

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March, 2002

### **1. GENERAL**

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares have been listed on The Stock Exchange of Hong Kong Limited.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of accessories for photographic, electrical and multimedia products and act as property holding companies.

### **2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE**

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

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

#### **Dividends proposed or declared after the balance sheet date**

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively. The effect of this change has been to increase shareholders' funds of the Company and the Group at 1st April, 2000 and 2001 by the same amount of HK\$8,480,002.

#### **Leases**

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

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31st March, 2002

### **2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (CONTINUED)**

#### **Segment reporting**

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

#### **Goodwill**

In the current year, the Group has adopted SSAP 30 "Business combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

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

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31st March, 2002

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Goodwill**

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

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life of 10 years. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

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

#### **Negative goodwill**

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

Negative goodwill arising on acquisition of subsidiaries prior to 1st April, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

#### **Subsidiaries**

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

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31st March, 2002

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Revenue recognition**

Sales of goods are recognised when goods are delivered and title has passed.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

Commission income is recognised when services are rendered.

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

#### **Investment properties**

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

Investment properties are stated at their open market value based on professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged as expenses. Where a deficit has previously been charged as expenses and a revaluation surplus subsequently arises, this surplus is credited as income to the extent of the deficit previously charged.

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

No depreciation is provided on investment properties except where the unexpired term of the relevant lease or the term of the joint venture to which the investment properties are held is twenty years or less.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31st March, 2002

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation, amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of property, plant and equipment, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the remaining terms of the leases
Buildings	Over the estimated useful lives of 50 years or the terms of the leases or the term of the relevant joint venture by which the buildings are held, whichever is the shorter
Leasehold improvements	15% or the terms of the leases, if shorter
Furniture, fixtures and equipment	15%
Plant and machinery	20%
Motor vehicles	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in the net profit or loss for the year.

#### **Licence**

Licence is stated at cost less amortisation and identified impairment losses, which is to be amortised using the straight-line method over its estimated useful life, but not exceeding the licence period of three years.

#### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31st March, 2002

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Impairment (Continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### **Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

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

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

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

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31st March, 2002

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Operating leases**

Rentals payable under operating leases are charged as expenses on a straight line basis over the respective lease terms.

#### **Foreign currencies**

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the net profit or loss for the year.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than Hong Kong dollars and which operate in the People's Republic of China ("PRC") and overseas are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

#### **Taxation**

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

#### **Retirement benefits cost**

The amount of contributions payable to the retirement benefits schemes is charged as expenses.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 4. SEGMENTS INFORMATION

#### Business segments

For management purposes, the Group is currently organised into two operating divisions - manufacture and sales of goods and property investment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

#### 2002

	Manufacture and sales of goods <i>HK\$</i>	Property investment <i>HK\$</i>	Consolidated <i>HK\$</i>
TURNOVER			
Total revenue	162,283,590	4,055,355	166,338,945
RESULT			
Segment profit	13,209,035	2,054,466	15,263,501
Unallocated other revenue			2,341,969
Unallocated corporate expenses			(2,512,063)
Profit from operations			15,093,407
Finance costs			(124,990)
Profit before taxation			14,968,417
Taxation			(338,619)
Profit before minority interests			14,629,798
Minority interests			(1,185,410)
Net profit for the year			13,444,388



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 4. SEGMENTS INFORMATION (CONTINUED)

#### Business segments (Continued)

2002

#### BALANCE SHEET

	Manufacture and sales of goods <i>HK\$</i>	Property investment <i>HK\$</i>	Consolidated <i>HK\$</i>
ASSETS			
Segment assets	81,610,453	66,252,204	147,862,657
Unallocated corporate assets			42,495,642
Consolidated total assets			190,358,299
LIABILITIES			
Segment liabilities	15,278,333	165,797	15,444,130
Unallocated corporate liabilities			19,360,624
Consolidated total liabilities			34,804,754

#### OTHER INFORMATION

	Manufacture and sales of goods <i>HK\$</i>	Property investment <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Capital expenditure	4,176,735	7,916,110	945,662	13,038,507
Depreciation and amortisation	3,363,221	1,210,215	–	4,573,436

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 4. SEGMENTS INFORMATION (CONTINUED)

#### Business segments (Continued)

2001

	Manufacture and sales of goods HK\$	Property investment HK\$	Consolidated HK\$
TURNOVER			
Total revenue	163,875,458	4,990,671	168,866,129
RESULT			
Segment loss	(28,648,236)	(22,604,705)	(51,252,941)
Unallocated other revenue			1,204,039
Unallocated corporate expenses			(3,133,240)
Loss from operations			(53,182,142)
Impairment loss of goodwill			(2,235,587)
Finance costs			(341,245)
Loss before taxation			(55,758,974)
Taxation			(183,988)
Loss before minority interests			(55,942,962)
Minority interests			(1,174,226)
Net loss for the year			(57,117,188)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 4. SEGMENTS INFORMATION (CONTINUED)

#### Business segments (Continued)

2001

#### BALANCE SHEET

	Manufacture and sales of goods HK\$	Property investment HK\$	Consolidated HK\$
ASSETS			
Segment assets	87,100,518	49,623,022	136,723,540
Unallocated corporate assets			44,861,139
Consolidated total assets			181,584,679
LIABILITIES			
Segment liabilities	14,256,564	426,939	14,683,503
Unallocated corporate liabilities			14,371,297
Consolidated total liabilities			29,054,800

#### OTHER INFORMATION

	Manufacture and sales of goods HK\$	Property investment HK\$	Unallocated HK\$	Consolidated HK\$
Capital expenditure	37,075,037	492,355	–	37,567,392
Depreciation and amortisation	3,551,099	1,426,636	–	4,977,735
Impairment losses recognised in income	39,745,898	–	2,235,587	41,981,485

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 4. SEGMENTS INFORMATION (CONTINUED)

#### Geographical segments

The Group's sales of goods are principally carried out in Europe, United States of America, Hong Kong and other regions in the PRC. Property investment is carried out in Hong Kong and other regions in the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical market		Contribution to profit (loss) from operations	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Europe	98,130,085	99,683,106	7,987,275	(17,426,314)
United States of America	18,412,189	29,015,680	1,421,859	(5,050,149)
Hong Kong	24,736,161	15,574,784	1,183,550	(23,865,868)
Other regions in the PRC	5,870,613	6,528,473	3,108,859	(1,752,698)
Others	19,189,897	18,064,086	1,561,958	(3,157,912)
	<b>166,338,945</b>	168,866,129	<b>15,263,501</b>	(51,252,941)
Unallocated other revenue			2,341,969	1,204,039
Unallocated corporate expenses			(2,512,063)	(3,133,240)
Profit (loss) from operations			<b>15,093,407</b>	(53,182,142)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 4. SEGMENTS INFORMATION (CONTINUED)

#### Geographical segments (Continued)

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

	Carrying amount of segment assets		Additions to investment properties		Additions to property, plant and equipment		Additions to license	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Europe	24,834	71,370	-	-	-	-	-	-
United States of America	-	3,342,496	-	-	-	-	-	-
Hong Kong	155,571,011	139,091,767	7,665,000	-	5,159,257	981,559	-	36,570,000
Other regions in the PRC	34,762,454	39,079,046	-	-	214,250	15,833	-	-
	<b>190,358,299</b>	<b>181,584,679</b>	<b>7,665,000</b>	<b>-</b>	<b>5,373,507</b>	<b>997,392</b>	<b>-</b>	<b>36,570,000</b>

### 5. OTHER OPERATING INCOME

	2002 HK\$	2001 HK\$
Commission income	-	139,939
Exchange gain	-	64,298
Gain on disposal of other investment	-	200,000
Gain on disposal of property, plant and equipment	-	176,873
Interest income	<b>2,241,969</b>	1,004,039
Management fee from properties	-	14,000
Sundry income	<b>341,833</b>	119,359
	<b>2,583,802</b>	<b>1,718,508</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 6. IMPAIRMENT LOSS OF PROPERTY, PLANT AND EQUIPMENT

The impairment loss of property, plant and equipment in 2001 had been determined with reference to the value in use of the leasehold land and buildings using discount rates based on the cost of capital of the Group.

### 7. PROFIT (LOSS) FROM OPERATIONS

	2002 HK\$	2001 HK\$
Profit (loss) from operations has been arrived at after charging:		
Amortisation of goodwill included in administrative expenses	541,694	–
Auditors' remuneration		
– Current year	619,626	607,477
– Underprovision in prior years	80,000	138,000
Depreciation and amortisation	4,573,456	4,977,735
Loss on disposal of investment properties	–	407,985
Loss on disposal of property, plant and equipment	65,434	–
Minimum lease payments for operating leases in respect of		
– rented premises	2,118,948	2,596,431
– plant and machinery	46,656	46,656
Staff costs including directors' emoluments	26,716,993	26,941,783
and after crediting:		
Gross rental income from investment properties	4,055,355	4,990,671
Less: Outgoings	(932,556)	(705,387)
	<b>3,122,799</b>	<b>4,285,284</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 8. IMPAIRMENT LOSS OF GOODWILL

Due to the significant reduction in the operating level of a subsidiary in 2001, the goodwill attributable to that subsidiary was fully impaired.

### 9. FINANCE COSTS

	2002 HK\$	2001 HK\$
Interest on bank borrowings wholly repayable within five years	<b>124,990</b>	341,245

### 10. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

#### Directors' emoluments

The directors' emoluments are analysed as follows:

	2002 HK\$	2001 HK\$
Fees:		
Executive	–	–
Independent non-executive	<b>191,667</b>	200,000
	<b>191,667</b>	200,000
Other emoluments paid to executive directors:		
Salaries and other benefits	<b>3,638,500</b>	3,387,440
Contributions to retirement benefits schemes	<b>24,000</b>	8,000
Rentals paid in respect of quarters provided	<b>33,759</b>	256,500
Total directors' emoluments	<b>3,887,926</b>	3,851,940

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 10. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES (CONTINUED)

#### Directors' emoluments (Continued)

The emoluments were within the following bands:

	No. of directors	
	2002	2001
Nil to HK\$ 1,000,000	6	4
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	–	1
	<b>8</b>	<b>6</b>

#### Highest paid employees

The five highest paid individuals of the Group included two (2001: two) executive directors, details of whose emoluments are set out above. The emoluments of the remaining three (2001: three) highest paid individuals, other than directors of the Company, are as follows:

	2002	2001
	HK\$	HK\$
Salaries and other benefits	1,702,833	1,599,000
Contributions to retirement benefits schemes	24,000	24,000
Rentals paid in respect of quarters provided	547,200	418,000
	<b>2,274,033</b>	<b>2,041,000</b>

The emoluments were within the following bands:

	No. of employees	
	2002	2001
Nil to HK\$ 1,000,000	3	3



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 11. TAXATION

	2002 HK\$	2001 HK\$
The charge comprises:		
Hong Kong Profits Tax:		
– Current year	224,743	387,832
– Under(over)provision in prior years	32,675	(239,174)
	257,418	148,658
Other jurisdictions	81,201	35,330
	<b>338,619</b>	183,988

Hong Kong Profits Tax is calculated at 16 per cent. of the estimated assessable profits for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. PRC income tax is calculated at the rates prevailing in the relevant PRC jurisdictions.

No provision for deferred taxation has been made in the financial statements as there are no significant timing differences during the year or at the balance sheet date.

On 16th February, 2001, the Inland Revenue Department ("IRD") commenced a review on the accounting records of certain subsidiaries of the Company. As at the date of approval of the Company's financial statements, the review by IRD is still in progress.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 12. DIVIDEND PAID

On 23rd August, 2001, a dividend of 2 cents (2000: 2 cents) per share amounting to HK\$8,480,002 (2000: HK\$8,480,002) was paid to shareholders as the final dividend in respect of 2001.

A final dividend of 1 cent per share amounting to HK\$4,240,001 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

### 13. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share is based on the following data:

	2002 HK\$	2001 HK\$
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	<b>13,444,388</b>	(57,117,188)
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>424,000,100</b>	401,178,182
Effect of dilutive share options	<b>1,582,973</b>	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share		
	<b>425,583,073</b>	N/A

No diluted loss per share has been presented for the year ended 31st March, 2001 as the exercise of share options would result in a decrease in loss per share for the year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 14. INVESTMENT PROPERTIES

	2002 HK\$	2001 HK\$
VALUATION		
At beginning of the year	47,050,000	76,963,175
Additions	7,665,000	–
Disposal	–	(3,673,175)
Deficit on revaluation	(905,000)	(26,240,000)
At end of the year	53,810,000	47,050,000
DEPRECIATION AND AMORTISATION		
Provided for the year	823,530	1,000,000
Eliminated on revaluation	(823,530)	(1,000,000)
At end of the year	–	–
NET BOOK VALUES		
At end of the year	53,810,000	47,050,000
At beginning of the year	47,050,000	76,963,175

The net book values of the Group's investment properties at 31st March, 2002 are analysed as follows:

	2002 HK\$	2001 HK\$
Situated in Hong Kong held under long leases	12,060,000	5,050,000
Situated in Hong Kong held under medium-term leases	27,800,000	28,000,000
Situated in the PRC held under medium-term leases	13,950,000	14,000,000
	53,810,000	47,050,000

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 14. INVESTMENT PROPERTIES (CONTINUED)

The investment properties were leased out for rental purposes under operating leases. The investment properties situated in Hong Kong and the PRC were revalued at 31st March, 2002 by Chung, Chan & Associates, Chartered Surveyors, on an open market value basis. The net deficit arising on revaluation of HK\$81,470 (2001: HK\$25,240,000) has been charged as expense.

Details of the investment properties are set out on page 72.

### 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$	Leasehold improvements HK\$	Furniture, fixtures and equipment HK\$	Plant and machinery HK\$	Motor vehicles HK\$	Total HK\$
<b>THE GROUP</b>						
<b>COST</b>						
At 1st April, 2001	40,642,586	4,199,929	3,099,832	19,043,721	4,334,093	71,320,161
Additions	4,332,056	467,307	53,764	359,687	160,693	5,373,507
Disposals	-	(50,130)	(181,065)	-	-	(231,195)
At 31st March, 2002	44,974,642	4,617,106	2,972,531	19,403,408	4,494,786	76,462,473
<b>DEPRECIATION AND AMORTISATION</b>						
At 1st April, 2001	9,948,864	1,838,563	2,092,824	17,017,969	3,362,602	34,260,822
Provided for the year	1,188,414	621,537	264,179	1,246,872	428,924	3,749,926
Eliminated on disposals	-	(15,039)	(150,722)	-	-	(165,761)
At 31st March, 2002	11,137,278	2,445,061	2,206,281	18,264,841	3,791,526	37,844,987
<b>NET BOOK VALUES</b>						
At 31st March, 2002	33,837,364	2,172,045	766,250	1,138,567	703,260	38,617,486
At 31st March, 2001	30,693,722	2,361,366	1,007,008	2,025,752	971,491	37,059,339

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book values of the Group's leasehold land and buildings at 31st March, 2002 are analysed as follows:

	2002 HK\$	2001 HK\$
Situated in Hong Kong held under long leases	12,557,714	12,789,321
Situated in Hong Kong held under medium-term leases	9,108,497	6,084,381
Situated in other regions in the PRC held under medium-term leases	12,171,153	11,820,020
	<b>33,837,364</b>	<b>30,693,722</b>

### 16. GOODWILL

	HK\$
GROSS AMOUNT	
Arising on acquisition of further interests in a subsidiary and at 31st March, 2002	10,833,870
AMORTISATION	
Amortised for the year and at 31st March, 2002	(541,694)
CARRYING AMOUNT	
At 31st March, 2002	10,292,176

Goodwill is amortised over its estimated useful life of 10 years.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 17. LICENCE

	2002 HK\$	2001 HK\$
<b>THE GROUP</b>		
<b>COST</b>		
At beginning of the year	36,570,000	–
Additions	–	36,570,000
At end of the year	36,570,000	36,570,000
<b>AMORTISATION/IMPAIRMENT</b>		
At beginning of the year	36,570,000	–
Impairment loss	–	36,570,000
At end of the year	36,570,000	36,570,000
<b>NET BOOK VALUE</b>		
At end of the year	–	–
At beginning of the year	–	–

The license of HK\$36,570,000 was fully impaired in 2001 due to the insignificant revenue generated from the use of the license.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 18. DEPOSITS PAID

	THE GROUP	
	2002 HK\$	2001 HK\$
Deposit for acquisition of a property	5,926,920	2,963,460
Deposit for acquisition of an interest in a property development project (note)	6,000,000	6,000,000
	<b>11,926,920</b>	8,963,460
Less: amounts due within one year shown under other debtors and prepayment	<b>(6,000,000)</b>	–
	<b>5,926,920</b>	8,963,460

Note: Pursuant to an agreement (the "Agreement") signed between the Group and a company in the PRC (the "Vendor") on 1st December, 2000, the Group agreed to acquire 19% interest in a property development project of the Vendor for a consideration of HK\$6,000,000. Under the Agreement, the Vendor has the right to repurchase the 19% interest within 15 months from the date of the Agreement at HK\$6,000,000 plus interest at a rate of 10% per annum calculated from the date of payment of the deposit. Pursuant to a termination agreement signed between the Group and the Vendor on 29th March, 2002, the Vendor agreed to repay the consideration of HK\$6,000,000 plus interest at a rate of 10% per annum by 31st July, 2002.

### 19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$	2001 HK\$
Unlisted shares, at cost	89,260,976	89,260,976
Less: impairment loss	<b>(45,000,000)</b>	(45,000,000)
	<b>44,260,976</b>	44,260,976
Amounts due from subsidiaries	<b>110,185,870</b>	113,679,468
	<b>154,446,846</b>	157,940,444

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 19. INTERESTS IN SUBSIDIARIES (CONTINUED)

In the opinion of the directors, the amounts due from subsidiaries are not repayable in the next twelve months period and, accordingly, the amounts are classified as non-current.

Particulars of the subsidiaries at 31st March, 2002 are set out in note 39.

### 20. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$	HK\$
Raw materials	5,836,521	7,319,691
Work in progress	829,934	660,967
Finished goods	2,723,584	4,343,891
	<b>9,390,039</b>	12,324,549

Included above are raw materials of HK\$253,507 (2001: HK\$531,329) and finished goods of HK\$Nil (2001: HK\$267,771) which are carried at net realisable value.

### 21. TRADE DEBTORS

	THE GROUP	
	2002	2001
	HK\$	HK\$
Aged analysis of trade debtors:		
Within 60 days	12,116,070	14,623,205
61 – 180 days	5,166,628	6,069,299
More than 180 days	3,461,011	5,060,996
	<b>20,743,709</b>	25,753,500

The Group allowed an average credit period of 45 days to its trade customers.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 22. LOANS RECEIVABLE

Included in the loans receivable is an amount of HK\$Nil (2001: HK\$773,300) which is unsecured, carries interest at the Hong Kong dollar prime rate and is repayable on demand. The other loan of HK\$1,500,000 (2001: HK\$2,000,000) is secured by the borrower's land and buildings (2001: unsecured), carries interest at 10% per annum (2001: Hong Kong dollar prime rate) and is repayable within one year.

### 23. TRADE CREDITORS

	THE GROUP	
	2002 HK\$	2001 HK\$
Aged analysis of trade creditors:		
Within 60 days	7,543,294	7,353,467
61 – 180 days	76,357	95,387
More than 180 days	22,758	258,667
	<hr/>	
	7,642,409	7,707,521
	<hr/>	

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 24. BANK BORROWINGS

	THE GROUP	
	2002	2001
	HK\$	HK\$
Bank borrowings comprise the following:		
Bank overdrafts – unsecured	330,636	45,963
Bank loans – secured	6,035,143	1,537,562
	<b>6,365,779</b>	<b>1,583,525</b>
The bank borrowings are repayable as follows:		
Within one year	5,878,477	537,404
More than one year and not more than two years	487,302	545,702
More than two years and not more than five years	–	500,419
	<b>6,365,779</b>	<b>1,583,525</b>
Amount due within one year shown under current liabilities	(5,878,477)	(537,404)
	<b>487,302</b>	<b>1,046,121</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 25. SHARE CAPITAL

	Number of shares		Amounts	
	2002	2001	2002 HK\$	2001 HK\$
Ordinary shares of HK\$0.10 each:				
Authorised:				
At beginning and end of the year	<b>1,000,000,000</b>	1,000,000,000	<b>100,000,000</b>	100,000,000
Issued and fully paid:				
At beginning of the year	<b>424,000,100</b>	354,000,100	<b>42,400,010</b>	35,400,010
Issued as share consideration for the acquisition of a license	-	70,000,000	-	7,000,000
At end of the year	<b>424,000,100</b>	424,000,100	<b>42,400,010</b>	42,400,010

On 17th July, 2000, the Group entered into an agreement with a company pursuant to which the Group has been granted a licence by the company to use certain technical information and know-how for the production, manufacture, distribution, marketing and sale of digital cameras. The consideration was satisfied by the allotment and issue of 70,000,000 ordinary shares of HK\$0.10 each in the Company at a price of HK\$0.45 and a cash payment of US\$650,000 (equivalent to HK\$5,070,000).

### 26. SHARE OPTION SCHEME

At 31st March, 2002, the options to subscribe for a total of 20,000,000 ordinary shares of HK\$0.10 each at an initial subscription price of HK\$0.241 per share exercisable from 16th August, 1998 to 15th August, 2001 were lapsed.

No share option was granted or exercised during the year and there is no share option outstanding as at 31st March, 2002.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 27. RESERVES

	Share premium HK\$	Special reserve HK\$	Goodwill reserve HK\$	Negative goodwill reserve HK\$	Translation reserve HK\$	Reserve fund HK\$	Enterprise expansion reserve HK\$	Retained profits HK\$	Total HK\$
<b>THE GROUP</b>									
At 1st April, 2000									
– as previously stated	42,309,945	14,900,773	(12,873,625)	2,079,850	(1,078,640)	1,083,258	1,083,258	89,087,314	136,592,133
– prior year adjustment (note 2)	-	-	-	-	-	-	-	8,480,002	8,480,002
– as restated	42,309,945	14,900,773	(12,873,625)	2,079,850	(1,078,640)	1,083,258	1,083,258	97,567,316	145,072,135
Exchange adjustment	-	-	-	-	(71,665)	-	-	-	(71,665)
Premium arising on issue of shares	24,500,000	-	-	-	-	-	-	-	24,500,000
Expenses incurred in connection									
with issue of shares	(137,458)	-	-	-	-	-	-	-	(137,458)
Impairment loss of goodwill	-	-	2,235,587	-	-	-	-	-	2,235,587
Net loss for the year	-	-	-	-	-	-	-	(57,117,188)	(57,117,188)
Dividend paid	-	-	-	-	-	-	-	(8,480,002)	(8,480,002)
At 31st March, 2001	66,672,487	14,900,773	(10,638,038)	2,079,850	(1,150,305)	1,083,258	1,083,258	31,970,126	106,001,409
Net profit for the year	-	-	-	-	-	-	-	13,444,388	13,444,388
Dividend paid	-	-	-	-	-	-	-	(8,480,002)	(8,480,002)
At 31st March, 2002	66,672,487	14,900,773	(10,638,038)	2,079,850	(1,150,305)	1,083,258	1,083,258	36,934,512	110,965,795

The special reserve represents the difference between the nominal amount of the share capital issued by the Company in exchange for the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation on 5th September, 1997.

Reserve fund and enterprise expansion reserve are reserves required by the relevant PRC laws applicable to the Group's subsidiary in the PRC.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 27. RESERVES (CONTINUED)

	Share premium HK\$	Contributed surplus HK\$	Retained profits (accumulated losses) HK\$	Total HK\$
<b>THE COMPANY</b>				
At 1st April, 2000				
– as previously stated	42,309,945	89,160,976	6,054,122	137,525,043
– prior year adjustment (note 2)	–	8,480,002	–	8,480,002
– as restated	42,309,945	97,640,978	6,054,122	146,005,045
Premium arising on issue of shares	24,500,000	–	–	24,500,000
Expenses incurred in connection with the issue of shares	(137,458)	–	–	(137,458)
Net loss for the year	–	–	(46,437,946)	(46,437,946)
Dividend paid	–	(8,480,002)	–	(8,480,002)
At 31st March, 2001	66,672,487	89,160,976	(40,383,824)	115,449,639
Net loss for the year	–	–	(2,789,262)	(2,789,262)
Dividend paid	–	(8,480,002)	–	(8,480,002)
At 31st March, 2002	66,672,487	80,680,974	(43,173,086)	104,180,375

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the Company's subsidiary at the date on which the group reorganisation became effective and the nominal amount of the share capital of the Company issued under the group reorganisation on 5th September, 1997.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 27. RESERVES (CONTINUED)

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) 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 accounts.

In the opinion of the directors, at the balance sheet date, the Company's reserves available for distribution to the shareholders were as follows:

	2002	(Restated) 2001
	<i>HK\$</i>	<i>HK\$</i>
Contributed surplus	<b>80,680,974</b>	89,160,976
Accumulated losses	<b>(43,173,086)</b>	(40,383,824)
	<b>37,507,888</b>	48,777,152

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

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

	2002 HK\$	2001 HK\$
Profit (loss) before taxation	14,968,417	(55,758,974)
Depreciation and amortisation	4,573,456	4,977,735
Loss on disposal of investment properties	–	407,985
Allowance for loan receivables	773,300	500,000
Interest income	(2,241,969)	(1,004,039)
Amortisation of goodwill	541,694	–
Gain on disposal of other investment	–	(200,000)
Loss (gain) on disposal of property, plant and equipment	65,434	(176,873)
Interest on bank borrowings	124,990	341,245
Deficit on revaluation of investment properties	81,470	25,240,000
Impairment loss of property, plant and equipment	–	3,175,898
Impairment loss of a licence	–	36,570,000
Impairment loss of goodwill	–	2,235,587
Decrease in inventories	2,934,510	4,490,286
Decrease in trade debtors	5,009,791	9,362,318
Increase in other debtors and prepayments	(8,291,676)	(4,654,001)
Decrease in trade creditors	(65,112)	(1,487,608)
Decrease in bills payable	–	(288,348)
Increase (decrease) in other creditors and accrued charges	1,054,261	(1,424,415)
<b>Net cash inflow from operating activities</b>	<b>19,528,566</b>	<b>22,306,796</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 29. ANALYSIS OF CHANGES IN FINANCING

	Share capital and premium <i>HK\$</i>	Bank loans <i>HK\$</i>	Minority interests <i>HK\$</i>
At 1st April, 2000	77,709,955	2,022,166	3,969,097
Consideration for purchase of a licence	31,500,000	–	–
Expenses incurred in connection with issue of shares	(137,458)	–	–
Repayment of bank loans	–	(484,604)	–
Dividend paid to a minority shareholder	–	–	(956,232)
Share of profit	–	–	1,174,226
Movement of exchange reserve	–	–	(58,631)
<b>At 31st March, 2001</b>	<b>109,072,497</b>	<b>1,537,562</b>	<b>4,128,460</b>
Addition of bank loan	–	5,000,000	–
Repayment of bank loans	–	(502,419)	–
Dividend paid to a minority shareholder	–	–	(1,960,000)
On acquisition of further interests in a subsidiary	–	–	(1,166,130)
Share of profit	–	–	1,185,410
<b>At 31st March, 2002</b>	<b>109,072,497</b>	<b>6,035,143</b>	<b>2,187,740</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 30. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002 HK\$	2001 HK\$
Bank balances and cash	23,128,809	35,943,581
Bank overdrafts	(330,636)	(45,963)
	<b>22,798,173</b>	<b>35,897,618</b>

### 31. RETIREMENT BENEFIT SCHEME

Prior to 1st December, 2000, the Group operated a defined contribution retirement benefit scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

With effective from 1st December, 2000, the Group has joined a Mandatory Provident Fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the Defined Contribution Scheme and the MPF Scheme charged to the income statement represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

During the year, the Group made retirement benefits scheme contributions of HK\$415,117 (2001: HK\$404,136) after forfeited contributions utilised in the Defined Contribution Scheme of HK\$Nil (2001: HK\$19,253).

As 31st March, 2002 and 2001, there were no amount of forfeited contributions, which arose upon employees leaving the scheme and which are available to reduce the contributions payable by the Group in the future years.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 32. CAPITAL COMMITMENTS

	2002	2001
	HK\$	HK\$
<b>THE GROUP</b>		
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	<b>14,187,221</b>	16,792,940

#### THE COMPANY

The Company did not have any significant capital commitment at the balance sheet date.

### 33. OPERATING LEASE ARRANGEMENTS

*The Group as lessee:*

#### THE GROUP

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>THE GROUP</b>	
	2002	2001
	HK\$	HK\$
Land and building		
Within one year	<b>1,410,793</b>	1,794,226
In the second to fifth year inclusive	<b>4,156,896</b>	4,255,466
Over five years	<b>416,760</b>	1,416,984
	<b>5,984,449</b>	7,466,676

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 33. OPERATING LEASE ARRANGEMENTS (CONTINUED)

	THE GROUP	
	2002	2001
	HK\$	HK\$
Plant and machinery		
Within one year	–	46,656

Operating lease payments represent rentals payable by the Group for certain of its property plant and equipment. Leases are negotiated for terms ranging from one to six years.

*The Group as lessor:*

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2002	2001
	HK\$	HK\$
Within one year	3,109,185	2,708,278
In the second to fifth year inclusive	8,372,434	8,156,814
Over five years	8,365,854	10,387,930
	19,847,473	21,253,022

Leases are negotiated for terms ranging from one to eleven years.

#### THE COMPANY

The Company did not have any operating lease commitments at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 34. CONTINGENT LIABILITIES

#### THE GROUP

At the balance sheet date, the Group had contingent liabilities of HK\$5,902,118 (2001: HK\$5,054,611) in respect of bills discounted with recourse.

#### THE COMPANY

At the balance sheet date, the Company provided corporate guarantees of approximately HK\$43,770,000 (2001: HK\$53,770,000) to banks to secure general banking facilities granted to subsidiaries. The total amount of facilities utilised by the subsidiaries at the balance sheet date amounted to approximately HK\$6,366,000 (2001: HK\$1,584,000).

### 35. RELATED PARTY TRANSACTIONS

During the year, the following related party transactions took place:

(i) Transactions with directors' related companies:

Name of party	Directors' interest	Nature of transactions	2002 HK\$	2001 HK\$
Dawnvast Ltd.	Mr. Cheng Lok Hing Mr. Cheng Chun Kit	Rental expense	369,600	369,600
Techford Development Ltd.	Ms. Chan Oi Ling, Maria Olimpia	Rental expense	156,000	156,000
Wing Nin Trading Co. Ltd.	Family member of Ms. Chan Oi Ling, Maria Olimpia	Rental expense	240,000	252,240

(ii) Transactions with minority shareholders:

Name of party	Nature of transactions	2002 HK\$	2001 HK\$
東莞市橋光實業集團公司 Dongguan City Qiao Guang Industrial Group Company	Rental expenses	999,514	998,448
惠州市益發光學機電有限公司	Management fee expenses	90,144	106,184

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31st March, 2002

### **35. RELATED PARTY TRANSACTIONS (CONTINUED)**

In addition to the above, during the year, the Group acquired a further 49% interest in March Professional Bags Company Limited from a minority shareholder, Ms. Ho Lai Yin, at a consideration of HK\$12,000,000.

Rental income and expenses represent amounts agreed with reference to the market rate between the respective management of the companies concerned.

Management fee expenses were carried out at terms mutually agreed by both parties.

### **36. PLEDGE OF ASSETS**

The Group had pledged its investment properties and leasehold land and buildings situated in Hong Kong with carrying value of HK\$27,800,000 (2001: HK\$3,200,000) and HK\$5,545,531 (2001: HK\$11,516,304) respectively to a bank to secure banking facilities granted to the Group.

### **37. LITIGATION**

Pursuant to a factoring agreement made among Mee Lee Shing Plastic Factory Limited ("MLS") as vendor, Mr. Cheang ("Cheang") as purchaser and Mascotte Industrial Associates (Hong Kong) Limited ("MIA"), a wholly owned subsidiary of the Company, as trustee for Cheang dated 25th August, 1999 and an assignment of debt made between MLS as assignor and MIA (as trustee for Cheang) as assignee dated 25th August, 1999. MLS, in consideration of certain sum agreed to be paid by Cheang to MLS, assigned to MIA as trustee for Cheang debts in the total sum of approximately HK\$4,750,000, being the aggregate amount of the trade receivables due from Vtech Communications Limited ("Vtech") to MLS. Thereafter, MIA received on behalf of Cheang from Vtech two payments in aggregate amounting to approximately HK\$2,750,000 and MLS unilaterally terminated the said factoring agreement and claimed to be entitled to the sum of HK\$2,000,000 out of the assigned debts. Vtech took out interpleader proceedings in Court of First Instance of the High Court of Hong Kong in which both MLS and MIA were defendants. Vtech has since paid approximately HK\$2,000,000 into the court and the balance of the assigned debts to MIA (as trustee for Cheang) and been released from the interpleader proceedings. MLS and MIA (as trustee for Cheang) are in the process of proving their respective claims to the disputed sum of HK\$2,000,000 in the interpleader proceedings. In the opinion of the directors, the subsidiary, MIA has no likely liability in respect of the interpleader proceedings save in respect of certain legal costs. During the year and up to the date of approval of the Company's financial statements, there is no material progress on this litigation.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 38. POST BALANCE SHEET EVENTS

- (a) Pursuant to a licence and supply agreement (the "Agreement") signed between a wholly-owned subsidiary of the Company (the "Subsidiary") and a company in the United Kingdom (the "Licensor") on 5th April, 2002, the Subsidiary agreed to acquire a non-exclusive licence to use the Licensor's technology to manufacture products to the specification and supply such products to licensees.

In consideration for the Licensor entering into the Agreement, the Company provided unconditional guarantee in favour of the Licensor on the performance of the Subsidiary under the Agreement to the extent of GBP 2,000,000.

- (b) Pursuant to various agreements signed between the Group and various companies in the PRC after the balance sheet date, the Group agreed to advance HK\$12,000,000 to a PRC company on 15th June, 2002 for property development purpose. The loan is secured on land use rights in the PRC and is wholly repayable within 12 months from the date of advance. The Group is entitled to a return of HK\$5,000,000 or properties equivalent to the amount, subject to the Group's decision, upon repayment of the advance.

### 39. SUBSIDIARIES

Particulars of the subsidiaries at 31st March, 2002 are as follows:

Name	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered and contributed capital	Attributable equity interest held by the Group	Principal activities
東莞德雅皮具 製品廠有限公司 Dongguan Tak Ya Leather Goods Manufactory Limited	PRC	HK\$8,000,000	70% (note b)	Manufacture of accessories for photographic, electrical and multimedia products
Mana Industrial Limited	Hong Kong	HK\$10,000	100%	Inactive
March Professional Bags Company Limited	Hong Kong/PRC	HK\$50,000	100%	Manufacturing and trading of accessories for photographic, electrical and multimedia products

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 39. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered and contributed capital	Attributable equity interest held by the Group	Principal activities
Mascotte Europe Company Limited	Liechtenstein	CHF50,000	100%	Inactive
Mascotte Industrial Associates (Hong Kong) Limited	Hong Kong	HK\$2	100%	Trading of accessories for photographic, electrical and multimedia products
Mascotte Investments Limited	Hong Kong	HK\$1,000 HK\$1,000,000*	100%	Property holding
Mascotte Investment (USA) Limited	United States of America	US\$1,000	100%	Inactive
Mascotte Group Limited	British Virgin Islands/ Hong Kong	US\$100	100%	Investment holding
麥科特志豪照相器材 (惠州) 有限公司 Market Group Zhi Hao Photographic Equipment (Hui Zhou) Industry & Trade Co. Ltd.	PRC	US\$3,180,000	90%	Property holding and manufacture of accessories for photographic, electrical and multimedia products
Mascotte Hui Zhou Limited	British Virgin Islands/PRC	US\$1	100%	Investment holding
Mascotte Overseas Limited	British Virgin Islands/Macau	US\$1,795,000	100%	Trading of accessories for photographic, electrical and multimedia products

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31st March, 2002

### 39. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration/operation	Issued and fully paid ordinary share capital/registered and contributed capital	Attributable equity interest held by the Group	Principal activities
Mascotte Photographic Trading Limited	British Virgin Islands/Macau	US\$1	100%	Trading of accessories for photographic, electrical and multimedia products
Newland Kingdom Limited	Hong Kong	HK\$9,998 HK\$2*	100%	Property investment
Resourceful Enterprise Limited	Hong Kong	HK\$2	100%	Distribution of Benetton products
Tak Ya Leather Goods Manufactory Limited	British Virgin Islands/PRC	US\$1	100%	Investment holding

\* This represents non-voting deferred shares (note c).

#### Notes:

- Except for Mascotte Group Limited, all the companies above are indirectly held by the Company.
- Dongguan Tak Ya Leather Goods Manufactory Limited was established by the Group with an independent party in the PRC. Under various agreements entered into with the PRC party, the Group is entitled to all of the net profits derived from its operations up to 31st December, 2006.
- These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of the respective companies. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the respective companies only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the respective companies.