1. **CORPORATE INFORMATION AND RELATED PARTY TRANSACTIONS**

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

– manufacture and marketing of clocks and lighting products;
– trading of metals; and
– provision of electroplating services.

During the year, the Group purchased raw materials of HK$763,000 (2001: HK$5,339,000) from a jointly-controlled entity. The directors consider that purchases of raw materials from a jointly-controlled entity were made according to the published prices and conditions similar to those offered to other customers of the jointly-controlled entity, except that no interest was charged for overdue trade debts.

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

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") and related Interpretations are effective for the first time for the current year's financial statements:

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

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretation are summarised as follows:

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 this revised SSAP. The revised requirements have not had a material effect on the amounts previously recorded in the financial statements and therefore, no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 22 and 29 to the financial statements.

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

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 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. This SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of this SSAP and Interpretation has not resulted in a prior year adjustment for the reasons detailed in note 26 to the financial statements. The required new additional disclosures are included in note 26 to the financial statements.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of preparation

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Group does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Group holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

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

Investments in jointly-controlled entities other than those accounted for as a subsidiary or under the equity method of accounting are stated at cost less any impairment losses. Investment income is recognised when the shareholders' right to receive payment has been established.

Associates

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

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

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

Goodwill

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

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to the Group's accounting period beginning on 1 April 2001 to remain eliminated against consolidated reserves.

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

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

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates and jointly-controlled entities, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Negative goodwill *(Cont'd)*

In prior years, negative goodwill arising on acquisitions was credited to the consolidated reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to the Group's accounting period beginning on 1 April 2001 to remain credited to the consolidated reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the consolidated reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Fixed assets and depreciation

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

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

In accordance with the transitional provisions as set out in SSAP 17 "Property, plant and equipment", subsequent revaluations of the leasehold land and buildings of the Group will not be undertaken on a regular basis.

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

Leasehold land	Over the lease terms
Leasehold buildings	5%
Leasehold improvements	15%
Plant and machinery	20%
Furniture, equipment and motor vehicles	15% to 25%

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 represents the costs incurred in connection with the construction of fixed assets, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs incurred during the period of construction, installation and testing. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed, and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying amount over the remaining terms of the lease, and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On the disposal of an investment property, the relevant portion of the property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Intangible assets

Patents and trademarks

Patents and trademarks, which represent the registration fees of patents and trademarks, are stated at cost less any impairment losses and are amortised on the straight-line basis over their useful lives of five years.

Research and development costs

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

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

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the expected useful lives of the related products subject to a maximum period of five years commencing from the date when the products are available for use.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

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 are depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

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

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.

Accounts receivable

Trading terms with customers are largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are regularly reviewed by senior management.

Inventories

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

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Deferred tax

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

Revenue recognition

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

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

(b) provision of electroplating services, when the related services are rendered;

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

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

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

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, associates and jointly-controlled entities are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

Retirement benefits scheme

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

The Company's subsidiaries established in the People's Republic of China (the "PRC") are members of the state-managed retirement benefits scheme operated by the PRC government. The retirement scheme contributions, which are based on a certain percentage of the salaries of the PRC subsidiaries' employees, are charged to the profit and loss account in the period to which they relate and represent the amount of contributions payable by these subsidiaries to this scheme.

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 clock and other office related products segment engages in the manufacture and marketing of clocks and other office related accessories;

(b) the lighting products segment engages in the manufacture and marketing of energy saving lighting products;

(c) the trading segment engages in the trading of metals; and

(d) the electroplating services segment engages in the provision of electroplating services.

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

4. **SEGMENT INFORMATION** *(Cont'd)*

(a) **Business segments**

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

Group

	Clocks and other office related products		Lighting products		Trading		Electroplating services		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	**140,057**	162,609	**10,605**	4,805	**108,061**	104,482	**13,833**	12,326	**272,556**	284,222
Segment results	**4,073**	9,346	**577**	(517)	**2,459**	4,383	**2,515**	4,633	**9,624**	17,845
Interest and dividend income									**327**	919
Net unallocated expenses									**(11,581)**	(11,815)
Profit/(loss) from operating activities									**(1,630)**	6,949
Finance costs									**(1,961)**	(1,857)
Share of profit/(loss) of a jointly-controlled entity	**(485)**	140	**–**	–	**–**	–	**–**	–	**(485)**	140
Profit/(loss) before tax									**(4,076)**	5,232
Tax									**1,915**	96
Profit/(loss) before minority interests									**(2,161)**	5,328
Minority interests									**(645)**	(998)
Net profit/(loss) from ordinary activities attributable to shareholders									**(2,806)**	4,330

4. **SEGMENT INFORMATION** *(Cont'd)*

(a) **Business segments** *(Cont'd)*

Group

	Clocks and other office related products		Lighting products		Trading		Electroplating services		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	140,337	134,237	7,953	8,274	39,055	33,172	17,596	19,602	204,941	195,285
Interest in an associate									–	–
Interest in a jointly-controlled entity	527	(80)	–	–	–	–	–	–	527	(80)
Unallocated assets									56,382	58,161
Total assets									261,850	253,366
Segment liabilities	14,426	12,484	750	1,025	–	–	1,278	1,728	16,454	15,237
Unallocated liabilities									39,953	30,232
Total liabilities									56,407	45,469
Other segment information:										
Capital expenditure	6,714	6,824	–	48	–	–	523	521	7,237	7,393
Unallocated capital expenditure									15,260	695
Depreciation and amortisation	6,672	8,630	413	468	–	–	1,503	1,425	8,588	10,523
Unallocated depreciation and amortisation									1,526	1,523
Unallocated impairment loss recognised in the profit and loss account									1,099	–
Other non-cash expense	71	206	–	–	–	–	–	–	71	206
Unallocated non-cash expenses									600	536

4. **SEGMENT INFORMATION** *(Cont'd)*

(b) **Geographical segments**

The following table presents revenue, results and certain assets and expenditure information for the Group's geographical segments.

Group

	North America		Europe		Hong Kong		Elsewhere in the PRC		Others		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**76,739**	95,244	**52,863**	43,653	**22,461**	30,990	**113,652**	106,137	**6,841**	8,198	**272,556**	284,222
Segment results	**1,438**	6,618	**289**	2,257	**3,782**	4,769	**4,319**	4,322	**(204)**	(121)	**9,624**	17,845
Other segment information:												
Segment assets	**3,268**	6,431	**17,129**	14,516	**62,822**	57,611	**178,631**	174,808	**–**	–	**261,850**	253,366
Capital expenditure	**–**	326	**814**	109	**15,159**	742	**6,524**	6,911	**–**	–	**22,497**	8,088

5. **TURNOVER**

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and income from the provision of electroplating services.

6. **PROFIT/(LOSS) FROM OPERATING ACTIVITIES**

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

	2002	2001
	HK$'000	*HK$'000*
Cost of inventories sold	211,176	215,292
Cost of services provided	7,270	6,155
Staff costs (excluding directors' emoluments, note 8):		
Wages and salaries	42,764	45,398
Provident fund contributions	597	167
	43,361	45,565
Depreciation	10,015	11,848
Amortisation of patents and trademarks*	99	198
Auditors' remuneration:		
Current year provision	930	930
Overprovision in prior year	–	(14)
Research and development expenditure	2,342	2,466
Minimum lease payments under operating leases for land and buildings	1,425	497
Exchange losses, net	633	346
Provision for bad and doubtful debts	71	206
Provision for impairment in value of fixed assets	1,099	–
Deficit on revaluation of fixed assets	600	400
Loss/(gain) on disposal of fixed assets	(29)	136
Write-back of provision for inventories	(3,933)	(1,556)
Write-back of provision for interest in a jointly-controlled entity	–	(1,040)
Gain on disposal of interest in a jointly-controlled entity	–	(942)
Gain on disposal of investments held for disposal	(709)	–
Dividend income from unlisted investments in jointly-controlled entities	–	(424)
Dividend income from investments held for disposal	(106)	–
Gross rental income	(1,238)	(1,024)
Less: Outgoings	82	–
Net rental income	(1,156)	(1,024)
Interest income	(221)	(495)

* *The amortisation of patents and trademarks for the year are included in "Administrative expenses" on the face of the consolidated profit and loss account.*

6. **PROFIT/(LOSS) FROM OPERATING ACTIVITIES** *(Cont'd)*

The costs of inventories sold and services provided include HK$28,081,000 (2001: HK$28,812,000) relating to staff costs, depreciation and minimum lease payments under operating leases for land and buildings, which are also included in the respective total amounts disclosed separately above for these types of expenses.

7. **FINANCE COSTS**

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest expense on:		
Bank loans and overdrafts wholly repayable within five years	**1,796**	1,731
Bank loans repayable beyond five years	**100**	–
Finance leases	**65**	126
	1,961	1,857

8. **REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES**

Directors' remuneration

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:

	2002	2001
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	240
Independent non-executive directors	**200**	200
	200	440
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	**5,333**	6,427
Provident fund contributions	**51**	28
	5,384	6,455
	5,584	6,895

8. **REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES** *(Cont'd)*

Directors' remuneration *(Cont'd)*

The number of directors whose remuneration fell within the bands set out below is as follows:

	2002 Number of directors	2001 Number of directors
Nil – HK$1,000,000	**7**	9
HK$1,000,001 – HK$1,500,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	1
	9	11

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

Five highest paid employees

The five highest paid employees during the year included four (2001: Five) directors, details of whose remuneration are set out above. The details of the remuneration of the remaining one non-director, highest paid (2001: Nil) employee, which fell within the nil – HK$1,000,000 band are as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**525**	–
Provident fund contributions	**12**	–
	537	–

During the year, no emoluments were paid by the Group to the directors, or the non-director, highest paid employee as an inducement to join or upon joining the Group, or as compensation for loss of office (2001: Nil).

9. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

At 31 March 2002, three (2001: five) subsidiaries, which were established in the PRC, were exempted from PRC income tax for two years from their first profit-making year and were eligible for a 50% relief from PRC corporate income tax ("CIT") for the following three years under the Income Tax Law of the PRC. The current tax rates that would otherwise be applicable to these subsidiaries range from 15% to 24%.

Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the subsidiaries operated during the year, based on existing legislation, interpretations and practices in respect thereof.

	2002 *HK$'000*	2001 *HK$'000*
Group:		
Hong Kong:		
Current year provision	(260)	(1,146)
Overprovision in prior years	249	254
Deferred *(note 24)*	1,771	–
	1,760	(892)
Elsewhere:		
Current year provision	(185)	(451)
Overprovision in prior years	188	–
Rebate relating to prior years	152	1,439
	155	988
Tax credit for the year	1,915	96

10. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2002 dealt with in the financial statements of the Company was HK$811,000 (2001: net profit of HK$291,000).

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$2,806,000 (2001: net profit of HK$4,330,000) and the weighted average number of 242,807,500 (2001: 242,807,500) ordinary shares in issue during the year.

No diluted loss per share is shown for the year ended 31 March 2002 as the effect of the Company's share options outstanding during the year was anti-dilutive. In addition, the exercise price of the warrants granted and outstanding during the year, was higher than the average market price of the Company's shares and, accordingly, there is no dilutive effect on the basic loss per share.

The calculation of diluted earnings per share for the year ended 31 March 2001 was based on the net profit from ordinary activities attributable to shareholders for that year of HK$4,330,000. The weighted average number of ordinary shares used in the calculation was the 242,807,500 ordinary shares in issue during the year ended 31 March 2001, as used in the basic earnings per share calculation, and the weighted average number of 6,995,714 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all options outstanding during the year ended 31 March 2001.

12. FIXED ASSETS

Group

	Investment properties HK$'000	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Furniture, equipment and motor vehicles HK$'000	Total HK$'000
Cost or valuation:							
At beginning of year	8,600	93,211	833	–	46,246	40,534	189,424
Additions	–	14,577	–	4,747	1,234	1,333	21,891
Acquisition of a business	–	–	–	–	63	543	606
Transfers	–	2,792	–	(4,747)	–	1,955	–
Disposals	–	–	–	–	(25)	(336)	(361)
Deficit on revaluation	(600)	–	–	–	–	–	(600)
Exchange realignment	–	43	–	–	(5)	9	47
At 31 March 2002	**8,000**	**110,623**	**833**	**–**	**47,513**	**44,038**	**211,007**
Accumulated depreciation and impairment:							
At beginning of year	–	17,241	188	–	35,585	34,251	87,265
Provided during the year	–	3,330	105	–	4,343	2,237	10,015
Impairment during the year recognised in the profit and loss account	–	1,099	–	–	–	–	1,099
Disposals	–	–	–	–	(25)	(76)	(101)
Exchange realignment	–	11	–	–	(3)	4	12
At 31 March 2002	**–**	**21,681**	**293**	**–**	**39,900**	**36,416**	**98,290**
Net book value:							
At 31 March 2002	**8,000**	**88,942**	**540**	**–**	**7,613**	**7,622**	**112,717**
At 31 March 2001	8,600	75,970	645	–	10,661	6,283	102,159

12. **FIXED ASSETS** *(Cont'd)*

An analysis of the cost or valuation of the leasehold land and buildings of the Group at the balance sheet date is as follows:

	2002	2001
	HK$'000	*HK$'000*
Medium term leasehold land and buildings in Hong Kong:		
At cost	18,606	4,129
At 1995 professional valuation	31,809	31,809
	50,415	35,938
Medium term leasehold land and buildings outside Hong Kong:		
At cost	29,382	26,447
At 1995 professional valuation	30,826	30,826
	60,208	57,273
Total cost or valuation	110,623	93,211

The valuation of the medium term leasehold land and buildings was carried out by Knight, Frank & Kan, an independent firm of professional valuers, on an open market, existing use basis as at 31 January 1995. Had the revalued assets been valued at their cost less accumulated depreciation and impairment losses, the total carrying amount of land and buildings as at 31 March 2002 would be restated at HK$22,336,000 (2001: HK$24,722,000).

The net book value of assets held under finance leases included in the total amount of plant and machinery of the Group as at 31 March 2002 amounted to HK$732,000 (2001: HK$1,316,000).

The investment properties are situated in Hong Kong and are held under medium term leases.

The Group's investment properties were revalued on 31 March 2002 by K.T. Liu Surveyors Limited, an independent firm of professional valuers, at HK$8,000,000 (2001: HK$8,600,000) on an open market basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 29 to the financial statements.

At 31 March 2002, the Group's investment properties, certain of the Group's leasehold land and buildings and plant and machinery were pledged to secure general banking facilities granted to the Group (note 23).

13. INTERESTS IN SUBSIDIARIES

	Company 2002 *HK$'000*	Company 2001 *HK$'000*
Unlisted investments, at cost	**118,249**	118,249
Due from subsidiaries	**81,368**	82,881
Less: Provision for impairment	**(39,754)**	(39,754)
	159,863	161,376

The amounts due from subsidiaries are unsecured, interest-free and are not repayable within twelve months.

The following table lists the particulars of the principal subsidiaries of the Company as at 31 March 2002 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.

Name	Place of incorporation/ registration and operations	Nominal value of paid-up registered/ issued share capital	Percentage of equity attributable to the Company 2002	Percentage of equity attributable to the Company 2001	Principal activities
Directly held:					
Artfield Company Limited	British Virgin Islands	Ordinary US$50,010	**100**	100	Investment holding
Indirectly held:					
Artfield Manufacturing Company Limited	Hong Kong	Ordinary HK$1,000 Non-voting deferred HK$2,000,000	**100**	100	Manufacture and marketing of clocks, and trading of metals
Artfield Industries (Shenzhen) Ltd.	People's Republic of China	RMB46,000,000	**100**	100	Manufacture of clocks
Ultra Good Electroplating Limited	Hong Kong	Ordinary HK$4,000,000	**79.75**	79.75	Provision of electroplating services
Ultra Good Electroplating Surface Finishing (Shenzhen) Co., Ltd.	People's Republic of China	US$600,000	**79.75**	79.75	Provision of electroplating services

13. INTERESTS IN SUBSIDIARIES *(Cont'd)*

Name	Place of incorporation/ registration and operations	Nominal value of paid-up registered/ issued share capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Indirectly held: (Cont'd)					
Dixon Design Limited	British Virgin Islands	Ordinary US$10,000	**100**	100	Ownership of patents and trademarks
Wehrle Uhrenfabrik GmbH	Germany	EUR255,646	**100**	100	Manufacture and marketing of clocks
Precision Group Limited	British Virgin Islands	Ordinary US$437,000	**100**	100	Investment holding
City Bright International Limited	Hong Kong	Ordinary HK$2,000,000	**100**	100	Investment holding
Everbright Lighting Limited	Hong Kong	Ordinary HK$1,000,000	**100**	100	Trading of lighting products
Everbright Lighting (Hong Kong) Limited	Hong Kong	Ordinary HK$2	**100**	100	Trading of lighting products
City Bright Lighting (Shenzhen) Co., Ltd.	People's Republic of China	HK$3,000,000	**100**	100	Manufacture of lighting products
German Time Limited	Hong Kong	Ordinary HK$2,000,000	**100**	100	Property holding
Artfield Industries (Gaoming) Ltd.	People's Republic of China	HK$7,000,000	**100**	100	Manufacture of wooden products
高明豐雅鐘錶有限公司	People's Republic of China	HK$1,500,000	**100**	100	Manufacture and marketing of clocks
East Champion International Limited	Hong Kong	Ordinary HK$1,200	**100**	100	Property holding
Right Time Group, Inc.	United States of America	US$10,000	**100**	100	Marketing of clocks
Royal Success Enterprises Limited	Hong Kong	Ordinary HK$4	**100**	100	Investment holding
Smart Best Development Limited	Hong Kong	Ordinary HK$4	**100**	100	Property investment
Ferdinand International (Marketing) Limited	United Kingdom	GBP10,000	**100**	100	Marketing of clocks

14. INTEREST IN AN ASSOCIATE

	Group 2002 HK$'000	Group 2001 HK$'000
Share of net assets	–	–

The associate was liquidated during the year. The Group did not equity account for its share of the operating results of the associate for the period from 1 April 2000 to the date of liquidation of the associate because the Group had ceased to have any significant influence over the operating and financial policies of the associate, and had fully provided for its interest in the associate in prior years. The Group's share of the post-acquisition accumulated deficit of the associate prior to its liquidation was HK$627,000 (2001: HK$627,000).

Particulars of the associate were as follows:

Name	Business structure	Place of incorporation and operations	Nominal value of paid-up ordinary share capital	Percentage of equity attributable to the Group 2002	Percentage of equity attributable to the Group 2001	Principal activity
Phorm Designs, Inc.	Corporate	United States of America	US$282,664	–	30	Liquidated

15. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2002 HK$'000	Group 2001 HK$'000
Share of net assets	527	1,012
Due to a jointly-controlled entity	–	(1,092)
	527	(80)

The amount due to the jointly-controlled entity was unsecured, interest-free and was settled during the year. The Group's share of net loss contributed by the jointly-controlled entity for the year amounted to HK$485,000 (2001: net profit of HK$140,000). The Group's share of the post-acquisition accumulated losses of the jointly-controlled entity as at 31 March 2002 was HK$692,000 (2001: HK$207,000).

15. INTEREST IN A JOINTLY-CONTROLLED ENTITY *(Cont'd)*

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Shanghai Shen Ya Lacquerware Wooden Products Co., Ltd.	Corporate	People's Republic of China	48	40	48	Manufacture of wooden products

16. INTANGIBLE ASSETS

Group

	Patents and trademarks *HK$'000*
Cost:	
At beginning of year	1,586
Additions	8
Exchange realignment	(3)
At 31 March 2002	**1,591**
Accumulated amortisation:	
At beginning of year	1,333
Provided during the year	99
Exchange realignment	(3)
At 31 March 2002	**1,429**
Net book value:	
At 31 March 2002	**162**
At 31 March 2001	253

17. INVESTMENTS HELD FOR DISPOSAL

The investments held for disposal represented the Group's investments in Jiangxi Guixi-Acepoint Lightings Co., Ltd. ("Acepoint") and Jiangxi Hongya Lamps Co., Ltd. ("Hongya"), two equity-accounted jointly-controlled entities of the Group at 31 March 1999. During the year ended 31 March 2000, the Group disposed of 35% and 30% (the "Partial Disposals") of the equity interests in Acepoint and Hongya, respectively. Pursuant to the respective sale and purchase agreements regarding the Partial Disposals, the Group ceased to exercise control or significant influence over the operating and financial policies of Acepoint and Hongya after the Partial Disposals and the Group had the option to dispose of its remaining equity interests of 25% each in Acepoint and Hongya after 30 June 2001. The Group exercised the option in July 2001 and, accordingly, disposed of the respective investments in Acepoint and Hongya.

18. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**32,699**	28,273
Work in progress	**30,135**	29,127
Finished goods	**11,762**	11,183
	74,596	68,583

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

19. ACCOUNTS AND BILLS RECEIVABLE

The ageing of the Group's accounts and bills receivable as at the balance sheet date, based on the date of goods delivered, is analysed as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Within 90 days	**35,986**	43,606
Between 91 to 365 days	**16,612**	1,998
Over 1 year	**547**	166
	53,145	45,770

20. ACCOUNTS AND BILLS PAYABLE

The ageing of the Group's accounts and bills payable as at the balance sheet date, based on the date of goods received, is analysed as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Within 90 days	**7,815**	6,056
Between 91 to 365 days	**899**	164
Over 1 year	**173**	158
	8,887	6,378

21. INTEREST-BEARING BANK BORROWINGS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Bank overdrafts, secured	**2,335**	1,532
Trust receipt loans, secured	**17,718**	13,376
Bank loans, secured and repayable:		
Within one year	**7,777**	8,117
In the second year	**536**	187
In the third to fifth years, inclusive	**1,715**	–
Beyond five years	**6,757**	–
	36,838	23,212
Portion classified as current liabilities	**(27,830)**	(23,025)
Non-current portion	**9,008**	187

22. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its business operation. These leases are classified as finance leases and have remaining lease terms ranging from 2 to 16 months.

At 31 March 2002, the total future minimum lease payments under finance leases and their present values, were as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**512**	765	**489**	754
In the second year	**157**	528	**155**	433
In the third to fifth years, inclusive	**–**	158	**–**	129
Total minimum finance lease payments	**669**	1,451	**644**	1,316
Future finance charges	**(25)**	(135)		
Total net finance lease payables	**644**	1,316		
Portion classified as current liabilities	**(489)**	(754)		
Non-current portion	**155**	562		

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.

23. BANKING FACILITIES

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

(a) pledge of the Group's fixed deposits of HK$2,540,000 (2001: HK$5,400,000);

(b) legal charges over the Group's investment properties, certain of the Group's leasehold land and buildings and plant and machinery; and

(c) corporate guarantees from the Company and certain subsidiaries of the Company.

24. DEFERRED TAX

	Group	
	2002	2001
	HK$'000	*HK$'000*
Balance at beginning of year	**1,771**	1,771
Credit for the year *(note 9)*	**(1,771)**	–
At 31 March	**–**	1,771

The principal components of the Group's deferred tax liabilities provided for at 31 March 2001 represented accelerated depreciation allowances.

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

Deferred tax has not been provided for the Company (2001: Nil) and the Group (2001: HK$1,771,000) because there were no significant timing differences at the balance sheet date.

25. SHARE CAPITAL

Shares

	2002	2001
	HK$'000	*HK$'000*
Authorised:		
900,000,000 ordinary shares of HK$0.10 each	**90,000**	90,000
Issued and fully paid:		
242,807,500 ordinary shares of HK$0.10 each	**24,281**	24,281

Share options

The Company operates a share option scheme (the "Scheme"), details of which are set out under the heading "Share option scheme" in the Report of the Directors.

The exercise in full of the outstanding 10,908,000 (2001: 10,908,000) share options at 31 March 2002 would, under the present capital structure of the Company, result in the issue of 10,908,000 (2001: 10,908,000) additional shares of HK$0.10 each for a total consideration, before expenses, of approximately HK$3,938,000 (2001: HK$3,938,000).

No share options had been granted or exercised during the year ended 31 March 2002.

25. **SHARE CAPITAL** *(Cont'd)*

Warrants

During the year, a bonus issue of warrants was made in the proportion of one warrant for every five shares held by members on the register of members on 31 August 2001, other than those whose registered addresses were outside Hong Kong, resulting in 48,561,500 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.10 at a subscription price of HK$1.23 per share, payable in cash and subject to adjustment, at any time within the period from 20 February 2004 to 1 March 2004 (both dates inclusive).

The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 48,561,500 additional shares of HK$0.10 each for a total consideration, before expenses, of approximately HK$59,731,000.

26. **RESERVES**

Group

2001

	Share premium account	Property revaluation reserve	Capital reserve	Reserve and enterprise expansion funds	Exchange fluctuation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year	26,262	27,107	42,516	8,451	(2,720)	71,611	173,227
Transfer to reserve and enterprise expansion funds	–	–	–	433	–	(433)	–
Disposal of fixed assets	–	(947)	–	–	–	947	–
Arising on translation of the financial statements of overseas subsidiaries	–	–	–	–	322	–	322
Net profit for the year	–	–	–	–	–	4,330	4,330
At 31 March 2001	26,262	26,160	42,516	8,884	(2,398)	76,455	177,879
Reserves retained by:							
Company and subsidiaries	26,262	26,160	42,516	8,884	(2,983)	77,289	178,128
Associate	–	–	–	–	–	(627)	(627)
Jointly-controlled entity	–	–	–	–	585	(207)	378
At 31 March 2001	26,262	26,160	42,516	8,884	(2,398)	76,455	177,879

26. RESERVES *(Cont'd)*

Group

2002

	Share premium account	Property revaluation reserve	Capital reserve	Reserve and enterprise expansion funds	Exchange fluctuation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year	26,262	26,160	42,516	8,884	(2,398)	76,455	177,879
Transfer to reserve and enterprise expansion funds	–	–	–	232	–	(232)	–
Arising on translation of the financial statements of overseas subsidiaries	–	–	–	–	(90)	–	(90)
Net loss for the year	–	–	–	–	–	(2,806)	(2,806)
At 31 March 2002	**26,262**	**26,160**	**42,516**	**9,116**	**(2,488)**	**73,417**	**174,983**
Reserves retained by:							
Company and subsidiaries	26,262	26,160	42,516	9,116	(3,073)	74,109	175,090
Jointly-controlled entity	–	–	–	–	585	(692)	(107)
At 31 March 2002	**26,262**	**26,160**	**42,516**	**9,116**	**(2,488)**	**73,417**	**174,983**

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions which occurred prior to the Group's accounting period beginning on 1 April 2001 to remain eliminated against consolidated reserves.

The amount of goodwill and negative goodwill remaining in consolidated capital reserves, arising from the acquisition of subsidiaries prior to the Group' accounting period beginning on 1 April 2001, were HK$4,575,000 (2001: HK$4,575,000) and HK$1,097,000 (2001: HK$1,097,000), respectively, as at 31 March 2002. The amounts of goodwill and negative goodwill, which arose in prior years, are stated at cost.

In accordance with PRC regulations, all of the Group's subsidiaries in the PRC are required to transfer part of their profit after tax to the reserve and enterprise expansion funds, which are non-distributable, before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of directors of these companies in accordance with their joint venture agreements and/or articles of association.

26. **RESERVES** *(Cont'd)*

Company

	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2000	26,262	128,013	(18,731)	135,544
Net profit for the year	–	–	291	291
At 31 March 2001 and 1 April 2001	26,262	128,013	(18,440)	135,835
Net loss for the year	–	–	(811)	(811)
At 31 March 2002	**26,262**	**128,013**	**(19,251)**	**135,024**

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued shares of the companies being acquired and the value of net assets of the underlying companies acquired at the time of the Group's reorganisation in preparation for its listing in 1995. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of the contributed surplus in certain circumstances.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002 *HK$'000*	2001 *HK$'000*
Profit/(loss) from operating activities	(1,630)	6,949
Interest income	(221)	(495)
Dividend income	(106)	(424)
Depreciation	10,015	11,848
Provision for impairment in value of fixed assets	1,099	–
Deficit on revaluation of fixed assets	600	400
Amortisation of patents and trademarks	99	198
Gain on disposal of interest in a jointly-controlled entity	–	(942)
Gain on disposal of investments held for disposal	(709)	–
Write-back of provision for interest in a jointly-controlled entity	–	(1,040)
Loss/(gain) on disposal of fixed assets	(29)	136
Increase in accounts and bills receivable, prepayments, deposits and other receivables	(7,332)	(4,777)
Increase in inventories	(6,138)	(4,858)
Increase/(decrease) in accounts and bills payable, accrued liabilities and other payables	778	(8,514)
Decrease in an amount due to a jointly-controlled entity	(1,092)	(190)
Net cash outflow from operating activities	(4,666)	(1,709)

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

(b) **Analysis of changes in financing during the year**

	Issued capital and share premium account HK$'000	Bank loans and finance lease payables HK$'000	Minority interests HK$'000
Balance at 1 April 2000	50,543	7,421	5,144
Net cash inflow from financing	–	803	–
Inception of a finance lease	–	1,396	–
Dividend paid to minority shareholders of a subsidiary	–	–	(405)
Share of profit for the year	–	–	998
Balance at 31 March 2001 and 1 April 2001	50,543	9,620	5,737
Net cash inflow from financing	–	7,809	–
Dividend paid to minority shareholders of a subsidiary	–	–	(203)
Share of profit for the year	–	–	645
Balance at 31 March 2002	**50,543**	**17,429**	**6,179**

(c) **Acquisition of a business**

	2002 HK$'000	2001 HK$'000
Net assets acquired:		
Fixed assets	606	–
	606	–
Satisfied by:		
Cash consideration	606	–

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

(c) **Acquisition of a business** *(Cont'd)*

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the business is as follows:

	2002	2001
	HK$'000	*HK$'000*
Cash consideration	**606**	–

Since its acquisition, the business contributed approximately HK$17,082,000 to the Group's turnover and approximately HK$446,000 to the consolidated loss after tax for the year ended 31 March 2002.

For the year ended 31 March 2002, the acquired business contributed approximately HK$895,000 to the Group's net operating cash flows, paid approximately HK$405,000 in respect of the cash flows for investing activities, but had no significant impact in respect of the Group's cash flows for returns on investments and servicing of finance or financing activities or the payment of tax.

(d) **Major non-cash transaction**

During the year ended 31 March 2001, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$1,396,000.

28. CONTINGENT LIABILITIES

	Group		Company	
	2002	2001	2002	2001
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bills discounted with recourse	**517**	76	–	–
Guarantees provided for banking facilities and a finance lease utilised by certain subsidiaries	–	–	**30,251**	16,454
	517	76	**30,251**	16,454

29. OPERATING LEASE ARRANGEMENTS

(a) **As lessor**

The Group leases certain of its properties (note 12) under operating lease arrangements, with leases negotiated for terms ranging from two to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within one year	**969**	690
In the second to fifth years, inclusive	**1,150**	273
	2,119	963

(b) **As lessee**

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 March 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
		(Restated)
Within one year	**376**	1,367
In the second to fifth years, inclusive	**184**	140
	560	1,507

The Company did not have any operating lease arrangement at the balance sheet date (2001: Nil).

29. **OPERATING LEASE ARRANGEMENTS** *(Cont'd)*

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above have been restated to accord with the current year's presentation.

30. **COMMITMENTS**

In addition to the operating lease commitments detailed in note 29 above, at the balance sheet date the Group had contracted for capital commitments of HK$4,318,000 (2001: HK$4,292,000) in respect of construction in progress in the PRC.

The Company had no significant commitments at the balance sheet date (2001: Nil).

31. **COMPARATIVE AMOUNTS**

As further explained in notes 2 and 29 to the financial statements, due to the adoption of SSAP 14 (Revised) during the current year, the presentation of operating lease commitments in the financial statements has been revised to comply with the new requirements. Accordingly, the related comparative amounts have been revised to conform with the current year's presentation.

32. **APPROVAL OF THE FINANCIAL STATEMENTS**

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