1. CORPORATION INFORMATION

The principal activity of the Company is investment holding. The subsidiaries are engaged in the design, manufacture and marketing of consumer audio, video products and home appliances products. There were no changes in the nature of the Group's principal operations during the year.

In the opinion of the directors, the ultimate holding company is Success Forever Limited, a company incorporated in the British Virgin Islands.

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

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

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

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

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(Continued)*

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 12 to the 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 25 and 30 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's financial statements for the year. The adoption of the SSAP has resulted in prior year adjustments, further details of which are included in notes 11 and 27 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases 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.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(Continued)*

SSAP 30 prescribes the accounting treatment of business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisition in previous years which remains eliminated against consolidated reserves. The adoption of SSAP 30 and Interpretation 13 has not resulted in a prior year adjustment, for the reasons detailed in note 16 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the revaluation of fixed assets as further explained below.

Basis of consolidation and presentation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

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

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

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

Associates

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

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

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

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

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

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

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 asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

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

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

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

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

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

Fixed assets and depreciation *(Continued)*

Depreciation is calculated to write off the cost or valuation of each asset at the following rates per annum:

Land held under medium and long term leases	Over the remaining lease terms on the straight-line basis
Buildings	4% on the straight-line basis
Leasehold improvements	25% on the reducing balance basis
Furniture and fixtures	25% on the reducing balance basis
Equipment and tools	10% - 25% on the reducing balance basis
Motor vehicles	30% on the reducing balance basis
Moulds	25% on the straight-line basis

Construction in progress represents the cost of buildings under construction in the People's Republic of China (the "PRC") not yet ready for its intended use. Construction in progress is stated at cost less any impairment losses. Depreciation is provided upon transfer to other fixed assets accounts when such fixed assets are ready for their intended use.

Changes in the values of fixed assets are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. A subsequent revaluation increase is recognised as income to the extent that it reverses a revaluation deficit of the same asset previously charged to the profit and loss account.

Upon the disposal of revalued fixed assets, the relevant portion of the revaluation reserve realised in respect of the previous valuation is credited directly to the retained profits account.

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)*

Fixed assets and depreciation *(Continued)*

With effect from 1 April 2001, as a result of changing conditions and experience, the Company revised the estimated useful lives of certain fixed assets. In particular, equipment and tools previously depreciated at 25% per annum on the reducing balance basis are now depreciated at 10% - 25% on the same basis. In the opinion of the directors, the depreciable lives of these fixed assets are more accurately reflected by the adoption of the revised depreciation rates. This constitutes a change in accounting estimate. These depreciation rates have been applied prospectively and resulted in a decrease in depreciation charge of approximately HK$6,562,000 for the current year.

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred product development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Assets held under finance leases

At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum contract payments and recorded together with the obligation, excluding the interest element, to reflect the costs of purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to produce a constant periodic rate over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

Trademarks

Trademarks are stated at cost less accumulated amoritsation and any impairment losses. They are amortised using the straight-line basis over their estimated useful lives but not exceeding ten years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable and receivable under operating leases are recorded in the profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments in listed and unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are stated at cost less any impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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.

Revenue recognition

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

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

(b) from the rendering of subcontracting services, when services are rendered;

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

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

(e) dividends, when the shareholders' right to receive payment is established.

Dividends

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

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

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

Dividends *(Continued)*

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The revised accounting treatment for dividends resulting from the adoption of SSAP 9 (Revised) and SSAP 18 (Revised), have given rise to prior year adjustments in the Group's and the Company's financial statements, further details of which are included in notes 11, 12 and 27 to the financial statements.

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 are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are dealt with in the exchange fluctuation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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.

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

Staff retirement schemes

Previously, the Group operated two defined contribution retirement benefit schemes (the "Schemes") for its employees, who were eligible and had elected to participate in the Schemes, the assets of which were held separately from those of the Group in an independently administered fund. Contributions were made based on a percentage of the eligible employees' salaries and were charged to the profit and loss account as they became payable in accordance with the rules of the Schemes. When an employee left a scheme prior to his/her interest in the Group's contributions vesting fully, the ongoing contributions payable by the Group might be reduced by the relevant amount of forfeited contributions.

On 1 December 2000, one of the Schemes was terminated with all of its underlying assets of this terminated scheme being transferred to a Mandatory Provident Fund ("MPF"). Contributions to the MPF are made based on rates applicable to the respective employees' relevant income from the Group and are charged to the profit and loss account as and when they become payable in accordance with government regulations. The Group's mandatory contributions are fully and immediately vested in favour of the employees.

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.

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.

4. SEGMENT INFORMATION *(Continued)*

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products provided. Each of the Group's business segments represents a strategic business unit that offers products 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 audio products segment consists of the design, manufacture and sale of consumer audio products;

(b) the video products segment consists of the design, manufacture and sale of consumer video products;

(c) the home appliances products segment consists of the manufacture and sale of home appliances products; and

(d) the corporate and others segment consists of the subcontracting of audio products, together with other corporate income and expense items.

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

4. SEGMENT INFORMATION *(Continued)*

Business segments

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

Group

	Audio products		Video products		Home appliances products		Corporate and Others		Elimination		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:												
Sales to external customers	1,314,548	2,396,459	532,821	169,491	123,221	48,759	43,033	10,824	–	–	2,013,623	2,625,533
Other revenue	2,166	3,071	878	148	27	8	1,104	1,667	–	–	4,175	4,894
Total	1,316,714	2,399,530	533,699	169,639	123,248	48,767	44,137	12,491	–	–	2,017,798	2,630,427
Segment results	18,018	17,649	4,944	(822)	3,518	10,342	1,623	1,979	–	–	28,103	29,148
Interest income and unallocated income											3,522	15,640
Unallocated expenses											(9,016)	(10,171)
Profit from operating activities											22,609	34,617
Finance costs											(11,020)	(20,104)
Share of loss of an associate	–	–	–	–	–	–	(827)	–	–	–	(827)	–
Profit before tax											10,762	14,513
Tax											(1,522)	(1,979)
Net profit attributable to shareholders											9,240	12,534

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Group

	Audio products		Video products		Home appliances products		Corporate and Others		Elimination		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	595,975	767,194	225,489	42,744	36,401	24,279	19,043	14,922	–	–	876,908	849,139
Interest in an associate	–	–	–	–	–	–	273	850	–	–	273	850
Unallocated assets											35,392	30,586
Total assets											912,573	880,575
Segment liabilities	157,104	286,140	59,008	14,241	1,746	9,207	21,648	5,740	–	–	239,506	315,328
Unallocated liabilities											292,422	187,500
Total liabilities											531,928	502,828
Other segment information:												
Capital expenditure	68,628	147,272	29,497	11,918	3,848	3,438	2,455	2,379	–	–	104,428	165,007
Depreciation and amortisation	39,246	52,109	17,319	3,168	1,054	877	1,285	1,115	–	–	58,904	57,269
Provision for inventories	3,300	10,028	2,355	483	18	9	108	215	–	–	5,781	10,735
Provision for doubtful debts	–	–	1,740	–	–	–	–	–	–	–	1,740	–

4. SEGMENT INFORMATION *(Continued)*

Geographical segments

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

Group

	United States of America		Europe		Asia-Pacific countries		Others		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
Sales to external customers	**708,351**	789,115	**700,117**	765,938	**602,858**	1,069,758	**2,297**	722	**2,013,623**	2,625,533
Segment results	**9,274**	7,407	**9,849**	10,442	**8,950**	11,280	**30**	19	**28,103**	29,148
Other segment information:										
Segment assets										
– Hong Kong									**301,760**	236,108
– the PRC									**610,813**	644,467
Totals									**912,573**	880,575
Capital expenditure										
– Hong Kong									**5,070**	9,007
– the PRC									**99,358**	156,000
Totals									**104,428**	165,007

5. TURNOVER

Turnover represents the invoiced value of goods sold, net of discounts and returns, after elimination of all significant intra-group transactions. Revenue from the following activities has been included in turnover:

	2002 *HK$'000*	2001 *HK$'000*
Manufacture and sale of audio products	**1,314,548**	2,396,459
Manufacture and sale of video products	**532,821**	169,491
Manufacture and sale of home appliances products	**123,221**	48,759
Others	**43,033**	10,824
Total	**2,013,623**	2,625,533

6. PROFIT FROM OPERATING ACTIVITIES

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

	2002 *HK$'000*	2001 *HK$'000*
Depreciation	**57,808**	57,018
Minimum lease payments under operating leases on land and buildings	**1,740**	1,998
Auditors' remuneration	**750**	760
Amortisation of trademarks*	**251**	251
Research and development costs:		
Deferred development costs amortised*	**845**	–
Current year's expenditure	**3,414**	–
Provision for inventories	**5,781**	10,735
Provision for doubtful debts	**1,740**	–
Staff costs (including directors' remuneration – *note 7*):		
Wages and salaries	**111,820**	125,719
Pension contributions	**2,274**	1,903
Less: Forfeited contributions**	**–**	(79)
	114,094	127,543
Loss on disposal of fixed assets	**313**	339
Exchange gains, net	**(1,937)**	(3,229)
Interest income	**(1,627)**	(11,786)
Gross and net rental income from land and buildings	**(880)**	(869)
Dividend income from listed investments	**(657)**	(625)

Notes:

* The amortisation of trademarks and deferred development costs for the year are included in "Selling and distribution costs" and "Cost of sales", respectively, on the face of the profit and loss account.

** As at 31 March 2002, the Group had no forfeited contributions available to offset its future employers' contributions (2001: Nil).

7. DIRECTORS' REMUNERATION

	2002	2001
	HK$'000	*HK$'000*
Fees - non-executive directors	195	195
Other emoluments - executive directors:		
Salaries and allowances	10,483	10,608
Pension contributions	533	178
	11,211	10,981

During the year, no fees were paid to the executive directors (2001: Nil) and no other emoluments were paid to the non-executive directors (2001: Nil).

The number of directors whose remuneration for the year fell within the designated bands is set out below.

	Number of directors	
	2002	2001
Nil - HK$1,000,000	4	4
HK$1,500,001 - HK$2,000,000	4	4
HK$3,500,001 - HK$4,000,000	1	1

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2001: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2001: five) directors, details of whose remuneration are set out in note 7 above.

9. FINANCE COSTS

	2002	2001
	HK$'000	*HK$'000*
Interest on:		
Bank loans and facilities wholly repayable within five years	**13,715**	21,109
Finance leases	**436**	709
Total interest	**14,151**	21,818
Less: Interest capitalised	**(3,131)**	(1,714)
	11,020	20,104

10. TAX

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.

No provision for PRC corporate income tax has been made as the Group did not generate any assessable profits in the PRC during the year. In the prior year, taxes on profits assessable in the PRC has been provided at the rates of tax prevailing in the PRC based on existing legislations, interpretations and practices in respect thereof.

Deferred tax has been provided under the liability method at the rate of 16% (2001: 16%) on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future.

10. TAX *(Continued)*

Tax charged to the Group's profit and loss account comprises:

	2002	2001
	HK$'000	*HK$'000*
Hong Kong:		
Provision for the year	**2,514**	–
Underprovision in prior years	**–**	54
Deferred	**(992)**	1,331
	1,522	1,385
PRC:		
Provision for the year	**–**	594
Tax charge for the year	**1,522**	1,979

The movement in the Group's deferred tax provision is as follows:

	2002	2001
	HK$'000	*HK$'000*
At beginning of year	**10,600**	9,269
Charge/(credit) for the year	**(992)**	1,331
At balance sheet date	**9,608**	10,600

10. TAX *(Continued)*

The principal components of the Group's deferred tax provisions are as follows:

	2002	2001
	HK$'000	*HK$'000*
Accelerated depreciation allowances	9,517	15,782
Tax losses carried forward	–	(5,192)
Others	91	10
	9,608	10,600

The revaluation of the Company's leasehold land and buildings does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 March 2002 is HK$995,000 (2001: net profit of HK$31,764,000 as restated).

The comparative amount for 2001 has been restated by a prior year adjustment resulting in a credit of HK$22,390,000 to the Company's net profit for that year, and a debit of the same amount to the retained profits as at 1 April 2000. The prior year adjustment reversed dividends from a subsidiary which were declared and approved by the subsidiaries after the prior year's balance sheet date, but which were recognised by the Company as revenue in its financial statements for that prior year. This change in accounting policy has arisen from the adoption of revisions to SSAP 18 as further detailed in notes 2 and 27 to the financial statements.

12. DIVIDENDS

	2002	2001
	HK$'000	*HK$'000*
Interim – HK0.5 cent (2001: HK1.0 cent) per ordinary share	**3,176**	6,353
Proposed final – HK0.5 cent (2001: HK0.5 cent) per ordinary share	**3,176**	3,176
Underprovision of prior year's proposed final dividends	**–**	985
	6,352	10,514

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 March 2001 of HK$3,176,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31 March 2001, by HK$3,176,000.

The effect of this change in accounting policy as at 31 March 2002, is that the current year's proposed final dividend of HK$3,176,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years, it would have been recognised as a current liability at the balance sheet date.

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit attributable to shareholders of HK$9,240,000 (2001: HK$12,534,000) and the weighted average of 635,259,975 shares (2001: 614,281,357 shares) in issue during the year.

Diluted earnings per share for both current and prior years have not been shown because the effects arising from the exercise of the potential ordinary shares would be anti-dilutive.

14. FIXED ASSETS

Group

	Leasehold land and buildings	Construction in progress	Leasehold improvements	Furniture and fixtures	Equipment and tools	Motor vehicles	Moulds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:								
At beginning of year	216,400	15,533	35,398	23,162	220,354	12,448	75,198	598,493
Additions	3,765	10,701	5,338	1,386	71,815	188	19,381	112,574
Disposals	–	–	–	(26)	(3,818)	(1,120)	(2,072)	(7,036)
Exchange adjustments	–	4	5	1	13	–	2	25
At 31 March 2002	**220,165**	**26,238**	**40,741**	**24,523**	**288,364**	**11,516**	**92,509**	**704,056**
Analysis of cost or valuation:								
At cost	–	26,238	40,741	24,523	288,364	11,516	92,509	483,891
At valuation	220,165	–	–	–	–	–	–	220,165
	220,165	26,238	40,741	24,523	288,364	11,516	92,509	704,056
Accumulated depreciation:								
At beginning of year	–	–	12,988	15,923	97,210	7,707	49,365	183,193
Provided during the year	7,648	–	5,945	2,019	29,158	1,449	11,589	57,808
Disposals	–	–	–	(8)	(2,199)	(1,064)	(99)	(3,370)
Exchange adjustments	–	–	1	1	4	–	–	6
At 31 March 2002	7,648	–	18,934	17,935	124,173	8,092	60,855	237,637
Net book value:								
At 31 March 2002	**212,517**	**26,238**	**21,807**	**6,588**	**164,191**	**3,424**	**31,654**	**466,419**
At 31 March 2001	216,400	15,533	22,410	7,239	123,144	4,741	25,833	415,300

14. FIXED ASSETS *(Continued)*

An analysis of the Group's leasehold land and buildings is as follows:

	Hong Kong	PRC	Total
	HK$'000	*HK$'000*	*HK$'000*
At valuation:			
Held under long term leases	4,000	–	4,000
Held under medium term leases	41,800	174,365	216,165
	45,800	174,365	220,165

The Group's leasehold land and buildings, other than the current year's additions, were revalued at 31 March 2001 by Sallmanns (Far East) Limited, an independent firm of professional valuers, on an open market, existing use basis at HK$216,400,000. No professional valuation of such land was made as at 31 March 2002 because the directors are of the opinion that the value of such land and buildings at 31 March 2002 is not significantly different from the carrying amount at 31 March 2001 and that a further professional valuation would involve expense out of proportion to the value to the shareholders of the Company.

No professional valuation of the current year's additions of leasehold land and buildings was made as at 31 March 2002 because the directors are of the opinion that the value of such land and buildings at 31 March 2002 is not significantly different from the carrying amount at 31 March 2002.

The Group is applying for land use right certificates in respect of certain of the Group's leasehold land in the PRC. This piece of land had an aggregate net book value of approximately HK$2,907,000 at 31 March 2002 (2001: HK$2,966,000).

Had the Group's leasehold land and buildings been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK$116,608,000 (2001: HK$117,091,000).

14. FIXED ASSETS *(Continued)*

The Group's construction in progress and equipment and tools included interest capitalised during the year of approximately HK$559,000 (2001: HK$915,000) and HK$2,572,000 (2001: Nil), respectively. In the prior year, the Group's leasehold improvements and the amount of construction in progress transferred to leasehold land and buildings included interest capitalised during that year of approximately HK$202,000 and HK$597,000, respectively.

Included in the total amount of fixed assets at 31 March 2002 are assets held under finance leases with a net book value of HK$24,828,000 (2001: HK$7,852,000).

15. INTANGIBLE ASSETS

Group

	Trademarks	Deferred development costs	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At beginning of year	2,508	–	2,508
Additions	–	5,073	5,073
At 31 March 2002	**2,508**	**5,073**	**7,581**
Accumulated amortisation:			
At beginning of year	251	–	251
Provided during the year	251	845	1,096
At 31 March 2002	**502**	**845**	**1,347**
Net book value:			
At 31 March 2002	**2,006**	**4,228**	**6,234**
At 31 March 2001	2,257	–	2,257

16. GOODWILL

SSAP 30 was adopted during the year as detailed in note 2 to the financial statements.

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves.

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment.

The amount of goodwill remaining in consolidated reserves, arising from the acquisition of a subsidiary prior to 1 April 2001, are as follows:

Group

	Goodwill eliminated against retained profits *HK$'000*
Cost:	
At beginning and end of year	2
Accumulated impairment:	
At beginning and end of year	–
Net amount:	
At 31 March 2002	**2**
At 31 March 2001	2

17. INTERESTS IN SUBSIDIARIES

	Company 2002 HK$'000	Company 2001 HK$'000
Unlisted shares, at cost	**58,812**	58,812
Due from subsidiaries	**123,100**	130,729
	181,912	189,541

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

Particulars of the subsidiaries are as follows:

Company	Place of incorporation/ registration and operations	Nominal value of issued/ registered paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Nature of business
Agility Investments Limited	British Virgin Islands	US$1	100	–	Investment holding
Dongguan Gold Beam Electronics Co., Ltd	PRC	HK$22,220,000*	–	100	Manufacture of audio, video and home appliances components
Dongguan Tonic Electronics Co., Ltd.	PRC	HK$22,200,000	–	100	Manufacture of audio and video products
Gold Beam Developments Limited	Hong Kong	HK$2	100	–	Trading of audio and video components
Tonic Appliances Limited	Hong Kong	HK$2	100	–	Trading of home appliances

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Company	Place of incorporation/ registration and operations	Nominal value of issued/ registered paid-up capital	Percentage of equity attributable to the Company		Nature of business
			Direct	Indirect	
Tonic Electronics (B.V.I.) Limited	British Virgin Islands	HK$1	100	–	Investment holding
Tonic Electronics Limited	Hong Kong	Ordinary HK$200 Non-voting deferred# HK$300,000	–	100	Trading and manufacture of audio and video products
Tonic Digital Products Limited**	Hong Kong	HK$2	–	100	Trading and manufacture of digital products
Tonic Enterprises Limited	British Virgin Islands	US$1	–	100	Provision of quality control services
Tonic International Limited	British Virgin Islands	HK$0.01	–	100	Provision of quality control services
Tonic Investment (B.V.I.) Limited	British Virgin Islands	HK$0.01	–	100	Investment holding
Tonic Marketing Limited	British Virgin Islands	US$0.01	–	100	Direct marketing
Tonic Plastic Limited	British Virgin Islands	US$0.01	–	100	Provision of quality control services

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Company	Place of incorporation/ registration and operations	Nominal value of issued/ registered paid-up capital	Percentage of equity attributable to the Company		Nature of business
			Direct	Indirect	
Tonic Technology Limited	Hong Kong	HK$10,000	100	–	Trading of high-technology products
Panatone Licensing Limited	British Virgin Islands	US$1	–	100	Holding of patents

* The registered capital of Dongguan Gold Beam Electronics Co., Ltd. is HK$22,220,000. At 31 March 2002, the Group paid up HK$20,044,540 of the capital.

** Incorporated during the year.

The non-voting deferred shares carry the right to one-half of the profits after the holders of the ordinary shares have received a dividend of HK$1,000,000,000,000, have no right to vote at general meetings and carry the right to receive one-half of the balance of any surplus in a return of capital in a winding-up after the holders of the ordinary shares have received a total return of the HK$500,000,000,000,000. None of the non-voting deferred shares was held by members of the Group at the balance sheet date.

18. INTEREST IN AN ASSOCIATE

	Group	
	2002	2001
	HK$'000	*HK$'000*
Share of net assets	**23**	850
Due from an associate	**250**	–
	273	850

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

18. INTEREST IN AN ASSOCIATE *(Continued)*

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity attributable to the Group	Nature of business
E-Global Electronics Trading Platform Limited	Corporate	Hong Kong	25	Provision of electronics procurement services

19. LONG TERM INVESTMENTS

	Group 2002 HK$'000	Group 2001 HK$'000
At cost:		
Hong Kong listed equity investments	**21,221**	21,221
Overseas unlisted equity investments	**855**	855
	22,076	22,076
Market value of listed equity investments at balance sheet date	**24,089**	20,716

20. LOANS RECEIVABLE

Loans receivable represent unsecured and interest free advances to certain staff of the Group, except for an amount of HK$3,480,000 which bears interest at 5% per annum.

The terms of the loans receivable are analysed as follows:

	2002	2001
	HK$'000	*HK$'000*
Repayable within one year	4,354	1,869
Repayable by equal monthly instalments over seven years (2001: eight years)	1,219	1,406
Repayable by 60 equal quarterly instalments over fifteen years	3,480	–
No fixed terms of repayment	–	22
	9,053	3,297
Less: Provision	(1,740)	–
	7,313	3,297
Portion classified as current assets	(4,696)	(2,078)
Non-current portion	2,617	1,219

21. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	76,680	132,016
Work in progress	65,516	87,230
Finished goods	41,661	43,246
	183,857	262,492

The carrying amount of inventories carried at net realisable value included in the above was HK$32,779,000 (2001: HK$50,886,000).

22. ACCOUNTS RECEIVABLE

The aged analysis of the Group's accounts receivable, as at the balance sheet date, based on invoice date, is as follows:

	2002		2001	
	HK$'000	*Percentage*	*HK$'000*	*Percentage*
0 – 30 days	62,993	78	67,978	76
31 – 60 days	4,198	5	7,266	8
61 – 90 days	11,416	14	8,221	9
Over 90 days	1,926	3	6,021	7
	80,533	100	89,486	100

The normal credit terms granted by the Group to customers range from 7 to 35 days.

23. BANK BORROWINGS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Long term bank loans repayable:		
Within one year	51,320	19,667
In the second year	62,347	15,667
In the third to fifth years, inclusive	–	3,333
	113,667	38,667
Portion classified as current liabilities	(51,320)	(19,667)
Non-current portion	62,347	19,000

The Group's trust receipt loans are repayable within one year.

As at 31 March 2002, all the Group's bank borrowings were secured by corporate guarantee granted by the Company and cross corporate guarantees among certain subsidiaries and the Company.

24. ACCOUNTS PAYABLE

The aged analysis of the Group's accounts payable as at the balance sheet date, based on invoice date, is as follows:

	2002		2001	
	HK$'000	*Percentage*	*HK$'000*	*Percentage*
0 – 30 days	**104,416**	**50**	129,993	46
31 – 60 days	**30,292**	**15**	78,723	28
61 – 90 days	**39,525**	**19**	32,243	11
Over 90 days	**33,601**	**16**	44,008	15
	207,834	**100**	284,967	100

25. FINANCE LEASE PAYABLES

The Group leases certain of its fixed assets for its business. These leases are classified as finance leases and have remaining lease terms ranging from 1 to 4 years. At 31 March 2002, the total future minimum lease payments under finance leases and their present values, were as follows:

Group	**Minimum lease payments 2002** *HK$'000*	Minimum lease payments 2001 *HK$'000*	**Present value of minimum lease payments 2002** *HK$'000*	Present value of minimum lease payments 2001 *HK$'000*
Amount payable:				
Within one year	9,619	2,824	8,781	2,463
In the second year	8,011	2,195	7,586	2,049
In the third to fifth years, inclusive	6,681	768	6,544	716
Total minimum finance lease payments	24,311	5,787	22,911	5,228
Future finance charges	(1,400)	(559)		
Total net finance lease payables	22,911	5,228		
Portion classified as current liabilities	(8,781)	(2,463)		
Non-current portion	14,130	2,765		

26. SHARE CAPITAL

	Company	
	2002	2001
	HK$'000	*HK$'000*
Authorised:		
1,200,000,000 ordinary shares of HK$0.10 each	**120,000**	120,000
Issued and fully paid:		
635,259,975 (2001: 635,259,975) ordinary shares of HK$0.10 each	**63,526**	63,526

Share options

The Company operates a share option scheme (the "Option Scheme") further details of which are set out under the heading "Share Option Scheme" in the report of the directors.

At the beginning of the year, there were 48,800,000 options outstanding under the Option Scheme. Such options are exercisable at a price of HK$0.70 per share during the period from 10 April 2000 to 9 April 2010.

During the year, 550,000 share options were cancelled due to the termination of employment of a share option holder.

At the balance sheet date, the Company had 48,250,000 outstanding share options under the Option Scheme. The exercise in full of these outstanding share options would, under the present capital structure of the Company, result in the issue of 48,250,000 additional ordinary shares of HK$0.1 each and proceeds, before issue expenses, of approximately HK$33,775,000.

27. RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2000	12,018	280	(5,305)	91,413	180,227	278,633
Exercise of warrants	16,657	–	–	–	–	16,657
Exercise of share options	60	–	–	–	–	60
Goodwill reserve arising from acquisition of minority interests of a subsidiary	–	–	–	–	(2)	(2)
Exchange differences on translation of overseas subsidiaries' financial statements	–	–	(4,013)	–	–	(4,013)
Revaluation surplus on fixed assets	–	–	–	17,690	–	17,690
Net profit for the year	–	–	–	–	12,534	12,534
Interim 2001 dividend	–	–	–	–	(6,353)	(6,353)
Proposed final 2001 dividend	–	–	–	–	(3,176)	(3,176)
Underprovision of prior year's proposed final dividend	–	–	–	–	(985)	(985)
At 31 March 2001 and beginning of year	28,735	280	(9,318)	109,103	182,245	311,045
Exchange differences on translation of overseas subsidiaries' financial statements	–	–	10	–	–	10
Net profit for the year	–	–	–	–	9,240	9,240
Interim 2002 dividend	–	–	–	–	(3,176)	(3,176)
Proposed final 2002 dividend	–	–	–	–	(3,176)	(3,176)
Balance at 31 March 2002	**28,735**	**280**	**(9,308)**	**109,103**	**185,133**	**313,943**

Certain amounts of goodwill arising on the acquisition of minority interests of a subsidiary remain eliminated against retained profits, as explained in note 16 to the financial statements.

27. RESERVES *(Continued)*

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2000				
As previously reported	12,018	58,794	36,290	107,102
Prior year adjustment:				
SSAP 18 (Revised) – net year-on-year effect of dividends from a subsidiary no longer recognised as income for the year *(notes 2 and 11)*	–	–	(22,390)	(22,390)
As restated	12,018	58,794	13,900	84,712
Exercise of warrants	16,657	–	–	16,657
Exercise of share options	60	–	–	60
Net profit for the year (as restated)	–	–	31,764	31,764
Interim 2001 dividend	–	–	(6,353)	(6,353)
Proposed final 2001 dividend	–	–	(3,176)	(3,176)
Underprovision of prior year's proposed final dividend	–	–	(985)	(985)
	28,735	58,794	35,150	122,679
At 31 March 2001 and beginning of year	28,735	58,794	35,150	122,679
Net loss for the year	–	–	(995)	(995)
Interim 2002 dividend	–	–	(3,176)	(3,176)
Proposed final 2002 dividend	–	–	(3,176)	(3,176)
At 31 March 2002	**28,735**	**58,794**	**27,803**	**115,332**

27. RESERVES *(Continued)*

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the former holding company of the Group acquired pursuant to the Group reorganisation to rationale the Group structure in preparation for the listing of the Company's share on The Stock Exchange of Hong Kong Limited and the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus of the Company represents the excess of the then combined net asset value of the subsidiaries acquired at the date of acquisition over the aggregate of the nominal value of the Company's shares in exchange thereof.

Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium account of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and, provided that immediately following the distribution of dividends, the Company is able to pay its debts and when as they fall due in the ordinary course of business. In the opinion of the directors, the Company's reserves available for distribution represent the share premium account, contributed surplus and retained profits.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002	2001
	HK$'000	HK$'000
Profit from operating activities	22,609	34,617
Interest income	(1,627)	(11,786)
Dividend income	(657)	(625)
Depreciation	57,808	57,018
Amortisation of trademarks	251	251
Amortisation of deferred development costs	845	–
Provision for inventories	5,781	10,735
Provision for doubtful debts	1,740	–
Loss on disposal of fixed assets	313	339
Increase in an amount due from an associate	(250)	–
Decrease/(increase) in inventories	72,854	(59,517)
Decrease in accounts receivable	8,953	10,613
Decrease/(increase) in prepayments, deposits and other receivables	(29)	11,754
Increase/(decrease) in accounts payable	(77,133)	3,425
Increase/(decrease) in accrued liabilities and other payables	2,061	(5,398)
Net cash inflow from operating activities	93,519	51,426

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing during the year

	Issued capital (including share premium account)	Bank loans	Finance lease obligations
	HK$'000	*HK$'000*	*HK$'000*
Balance at 1 April 2000	70,907	–	7,617
Net cash inflow/(outflow) from financing	21,354	38,667	(7,724)
Inception of finance lease contracts	–	–	5,335
Balance at 31 March 2001 and beginning of year	92,261	38,667	5,228
Net cash inflow/(outflow) from financing	–	75,000	(9,239)
Inception of finance lease contracts	–	–	26,922
Balance at 31 March 2002	**92,261**	**113,667**	**22,911**

(c) Major non-cash transactions

(i) During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$26,922,000 (2001: HK$5,335,000)

(ii) During the year, deposits for acquisition of fixed assets of HK$13,219,000 (2001: Nil) was utilised as part of the considerations paid for the purchases of fixed assets.

29. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bills discounted with recourse	**15,624**	13,999	**–**	–
Guarantees for general banking facilities of subsidiaries*	**–**	–	**764,906**	712,137
Shipping guarantees	**1,688**	406	**–**	–
	17,312	14,405	**764,906**	712,137

* At 31 March 2002, HK$255,046,000 (2001: HK$170,727,000) of the general banking facilities were utilised by the subsidiaries.

In addition, the Company has granted a guarantee in favour of a supplier of a subsidiary for the subsidiary's trade debts due to such a supplier. At 31 March 2002, the subsidiary had trade debts in aggregate of HK$1,621,000 (2001: HK$1,970,000) due to the supplier.

(b) During the year, the Hong Kong Inland Revenue Department challenged the appropriateness of the filing of tax returns by the Group on a consolidated basis, rather than on an individual company basis, starting from the years of assessment 1998/99 (the "Prior Years"). The final assessment of the Prior Years had not yet been issued, and the potential tax liabilities cannot be reliably estimated. However, based on information available at the date of this report, the directors are of the opinion that there is no material unprovided tax at the balance sheet date.

30. OPERATING LEASE ARRANGEMENTS

The Group's leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 5 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	**1,541**	573
In the second to fifth years, inclusive	**5,304**	81
	6,845	654

At balance sheet date, the Company had no operating lease arrangements (2001: Nil).

SSAP 14 (Revised), which was adopted during the year, requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee have been restated to accord with the current year's presentation.

31. COMMITMENTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Contracted for, but not provided in the financial statements in respect of:		
Construction in progress in the PRC	**3,817**	1,087
Equipment and tools	**16,601**	30,227
Moulds	**100**	352
Leasehold improvements	**–**	270
	20,518	31,936
Capital commitment in respect of capital contributions to a subsidiary established in the PRC	**2,175**	2,175
Other commitments:		
Commitments to purchase foreign currencies	**46,788**	140,052
Commitments to sell foreign currencies	**127,591**	–

At balance sheet date, the Company had no capital commitments (2001: Nil).

32. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

In addition to the transaction and balances detailed elsewhere in the financial statements, during the year, the Group had the following related party and connected transactions:

(a) The Group sold audio and video products and related components amounting to HK$2,091,000 (2001: HK$10,192,000) to Pioneer Ventures Limited ("PVL"), a wholly-owned subsidiary of EganaGoldpfeil (Holdings) Limited, which is a substantial shareholder of the Company.

The sales to PVL were made according to the published prices and conditions offered to the major customers of the Group.

32. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

(b) The Group paid HK$132,000 (2001: HK$143,000) to International Taxation Advisory Services Limited, of which Mr. Wong Wai Kwong, David, a non-executive director of the Company, is a director, for corporate advisory services rendered to the Group.

The directors consider that the above corporate advisory services charge was paid according to the prices and conditions similar to those offered by other external consultants of the Group.

The above transactions are related party transactions, of which item (a) also constitutes a connected transaction under the Listing Rules.

33. COMPARATIVE AMOUNTS

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

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 July 2002.