

1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- Manufacture and sale of laminates
- Manufacture and sale of printed circuit boards
- Manufacture and sale of copper foils

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

The following recently-issued and revised SSAPs issued by the Hong Kong Society of Accountants 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”

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 which have had a significant effect on the financial statements are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that a 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 which are further detailed in note 21 to the financial statements.



Notes to Financial Statements

31 March 2002

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (continued)

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 own financial statements for the year. The adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in notes 11 and 24 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.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements. The SSAP does, however, require that impairment losses on intangible assets are aggregated with the accumulated amortisation, whereas previously they were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of intangible assets in the balance sheet.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and 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.

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 at the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

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

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.



Notes to Financial Statements

31 March 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

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

Depreciation of fixed assets is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for calculating depreciation are as follows:

Freehold land	Nil
Leasehold land	2%
Buildings	2% – 4.5%
Leasehold improvements	20%
Plant and machinery	9% – 10%
Furniture and office equipment	10% – 20%
Motor vehicles	18% – 20%

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.

Construction in progress

Construction in progress represents factory buildings and plant and machinery under construction, and is included in fixed assets and stated at cost less any impairment losses. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. No depreciation is provided until the construction work is completed. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Trademark

Trademark is stated at cost less any impairment losses. It is amortised using the straight-line basis over its estimated useful life of 5 years, commencing from the date when the products are put into commercial production.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs expected to be incurred to completion and in selling and distribution.

Properties held for resale

Properties held for resale, consisting of completed properties, are classified under current assets and stated at the lower of cost and net realisable value. Cost consists of all expenditure directly attributable to the acquisition and development of the properties plus other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices, less all costs of marketing and selling, on an individual basis.



Notes to Financial Statements

31 March 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax

Provision is made for deferred tax, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. All translation differences arising on consolidation are dealt with in the exchange equalisation reserve.

With respect to the investments in certain overseas subsidiaries which are financed by way of loans that are not repayable in the foreseeable future, rather than by equity, the resulting exchange differences on translation are included in the exchange equalisation reserve. In the opinion of the directors, such loans are for practical purposes as permanent as equity and, accordingly, are treated as part of the Group's net investment in the subsidiaries.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings 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 bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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 Company also recognised the proposed final dividends of subsidiaries, which were declared and approved after the balance sheet date, as income in its profit and loss account for the year. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) and SSAP 18 (Revised) have given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in notes 11, 12 and 24 to the financial statements.

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.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") in Hong Kong. The Scheme has operated since 1 December 2000. Ongoing contributions to the MPF Scheme are made based on a percentage of the employee's salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group operates a defined contribution scheme for those employees in Thailand who are eligible and have elected to participate in the scheme. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.



Notes to Financial Statements

31 March 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme (continued)

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

Cash equivalents

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that 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. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 6% has been applied to the expenditure on the individual assets.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the manufacture and sale of laminates segment is a supplier of industrial laminates mainly for use in the manufacture of audio and visual household products, telecommunications and computer-related products;
- (b) the manufacture and sale of printed circuit boards ("PCBs") segment is a supplier of PCBs mainly for use in audio and visual household products; and
- (c) the manufacture and sale of copper foils segment is a supplier of copper foil mainly for use in the manufacture of industrial laminates and PCBs.

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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.



Notes to Financial Statements

31 March 2002

4. SEGMENT INFORMATION (continued)

(a) Business segments

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

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foils		Eliminations		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	136,514	190,294	73,157	70,868	8,375	11,030	-	-	218,046	272,192
Intersegment sales	25,600	21,134	-	-	39,710	42,376	(65,310)	(63,510)	-	-
Other revenue	1,566	1,745	272	172	155	139	(1,296)	(1,272)	697	784
Total	<u>163,680</u>	<u>213,173</u>	<u>73,429</u>	<u>71,040</u>	<u>48,240</u>	<u>53,545</u>	<u>(66,606)</u>	<u>(64,782)</u>	<u>218,743</u>	<u>272,976</u>
Segment results	<u>23,113</u>	<u>1,058</u>	<u>27,427</u>	<u>735</u>	<u>2,982</u>	<u>17,239</u>	<u>(63,877)</u>	<u>5,575</u>	<u>(10,355)</u>	<u>24,607</u>
Interest income									25	31
Unallocated expenses									(2,268)	(1,499)
Profit/(loss) from operating activities									(12,598)	23,139
Finance costs									(6,941)	(10,247)
Profit/(loss) before tax									(19,539)	12,892
Tax									(544)	(1,833)
Net profit/(loss) from ordinary activities attributable to shareholders									<u>(20,083)</u>	<u>11,059</u>



Notes to Financial Statements

31 March 2002

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foils		Eliminations		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 assets	260,855	269,710	47,136	43,731	75,937	80,882	(84,336)	(93,302)	299,592	301,021
Unallocated assets									20,207	21,701
Total assets									319,799	322,722
Segment liabilities	22,840	26,930	42,658	40,596	26,368	38,062	(55,345)	(62,610)	36,521	42,978
Bank loans and other borrowings	58,239	38,497	6,342	4,878	12,529	7,417	-	-	77,110	50,792
Unallocated liabilities									637	1,670
Total liabilities									114,268	95,440
Other segment information:										
Depreciation	5,563	5,788	4,189	4,103	7,797	6,179	-	-	17,549	16,070
Unallocated provisions for impairment in values of properties held for resale									1,300	450
Provisions for bad and doubtful debts	1,373	730	745	1,438	-	-	-	-	2,118	2,168
Provisions/(write back of provisions) for inventories	1,588	1,514	-	794	(20)	(53)	-	-	1,568	2,255
Write off of inventories	-	-	-	-	3,721	-	-	-	3,721	-
Capital expenditure	13,453	4,163	7,057	3,116	1,434	3,243	-	-	21,944	10,522



Notes to Financial Statements

31 March 2002

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

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

	The People's Republic of China ("PRC")								Consolidated	
	Hong Kong		Elsewhere		Overseas		Eliminations		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
Segment revenue:										
Sales to external customers	<u>173,425</u>	<u>198,765</u>	<u>13,786</u>	<u>24,283</u>	<u>30,835</u>	<u>49,144</u>	<u>-</u>	<u>-</u>	<u>218,046</u>	<u>272,192</u>
Segment results	<u>(8,236)</u>	<u>17,969</u>	<u>(655)</u>	<u>2,195</u>	<u>(1,464)</u>	<u>4,443</u>	<u>-</u>	<u>-</u>	<u>(10,355)</u>	<u>24,607</u>
Other segment information:										
Segment assets	<u>166,444</u>	<u>173,125</u>	<u>161,444</u>	<u>162,059</u>	<u>76,247</u>	<u>81,218</u>	<u>(84,336)</u>	<u>(93,680)</u>	<u>319,799</u>	<u>322,722</u>
Capital expenditure	<u>533</u>	<u>80</u>	<u>19,977</u>	<u>7,199</u>	<u>1,434</u>	<u>3,243</u>	<u>-</u>	<u>-</u>	<u>21,944</u>	<u>10,522</u>

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.



Notes to Financial Statements

31 March 2002

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Profit/(loss) from operating activities is arrived at after charging/(crediting):

	Group	
	2002	2001
	HK\$'000	HK\$'000
Auditors' remuneration	684	639
Depreciation	17,549	16,070
Provisions for bad and doubtful debts	2,118	2,168
Provisions for inventories	1,568	2,255
Provisions for impairment in values of properties held for resale	1,300	450
Write off of inventories	3,721	–
Staff costs (including directors' remuneration – note 8):		
Pension contributions	425	340
Less: Forfeited contributions	(99)	(153)
Net pension contributions*	326	187
Salaries and wages	27,782	25,294
	<u>28,108</u>	<u>25,481</u>
Foreign exchange losses/(gains), net	(132)	2,573
Loss on disposal of fixed assets, net	34	3
Interest income	<u>(25)</u>	<u>(31)</u>

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

7. FINANCE COSTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interest expense on:		
Bank loans and other borrowings wholly repayable within five years	3,762	6,186
Factoring arrangements	2,317	3,854
Finance leases	1,112	207
	<u>7,191</u>	<u>10,247</u>
Total interest	7,191	10,247
Less: interest capitalised in construction in progress	(250)	–
	<u>6,941</u>	<u>10,247</u>



Notes to Financial Statements

31 March 2002

8. DIRECTORS' REMUNERATION

The directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	300	300
Other emoluments:		
Salaries, allowances and benefits in kind:		
Executive directors	8,326	7,077
Independent non-executive directors	–	–
	<u>8,626</u>	<u>7,377</u>

The management fee of HK\$692,000 (2001: HK\$448,000) paid to Emerald Hope Investments Limited during the year is included in the above remuneration, details of which are set out in the section headed "Directors' service contracts" in the Report of the Directors.

The remuneration of the above directors during the year fell within the following bands:

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	2	–
	<u>8</u>	<u>8</u>

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

9. 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 8 above.



Notes to Financial Statements

31 March 2002

10. TAX

	Group	
	2002	2001
	HK\$'000	HK\$'000
Provision for the year:		
PRC	16	90
Overseas	478	1,546
Underprovision in the prior year	50	197
Tax charge for the year	<u>544</u>	<u>1,833</u>

No provision for Hong Kong profits tax has been made as the Group has no assessable profits which were earned in or derived from Hong Kong during the year. Taxes on profits assessable elsewhere in the PRC have been calculated at the applicable rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's PRC subsidiaries enjoy income tax exemptions and reductions.

The overseas tax represents corporate income tax ("CIT") payable by a subsidiary operating in Thailand. The tax is charged at 30% (2001: 30%) on the income earned from non-promoted activities as defined by the Board of Investment in Thailand (the "Board of Investment"). The subsidiary received promotional privileges from the Board of Investment under promotion certificates issued for the manufacture of copper foil. Under these privileges, this subsidiary was exempted from certain taxes and duties as detailed in the certificates, including exemption from CIT for a period of seven years from the date of commencement of the promoted business of this subsidiary. As a promoted industry, the subsidiary is required to comply with the terms and conditions as specified in the promotion certificates.

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

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$968,000 (2001: HK\$1,053,000 as restated).

The comparative amount for 2001 has been restated by a prior year adjustment resulting in a net debit of HK\$8,000,000 to the Company's net profit for that year, and a net credit of the same amount to the dividend receivable in the Company's balance sheet. The prior year adjustment reversed a dividend from a subsidiary which was declared and approved by the board of directors of the subsidiary after the prior year's balance sheet date, but which was recognised by the Company as revenue in its financial statements for that year. The prior year adjustment resulted in no change to the amount of retained profits as at 1 April 2001. This change in accounting policy has arisen from the adoption of revisions to SSAP 18, as further detailed in notes 2 and 24 to the financial statements.

The effect of this change in accounting policy on the Company's net loss for the current year, was to decrease the net loss by HK\$8,000,000, as disclosed above.



Notes to Financial Statements

31 March 2002

12. DIVIDENDS

	Group and Company	
	2002	2001
	HK\$'000	HK\$'000
Interim dividend: Nil (2001: HK 1 cent) per share	–	3,718
Proposed final dividend: Nil (2001: HK 1 cent) per share	–	3,718
	<u>–</u>	<u>7,436</u>

The board of directors does not recommend the payment of any dividend for the current year.

Proposed final dividends for the year are subject to the approval of the Company's shareholders at the 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\$3,718,000, 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\$3,718,000.

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders of HK\$20,083,000 (2001: net profit from ordinary activities attributable to shareholders of HK\$11,059,000) and the weighted average of 371,834,088 (2001: 372,913,184) ordinary shares in issue during the year.

The diluted loss per share amount for the year ended 31 March 2002 has not been disclosed, as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share for the prior year was based on the net profit from ordinary activities attributable to shareholders of HK\$11,059,000. The weighted average number of ordinary shares used in the calculation was the sum of 372,913,184 ordinary shares in issue during the year, as used in the basic earnings per share calculation for that year; and the weighted average of 47,481 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year.

Notes to Financial Statements

31 March 2002

14. FIXED ASSETS

GROUP

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost:							
At beginning of year	62,761	4,939	168,654	16,474	2,740	46,111	301,679
Additions	854	–	6,878	501	538	13,173	21,944
Disposals	–	–	(154)	–	(393)	–	(547)
Transfers	2,760	–	10,589	196	–	(13,545)	–
Exchange realignment	949	–	2,431	93	16	390	3,879
At 31 March 2002	67,324	4,939	188,398	17,264	2,901	46,129	326,955
Accumulated depreciation:							
At beginning of year	10,315	4,818	84,200	11,392	2,441	–	113,166
Depreciation provided during the year	1,828	5	14,332	1,216	168	–	17,549
Disposals	–	–	(102)	–	(393)	–	(495)
Exchange realignment	118	–	904	47	11	–	1,080
At 31 March 2002	12,261	4,823	99,334	12,655	2,227	–	131,300
Net book value:							
At 31 March 2002	55,063	116	89,064	4,609	674	46,129	195,655
At 31 March 2001	52,446	121	84,454	5,082	299	46,111	188,513



Notes to Financial Statements

31 March 2002

14. FIXED ASSETS (continued)

As at 31 March 2002, the Group's land and buildings were situated in the following locations under the following lease terms:

	2002 HK\$'000	2001 HK\$'000
At cost:		
Freehold land and buildings situated in Thailand	24,470	23,618
Medium term leasehold land and buildings situated in Hong Kong	1,039	1,039
Medium term leasehold land and buildings situated elsewhere in the PRC	41,815	38,104
	<u>67,324</u>	<u>62,761</u>

The net book value of plant and machinery, motor vehicles and construction in progress held under finance leases at the balance sheet date amounted to HK\$21,143,000 (2001: HK\$7,171,000), HK\$554,000 (2001: HK\$153,000) and Nil (2001: HK\$1,850,000), respectively.

As at 31 March 2002, the Group's land and buildings with a net book value of HK\$25,205,000 (2001: HK\$21,754,000) were pledged for banking facilities granted to the Group (note 20).

15. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	63,074	63,074
Amounts due from subsidiaries	168,067	172,761
Amount due to a subsidiary	(11)	(11)
	<u>231,130</u>	<u>235,824</u>

The balances with subsidiaries are unsecured and interest-free.



Notes to Financial Statements

31 March 2002

15. INTERESTS IN SUBSIDIARIES (continued)

Details of the principal subsidiaries are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued/registered capital	Percentage of equity attributable to the Company		Principal activities
			2002	2001	
Nam Hing (B.V.I.) Limited	British Virgin Islands	US\$50,000	100	100	Investment holding
Nam Hing Industrial Laminate Limited	Hong Kong	HK\$200 HK\$2,000,000 *	100	100	Trading of laminates
Nam Hing Circuit Board Company Limited	Hong Kong	HK\$500,000	100	100	Trading of PCBs
Natural Century Limited	Hong Kong	HK\$2	100	100	Trading of raw materials for production of laminates
Bangkok Industrial Laminate Company Limited #	Thailand	Baht20,000,000	100	100	Trading and manufacture of copper foil
Zhongshan Nam Hing Insulating Material Limited	PRC	HK\$93,000,000	100	100	Manufacture of laminates
Nam Hing Circuit Board (Dongguan) Co., Ltd.	PRC	HK\$28,000,000	100	100	Manufacture of PCBs
Suzhou Nam Hing Industrial Laminate Co., Ltd.	PRC	US\$6,800,000	100	100	Not yet commenced business

Not audited by Ernst & Young

* Non-voting deferred shares

Except for Nam Hing (B.V.I.) Limited which operates in Hong Kong, all of the other subsidiaries' places of operations are the same as their places of incorporation/registration.

Except for Nam Hing (B.V.I.) Limited, all subsidiaries are indirectly held by the Company.

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



Notes to Financial Statements

31 March 2002

16. TRADE DEBTORS

An aged analysis of trade debtors at the balance sheet date is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within 3 months	29,727	25,630
4 to 6 months	12,212	11,176
Over 6 months	2,749	2,239
	<u>44,688</u>	<u>39,045</u>

The credit terms given to the customers vary, and are generally around three months, and are granted based on the financial strengths of the individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically by management.

17. INVENTORIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	24,132	27,095
Work in progress	693	523
Finished goods	21,333	35,353
	<u>46,158</u>	<u>62,971</u>
Less : Provision against inventories	(6,912)	(5,332)
	<u>39,246</u>	<u>57,639</u>

The carrying amount of inventories carried at net realisable value included in the above is HK\$1,291,000 (2001: HK\$134,000).



Notes to Financial Statements

31 March 2002

18. PROPERTIES HELD FOR RESALE

	Group	
	2002 HK\$'000	2001 HK\$'000
At beginning of year	21,300	21,750
Provisions for impairment in value	(1,300)	(450)
At end of year	<u>20,000</u>	<u>21,300</u>

The Group's properties held for resale are held under medium term leases.

The carrying amount of properties held for resale carried at net realisable value included in the above is HK\$20,000,000 (2001: HK\$5,500,000).

Details of the properties held for resale are as follows:

Location	Use	Site area/gross floor area (sq. feet)	Attributable interest of the Group
Lot Nos. 587, 588, 675, 714, 1875A, 1875B and the remaining portion of Lot Nos. 589 and 1875C, Demarcation District, No. 107, Fung Kat Heung, Yuen Long, New Territories.	Industrial	78,408/ 46,505	100%
Unit 4B, Ground floor, Fo Tan Industrial Centre, Nos. 26-28 Au Pui Wan Street, Shatin, New Territories.	Industrial	N/A/ 3,654	100%

As at 31 March 2002, the Group's properties held for resale with an aggregate carrying amount of HK\$20,000,000 (2001: HK\$21,300,000) were pledged for banking facilities granted to the Group (note 20).

19. TRADE CREDITORS

An aged analysis of trade creditors at the balance sheet date is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within 3 months	17,104	25,316
4 to 6 months	1,831	6,989
Over 6 months	1,591	1,436
	<u>20,526</u>	<u>33,741</u>



Notes to Financial Statements

31 March 2002

20. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	Group	
	2002 HK\$'000	2001 HK\$'000
Bank overdrafts, secured	13,464	9,637
Bank loans, secured	22,285	11,127
Trust receipt loans, secured	25,913	25,538
Loan from a director, unsecured	2,366	2,726
	<u>64,028</u>	<u>49,028</u>
Less: Portion due within one year included under current liabilities	<u>(56,476)</u>	<u>(46,815)</u>
Long-term portion	<u>7,552</u>	<u>2,213</u>
Bank loans and other borrowings are repayable:		
Within one year	56,476	46,815
In the second year	3,152	2,213
In the third to fifth years, inclusive	4,400	–
	<u>64,028</u>	<u>49,028</u>

Certain bank borrowings are secured by:

- (a) the Group's leasehold land and buildings with an aggregate net book value of HK\$25,205,000 (2001: HK\$21,754,000);
- (b) the Group's properties held for resale with an aggregate carrying amount of HK\$20,000,000 (2001: HK\$21,300,000);
- (c) the Group's fixed deposits amounting to HK\$3,000,000 (2001: Nil); and
- (d) properties owned by a director of the Company.

The loan from a director bears interest at 11% per annum and has no fixed terms of repayment.

Notes to Financial Statements

31 March 2002

21. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its manufacturing operations. These leases are classified as finance leases and have remaining lease terms ranging from one to three years.

As at 31 March 2002, the Group's total future minimum lease payments under finance leases and their present values, were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts payable:				
Within one year	6,497	1,322	5,668	1,135
In the second year	5,819	468	5,434	421
In the third to fifth years, inclusive	2,045	214	1,980	208
	<u>14,361</u>	<u>2,004</u>	<u>13,082</u>	<u>1,764</u>
Total minimum finance lease payments	14,361	2,004	<u>13,082</u>	<u>1,764</u>
Future finance charges	(1,279)	(240)		
	<u>13,082</u>	<u>1,764</u>		
Total net finance lease payables	13,082	1,764		
Portion classified as current liabilities	(5,668)	(1,135)		
	<u>7,414</u>	<u>629</u>		
Long-term portion	<u>7,414</u>	<u>629</u>		

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.



Notes to Financial Statements

31 March 2002

22. DEFERRED TAX

The principal components of the Group's and Company's net deferred tax asset position which have not been recognised in the financial statements are as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Accelerated depreciation allowances	(310)	(550)	–	–
Tax losses	<u>6,540</u>	<u>5,310</u>	<u>155</u>	<u>217</u>
	<u><u>6,230</u></u>	<u><u>4,760</u></u>	<u><u>155</u></u>	<u><u>217</u></u>

23. SHARE CAPITAL

Shares

	Company	
	2002 HK\$'000	2001 HK\$'000
Authorised:		
500,000,000 (2001: 500,000,000) ordinary shares of HK\$0.10 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
371,850,800 (2001: 371,800,800) ordinary shares of HK\$0.10 each	<u>37,185</u>	<u>37,180</u>

During the year, the subscription rights attaching to 50,000 share options were exercised at the subscription price of HK\$0.168, resulting in the issue of 50,000 ordinary shares of HK\$0.10 each for a total cash consideration before the related issue expenses of HK\$8,400.

A summary of the above movements in the Company's share capital during the year is as follows:

	Carrying amount HK\$'000	Number of issued shares
At beginning of year	37,180	371,800,800
Exercise of share options	<u>5</u>	<u>50,000</u>
At end of year	<u><u>37,185</u></u>	<u><u>371,850,800</u></u>



Notes to Financial Statements

31 March 2002

23. SHARE CAPITAL (continued)

Share options

The Company operates a share option scheme (the “Scheme”), further details of which are set out under the heading “Share option scheme” in the Report of the Directors on pages 17 and 18.

As at 1 April 2001, there were 14,460,000 share options outstanding. These share options entitled the holders to subscribe in cash for fully paid ordinary shares of HK\$0.10 each in the Company at subscription prices ranging from HK\$0.168 to HK\$0.262 per share (subject to adjustment) during various periods between 10 August 1998 and 21 November 2003.

50,000 share options with a subscription price of HK\$0.168 per share were exercised during the year.

During the year, 100,000 share options with a subscription price of HK\$0.168 per share lapsed upon expiry. In addition, 1,260,000 share options with a subscription price of HK\$0.2104 per share lapsed upon the resignation of the entitled employees.

As at 31 March 2002, the Company had 13,050,000 outstanding share options. These share options entitle the holders to subscribe in cash for fully paid ordinary shares of HK\$0.10 each in the Company at subscription prices ranging from HK\$0.2104 to HK\$0.262 per share (subject to adjustment) during various periods between 7 January 2000 and 21 November 2003. The exercise in full of such share options would, under the present capital structure of the Company, result in the issue of 13,050,000 additional shares of HK\$0.10 each, with aggregate proceeds before related issue expenses of approximately HK\$3,288,000.



Notes to Financial Statements

31 March 2002

24. RESERVES

Group

	Share premium account HK\$'000	Contributed surplus HK\$'000	Exchange equalisation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2000	120,636	2,031	(20,180)	101	91,698	194,286
Repurchase of shares	(303)	–	–	229	(229)	(303)
Premium on shares issued	3	–	–	–	–	3
Exchange differences on translation of the financial statements of overseas subsidiaries	–	–	(11,225)	–	–	(11,225)
Net profit for the year	–	–	–	–	11,059	11,059
Dividends	–	–	–	–	(7,436)	(7,436)
At 31 March 2001 and 1 April 2001	120,336	2,031	(31,405)	330	95,092	186,384
Premium on shares issued	3	–	–	–	–	3
Exchange differences on translation of the financial statements of overseas subsidiaries	–	–	2,042	–	–	2,042
Net loss for the year	–	–	–	–	(20,083)	(20,083)
Balance at 31 March 2002	<u>120,339</u>	<u>2,031</u>	<u>(29,363)</u>	<u>330</u>	<u>75,009</u>	<u>168,346</u>



Notes to Financial Statements

31 March 2002

24. RESERVES (continued)

Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2000	120,636	62,604	101	20,300	203,641
Repurchase of shares	(303)	–	229	(229)	(303)
Premium on shares issued	3	–	–	–	3
Net loss for the year (as restated)	–	–	–	(1,053)	(1,053)
Dividends	–	–	–	(7,436)	(7,436)
	<u>120,336</u>	<u>62,604</u>	<u>330</u>	<u>11,582</u>	<u>194,852</u>
At 31 March 2001 and 1 April 2001					
As previously reported	120,336	62,604	330	19,582	202,852
Prior year adjustment:					
SSAP 18 (Revised) – effect of dividend from a subsidiary no longer recognised as income for the year (notes 2 and 11)	–	–	–	(8,000)	(8,000)
As restated	<u>120,336</u>	<u>62,604</u>	<u>330</u>	<u>11,582</u>	<u>194,852</u>
Premium on shares issued	3	–	–	–	3
Net loss for the year	–	–	–	(968)	(968)
At 31 March 2002	<u><u>120,339</u></u>	<u><u>62,604</u></u>	<u><u>330</u></u>	<u><u>10,614</u></u>	<u><u>193,887</u></u>

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1994, over the nominal value of the Company's shares issued in exchange therefor.



Notes to Financial Statements

31 March 2002

24. RESERVES (continued)

The contributed surplus of the Company represents the excess of the fair value of the subsidiaries acquired pursuant to the same reorganisation, over the nominal value of the Company's shares issued for their acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

The capital redemption reserve represents the par value of shares of the Company which have been repurchased and cancelled.

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002 HK\$'000	2001 HK\$'000
Profit/(loss) from operating activities	(12,598)	23,139
Interest income	(25)	(31)
Depreciation	17,549	16,070
Provisions for bad and doubtful debts	2,118	2,168
Provisions for inventories	1,568	2,255
Provisions for impairment in value of properties held for resale	1,300	450
Write off of inventories	3,721	–
Loss on disposal of fixed assets	34	3
Changes in current assets and liabilities:		
Decrease/(increase) in trade debtors	(7,761)	15,017
Decrease/(increase) in other debtors, prepayments and deposits	(2,254)	1,394
Decrease/(increase) in inventories	13,104	(8,301)
Increase/(decrease) in trade creditors	(13,215)	4,469
Increase/(decrease) in bills payable	5,064	(8,638)
Increase/(decrease) in other creditors and accruals	1,446	(1,780)
Increase/(decrease) in trust receipt loans with maturities at inception of less than three months	12,648	(6,150)
Net cash inflow from operating activities	<u>22,699</u>	<u>40,065</u>



Notes to Financial Statements

31 March 2002

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Issued capital (including share premium account) HK\$'000	Bank loans and loans from a director HK\$'000	Finance lease obligations HK\$'000
Balance at 1 April 2000	158,040	33,711	3,160
Cash outflow from financing activities, net	(524)	(18,130)	(955)
Exchange realignment	–	(1,728)	(441)
Balance at 31 March 2001 and 1 April 2001	157,516	13,853	1,764
Cash inflow from financing activities, net	8	10,638	7,980
Inception of finance lease contracts	–	–	3,308
Exchange realignment	–	160	30
Balance at 31 March 2002	<u>157,524</u>	<u>24,651</u>	<u>13,082</u>

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of leases of HK\$3,308,000 (2001: Nil).

26. CONTINGENT LIABILITIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Debts factored with recourse	28,585	31,977
Long service payments	1,159	1,124
	<u>29,744</u>	<u>33,101</u>

As at 31 March 2002, the Company had guarantees given to banks in connection with facilities granted to its subsidiaries to the extent of approximately HK\$99,458,000 (2001: HK\$66,668,000), of which HK\$61,662,000 (2001: HK\$46,302,000) had been utilised at the balance sheet date.



Notes to Financial Statements

31 March 2002

27. COMMITMENTS

As at 31 March 2002, the Group had the following commitments in respect of capital expenditure, which was authorised, but not provided for in the financial statements:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Contracted for	5,396	17,136	–	–
Not contracted for	1,737	–	–	–
	<u>7,133</u>	<u>17,136</u>	<u>–</u>	<u>–</u>

28. RELATED PARTY TRANSACTIONS

During the year, the Group paid interest of HK\$323,000 (2001: HK\$820,000) on a loan from a director, further details of which are set out in note 20.

During the year, certain banking facilities of the Group were secured by properties owned by a director of the Company. The director received no consideration for providing this collateral.

29. 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.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 July 2002.