

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The Company's ultimate holding company is Chevalier International Holdings Limited, a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activity of the Company is investment holding while its subsidiaries are engaged in the sale of computer equipment, telecommunication systems and office equipment, provision of IT and network solution, technical and maintenance services and paging services, trading of general merchandise and investments in securities. The operations in paging services were ceased during the year.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

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

The adoption of these new and revised standards has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

(a) Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of shareholders' funds. This change in accounting policy has been applied retrospectively and as a result, reserves of the Group and the Company as at 1st April, 2000 and 31st March, 2001 have been increased by HK\$25,633,000 and HK\$8,568,000 respectively.

(b) Leases

In accordance with SSAP 14 (Revised) "Leases", some amendments were introduced to the basis of accounting for operating leases and to the disclosures specified for the Group's leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative disclosures have been restated in order to achieve a consistent presentation.

(c) Goodwill

In adopting SSAP 30 "Business Combinations", the Group has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 have been recognised as an expense retrospectively. Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as further impairment losses are identified. Negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to income statement at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight-line basis over its estimated useful life. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. This change in accounting policy does not have any material effect on the financial statements.

(d) Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 31st March, 2001 have been amended so that they are presented on a consistent basis.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

(a) **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year and also incorporate the Group's interests in associates on the basis set out in (d) below.

The results of subsidiaries and associates acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

(b) **Goodwill/negative goodwill on consolidation**

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

Goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as further impairment losses are identified in accordance with SSAP 31 "Impairment of Assets".

Goodwill arising on acquisitions on or after 1st April, 2001 is recognised as an asset and amortised on a straight-line basis over its estimated useful life. Any impairment loss identified is recognised as an expense immediately.

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

Negative goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be credited to income statement at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisitions after 1st April, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

(c) **Subsidiaries**

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

(d) **Interests in associates**

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

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Impairment

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

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

(f) Investment properties

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

Investment properties are stated at their open market value and are revalued annually by independent professional valuers. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance of the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

(g) Property, plant and equipment

(i) Properties

Properties held for own use are stated at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that would be determined using fair values at the balance sheet date. Any revaluation increase arising on revaluation of such properties is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of a property is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that property. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus is transferred to retained profits.

No depreciation is provided on freehold land. Depreciation is provided on leasehold land over the remaining terms of the respective leases. Depreciation is provided on the cost of the buildings on a straight-line basis over their estimated useful lives of 20 to 50 years or the remaining terms of the respective leases, whichever is the shorter.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

3. PRINCIPAL ACCOUNTING POLICIES (continued)**(g) Property, plant and equipment** (continued)*(ii) Plant and equipment*

Plant and equipment are stated at cost less depreciation and accumulated 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.

Depreciation is provided to write off the cost of plant and equipment over their estimated useful lives after taking into account their estimated residual value, on the reducing balance basis, at the following rates per annum:

	Initial charge upon purchase	Annual charge
Computer equipment	20%	40%
Others	20%	20%

Assets held for leasing are depreciated over the shorter of the term of the leases or at an annual rate of 20% on the cost of the assets.

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

(h) Properties for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of acquisition of properties and other direct costs. Net realisable value is estimated by management based on prevailing market conditions or when a binding sales agreement is executed, by reference to the agreed selling prices.

(i) Inventories

Inventories represent general merchandise and consumable stores. General merchandise are stated at the lower of cost and net realisable value whereas consumable stores are stated at cost less allowance.

(j) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

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

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

Other investments are measured at fair value, with unrealised gains and losses included in income statement for the period.

(k) Installation contracts

When the outcome of a contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the value of work carried out during the year.

When the outcome of a contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

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3. PRINCIPAL ACCOUNTING POLICIES (continued)**(k) Installation contracts** (continued)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as "amounts due from customers for contract work" (as an asset) or "amounts due to customers for contract work" (as a liability), where applicable. Amounts received before the related work is performed are included in the balance sheet as a liability. Amounts billed for work performed on a contract but not yet paid by the customers are included in the balance sheet under "debtors, deposits and prepayments".

(l) Revenue recognition

Income from sale of goods is recognised when goods are delivered and title of the goods has passed to the customer. Revenue is arrived at after deduction of any sales returns and discounts.

Income from rendering of services is recognised at the time when services are rendered. Receipts in advance of provision of services are accounted for as deferred service income.

When the outcome of an installation contract can be estimated reliably, revenue is recognised using the percentage of completion method, measured by reference to the value of work carried out during the period. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

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

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

Income from the sale of securities is recognised on a trade-date basis.

Rental income and other earnings under operating leases are recognised on a straight-line basis over the term of the respective lease.

(m) Operating leases

Leases where substantially all the rewards and risks of ownership of the assets remain with the lessors are accounted for as operating leases. Payments on assets leased by the Group and income on property, plant and equipment of the Group leased to third parties are dealt with in the income statement on a straight-line basis over the terms of the relevant lease.

(n) Foreign currency translation

The accounting records of the Group, other than those subsidiaries not operating in Hong Kong, are maintained in Hong Kong dollars. Transactions denominated in foreign currencies during the year are translated into Hong Kong dollars at the rates of exchange ruling on the dates of transactions or on the contracted settlement date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-translated into Hong Kong dollars at the rates of exchange ruling at that date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated at the rates of exchange ruling at the balance sheet date. All exchange differences arising on consolidation are dealt with in the exchange fluctuation reserve.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

3. PRINCIPAL ACCOUNTING POLICIES (continued)**(o) Taxation**

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

(p) Retirement benefit scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution scheme.

4. TURNOVER

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

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations:		
Sale of computer equipment	271,613	380,607
Sale of telecommunication systems	214,936	267,439
Sale of office equipment	147,651	155,510
IT and network solution services	45,549	85,517
Technical and maintenance services	54,819	59,069
Trading of general merchandise	34,034	30,401
Others	1,936	43,520
	770,538	1,022,063
Discontinued operations:		
Paging services	4,826	32,690
	775,364	1,054,753

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segment

For management purposes, the Group is currently organised into six operating divisions. These divisions are the basis on which the Group reports its primary segment information.

During the year, the Group also involved in the provision of paging services. That operation was discontinued as from May 2001 as disclosed in note 10.

Segment information about these businesses is presented below.

TURNOVER AND RESULTS

Year ended 31st March, 2002

	Computer equipment HK\$'000	Tele- communication systems HK\$'000	Office equipment HK\$'000	IT & network solution HK\$'000	Technical and maintenance services HK\$'000	Trading of general merchandise HK\$'000	Others HK\$'000	Paging services (Note) HK\$'000	Total HK\$'000
TURNOVER									
Total sales	313,725	225,517	184,758	58,003	60,156	35,753	1,936	4,826	884,674
Inter-segment sales	(42,112)	(10,581)	(37,107)	(12,454)	(5,337)	(1,719)	-	-	(109,310)
External sales	<u>271,613</u>	<u>214,936</u>	<u>147,651</u>	<u>45,549</u>	<u>54,819</u>	<u>34,034</u>	<u>1,936</u>	<u>4,826</u>	<u>775,364</u>
Inter-segment sales are charged at prices determined by management with reference to market prices.									
RESULT									
Segment result	<u>(1,326)</u>	<u>(7,862)</u>	<u>1,680</u>	<u>(18,459)</u>	<u>5,109</u>	<u>(7,416)</u>	<u>15,357</u>	<u>(881)</u>	(13,798)
Interest and dividend income									7,613
Unallocated corporate expenses									<u>(3,245)</u>
Loss from operations									(9,430)
Finance costs									(228)
Share of results of associates	-	-	5,135	-	-	-	-	-	5,135
Gain on disposal of discontinued operations	-	-	-	-	-	-	-	260	<u>260</u>
Loss before taxation									(4,263)
Taxation									<u>(5,166)</u>
Net loss for the year									<u>(9,429)</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**Business Segment** (continued)**BALANCE SHEET**

As at 31st March, 2002

	Computer equipment <i>HK\$'000</i>	Tele- communication systems <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	IT & network solution <i>HK\$'000</i>	Technical and maintenance services <i>HK\$'000</i>	Trading of general merchandise <i>HK\$'000</i>	Others <i>HK\$'000</i>	Paging services (Note) <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS									
Segment assets	42,653	59,550	42,572	28,646	13,917	7,720	104,660	–	299,718
Interests in associates	–	–	18,646	–	–	–	–	–	18,646
Unallocated corporate assets									182,627
Consolidated total assets									<u>500,991</u>
LIABILITIES									
Segment liabilities	16,334	23,944	6,321	21,580	18,022	4,025	10,014	–	100,240
Unallocated corporate liabilities									15,699
Consolidated total liabilities									<u>115,939</u>

OTHER INFORMATION

Year ended 31st March, 2002

	Computer equipment <i>HK\$'000</i>	Tele- communication systems <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	IT & network solution <i>HK\$'000</i>	Technical and maintenance services <i>HK\$'000</i>	Trading of general merchandise <i>HK\$'000</i>	Others <i>HK\$'000</i>	Paging services (Note) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Capital additions	136	4,780	1,235	382	238	874	2,334	1	9,980
Depreciation	249	2,725	1,060	595	933	856	690	202	7,310
Loss on disposal of property, plant and equipment	15	1,203	77	2,024	17	663	1	855	4,855

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**Business Segment** (continued)**TURNOVER AND RESULTS**

Year ended 31st March, 2001

	Computer equipment <i>HK\$'000</i>	Tele- communication systems <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	IT & network solution <i>HK\$'000</i>	Technical and maintenance services <i>HK\$'000</i>	Trading of general merchandise <i>HK\$'000</i>	Others <i>HK\$'000</i>	Paging services (Note) <i>HK\$'000</i>	Total <i>HK\$'000</i>
TURNOVER									
Total sales	405,054	289,198	221,922	96,010	67,111	30,562	43,520	32,690	1,186,067
Inter-segment sales	(24,447)	(21,759)	(66,412)	(10,493)	(8,042)	(161)	-	-	(131,314)
External sales	<u>380,607</u>	<u>267,439</u>	<u>155,510</u>	<u>85,517</u>	<u>59,069</u>	<u>30,401</u>	<u>43,520</u>	<u>32,690</u>	<u>1,054,753</u>
Inter-segment sales are charged at prices determined by management with reference to market prices.									
RESULT									
Segment result	<u>4,391</u>	<u>17,777</u>	<u>3,568</u>	<u>(7,226)</u>	<u>9,534</u>	<u>(7,453)</u>	<u>(17,194)</u>	<u>(986)</u>	2,411
Interest and dividend income									14,426
Unallocated corporate expenses									<u>(4,292)</u>
Profit from operations									12,545
Finance costs									<u>(1,402)</u>
Share of results of associates	-	-	5,109	-	-	-	-	-	<u>5,109</u>
Profit before taxation									16,252
Taxation									<u>(8,491)</u>
Net profit for the year									<u>7,761</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**Business Segment** (continued)**BALANCE SHEET**

As at 31st March, 2001

	Computer equipment HK\$'000	Tele- communication systems HK\$'000	Office equipment HK\$'000	IT & network solution HK\$'000	Technical and maintenance services HK\$'000	Trading of general merchandise HK\$'000	Others HK\$'000	Paging services (Note) HK\$'000	Total HK\$'000
ASSETS									
Segment assets	54,386	83,770	55,455	32,370	16,366	12,515	13,514	10,363	278,739
Interests in associates			13,476						13,476
Unallocated corporate assets									<u>256,500</u>
Consolidated total assets									<u><u>548,715</u></u>
LIABILITIES									
Segment liabilities	5,108	27,812	12,833	20,748	18,830	10,151	13	13,216	108,711
Unallocated corporate liabilities									<u>29,667</u>
Consolidated total liabilities									<u><u>138,378</u></u>

OTHER INFORMATION

Year ended 31st March, 2001

	Computer equipment HK\$'000	Tele- communication systems HK\$'000	Office equipment HK\$'000	IT & network solution HK\$'000	Technical and maintenance services HK\$'000	Trading of general merchandise HK\$'000	Others HK\$'000	Paging services (Note) HK\$'000	Total HK\$'000
Capital additions	646	4,135	474	4,440	468	2,217	893	112	13,385
Depreciation	148	2,993	1,056	2,360	1,147	929	540	1,823	10,996
Loss on disposal of property, plant and equipment	237	347	206	382	202	307	8	1,708	3,397

Note: The operations of paging services has been discontinued as from May 2001.

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FOR THE YEAR ENDED 31ST MARCH, 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical Segments

The Group's operations in sales of computer equipment, office equipment and telecommunication systems, provision of technical and maintenance services and IT and network solution services are carried out in Hong Kong, the Mainland and Thailand. The operations in paging services and trading of general merchandise are carried out in Hong Kong. The following table provides an analysis of the Group's turnover and contribution to (loss) profit from operations by geographical market:

	Turnover by geographical market		Contribution to (loss) profit from operations	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	535,390	720,522	(10,306)	10,198
The Mainland	119,108	179,978	(5,853)	(5,997)
Thailand	111,520	141,433	9,598	9,363
Others	9,346	12,820	(2,869)	(1,019)
	<u>775,364</u>	<u>1,054,753</u>	<u>(9,430)</u>	<u>12,545</u>

The following is an analysis of the carrying amounts of segment assets and additions to property, plant and equipment analysed by the geographical area in which the assets are located:

	Carrying amounts of segment assets		Additions to property, plant and equipment	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	406,721	427,842	7,531	12,027
The Mainland	22,318	43,830	436	54
Thailand	66,995	69,438	1,873	877
Others	4,957	7,605	140	427
	<u>500,991</u>	<u>548,715</u>	<u>9,980</u>	<u>13,385</u>

6. OTHER REVENUE

	2002	2001
	HK\$'000	HK\$'000
Included in other revenue are:		
Interest income from bank and other deposits	5,962	14,389
Interest income from debt securities	1,644	–
Dividend income from listed securities	7	37
	<u>7</u>	<u>37</u>

7. OTHER OPERATING EXPENSES

	2002	2001
	HK\$'000	HK\$'000
Included in other operating expenses are:		
Deficit on revaluation of properties:		
Investment properties	270	1,010
Properties for own use	309	633
Exchange loss on foreign currency advances to subsidiaries	–	9,972
	<u>–</u>	<u>9,972</u>

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8. (LOSS) PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
(Loss) profit from operations is arrived at after charging:		
Depreciation on property, plant and equipment	7,310	10,996
Loss on disposal of property, plant and equipment	4,855	3,397
Auditors' remuneration	1,401	1,419
Operating lease payments in respect of renting of premises	38,735	41,736
Staff costs, including directors' emoluments (<i>note</i>)	134,475	144,811
Exchange loss	-	9,972
Net realised and unrealised holding loss on other investments	-	7,729
	<u> </u>	<u> </u>
and crediting:		
Gross rental income from properties of HK\$638,000 (2001: HK\$492,000) less outgoings	556	400
Gross earnings from leasing of assets other than properties of HK\$867,000 (2001: HK\$378,000) less outgoings	715	233
Net realised and unrealised holding gain on investments in securities	15,479	-
Exchange gain	1,440	-
	<u> </u>	<u> </u>

Note: Included in staff costs are an amount of HK\$2,288,000 (2001: HK\$3,168,000) in respect of staff redundancy payments made to staff and an amount of HK\$4,304,000 (2001: HK\$2,929,000) in respect of retirement benefits scheme contributions, net of forfeited contributions.

9. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on bank overdrafts and other borrowings repayable within five years	228	1,402
	<u> </u>	<u> </u>

10. DISCONTINUED OPERATIONS

In May 2001, the Group disposed of its paging business which was operated in Hong Kong. The cash effect of the disposal are set out in note 27. The results from the paging business for the period from 1st April, 2001 to the date of discontinuance, which have been included in the consolidated financial statements, were as follows:

	2002 HK\$'000	2001 HK\$'000
Turnover	4,826	32,690
Loss for the period/year	881	986
	<u> </u>	<u> </u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

11. TAXATION

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
Company and subsidiaries		
Hong Kong	1,445	4,924
Overseas	2,963	3,132
Associates		
Hong Kong	747	615
Overseas	11	-
Deferred taxation		
Company and subsidiaries		
Hong Kong	-	(180)
	<u>5,166</u>	<u>8,491</u>

Provision for Hong Kong profits tax is calculated at the rate of 16% (2001: 16%) on the estimated assessable profits less available tax relief for losses brought forward of each individual company comprising the Group.

Provision for overseas taxation is calculated based on the rates applicable to the relevant local legislation on the estimated assessable profits.

Details of the potential deferred tax credit (charge) not accounted for in the year are set out in note 31.

12. DIVIDENDS

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend paid		
HK\$0.01 (2001: HK\$0.01) per share on 856,779,352 shares	8,568	8,568
2001 final dividend proposed		
HK\$0.01 per share on 856,779,352 shares	-	8,568
Amounts paid for prior year's final dividend on additional shares issued upon exercise of options	-	1
	<u>8,568</u>	<u>17,137</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

13. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is calculated based on the loss for the year of HK\$9,429,000 (2001: profit of HK\$7,761,000) and on the weighted average number of ordinary shares issued of 856,779,352 (2001: 855,411,857).

No diluted loss per share is presented for the year ended 31st March, 2002 as the exercise of the Company's outstanding share options would result in a decrease in net loss per share.

The diluted earnings per share for the year ended 31st March, 2001 is computed as follows:

	<i>HK\$'000</i>
Earnings for the purposes of calculating diluted earnings per share	<u>7,761</u>
	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	855,411,857
Effect of dilutive potential ordinary shares:	
Share options	<u>7,269,737</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>862,681,594</u>

14. INVESTMENT PROPERTIES

	THE GROUP <i>HK\$'000</i>
At valuation	
At 1st April, 2001	5,310
Deficit on revaluation	<u>(270)</u>
At 31st March, 2002	<u>5,040</u>

Investment properties, which are situated in the Mainland and are held under medium-term leases, were revalued on an open market value existing use basis on 31st March, 2002 by independent professional valuers, DTZ Debenham Tie Leung Limited.

Gross rental income derived from renting of investment properties under operating leases during the year amounted to HK\$453,000 (2001: HK\$318,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

15. PROPERTY, PLANT AND EQUIPMENT

	Properties for own use						Furniture, fixtures, office equipment and motor vehicles		Total HK\$'000	
	Hong Kong		Overseas		The Mainland		Machinery tools and equipment	for own use		for lease
	under medium- term lease	freehold	under medium- term lease	long- term lease	under medium- term lease	under medium- term lease				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000
THE GROUP										
AT COST OR VALUATION										
At 1st April, 2001	5,800	6,630	306	1,560	1,760	36,877	25,272	33,973	671	112,849
Exchange adjustments	-	382	18	-	7	-	101	250	20	778
Additions	-	-	-	-	-	1	1,679	6,645	1,655	9,980
Disposals	-	-	-	-	-	(4,074)	(6,459)	(8,810)	(208)	(19,551)
Arising on disposal of a subsidiary	-	-	-	-	-	(32,502)	(3,788)	(222)	-	(36,512)
Deficit on revaluation	(540)	(72)	(27)	-	(97)	-	-	-	-	(736)
At 31st March, 2002	5,260	6,940	297	1,560	1,670	302	16,805	31,836	2,138	66,808
ACCUMULATED DEPRECIATION										
At 1st April, 2001	-	-	-	-	-	30,267	19,843	22,029	237	72,376
Exchange adjustments	-	-	-	-	-	-	62	211	3	276
Charge for the year	126	269	108	27	40	237	1,918	4,304	281	7,310
Eliminated on disposals	-	-	-	-	-	(3,354)	(5,359)	(5,408)	(137)	(14,258)
Eliminated arising on disposal of a subsidiary	-	-	-	-	-	(26,965)	(3,604)	(202)	-	(30,771)
Eliminated on revaluation	(126)	(269)	(108)	(27)	(40)	-	-	-	-	(570)
At 31st March, 2002	-	-	-	-	-	185	12,860	20,934	384	34,363
NET BOOK VALUES										
At 31st March, 2002	5,260	6,940	297	1,560	1,670	117	3,945	10,902	1,754	32,445
At 31st March, 2001	5,800	6,630	306	1,560	1,760	6,610	5,429	11,944	434	40,473
An analysis of cost or valuation of the property, plant and equipment is as follows:										
At cost	-	-	-	-	-	302	16,805	31,836	2,138	51,081
At 2002 professional valuation	5,260	6,940	297	1,560	1,670	-	-	-	-	15,727
	5,260	6,940	297	1,560	1,670	302	16,805	31,836	2,138	66,808

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Properties were revalued on an open market value basis based on existing use on 31st March, 2002 by independent professional valuers. Properties in Hong Kong were revalued by Messrs. Knight Frank. Overseas properties were revalued by Insignia Brooke (Thailand) Limited. Properties in the Mainland were revalued by DTZ Debenham Tie Leung Limited.

Had these properties been carried at cost less accumulated depreciation, the carrying amount as at 31st March, 2002 would have been HK\$23,766,000 (2001: HK\$24,897,000).

THE COMPANY

During the year, the Company acquired a motor vehicle for own use.

	<i>HK\$'000</i>
AT COST	
Additions	348
At 31st March, 2002	348
ACCUMULATED DEPRECIATION	
Charge for the year	111
At 31st March, 2002	111
NET BOOK VALUES	
At 31st March, 2002	237
At 31st March, 2001	—

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost less impairment loss	58,801	58,668
Amounts due from subsidiaries, less provision	52,525	49,280
	111,326	107,948

Particulars regarding the principal subsidiaries as at 31st March, 2002 of the Company are set out on pages 53 to 54.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore, the subsidiaries as set out are those that principally affect the results or assets of the Group.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

17. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	15,881	11,504
Amount due from an associate	2,765	1,972
	<u>18,646</u>	<u>13,476</u>

Particulars of the associates held by the Group as at 31st March, 2002 are as follows:

Name of associate	Place or country of incorporation or registration / operation	Class of shares held	Form of business structure	Effective % of issued capital/registered capital held by the subsidiary	Principal activities
United O.A. Limited	Hong Kong	Ordinary	Corporate	41%	Trading of office equipment
Guangzhou Chevalier iTech Limited	The Mainland	Not applicable	Corporate	24%	Trading of office equipment and provision of maintenance service

18. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Held to maturity securities:				
Debt securities, unlisted	72,322	—	72,322	—
Other investments:				
Equity securities, listed overseas	16,405	—	—	—
	<u>88,727</u>	<u>—</u>	<u>72,322</u>	<u>—</u>
Market value of listed overseas equity securities	16,405	—	—	—
Carrying value of securities analysed for reporting purposes are:				
Non-current	72,322	—	72,322	—
Current	16,405	—	—	—
	<u>88,727</u>	<u>—</u>	<u>72,322</u>	<u>—</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

19. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Inventories held for resale	64,332	94,215
Consumable stores	6,741	6,532
	<u>71,073</u>	<u>100,747</u>

Included in the above are inventories held for resale of HK\$10,300,000 (2001: HK\$7,535,000) carried at net realisable value.

The cost of inventories recognised as an expense during the year was HK\$550,051,000 (2001: HK\$719,622,000).

20. PROPERTIES FOR SALE

All properties for sale are carried at cost. None of the properties was sold during the year.

21. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of HK\$60,557,000 (2001: HK\$93,612,000). An aged analysis of trade debtors as at 31st March, 2002 is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
0-60 days	45,030	74,586
61-90 days	5,110	9,436
Over 90 days	10,417	9,590
Total	<u>60,557</u>	<u>93,612</u>

The Group has established different credit policies for customers in each of its core business. The average credit period granted for trade debtors was 60 days.

22. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred	12,950	145
Recognised profits less losses	(6,493)	11
	<u>6,457</u>	<u>156</u>
Progress billings	(9,341)	(156)
	<u>(2,884)</u>	<u>-</u>
Represented by:		
Amounts due from customers included in current assets	1,568	-
Amounts due to customers included in current liabilities	(4,452)	-
	<u>(2,884)</u>	<u>-</u>

At 31st March, 2002, retentions held by customers for contract work amounted to HK\$1,067,000 (2001: HK\$372,000). No advance payments were received from customers for contract work.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

23. CREDITORS, DEPOSITS AND ACCRUALS

Included in creditors, deposits and accruals are trade creditors of HK\$43,794,000 (2001: HK\$43,166,000). An aged analysis of the trade creditors as at 31st March, 2002 is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0–60 days	32,358	40,414
61–90 days	56	1,199
Over 90 days	11,380	1,553
Total	<u>43,794</u>	<u>43,166</u>

24. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Nominal value HK\$'000
Authorised:	<u>1,200,000,000</u>	<u>120,000</u>
Issued and fully paid:		
At 1st April, 2000	854,449,558	85,445
Exercise of share options	20,000	2
Issue of shares in lieu of cash dividends	<u>2,309,794</u>	<u>231</u>
At 31st March, 2001 and 31st March, 2002	<u>856,779,352</u>	<u>85,678</u>

Notes:

(a) Authorised and issued share capital

There was no change in the authorised share capital during the two years ended 31st March, 2002.

There was no change in the issued share capital during the year ended 31st March, 2002.

(b) Share option scheme of the Company

At 31st March, 2002, the following options to subscribe for shares of the Company were outstanding under the share option scheme of the Company:

Exercise price per share:	HK\$0.4640
Exercise period:	30/06/2000 – 29/06/2003
Number of options:	28,550,000

No options were exercised during the year.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

25. RESERVES

	Share premium HK'000	Capital reserve HK'000	Capital redemption reserve HK'000	Properties for own use revaluation reserve HK'000	Exchange fluctuation reserve HK'000	Dividend reserve HK'000	Retained profits HK'000	Total HK'000
THE GROUP								
At 1st April, 2000								
– as originally stated	222,599	18,231	14	25	589	–	83,163	324,621
– derecognition of final dividend (see Note 2(a))	–	–	–	–	–	25,633	–	25,633
– as restated	222,599	18,231	14	25	589	25,633	83,163	350,254
Final dividend for 2000 paid	–	–	–	–	–	(25,633)	–	(25,633)
Transfer (note ii)	–	–	–	882	(882)	–	–	–
Issue of shares	841	–	–	–	–	–	–	841
Share issue expenses	(6)	–	–	–	–	–	–	(6)
Surplus on revaluation of properties	–	–	–	84	–	–	–	84
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	(257)	–	–	(257)
Net profit for the year	–	–	–	–	–	–	7,761	7,761
Final dividend for prior year on additional shares issued	–	–	–	–	–	–	(1)	(1)
Dividends	–	–	–	–	–	8,568	(17,136)	(8,568)
At 31st March, 2001	223,434	18,231	14	991	(550)	8,568	73,787	324,475
Final dividend for 2001 paid	–	–	–	–	–	(8,568)	–	(8,568)
Surplus on revaluation of properties	–	–	–	143	–	–	–	143
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	–	1,137	–	–	1,137
Net loss for the year	–	–	–	–	–	–	(9,429)	(9,429)
Dividends	–	–	–	–	–	–	(8,568)	(8,568)
At 31st March, 2002	223,434	18,231	14	1,134	587	–	55,790	299,190

Notes:

- (i) Reserves of the Group at the balance sheet date includes the Group's share of the post-acquisition profits retained in associates amounting to HK\$9,625,000 (2001: HK\$5,248,000).
- (ii) The exchange difference on translation included in property revaluation reserve disclosed in the previous years' financial statements is re-analysed and reclassified to exchange fluctuation reserve.
- (iii) The capital reserve included HK\$27,000 (2001: HK\$27,000) goodwill and HK\$198,000 (2001: 198,000) negative goodwill on consolidation.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

25. RESERVES (continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY						
At 1st April, 2000						
– as originally stated	222,599	6,226	14	–	1,040	229,879
– derecognition of final dividend (see Note 2(a))	–	–	–	25,633	–	25,633
– as restated	222,599	6,226	14	25,633	1,040	255,512
Final dividend for 2000 paid	–	–	–	(25,633)	–	(25,633)
Issue of shares	841	–	–	–	–	841
Share issue expenses	(6)	–	–	–	–	(6)
Net profit for the year	–	–	–	–	32,024	32,024
Final dividend for prior year on additional shares issued	–	–	–	–	(1)	(1)
Dividends	–	–	–	8,568	(17,136)	(8,568)
At 31st March, 2001	223,434	6,226	14	8,568	15,927	254,169
Final dividend for 2001 paid	–	–	–	(8,568)	–	(8,568)
Net profit for the year	–	–	–	–	13,929	13,929
Dividends	–	–	–	–	(8,568)	(8,568)
At 31st March, 2002	223,434	6,226	14	–	21,288	250,962

Contributed surplus represents the difference between the value of total net assets of subsidiaries acquired and the nominal amount of the Company's shares issued on re-organisation in 1989, less dividends paid out of the contributed surplus subsequently. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders.

As at 31st March, 2002, the Company's reserves available for distribution to shareholders amounted to HK\$27,514,000 (2001: HK\$22,153,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

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

	2002 HK\$'000	2001 HK\$'000
(Loss) profit before taxation	(4,263)	16,252
Share of results of associates	(5,135)	(5,109)
Interest income	(7,606)	(14,389)
Interest expenses	228	1,402
Dividend income	(7)	(37)
Depreciation	7,310	10,996
Deficit on revaluation of properties	579	1,643
Gain on disposal of discontinued operations	(260)	–
Loss on disposal of property, plant and equipment	4,855	3,397
Decrease in inventories	31,304	4,552
Decrease (increase) in debtors, deposits and prepayments	40,156	(7,643)
(Increase) decrease in amount due from customers for contract work	(1,568)	688
(Increase) decrease in investments in securities	(88,727)	14,982
Decrease in other short-term unlisted investments	–	38,364
Decrease in bills payable	(3,525)	(2,090)
Decrease in creditors, deposits and accruals	(9,029)	(50,184)
Increase (decrease) in amount due to customers for contract work	4,452	(79)
Decrease in deferred service income	(3,261)	(1,208)
Exchange difference	(1,631)	9,887
	<u>(36,128)</u>	<u>21,424</u>
Net cash (outflow) inflow from operating activities		

27. DISPOSAL OF A SUBSIDIARY

	HK\$'000
Net assets disposed of:	
Property, plant and equipment	5,741
Debtors, deposits and prepayments	3,959
Cash and bank balances	18
Creditors, deposits and accruals	(218)
Deferred service income	(8,200)
Provision for taxation	(502)
	<u>798</u>
Gain on disposal	260
	<u>1,058</u>
Total consideration receivable	
Cash outflow arising on disposal:	
Cash and bank balance disposed of	<u>18</u>

The subsidiary disposed of during the year did not contribute significant cash flows, turnover and operating results to the Group.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium HK\$'000	Amount due to ultimate holding company HK\$'000	Minority interests HK\$'000
At 1st April, 2000	308,044	4,765	227
Net cash inflow (outflow) from financing	2	(1,827)	–
Issue of shares in lieu of cash dividends	1,066	–	–
Exchange difference	–	–	(43)
	<u>309,112</u>	<u>2,938</u>	<u>184</u>
At 31st March, 2001	309,112	2,938	184
Net cash outflow from financing	–	(1,482)	–
	<u>309,112</u>	<u>1,456</u>	<u>184</u>
At 31st March, 2002	<u>309,112</u>	<u>1,456</u>	<u>184</u>

29. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002 HK\$'000	2001 HK\$'000
Cash and bank balances	170,338	235,531
Bank overdrafts	(98)	(1,812)
	<u>170,240</u>	<u>233,719</u>

30. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Details of the emoluments paid to the Directors of the Group are as follows:

	2002 HK\$'000	2001 HK\$'000
Fees	240	226
Salaries, allowances and benefits in kind	1,514	1,345
Retirement benefits scheme contribution	61	58
	<u>1,815</u>	<u>1,629</u>

Except for the directors' fees of HK\$240,000 (2001: HK\$226,000) paid to the Independent Non-executive Directors, no other emoluments were paid or are payable to the Independent Non-executive Directors or the Non-executive Director during the two years ended 31st March, 2002.

The emoluments of the Directors fall within the following bands:

Bands	Number of directors	
	2002	2001
Nil–HK\$1,000,000	9	10
HK\$1,000,001–HK\$1,500,000	–	1
HK\$1,500,001–HK\$2,000,000	1	–
	<u>1</u>	<u>–</u>

In addition to the directors' emoluments disclosed above, five directors received remuneration totalling HK\$17,632,000 (2001: HK\$16,942,000) from the Company's ultimate holding company in respect of their services to the ultimate holding company and its subsidiaries including the Group.

The amounts paid by the ultimate holding company have not been allocated between the services of the directors as directors of the Company and its subsidiaries, and their services to the ultimate holding company and its other subsidiaries.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

30. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

The five highest paid individuals included one (2001: one) director whose emoluments are disclosed above.

The emoluments of the remaining four (2001: four) highest paid individuals were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries, allowances and benefits in kind	3,311	3,065
Retirement benefits scheme contributions	167	152
	<u>3,478</u>	<u>3,217</u>

The emoluments of these four (2001: four) highest paid individuals fall within the following bands:

Bands	Number of individuals	
	2002	2001
Nil–HK\$1,000,000	3	4
HK\$1,000,001–HK\$1,500,000	1	–

31. DEFERRED TAXATION

At the balance sheet date, the major components of potential deferred tax assets not accounted for in the consolidated financial statements are as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences because of:		
Excess of depreciation over tax allowances	2,403	1,883
Unutilised tax losses	75,420	68,991
	<u>77,823</u>	<u>70,874</u>

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences because of:		
Excess of depreciation over tax allowances	520	813
Tax losses arising	6,429	4,923
Other timing differences	–	(566)
	<u>6,949</u>	<u>5,170</u>

A deferred tax asset has not been recognised in the financial statements as it is not certain that the tax asset will be utilised in the foreseeable future.

Deferred taxation has not been accounted for on the surplus or deficit arising on the revaluation of properties in Hong Kong and Thailand as profits or losses arising on the disposal of Hong Kong and Thailand properties would not be subject to taxation. Accordingly, the surplus or deficit does not constitute a timing difference for deferred taxation purposes.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

31. DEFERRED TAXATION (continued)

Deferred taxation has not been accounted for on the deficit arising on revaluation of the Group's properties in the Mainland. The deficit would not constitute a timing difference for deferred tax purposes.

32. CHARGE ON ASSETS

As at 31st March, 2002, freehold properties held for own use with an aggregate carrying value of HK\$6,383,000 (2001: HK\$6,103,000) were mortgaged to secure general banking facilities granted to an overseas subsidiary.

33. CONTINGENT LIABILITIES

At 31st March, 2002:

- (a) the Company had contingent liabilities in respect of:
- (i) guarantees issued for banking facilities extended to its subsidiaries amounting to HK\$4,750,000 (2001: HK\$5,271,000).
 - (ii) guarantees issued for performance under contracts and rendering of services of certain subsidiaries amounting to HK\$2,670,000 (2001: HK\$5,232,000).
- (b) the Group had contingent liabilities for long service payments to employees who have completed the required number of years of service and under the Employment Ordinance are eligible for long service payments on termination of their employment under certain circumstances, amounting to approximately HK\$6,965,000 (2001: HK\$7,232,000).

34. OPERATING LEASE

(a) The Group as lessee

At 31st March, 2002, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of renting of premises which fall due as follows:

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	22,936	29,168	3,823	6,044
In the second to fifth year inclusive	4,587	18,322	–	4,533
	<u>27,523</u>	<u>47,490</u>	<u>3,823</u>	<u>10,577</u>

Leases are negotiated and rentals are fixed for an average term of 2 years.

(b) The Group as lessor

At the balance sheet date, investment properties with an aggregate carrying value of approximately HK\$5,040,000 (2001: HK\$5,310,000) were rented out under operating leases. The investment properties were leased out for a period of 2 years and the leases did not have any renewal options given to the lessees. The future minimum lease payments receivable by the Group under non-cancellable operating leases for each of the following periods are:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	450	180
In the second to fifth year inclusive	33	117
	<u>483</u>	<u>297</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST MARCH, 2002

35. RELATED PARTY TRANSACTIONS

The Company's ultimate holding company, Chevalier International Holdings Limited ("CIHL") and its subsidiaries, associates and jointly controlled entities are regarded as related parties for the purpose of SSAP 20. Details of the material transactions with these companies are as follows:

- (a) On 28th March, 2001, the Company renewed the management agreement with Chevalier (HK) Limited ("CHKL"), a wholly-owned subsidiary of CIHL, for the provision of company secretarial, accounting, electronic data processing, personnel and property management services by CHKL to the Group for the year ended 31st March, 2002 at a management fee calculated at the rate of 0.5% of the annual turnover of the Group excluding those of its overseas subsidiaries. Management fees paid to CHKL during the year under this agreement amounted to HK\$4,044,000 (2001: HK\$5,431,000). The management agreement expired on 28th March, 2002 and has been renewed for a further term of one year.
- (b) During the year, the Group sold computer equipment and office equipment to and received service income from wholly-owned subsidiaries of CIHL totalling HK\$3,913,000 (2001: HK\$4,517,000). The prices are determined with reference to market rates.
- (c) During the year, the Group paid rentals determined with reference to market rates amounting to HK\$5,909,000 (2001: HK\$9,917,000) to wholly-owned subsidiaries of CIHL for the use of their premises by the Group.
- (d) During the year, the Group paid storage and delivery charges amounting to approximately HK4,999,000 (2001: HK\$6,494,000) and HK\$2,515,000 (2001: HK\$2,832,000) respectively to a wholly-owned subsidiary of CIHL to cover its cost for services provided to the Group.

At the balance sheet date, the outstanding balance due to the ultimate holding company arising from the above transactions and recurrent expenses paid on behalf of the Group as at 31st March, 2002 and 2001 is disclosed in the balance sheet.

Apart from the above, the Group made advances to an associate during the year. The amount outstanding as at 31st March, 2002 is disclosed in note 17.

The amounts due to the ultimate holding company and from the associate are unsecured and interest-free.