1. CORPORATE INFORMATION AND GROUP REORGANISATION

The Company was incorporated in Bermuda on 5 January 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

During the year, the Group was engaged in the trading of polyurethane materials, and the manufacture and sale of polyurethane foam and related foam products.

Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 24 March 2001. This was accomplished by the Company acquiring the entire issued share capital of Market Reach Group Limited ("Market Reach"), the then holding company of the subsidiaries listed in note 15 to the financial statements, in consideration of and in exchange for the allotment and issue of 1,000,000 new ordinary shares of HK$0.10 each in the share capital of the Company, credited as fully paid, to the then shareholders of Market Reach, and the 1,000,000 shares issued nil paid upon incorporation, credited as fully paid at par. Further details of the Group reorganisation and of the subsidiaries acquired pursuant thereto are set out in notes 24 and 15, respectively, to the financial statements and in the Company's prospectus dated 30 March 2001.

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. This SSAP has had no major 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, 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 22 and 27 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. This SSAP has had no major impact on these 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 to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 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.

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. This SSAP has had no major impact on these 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.

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

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries for the year ended 31 March 2002. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively.

The prior year comparative consolidated financial statements have been prepared using the merger basis of accounting in accordance with SSAP 27 "Accounting for Group Reconstructions". Under this basis, the Company has been treated as the holding company of its subsidiaries prior to the date of their acquisition pursuant to the Group Reorganisation completed on 24 March 2001. Accordingly, the consolidated results of the Group for the year ended 31 March 2001 include the results of the Company and its subsidiaries with effect from 1 April 2000 or since their respective dates of incorporation, where this is a shorter period, as if the current Group structure had been in existence throughout the year ended 31 March 2001.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results of the Group as a whole.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 assets 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 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 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.

Depreciation is calculated on the reducing balance basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	20% – 30%
Furniture, fixtures and equipment	20% – 30%
Motor vehicles	30%

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. 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 manufacturing overheads and/or, where appropriate, subcontracting charges. Net realisable value is based on estimated selling prices less any further estimated costs to be incurred to completion and disposal.

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.

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.

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.

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:

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

– interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Retirement benefits schemes

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

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 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.

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 polyurethane ("PU") materials segment involves the trading of PU materials, such as isocyanate, polyols and various kinds of PU catalysts.

(b) PU foam and related products segment comprises the manufacture and sales of PU foam and PU foam products, molded and unmolded.

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.

4. SEGMENT INFORMATION *(continued)*

(a) Business segments

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

Group

	PU materials		PU foam and related products		Eliminations		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	**404,677**	570,353	**113,604**	99,827	**–**	–	**518,281**	670,180
Intersegment sales	**50,566**	54,183	**–**	–	**(50,566)**	(54,183)	**–**	–
Total revenue	**455,243**	624,536	**113,604**	99,827	**(50,566)**	(54,183)	**518,281**	670,180
Segment results	**10,014**	41,939	**4,960**	12,450	**–**	–	**14,974**	54,389
Interest income							**924**	1,012
Unallocated expenses							**(4,522)**	(4,043)
Profit from operating activities							**11,376**	51,358
Finance costs							**(811)**	(1,114)
Profit before tax							**10,565**	50,244
Tax							**(1,666)**	(8,184)
Net profit from ordinary activities attributable to shareholders							**8,899**	42,060

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group

	PU materials		PU foam and related products		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**191,051**	147,669	**41,193**	34,388	**(23,331)**	(21,947)	**208,913**	160,110
Unallocated assets	**–**	–	**–**	–	**–**	–	**384**	3,109
Total assets							**209,297**	163,219
Segment liabilities	**93,871**	100,059	**36,821**	29,554	**(22,820)**	(21,441)	**107,872**	108,172
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**32**	–
Total liabilities							**107,904**	108,172
Other segment information:								
Depreciation	**232**	143	**2,863**	513	**–**	–	**3,095**	656
Other non-cash expenses	**–**	–	**1,213**	734	**–**	–	**1,213**	734
Capital expenditure	**410**	689	**7,059**	2,374	**–**	–	**7,469**	3,063

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following tables present revenue, profit and certain assets and expenditure information for the Group's geographical segments.

Group

	PRC		Hong Kong		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	**381,955**	486,766	**117,712**	172,311	**18,614**	11,103	**518,281**	670,180
Segment results*	**6,121**	43,737	**7,243**	9,533	**1,610**	1,119	**14,974**	54,389
Other segment information:								
Segment assets	**138,284**	104,440	**69,686**	57,287	**1,327**	1,492	**209,297**	163,219
Capital expenditure	**7,001**	1,733	**468**	1,330	**–**	–	**7,469**	3,063

* Disclosed pursuant to the requirements of the Listing Rules.

5. TURNOVER AND OTHER REVENUE

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

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Turnover		
Sale of goods	518,281	670,180
Other revenue		
Bank interest income	924	1,012
Others	289	370
	1,213	1,382
	519,494	671,562

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Cost of inventories sold	484,478	599,777
Write off of inventories	2,857	–
Auditors' remuneration	720	680
Depreciation	3,095	656
Minimum lease payments under operating leases in respect of land and buildings	855	540
Exchange losses, net	261	504
Loss on disposal of fixed assets	121	63
Provision for doubtful debts	–	671
Staff costs:		
Salaries and wages (directors' remuneration included – *note 7*)	6,149	4,925
Pension contributions	231	90
	6,380	5,015
Bad debts written off	1,329	–

6. PROFIT FROM OPERATING ACTIVITIES *(continued)*

The cost of inventories sold includes approximately HK$5,336,000 (2001: Nil) relating to staff costs, write off of inventories and depreciation, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

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 of executive directors	**–**	–
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	**1,237**	1,273
Pension contributions	**36**	12
	1,273	1,285
	1,273	1,285

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

The remuneration of each of the six directors fell within the nil to HK$1,000,000 band for the years ended 31 March 2001 and 2002.

During the year, there were no bonuses paid or payable to the directors (2001: Nil). No directors waived or agreed to waive any remuneration during the year (2001: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2001: Nil).

8. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three (2001: three) directors, details of whose remuneration are set out in note 7 above. The remuneration of the remaining two (2001: two) non-director, highest paid individuals, which each fell within the nil to HK$1,000,000 band, is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**780**	496
Pension contributions	**24**	7
	804	503

During the year, there were no bonuses paid or payable to any of the five highest paid individuals of the Group (2001: Nil). No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2001: Nil).

9. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest on:		
Trust receipt loans wholly repayable within five years	**746**	354
Finance leases	**65**	40
Amounts due to directors	**–**	720
	811	1,114

10. TAX

	Group	
	2002	2001
	HK$'000	*HK$'000*
Current year provision:		
Hong Kong	**594**	1,510
Elsewhere	**1,643**	6,520
Overprovision in prior years	**(689)**	(92)
Deferred tax *(note 23)*	**118**	246
Tax charge for the year	**1,666**	8,184

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Jiwangsheng Resin (Shenzhen) Co., Ltd. ("Jiwangsheng", 吉旺晟樹脂(深圳)有限公司) and Aotebao Home Furniture and Decorative (Shenzhen) Co., Ltd. ("Aotebao", 奧特寶家飾(深圳)有限公司), the Group's wholly-owned subsidiaries established and operating in the PRC, are both exempt from PRC corporate income tax for their first two profitable years of operations, and subsequently, are eligible for a 50% relief from PRC corporate income tax for the following three years under the relevant tax law of the PRC. Both Jiwangsheng and Aotebao commenced operations in the current year with the year ended 31 December 2001 being the first profitable year of operation of Aotebao. Accordingly, no PRC corporate income tax provision was made in respect thereof.

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 March 2002 was approximately HK$320,000 (period from 5 January 2001 (date of incorporation) to 31 March 2001: HK$43,000).

12. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2002.

The dividends for the year ended 31 March 2001 were special dividends declared and paid by certain subsidiaries of the Company to their then shareholders prior to the Group Reorganisation, which was completed on 24 March 2001. Further details of the Group Reorganisation are set out in notes 1 and 24 to the financial statements and in the Company's prospectus dated 30 March 2001.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the year of HK$8,899,000 (2001: HK$42,060,000) and the weighted average of 198,767,123 (2001: 150,000,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 March 2001 and 2002 have not been presented as there were no potential dilutive ordinary shares in existence during either of the years.

14. FIXED ASSETS

Group	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
At beginning of year	3,004	712	1,250	4,966
Additions	5,874	504	1,091	7,469
Disposals	(282)	(77)	–	(359)
At 31 March 2002	**8,596**	**1,139**	**2,341**	**12,076**
Accumulated depreciation:				
At beginning of year	890	256	368	1,514
Provided during the year	2,339	248	508	3,095
Disposals	(197)	(41)	–	(238)
At 31 March 2002	**3,032**	**463**	**876**	**4,371**
Net book value:				
At 31 March 2002	**5,564**	**676**	**1,465**	**7,705**
At 31 March 2001	2,114	456	882	3,452

The net book values of the Group's fixed assets held under finance leases included in the total amount of motor vehicles at 31 March 2002, amounted to approximately HK$524,000 (2001: HK$749,000).

15. INTERESTS IN SUBSIDIARIES

Company

	2002 HK$'000	2001 HK$'000
Unlisted shares, at cost	54,245	54,245
Due from subsidiaries	39,452	–
Due to subsidiaries	(2,645)	(3,077)
	91,052	51,168

The amounts due from/to subsidiaries are unsecured, interest-free and are not repayable in the next twelve months.

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

Company	Place of incorporation/ establishment	Issued and fully paid-up share/registered capital	Percentage of equity attributable to the Company *Direct*	*Indirect*	Principal activities
Market Reach Group Limited	British Virgin Islands ("BVI")	Ordinary US$10,000	100	–	Investment holding
Wah Tat Industrial Limited	BVI	Ordinary US$10	–	100	Trading of polyurethane materials in Macau
Wah Tat Industrial (Hong Kong) Limited	Hong Kong	Ordinary HK$2 Non-voting deferred *(Note (a))* HK$1,480,000	–	100	Trading of polyurethane materials
Wah Tat Industrial Trading Limited	BVI	Ordinary US$10	–	100	Trading of polyurethane materials in Macau

15. INTERESTS IN SUBSIDIARIES *(continued)*

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

Company	Place of incorporation/ establishment	Issued and fully paid-up share/registered capital	Percentage of equity attributable to the Company *Direct*	*Indirect*	Principal activities
Kurow Agents Limited	BVI	Ordinary US$10	–	100	Provision of transportation services in the PRC
Luen Tai Industrial (H.K.) Limited	Hong Kong	Ordinary HK$2 Non-voting deferred *(Note (a))* HK$100	–	100	Manufacture and sale of polyurethane foam and related products
Revolving Maze Trading Limited	BVI	Ordinary US$10	–	100	Provision of marketing and technical support services in the PRC
Luen Tai Component Limited	Hong Kong	Ordinary HK$2 Non-voting deferred *(Note (a))* HK$1,800,000	–	100	Investment holding
Jiwangsheng Resin (Shenzhen) Co., Ltd. 吉旺晟樹脂(深圳)有限公司	PRC	HK$2,750,000 *(Note (b))*	–	100	Manufacture and sale of polyurethane foam and related products
Aotebao Home Furniture and Decorative (Shenzhen) Co., Ltd. 奧特寶家飾(深圳)有限公司	PRC	HK$1,000,000 *(Note (c))*	–	100	Manufacture and sale of polyurethane foam and related products

15. INTERESTS IN SUBSIDIARIES *(continued)*

Notes:

(a) The non-voting deferred shares carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up (other than one half of the balance of such assets after the sum of HK$100,000,000,000,000 has been distributed to the holders of the ordinary shares of the Company in such winding-up).

(b) Jiwangsheng Resin (Shenzhen) Co., Ltd. is a wholly foreign-owned enterprise established by the Group in the PRC with a tenure of 20 years commencing from the date of issuance of its business licence on 28 July 1998. Its registered capital was originally HK$5,500,000, but on 24 January 2000, it was reduced to HK$2,750,000, which was wholly paid up by the Group.

(c) Aotebao Home Furniture and Decorative (Shenzhen) Co., Ltd. is a wholly foreign-owned enterprise established by the Group in the PRC with a tenure of 20 years commencing from the date of issuance of its business licence on 23 November 2000. Its registered capital is HK$1,000,000, which was wholly paid up by the Group.

All subsidiaries operate principally in their places of incorporation/establishment unless specified otherwise under "Principal activities".

16. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**3,048**	3,297
Work in progress	**1,768**	2,327
Finished goods	**765**	1,746
	5,581	7,370

No inventories were stated at net realisable value at 31 March 2002 (2001: Nil).

17. TRADE AND BILLS RECEIVABLES

Trade receivables, which generally have credit terms of 30 to 90 days, are recognised and carried at the original invoiced amount less an allowance for any doubtful debts. An estimate for doubtful debts is made and deducted when collection of the full amount is no longer probable. Bad debts are written off as incurred.

	Group	
	2002	2001
	HK$'000	*HK$'000*
Trade receivables	**150,835**	123,659
Bills receivable	**–**	59
	150,835	123,718

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Current to 30 days	**51,802**	55,047
31 days to 90 days	**34,129**	67,627
91 days to 180 days	**54,347**	1,384
181 days to 360 days	**10,557**	–
Over 360 days	**–**	331
	150,835	124,389
Provisions	**–**	(671)
	150,835	123,718

18. PLEDGED TIME DEPOSITS

At 31 March 2002, the Group had time deposits, in an amount of approximately HK$7,705,000 (2001: HK$11,252,000), pledged for general banking facilities granted from banks to the Group (note 21).

19. CASH AND CASH EQUIVALENTS

The cash and cash equivalents represented cash and bank balances.

20. TRADE AND BILLS PAYABLES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Trade payables	31,087	44,411
Bills payable	40,729	–
	71,816	44,411

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Current to 30 days	22,612	8,121
31 days to 90 days	49,204	33,609
91 days to 180 days	–	2,681
	71,816	44,411

21. INTEREST-BEARING BANK BORROWINGS

The bank borrowings at 31 March 2001 were all trust receipt loans, which were secured and repayable within one year.

Following the public listing of the Company's shares on the Stock Exchange on 19 April 2001, personal guarantees executed by certain executive directors of the Company, a pledged time deposit of HK$1,000,000 belonging to an executive director of the Company, and legal charges over certain properties which are beneficially owned by an executive director of the Company, his spouse and independent third parties were released and replaced with the securities detailed in (i) to (iii) below.

At 31 March 2002, the Group's banking facilities were secured by:

(i) unlimited corporate guarantees executed by the Company;

(ii) unlimited corporate guarantees executed by certain subsidiaries of the Company; and

(iii) the pledge of the Group's time deposits of approximately HK$7,705,000 (2001: HK$11,252,000).

Of the outstanding trade finance facilities of approximately HK$40,729,000 (2001: HK$39,285,000) at 31 March 2002, approximately HK$28,011,000 (2001: HK$39,285,000) are secured by the pledge of the Group's time deposits amounting to approximately HK$7,705,000 (2001: HK$11,252,000). At 31 March 2002, there was approximately HK$32,989,000 (2001: Nil) undrawn facilities in relation to the above pledged trade finance facilities.

22. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles under finance leases with remaining lease terms of three years.

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
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**289**	289	**224**	224
In the second year	**289**	289	**224**	224
In the third to fifth years, inclusive	**113**	402	**89**	313
Total minimum finance lease payments	**691**	980	**537**	761
Future finance charges	**(154)**	(219)		
Total net finance lease payables	**537**	761		
Portion classified as current liabilities	**(224)**	(224)		
Long term portion	**313**	537		

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.

23. DEFERRED TAX

	Group	
	2002	2001
	HK$'000	*HK$'000*
At beginning of year	246	–
Charge for the year *(note 10)*	118	246
At 31 March	364	246

The provision for deferred tax of the Group is made principally in respect of accelerated depreciation allowances to the extent that a liability is expected to crystallise.

The Group and the Company did not have any significant unprovided deferred tax liabilities at 31 March 2002 (2001: Nil).

24. SHARE CAPITAL

	2002	2001
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	200,000	200,000
Issued and fully paid:		
200,000,000 (2001: 2,000,000) ordinary shares of HK$0.10 each	20,000	200

The following changes in the Company's authorised and issued share capital took place during the period from 5 January 2001 (date of incorporation) to 31 March 2002:

(i) On incorporation, the authorised share capital of the Company was HK$100,000, divided into 1,000,000 ordinary shares of HK$0.10 each. On 16 January 2001, 1,000,000 ordinary shares were allotted and issued nil paid.

(ii) On 24 March 2001, the authorised share capital of the Company was increased from HK$100,000 to HK$200,000,000 by the creation of an additional 1,999,000,000 ordinary shares of HK$0.10 each, ranking pari passu with the existing ordinary shares of the Company.

24. SHARE CAPITAL *(continued)*

(iii) On 24 March 2001, as part of the Group Reorganisation described in note 1 to the financial statements, the Company issued an aggregate of 1,000,000 new ordinary shares of HK$0.10 each credited as fully paid at par as consideration for the acquisition of the entire issued share capital of Market Reach. The excess of the fair value of the shares of Market Reach, determined on the basis of the consolidated net assets of Market Reach at that date over the nominal value of the Company's shares issued in exchange therefor, amounting to HK$54,045,000, was credited to the Company's contributed surplus as detailed in note 25 to the financial statements.

(iv) On 24 March 2001, an amount of HK$100,000 (being a portion of the amount credited to the contributed surplus of the Company on the issue of shares in exchange for the issued shares of Market Reach as set out in (iii) above) was applied to pay up, in full at par value, the 1,000,000 ordinary shares allotted and issued nil paid on 16 January 2001.

(v) On 26 March 2001, a total of 148,000,000 ordinary shares of HK$0.10 each were allotted as fully paid at par to the holders of the shares of the Company whose names appeared on the register of members of the Company at the close of business on that date, in proportion to their then respective shareholdings, by way of the capitalisation of the sum of HK$14,800,000 standing to the credit of the share premium account of the Company, conditional upon the share premium account being credited as a result of the new issue and placing of shares to the public as detailed in (vi) below. For the purpose of preparing the financial statements of the Group for the year ended 31 March 2001, these shares were deemed to have been in issue, nil paid, since 1 April 1999.

(vi) In April 2001, in connection with the Company's initial public offering, 50,000,000 new ordinary shares of HK$0.10 each were issued to the public at HK$1.00 each for a total cash consideration, before related expenses, of HK$50,000,000.

24. SHARE CAPITAL *(continued)*

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

	Notes	**Number of shares issued**	**Par value** *HK$'000*
Shares allotted and issued nil paid, upon incorporation	*(i)*	1,000,000	–
Shares issued as consideration for the acquisition of the entire issued share capital of Market Reach pursuant to the Group Reorganisation	*(iii)*	1,000,000	100
Application of contributed surplus to pay up the 1,000,000 ordinary shares issued nil paid upon incorporation	*(iv)*	–	100
Shares issued and credited as fully paid conditional on the share premium account of the Company being credited as a result of the new issue and placing of shares to the public	*(v)*	148,000,000	–
Pro forma issued share capital at 31 March 2001		150,000,000	200
New issue and placing of shares to the public	*(vi)*	50,000,000	5,000
Capitalisation of the share premium account	*(v)*	–	14,800
Issued share capital at 31 March 2002		**200,000,000**	**20,000**

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on page 18. Up to the date of approval of these financial statements, no share options had been granted or agreed to be granted pursuant to the Scheme.

25. RESERVES

Group	Share premium account HK$'000	Contributed surplus HK$'000 (note (a))	Retained profits HK$'000	Total HK$'000
At 1 April 2000	–	3,081	27,131	30,212
Issue of new shares of a subsidiary	–	75	–	75
Net profit for the year	–	–	42,060	42,060
Dividends	–	–	(17,500)	(17,500)
At 31 March 2001 and 1 April 2001	–	3,156	51,691	54,847
Issue of shares	45,000	–	–	45,000
Share issue expenses	(12,553)	–	–	(12,553)
Capitalisation of the share premium account	(14,800)	–	–	(14,800)
Net profit for the year	–	–	8,899	8,899
At 31 March 2002	**17,647**	**3,156**	**60,590**	**81,393**

Company	Share premium account HK$'000	Contributed surplus HK$'000 (note (a))	Accumulated losses HK$'000	Total HK$'000
Arising on acquisition of Market Reach *(note 24)*	–	54,045	–	54,045
Net loss for the period	–	–	(43)	(43)
At 31 March 2001 and 1 April 2001	–	54,045	(43)	54,002
Issue of shares	45,000	–	–	45,000
Share issue expenses	(12,553)	–	–	(12,553)
Capitalisation of the share premium account	(14,800)	–	–	(14,800)
Net loss for the year	–	–	(320)	(320)
At 31 March 2002	**17,647**	**54,045**	**(363)**	**71,329**

25. RESERVES *(continued)*

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group Reorganisation set out in note 1 to the financial statements, over the nominal value of the shares of the Company issued in exchange therefor.

The contributed surplus of the Company represents the difference between the then combined net assets value of the subsidiaries acquired pursuant to the Group Reorganisation over the nominal value of the shares of the Company issued in exchange therefor.

(b) The Company had distributable reserves of approximately HK$71,329,000 (2001: HK$54,002,000) at 31 March 2002, which included the Company's contributed surplus in the amount of HK$54,045,000 (2001: HK$54,045,000). Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders of the Company in certain circumstances. In addition, the Company's share premium account, in the amount of HK$17,647,000 (2001: HK$17,647,000) at 31 March 2002, may be distributed in the form of fully paid bonus shares.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Profit from operating activities	**11,376**	51,358
Interest income	**(924)**	(1,012)
Depreciation	**3,095**	656
Loss on disposal of fixed assets	**121**	63
Decrease/(increase) in inventories	**1,789**	(3,571)
Increase in trade and bills receivables	**(27,117)**	(45,617)
Decrease/(increase) in prepayments, deposits and other receivables	**9,333**	(945)
Increase in trade and bills payables	**27,405**	17,679
Increase in other payables and accruals	**9,163**	1,687
Increase/(decrease) in trust receipt loans with original maturity of more than three months	**(27,580)**	24,834
Net cash inflow from operating activities	**6,661**	45,132

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Issued capital (including share premium account)	Due to directors	Finance lease payables
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2000	200	24,939	–
Net cash outflow from financing	–	(24,939)	(192)
Inception of finance lease contracts	–	–	953
At 31 March 2001 and 1 April 2001	200	–	761
Net cash inflow/(outflow) from financing	37,447	–	(224)
At 31 March 2002	**37,647**	**–**	**537**

(c) Major non-cash transactions

(i) During the year ended 31 March 2001, the Company entered into finance lease arrangements in respect of fixed assets with an aggregate capital value of HK$953,000 at the inception of the leases.

(ii) The Group Reorganisation completed in the prior year involved the acquisition of Market Reach through the issue of shares of the Company, further details of which are set out in notes 1 and 24 to the financial statements.

27. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging between 1 and 2 years.

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$'000	*HK$'000*
		(Restated)
Within one year	610	610
In the second to fifth years, inclusive	300	–
	910	610

SSAP 14 (Revised) 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 above, have been restated to accord with the current year's presentation.

28. COMMITMENTS

Apart from the operating lease commitments detailed in note 27 above, at the balance sheet date, neither the Group, nor the Company had any significant commitments.

29. RELATED PARTY TRANSACTIONS

During the year, the Group had no related party transactions. For the year ended 31 March 2001, there was HK$720,000 interest paid on current accounts with certain directors of the Company. The interest expenses were charged on the amounts advanced from certain executive directors of the Company to the Group at a rate which was determined based on the lending rates offered by banks to the Group. The amounts were fully settled in March 2001, prior to the public listing of the Company's shares on the Stock Exchange.

During the year ended 31 March 2001, certain of the credit facilities of the Group were secured by personal guarantees executed by certain executive directors of the Company, pledged time deposits of approximately HK$1,000,000 belonging to an executive director of the Company, and legal charges over certain properties which are beneficially owned by an executive director of the Company and his spouse, at nil consideration. Following the public listing of the Company's shares on the Stock Exchange on 19 April 2001, the above securities were released. For further details, please refer to note 21 to the financial statements.

30. POST BALANCE SHEET EVENT

Pursuant to a conditional sale and purchase agreement dated 24 April 2002, the Group disposed of Luen Tai Component Limited together with its wholly-owned subsidiary, both of them being wholly-owned subsidiaries of the Company, to an independent third party at a consideration of HK$200,000. The completion of the sale and purchase agreement is subject to, inter alia, the due execution of instruments of transfer and the bought and sold notes. The transaction was completed subsequently after the balance sheet date in June 2002, resulting in no material gain or loss on disposal of these subsidiaries.

31. COMPARATIVE AMOUNTS

As further explained in notes 2, 22 and 27 to the financial statements, due to the adoption of SSAP 14 (Revised) during the current year, the presentation of certain items in the notes to the financial statements have been revised to comply with the new requirements. According, certain new disclosures are required and the prior year comparative amounts for operating lease commitments have been restated to comply with the current year's presentation.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 July 2002.