Balance at 31st March, 2001 and 31st March, 2002	<u>557,538,400</u>	<u>55,753,840</u>

25. SHARE OPTIONS

Pursuant to an ordinary resolution of the Company passed on 25th August, 2000, the Company adopted an employee's share option scheme (the "Scheme") on that date for the primary purpose of providing incentive to the directors of the Company and eligible employees.

The details in the number of options outstanding which have been granted under the Scheme are as follows:

Exercisable period	Exercise price	Number of option
	HK\$	shares outstanding
		at 1.4.2001
		and 31.3.2002
28.8.2001 - 27.8.2003	0.62	<u>10,000,000</u>

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For the Year ended 31st March, 2002

26. RESERVES

	Capital			Capital reserve HK\$	Goodwill reserve HK\$	Translation reserve HK\$	Accumulated (losses) profits HK\$	Dividend reserve HK\$	Total HK\$
	Share premium HK\$	redemption reserve HK\$	Contributed surplus HK\$						
THE GROUP									
At 1st April, 2000	382,680,024	1,342,200	—	22,019,257	(372,126)	27,445	(119,176,188)	—	286,520,612
Transfer upon capital reduction (Note)	(368,900,000)	—	—	—	—	—	368,900,000	—	—
Premium paid on repurchase of shares	(208,000)	—	—	—	—	—	—	—	(208,000)
Transfer upon repurchase of shares	—	52,000	—	—	—	—	(52,000)	—	—
Net profit for the year	—	—	—	—	—	—	88,345,715	—	88,345,715
Dividends/distribution declared (note 12)	—	—	—	—	—	—	(139,488,600)	139,488,600	—
Dividends/distribution paid	—	—	—	—	—	—	—	(111,611,680)	(111,611,680)
At 31st March, 2001									
and 1st April, 2001	13,572,024	1,394,200	—	22,019,257	(372,126)	27,445	198,528,927	27,876,920	263,046,647
Exchange differences on translation	—	—	—	—	—	(6,023)	—	—	(6,023)
Capital reserves realised upon winding up of subsidiaries	—	—	—	(1,000,000)	—	—	—	—	(1,000,000)
Impairment losses recognised in respect of goodwill	—	—	—	—	372,126	—	—	—	372,126
Net loss for the year	—	—	—	—	—	—	(14,490,521)	—	(14,490,521)
Dividend declared (note 12)	—	—	—	—	—	—	(44,603,072)	44,603,072	—
Dividends paid	—	—	—	—	—	—	—	(72,479,992)	(72,479,992)
At 31st March, 2002	13,572,024	1,394,200	—	21,019,257	—	21,422	139,435,334	—	175,442,237
Attributable to associate:									
At 31st March, 2002	—	—	—	—	—	—	(787,898)	—	(787,898)
THE COMPANY									
At 1st April, 2000	382,680,024	1,342,200	70,911,124	—	—	—	(368,903,249)	—	86,030,099
Transfer upon capital reduction (Note)	(368,900,000)	—	368,900,000	—	—	—	—	—	—
Premium paid on repurchase of shares	(208,000)	—	—	—	—	—	—	—	(208,000)
Transfer upon repurchase of shares	—	52,000	—	—	—	—	(52,000)	—	—
Transfer	—	—	(368,900,000)	—	—	—	368,900,000	—	—
Net profit for the year (note 11)	—	—	—	—	—	—	142,102,229	—	142,102,229
Dividends/distribution declared (note 12)	—	—	—	—	—	—	(139,488,600)	139,488,600	—
Dividends/distribution paid	—	—	—	—	—	—	—	(111,611,680)	(111,611,680)
At 31st March, 2001 and 1st April, 2001	13,572,024	1,394,200	70,911,124	—	—	—	2,558,380	27,876,920	116,312,648
Net profit for the year (note 11)	—	—	—	—	—	—	43,593,152	—	43,593,152
Dividends declared (note 12)	—	—	—	—	—	—	(44,603,072)	44,603,072	—
Dividends paid	—	—	—	—	—	—	—	(72,479,992)	(72,479,992)
At 31st March, 2002	13,572,024	1,394,200	70,911,124	—	—	—	1,548,460	—	87,425,808

Note: In 2001, the Company undertook a capital reduction exercise to reduce the Company's share premium and the contributed surplus accounts (the "Capital Reduction"). Details of the Capital Reduction were set out in the Company's circular dated 18th May, 2000. Following the completion of the Capital Reduction on 12th June, 2000, the share premium and the contributed surplus accounts were adjusted from HK\$382.7 million and HK\$70.9 million to HK\$13.8 million and HK\$439.8 million respectively. An amount of HK\$368.9 million credit arising from the Capital Reduction, which was credited to the contributed surplus account, was applied to eliminate the accumulated losses of the Company at the same date.

26. RESERVES (continued)

The capital reserve of the Group represented the capital reserve arising on the group reorganisation in 1994 of HK\$19,870,430 (2001: HK\$20,870,430) and the negative goodwill arising on acquisition of additional interest in a subsidiary in the prior years of HK\$1,148,827 (2001: HK\$1,148,827).

The contributed surplus of the Company represented the difference between the book values of underlying net assets of Pantronics Holdings Limited and its subsidiaries at the date on which the shares of these companies were acquired by the Company, and the nominal amount of the share capital issued by the Company under the group reorganisation in 1994, net of HK\$100,000 applied in paying up in full at par the 1,000,000 nil paid shares.

In addition to accumulated profits, under the company law in Bermuda, the contributed surplus account of a company is also available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution as at 31st March, 2002 consisted of contributed surplus of HK\$70,911,124 (2001: HK\$70,911,124) and accumulated profits of HK\$1,548,460 (2001: HK\$2,558,380).

27. RECONCILIATION OF (LOSS) PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 HK\$	2001 HK\$
(Loss) profit before taxation	(14,588,036)	93,922,827
Share of results of associates	7,057,780	138,918
Gain on winding up of subsidiaries	(1,000,000)	—
Impairment losses recognised in respect of goodwill	372,126	—
Interest on bank borrowings	21,521	628,532
Interest on obligations under finance leases	—	13,705
Interest income	(2,045,510)	(4,733,315)
Depreciation and amortisation of property, plant and equipment	18,074,646	16,552,198
Loss (gain) on disposal of property, plant and equipment	187,718	(691,230)
Write-off of property, plant and equipment	5,028,015	—
Deficit arising on revaluation of investment properties	750,000	350,000
Forfeiture of deposit received for disposal of other investments	—	(1,851,489)
Net realised gain on disposal of investment securities	—	(12,156,007)
Decrease in inventories	39,298,255	20,127,015
Decrease in debtors and prepayments	10,565,544	47,415,707
Decrease in creditors and accrued charges	(6,382,867)	(26,807,057)
Effect of exchange rate changes on inter-company balances	(8,387)	—
Net cash inflow from operating activities	57,330,805	132,909,804

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28. PURCHASE OF A SUBSIDIARY

During the year, the Company acquired the remaining 50% of the equity interest of Pan Electrium at a consideration of HK\$120,000 (note 17). This acquisition has been accounted for by the acquisition method of accounting.

	2002 HK\$	2001 HK\$
Net assets acquired:		
Debtors and prepayments	1,512,870	—
Bank balances and cash	2,324,806	—
Creditors and accrued charges	(2,158,427)	—
Amount due to a group company	(1,439,249)	—
	<u>240,000</u>	<u>—</u>
Satisfied by:		
Cash	120,000	—
Transfer from investments in associates	120,000	—
	<u>240,000</u>	<u>—</u>
Net cash inflow arising on acquisition:		
Cash consideration	(120,000)	—
Bank balances and cash acquired	2,324,806	—
Net cash inflow of cash and cash equivalents in respect of the purchase of a subsidiary	<u>2,204,806</u>	<u>—</u>

The subsidiary acquired during the year did not contribute significantly to the Group's cash flows or operating results.

29. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$	Trust receipts and import loans HK\$	Obligations under finance leases HK\$	Other borrowings HK\$
Balance at 31st March, 2000 and 1st April, 2000	438,485,864	14,554,032	257,325	8,000,000
Repurchase of shares	(260,000)	—	—	—
Capital reduction (note 26)	(368,900,000)	—	—	—
Net cash outflow during the year	—	(14,255,095)	—	—
Principal repayments for obligations under finance leases	—	—	(257,325)	—
Repayment of other borrowings (note 30(b))	—	—	—	(4,000,000)
Balance at 31st March, 2001 and 1st April, 2001	69,325,864	298,937	—	4,000,000
Net cash inflow during the year	—	665,597	—	—
Balance at 31st March, 2002	<u>69,325,864</u>	<u>964,534</u>	<u>—</u>	<u>4,000,000</u>

30. MAJOR NON-CASH TRANSACTIONS

- (a) During the year, the Group waived the loan to Pan Electrium of HK\$4,750,000.
- (b) In the previous year, the Group acquired a 10% interest in a subsidiary from the PRC Partner together with a loan of HK\$1,200,000 granted by the PRC Partner to this subsidiary at a consideration of HK\$4,000,000 (see note 38(c)). The consideration of HK\$4,000,000 was settled by the transfer of certain property, plant and equipment of this subsidiary to the PRC Partner at the price of HK\$4,000,000.

31. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the major components of the potential liability (asset) not provided in the financial statements are as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Tax effect of timing differences attributable to:				
Excess of tax allowances over accounting depreciation	763,000	844,000	—	—
Less: Taxation losses	<u>(26,070,000)</u>	<u>(23,129,000)</u>	<u>(13,575,000)</u>	<u>(12,624,000)</u>
	<u>(25,307,000)</u>	<u>(22,285,000)</u>	<u>(13,575,000)</u>	<u>(12,624,000)</u>

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31. UNPROVIDED DEFERRED TAXATION (continued)

The amount of the unprovided deferred taxation credit (charge) for the year is as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Tax effect of timing differences attributable to:				
Difference between tax allowances and accounting depreciation	81,000	1,114,000	—	25,000
Taxation losses arising (utilised)	2,941,000	(2,379,000)	951,000	(362,000)
	3,022,000	(1,265,000)	951,000	(337,000)

No deferred taxation asset has been recognised in the financial statements in respect of taxation losses available to offset future profit as it is uncertain that the taxation losses will be utilised in the foreseeable future.

32. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged its investment properties and certain leasehold properties of approximately HK\$6,600,000 (2001: HK\$7,350,000) and HK\$13,216,000 (2001: HK\$13,523,000) respectively to banks to secure credit facilities granted by the banks to the extent of approximately HK\$40,520,000 (2001: HK\$40,520,000).

33. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following transactions with a 50% associate of the Group:

	Notes	2002 HK\$	2001 HK\$
Sales of raw materials	(i)	5,627,547	5,588,398
Purchase of raw materials	(i)	2,346,059	—
Administration fee received	(ii)	540,000	540,000

Notes:

- (i) The above transactions of sales and purchases of raw materials were carried out at market prices and at cost respectively.
 - (ii) The administration fee received from an associate represented an appropriate allocation of expenses incurred for the provision of managerial and administrative support to this associate and the reimbursement of expenses incurred by the Group which were paid on behalf of this associate.
- (b) The Group rented certain properties in an industrial estate in Songgang county, the PRC, and paid rent amounting to approximately HK\$1,409,000 (2001: HK\$1,717,000) during the year to 深圳市寶安區松崗鎮恒兆工業發展公司 Shenzhen City Baoan District Songgang County Heng Zhao Industrial Development Company ("Heng Zhao"). Heng Zhao has entered into an agreement with All Good Investments Limited ("All Good"), a company in which Messrs. Ho Che Kong and Leung Wai Chuen, the directors of the Company, have an interest of 24.5% and 12.2% respectively, for development of this industrial estate in Songgang county, the PRC. Pursuant to this agreement, All Good is entitled to 54% of the profit derived from this industrial estate.

34. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Bills discounted with recourse	590,397	47,214	—	—
Cross guarantees given to banks to secure credit facilities granted to subsidiaries	—	—	50,647,000	50,582,000
	590,397	47,214	50,647,000	50,582,000

35. CAPITAL COMMITMENTS

	THE GROUP	
	2002 HK\$	2001 HK\$
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	—	704,727

At 31st March 2002, the Company did not have any capital commitments (2001: nil).

36. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2002 HK\$	2001 HK\$
Operating leases which expire:		
Within one year	2,559,226	4,413,603
In the second to fifth years inclusive	5,536,028	13,378,867
After five years	—	9,312,898
	8,095,254	27,105,368

Operating lease payments represent rentals payable by the Group for its office properties and factories leases which are negotiated for an average terms of three years.

At the balance sheet date, the Company had no commitments under non-cancellable operating leases in respect of rented premises.

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For the Year ended 31st March, 2002

36. OPERATING LEASE COMMITMENTS (continued)

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2002	2001
	HK\$	HK\$
Within one year	358,433	955,822
In the second to fifth years inclusive	—	358,433
	358,433	1,314,255

Operating lease income represents the rental receivable by the Group for its investment properties. Leases are negotiated for an average term of two years.

At the balance sheet date, the Company had not entered into any operating lease arrangement for rental income.

37. RETIREMENT BENEFIT SCHEME

Hong Kong

With effect from 1st December, 2000, the Group has jointed a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. During the year ended 31st March, 2002, the retirement benefit scheme contributions charged to the consolidated income statement amounted to approximately HK\$336,000 (2001: HK\$278,000), which represent contribution payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

Mainland China

The Group also participates in defined contribution retirement scheme organised by the government of Mainland China. All employees of the Group in the Mainland China are entitled to an annual pension equal to a fixed portion of their individual final basic salaries at their retirement date. The Group is required to make contributions to the retirement scheme at the specified rate of the payroll of its employees in the Mainland China. The total contribution incurred in this connection for the year ended 31st March, 2002 was approximately HK\$282,000 (2001: HK\$200,000). No forfeited contributions may be used by the employer to reduce the existing level of contributions.

38. PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation or registration	Issued and fully paid share capital/registered capital	Percentage of issued share capital/registered capital		Principal activities
			Held by the Company/subsidiaries	Attributable equity interest to the Group	
Pan Electrium Industrial Co Limited	Hong Kong	Ordinary HK\$5,000,000	100%	100%	Manufacture of and trading in electronic/electrical parts and products
Panjet (Int'l) Limited	British Virgin Islands	Ordinary US\$1	100%	100%	Manufacture of intermediate frequency transformers in the PRC
Pantene Industrial Co. Limited	Hong Kong	Ordinary HK\$10,000 Deferred HK\$800,000 (note (b))	100%	100%	Trading in electronics products
Pantronics Holdings Limited (note (a))	British Virgin Islands	Ordinary US\$200	100%	100%	Investment holding
Pantronics (Int'l) Limited	British Virgin Islands	Ordinary US\$1	100%	100%	Manufacture of electronics products in the PRC
Pin Xin International Limited	Hong Kong	Ordinary HK\$10,000	100%	100%	Trading in rechargeable battery products
Rise Up International Limited (note (a))	British Virgin Islands	Ordinary US\$1	100%	100%	Investment holding in Hong Kong
上海品新電源有限公司 Shanghai Pin Xin Power Resources Industry Co., Ltd. ("Shanghai Pin Xin")	PRC	Registered HK\$28,000,000	Note (c)	Note (c)	Manufacture of rechargeable battery products

Notes to the Financial Statements

For the Year ended 31st March, 2002

38. PRINCIPAL SUBSIDIARIES (continued)

Notes:

- (a) Directly held by the Company.
- (b) These deferred shares, which are not held by the Group, practically carry no right to dividends or to receive notice of or to attend or vote at any general meeting of this subsidiary or to participate in any distribution on winding-up.
- (c) Shanghai Pin Xin was established in the PRC as a joint venture company for a term of thirty years commencing 10th April, 1995 with a registered capital of HK\$28,000,000. Pursuant to the co-operative joint venture contract, a subsidiary of the Company, the PRC Partner and another joint venture partner in Hong Kong ("Hong Kong Partner") contributed the registered capital of Shanghai Pin Xin in the proportion of 75%, 20% and 5% respectively. The Hong Kong Partner was entitled to a technical service fee equivalent to 10% of the profit after taxation of Shanghai Pin Xin. The profit after taxation and technical service fee or loss was then shared by the Group, the PRC Partner and the Hong Kong Partner according to their respective interests in the registered capital of Shanghai Pin Xin.

On 6th November, 1995, a supplemental agreement was entered into by all parties. Pursuant to this agreement, the PRC Partner would only be entitled to a guaranteed distribution of HK\$4,200,000 for the period from 10th April, 1995 to 31st December, 2000. The Hong Kong Partner was still entitled to a technical service fee of 10% of the profit after taxation and annualised guaranteed distribution to the PRC Partner of Shanghai Pin Xin. Other than the annualised guaranteed distribution and the technical service fee, the Group and the Hong Kong Partner should bear the entire risks and liabilities and share the entire profit and loss of Shanghai Pin Xin during the term of the supplemental agreement from 10th April, 1995 to 31st December, 2000.

In 1999, the Group acquired the 5% interest in Shanghai Pin Xin from the Hong Kong Partner at a consideration of approximately HK\$65,000. After this acquisition, the Group held a 80% interest in the paid-up registered capital of Shanghai Pin Xin and the Hong Kong Partner also agreed to waive its entitlement of technical service fee of 10% of the profit after taxation and annualised guaranteed distribution to the PRC Partner of Shanghai Pin Xin thereafter.

During the year ended 31st March, 2001, the Group agreed with the PRC Partner of Shanghai Pin Xin to further extend the term of the supplemental agreement for two years from 1st January, 2001 to 31st December, 2002. In addition, in 2001, the Group acquired a 10% interest in Shanghai Pin Xin from the PRC Partner together with a loan of HK\$1,200,000 granted by the PRC Partner to Shanghai Pin Xin at a consideration of HK\$4,000,000. After this acquisition, the Group holds a 90% interest in the paid-up registered capital of Shanghai Pin Xin.

Upon dissolution of the co-operative joint venture company, the PRC Partner will receive the amount of registered capital it contributed. The Group is then regarded to hold a 100% (2001: 100%) interest in Shanghai Pin Xin for accounting purposes. The registered capital contributed by the PRC Partner of HK\$2,800,000 (2001: HK\$2,800,000) has been treated as an unsecured and interest free loan. Together with a loan of HK\$1,200,000 (2001: HK\$1,200,000) from the PRC Partner, the total amounts of HK\$4,000,000 (2001: HK\$4,000,000) are disclosed as other borrowings (note 23).

Unless specified in the "Principal activities", the above subsidiaries operate principally in their respective places of incorporation or registration.

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

None of the subsidiaries had any loan capital subsisting at 31st March, 2002 or at any time during the year.