

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

I. Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of these new or revised accounting standards in this year has no retrospective effect on the comparative figures.

(b) Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries, except for Same Time Communications Equipment Manufacturing Company Limited (“STCEM”), a company set up to undertake a telecommunication project which the Group does not intend to further support, and the Group’s investment in STCEM is intended to be temporary. Full provision have been made against the Group’s investments in this subsidiary (note 12(a)).

Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital, or by way of having the power to govern its financial and operating policies so that the Group obtains benefits from these activities.

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

I. Principal accounting policies (continued)

(b) Consolidation (continued)

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Difference arising on consolidation represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration in connection with shares exchange on merger in a Group reorganisation programme undergone by the Group prior to its listing in The Stock Exchange of Hong Kong Limited. The amount is accounted for as a reduction of reserves.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Land held for development

Land held for development are stated at cost, less any provision for impairment losses.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold land and buildings are depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land and buildings	2 – 2.5%
Leasehold improvements	20 – 25%
Plant and machinery	10 – 25%
Furniture, fixture and equipment	20 – 25%
Motor vehicles	25 – 30%
Moulds	20 – 50%

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

I. Principal accounting policies (continued)

(d) Fixed assets (continued)

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(e) Assets under leases**(i) Finance leases**

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) Investments

Investments held for the long term are stated at cost less any provision for impairment losses.

NOTES TO THE ACCOUNTS*For the year ended 31st March 2002***I. Principal accounting policies (continued)****(g) Inventories**

Inventories comprise finished goods, work in progress and raw materials and are stated at the lower of cost and net realisable value. Cost, calculated on weighted average basis, comprises materials, direct labour and an appropriate proportion of production overheads. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank loans and overdrafts repayable within three months.

(j) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future.

(k) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as movements in the exchange fluctuation reserve.

NOTES TO THE ACCOUNTS*For the year ended 31st March 2002***I. Principal accounting policies (continued)****(l) Revenue recognition**

Revenue from the sale of products or manufacturing by-products is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Operating lease rental income is recognised on a straight-line basis.

(m) Retirement benefit costs

The Group operates two retirement schemes. The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme before vesting fully in the contributions. The Group's contributions to the mandatory provident fund scheme ("MPF Scheme") are expensed as incurred. The assets of these schemes are held separately from those of the Group in independently administered funds.

(n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to be get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(o) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude taxation. Capital expenditure comprises additions to fixed assets (note 10).

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

1. Principal accounting policies (continued)

(o) Segment reporting (continued)

In respect of geographical segment reporting, sales are based on the place in which the customer is located. Total assets and capital expenditure are where the assets are located.

2. Turnover, revenues and segment information

The Group is principally engaged in the manufacturing and selling of consumer electronic products and printed circuit boards, and trading of semiconductors. Revenues recognised during the year are as follows:

	2002	Group
	HK\$	2001
		HK\$
Turnover		
Sale of goods	395,882,353	555,345,416
Other revenues		
Sale of manufacturing by-products	1,026,849	727,390
Interest income	198,140	247,308
Rental income	186,000	–
	1,410,989	974,698
Total revenues	397,293,342	556,320,114

Primary reporting format – business segments

The Group is organised on a worldwide basis into three main business segments:

- Electronic products – manufacturing and selling of consumer electronic products
- Printed circuit boards – manufacturing and selling of printed circuit boards
- Semiconductor – trading of semiconductors

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

2. Turnover, revenues and segment information (continued)

An analysis of the Group's turnover and contribution to (loss)/profit for the year by principal activity is as follows:

	electronic products 2002 HK\$'000	printed circuit boards 2002 HK\$'000	semiconductor 2002 HK\$'000	unallocated items 2002 HK\$'000	elimination 2002 HK\$'000	Group 2002 HK\$'000
Turnover	96,832	302,646	275	-	(3,871)	395,882
Segment results	(13,755)	3,492	(930)	(55)		(11,248)
Finance costs						(8,403)
Loss before taxation						(19,651)
Taxation						(1,018)
Loss attributable to shareholders						(20,669)
Segment assets	83,431	254,856	232	15,500		354,019
Segment liabilities	19,748	128,977	348	206		149,279
Deferred taxation						4,907
Total liabilities						154,186
Capital expenditure	1,132	57,190	-	-		58,322
Depreciation	5,272	25,880	-	-		31,152
Provision for slow moving and obsolete inventories	4,650	-	-	-		4,650
Bad and doubtful debts written off	-	13,158	-	-		13,158

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

2. Turnover, revenues and segment information (continued)

	electronic products 2001 HK\$'000	printed circuit boards 2001 HK\$'000	semiconductor 2001 HK\$'000	unallocated items 2001 HK\$'000	elimination 2001 HK\$'000	Group 2001 HK\$'000
Turnover	108,639	426,994	22,102	–	(2,390)	555,345
Segment results	(7,516)	28,361	(2,806)	(92)		17,947
Finance costs						(6,810)
Profit before taxation						11,137
Taxation						(851)
Profit attributable to shareholders						10,286
Segment assets	79,484	339,631	1,821	15,525		436,461
Segment liabilities	15,604	195,068	401	428		211,501
Deferred taxation						3,907
Total liabilities						215,408
Capital expenditure	2,916	54,990	1	–		57,907
Depreciation	6,012	19,951	18	–		25,981
Provision for slow moving and obsolete inventories	2,816	–	–	–		2,816
Bad and doubtful debts written off	–	5,948	2,539	–		8,487

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

2. Turnover, revenues and segment information (continued)

Secondary reporting format – geographical segments

An analysis of the Group's turnover and contribution to operating (loss)/profit by market is as follows:

	Turnover	Operating (loss)/profit	Total assets	Capital expenditure
	2002	2002	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong and Mainland China	35,634	(1,432)	298,888	58,322
America	128,985	(9,467)	15,485	–
South East Asia	69,227	357	17,446	–
Europe	162,036	(706)	22,200	–
.....	<u>395,882</u>	<u>(11,248)</u>	<u>354,019</u>	<u>58,322</u>

	Turnover	Operating profit	Total assets	Capital expenditure
	2001	2001	2001	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong and Mainland China	174,024	3,627	345,123	57,907
America	142,255	1,073	27,156	–
South East Asia	74,406	4,963	18,520	–
Europe	164,660	8,284	45,662	–
.....	<u>555,345</u>	<u>17,947</u>	<u>436,461</u>	<u>57,907</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

3. Operating (loss)/profit

	Group	
	2002	2001
	HK\$	HK\$
Operating (loss)/profit is stated after crediting and charging the following:		
Crediting		
Gains on disposal of fixed assets	—	133,031
Charging		
Depreciation:		
Owned fixed assets	20,264,736	21,223,066
Fixed assets held under finance leases	10,887,734	4,757,857
Loss on disposal of fixed assets	54,121	—
Operating leases rental in respect of land and buildings	3,412,496	3,119,366
Auditors' remuneration	658,800	820,000
Research and development costs	53,268	89,975
Net exchange losses	271,132	100,620
Staff costs (excluding directors' remunerations)	41,688,187	45,850,907
Retirement benefit costs (note 8)	336,226	308,041
Provision for slow moving and obsolete inventories	4,650,696	2,816,229
Bad and doubtful debts written off	13,158,347	8,486,540

4. Finance costs

	Group	
	2002	2001
	HK\$	HK\$
Interest on bank loans and overdrafts wholly repayable within five years	3,329,580	3,126,417
Interest element of finance leases	5,072,833	3,684,040
	<u>8,402,413</u>	<u>6,810,457</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

5. Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
	2002	2001
	HK\$	HK\$
Hong Kong profits tax	11,198	36,290
Underprovision in prior years	6,774	–
Transfer to deferred taxation (note 22)	<u>1,000,000</u>	<u>814,402</u>
.....	<u>1,017,972</u>	<u>850,692</u>

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

Deferred taxation for the year has not been provided in respect of the following:

	Group	
	2002	2001
	HK\$	HK\$
Accelerated depreciation allowance	200,734	(1,202,951)
Other timing differences	<u>(2,171,102)</u>	<u>(998,219)</u>
.....	<u>(1,970,368)</u>	<u>(2,201,170)</u>

6. (Loss)/profit attributable to shareholders

The (loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$20,245 (2001: loss of HK\$11,249,656).

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

7. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the Group's loss for the year of HK\$20,668,689 (2001: profit of HK\$10,285,938) and the weighted average number of 531,088,022 (2001: 520,029,984) ordinary shares in issue during the year.

Diluted (loss)/earnings per share is not shown as the potential ordinary shares are anti-dilutive.

8. Retirement benefit costs

For the MPF Scheme, the Group's contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month. The employees contribute a corresponding amount to the MPF scheme from 31st December 2000 if their relevant income is more than HK\$4,000 per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

The Group also operates a defined contribution pension scheme, which is an exempted scheme ("the Exempted Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance and provides retirement benefits to its employees in Hong Kong who joined the Group prior to 1st December 2000. These employees can elect to join the MPF Scheme or to remain as a member of the Exempted Scheme. The scheme's assets are held under provident funds managed by an independent administrator. Under the scheme, both the employers and employees are required to contribute 5% of the basic salaries on a monthly basis. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. Forfeited contributions totalling HK\$144,473 (2001: HK\$147,506) were utilised by the Group to reduce existing level of contributions during the year.

Contributions totalling HK\$336,226 (2001: HK\$308,401) were paid during the year.

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

9. Directors' and senior management's emoluments

(a) Directors' remuneration

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	Group	
	2002 HK\$	2001 HK\$
Fee	–	120,000
Basic salaries, housing allowances, other allowances and benefits in kind	8,358,871	7,060,459
Pension contributions	36,000	12,000
.....	<u>8,394,871</u>	<u>7,192,459</u>
.....		

The emoluments of the directors fell within the following bands:

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

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

9. Directors' and senior management's emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2001: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2001: two) individuals during the year are as follows:

	2002	2001
	HK\$	HK\$
Basic salaries, housing allowances, other allowances and benefits in kind	<u>1,890,752</u>	<u>1,199,920</u>

The emoluments fell within the following bands:

	Number of individuals	
	2002	2001
Emolument bands		
HK\$Nil – HK\$1,000,000	1	2
HK\$1,000,001 – HK\$1,500,000	<u>1</u>	<u>–</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

10. Fixed assets – Group

	Leasehold land and buildings HK\$	Plant and machinery HK\$	Leasehold improvements, furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Moulds HK\$	Total HK\$
Cost						
At 1st April 2001	53,848,106	220,081,793	59,840,124	6,440,850	22,839,250	363,050,123
Additions	–	46,864,769	11,091,331	365,853	–	58,321,953
Disposals	–	–	(89,175)	–	–	(89,175)
At 31st March 2002	53,848,106	266,946,562	70,842,280	6,806,703	22,839,250	421,282,901
Accumulated depreciation						
At 1st April 2001	8,833,587	90,731,704	50,665,886	5,860,019	21,641,623	177,732,819
Charge for the year	1,248,423	23,261,288	5,647,112	340,390	655,257	31,152,470
Disposals	–	–	(35,054)	–	–	(35,054)
At 31st March 2002	10,082,010	113,992,992	56,277,944	6,200,409	22,296,880	208,850,235
Net book value						
As at 31st March 2002	43,766,096	152,953,570	14,564,336	606,294	542,370	212,432,666
As at 31st March 2001	45,014,519	129,350,089	9,174,238	580,831	1,197,627	185,317,304

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

10. Fixed assets – Group (continued)

- (a) The Group's interests in leasehold land and buildings at their net book values are analysed as follows:

	Group	
	2002	2001
	HK\$	HK\$
Held on leases of between 10 to 50 years		
Hong Kong	7,753,342	7,996,642
Overseas	36,012,754	37,017,877
	43,766,096	45,014,519
	43,766,096	45,014,519

- (b) At 31st March 2002, the net book value of fixed assets pledged as securities for the Group's bank loans amounted to HK\$32,522,706 (2001: HK\$35,050,439).
- (c) At 31st March 2002, the net book value of fixed assets held by the Group under finance leases amounted to HK\$99,231,481 (2001: HK\$65,527,503).

11. Investments in subsidiaries

	Company	
	2002	2001
	HK\$	HK\$
Unlisted shares, at cost	57,165,073	57,165,073
Amounts due from subsidiaries	129,908,680	130,663,266
Amount due to a subsidiary	(9,268)	(13,559)
	187,064,485	187,814,780
Less: Provision for impairment losses	(11,069,961)	(11,069,961)
	175,994,524	176,744,819
	175,994,524	176,744,819

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

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

11. Investments in subsidiaries (continued)

The following is a list of the subsidiaries at 31st March 2002:

Name	Place of Incorporation	Principal activities	Particulars of issued share capital/ registered capital	Interest held %
Shares held directly:				
Same Time International (B.V.I.) Limited	British Virgin Islands	Investment holding	50,000 ordinary shares of US\$1 each	100
Shares held indirectly:				
Same Time Electronics Limited	Hong Kong	Design and sale of electronic products	4 ordinary shares of HK\$1,000 each and 7,000 non-voting deferred shares of HK\$1,000 each	100
Dongguan Same Time Electronics Limited	The People's Republic of China (the "PRC")	Dormant	Registered capital of HK\$15,000,000	100
Dyford Industries Limited	Hong Kong	Design and sale of plastic parts	4 ordinary shares of HK\$1 each and 200,000 non-voting deferred shares of HK\$1 each	100
Red Board Limited	Hong Kong	Design and sale of printed circuit boards	4 ordinary shares of HK\$1 each and 5,000,000 non-voting deferred shares of HK\$1 each	100

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

11. Investments in subsidiaries (continued)

Name	Place of Incorporation	Principal activities	Particulars of issued share capital/ registered capital	Interest held %
Dyford Semiconductor Limited	Hong Kong	Trade of Electronic components	1,000 ordinary shares of HK\$10 each	100
Same Time Electronics (B.V.I.) Limited	British Virgin Islands	Manufacture of moulds, electronic and plastic products and printed circuit boards	1 ordinary share of US\$1 each	100
Same Time Development Limited	British Virgin Islands	Property development	1 ordinary share of US\$1 each	100
Same Time Enterprises Limited	British Virgin Islands	Dormant	1 ordinary share of US\$1 each	100
Same Time Marketing Inc.	Canada	Dormant	1 ordinary shares of US\$1 each	100

Except for Dongguan Same Time Electronics Limited, Same Time Electronics (B.V.I.) Limited and Same Time Development Limited which operate in the PRC and Same Time Marketing Inc. which operates in Canada, all other subsidiaries operate principally in Hong Kong.

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For the year ended 31st March 2002

12 Investments in a non-consolidated subsidiary and an associated company

	Group	
	2002	2001
	HK\$	HK\$
Non-consolidated subsidiary (note a)		
Unlisted investments, at cost	1,000	1,000
Amount due from a non-consolidated subsidiary	22,150,338	22,150,338
Less: Provision for impairment losses	(22,151,338)	(22,151,338)
.....	<u> </u>	<u> </u>
.....	<u> </u>	<u> </u>
.....	<u> </u>	<u> </u>
Associated company (note b)		
Unlisted shares, at cost	8	8
Amount due from an associated company	3,772,663	3,772,663
Less: Provision for impairment losses	(3,772,671)	(3,772,671)
.....	<u> </u>	<u> </u>
.....	<u> </u>	<u> </u>
.....	<u> </u>	<u> </u>

Note:

(a) Non-consolidated subsidiary

During the year ended 31st March 1999, the Group invested in a telecommunication project in the PRC through a wholly-owned subsidiary incorporated in Hong Kong, Same Time Communications Equipment Manufacturing Company Limited ("STCEM"). Following the downturn of the economy in Asia, and the resulting withdrawal of banking facilities by the banks, the Group was unable to continue funding the project. Full provision was made for the amount of HK\$22,151,338 invested in STCEM in the same year, as the directors did not foresee that the project would be reactivated in the near future.

(b) Associated company

The Group has a 50% interest in Samebao International Limited ("Samebao"), a company incorporated in the British Virgin Islands. The principal activities of Samebao are the manufacturing and selling of electronic products in the PRC. At 31st March 2002, Samebao had not commenced operations. A full provision was made in previous year on the investment cost and the amount due from Samebao as the directors did not foresee Samebao will commence commercial operation in the foreseeable future.

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

13. Investment

This represents a transferable membership of a golf club in Dongguan, the PRC.

14. Land held for development

	Group	
	2002	2001
	HK\$	HK\$
At cost	23,545,945	23,545,945
Less: Provision for impairment losses	(8,245,945)	(8,245,945)
.....	<u>15,300,000</u>	<u>15,300,000</u>
.....		

The land held for development is situated in the PRC and is held by virtue of a land use right which will expire in 2062.

15. Inventories

	Group	
	2002	2001
	HK\$	HK\$
Raw materials	25,321,521	45,475,527
Work in progress	9,538,282	12,714,799
Finished goods	8,834,175	19,006,176
.....	<u>43,693,978</u>	<u>77,196,502</u>
.....		

At 31st March 2002, the carrying amount of inventories that are carried at net realisable value amounted to HK\$19,448,221 (2001: HK\$23,421,908).

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

16. Trade receivables

Trade receivables are stated net of provision for bad and doubtful debts. The ageing analysis of trade debtors as at 31st March 2002 was as follows:

	Group	
	2002	2001
	HK\$	HK\$
0-3 months	53,080,077	123,953,420
4-6 months	6,128,606	15,723,776
Over 6 months	4,155,901	3,445,656
.....	<u>63,364,584</u>	<u>143,122,852</u>
.....		

Sales are made to customers with credit terms of 60-120 days.

17. Trade payables

The ageing analysis of trade payables as at 31st March 2002 was as follows:

	Group	
	2002	2001
	HK\$	HK\$
0-3 months	34,621,469	65,612,027
4-6 months	4,268,402	34,786,031
Over 6 months	646,216	-
.....	<u>39,536,087</u>	<u>100,398,058</u>
.....		

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For the year ended 31st March 2002

18. Share capital

	2002	2001
	HK\$	HK\$
<i>Authorised:</i>		
700,000,000 ordinary shares of HK\$0.10 each	<u>70,000,000</u>	<u>70,000,000</u>
	No. of shares	HK\$
<i>Issued and fully paid:</i>		
At 1st April 2000	451,865,600	45,186,560
Issued of new shares	<u>80,000,000</u>	<u>8,000,000</u>
At 31st March 2001	<u>531,865,600</u>	<u>53,186,560</u>
At 1st April 2001	531,865,600	53,186,560
Repurchase of shares	<u>(4,752,000)</u>	<u>(475,200)</u>
At 31st March 2002	<u>527,113,600</u>	<u>52,711,360</u>

During the year, 4,752,000 ordinary shares of HK\$0.10 each were repurchased and cancelled.

19. Share options

- (i) On 4th March 1992, a share option scheme (the "Scheme") was approved by the members of the Company under which the directors may, at their discretion, invite full time employees, including executive directors of the Group, to take up options to subscribe for shares in the Company subject to the term and conditions stipulated therein.
- (ii) On 28th August 1997, options to subscribe for 9,410,000 shares of HK\$0.10 each at a subscription price of HK\$0.55 per share were granted to certain employees under the Scheme. The options can be exercised at any time during the period commencing on the date of grant and expiring on the sixth anniversary date of the grant. During the year, none of these options were exercised.

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

20. Reserves

	Share premium HK\$	Difference arising on consolidation HK\$	Contributed surplus HK\$	Retained profits/ (accumulated losses) HK\$	Total HK\$
Group					
At 1st April 2000	119,454,617	(7,849,992)	–	42,276,666	153,881,291
Premium on issue of shares	4,000,000	–	–	–	4,000,000
Share issue expenses	(300,000)	–	–	–	(300,000)
Profit for the year	–	–	–	10,285,938	10,285,938
	<u>123,154,617</u>	<u>(7,849,992)</u>	<u>–</u>	<u>52,562,604</u>	<u>167,867,229</u>
At 31st March 2001	<u>123,154,617</u>	<u>(7,849,992)</u>	<u>–</u>	<u>52,562,604</u>	<u>167,867,229</u>
At 1st April 2001	123,154,617	(7,849,992)	–	52,562,604	167,867,229
Repurchase of shares	(77,139)	–	–	–	(77,139)
Loss for the year	–	–	–	(20,668,689)	(20,668,689)
	<u>123,077,478</u>	<u>(7,849,992)</u>	<u>–</u>	<u>31,893,915</u>	<u>147,121,401</u>
At 31st March 2002	<u>123,077,478</u>	<u>(7,849,992)</u>	<u>–</u>	<u>31,893,915</u>	<u>147,121,401</u>
Company					
At 1st April 2000	119,454,617	–	37,115,065	(25,587,072)	130,982,610
Premium on issue of shares	4,000,000	–	–	–	4,000,000
Share issue expenses	(300,000)	–	–	–	(300,000)
Loss for the year	–	–	–	(11,249,656)	(11,249,656)
	<u>123,154,617</u>	<u>–</u>	<u>37,115,065</u>	<u>(36,836,728)</u>	<u>123,432,954</u>
At 31st March 2001	<u>123,154,617</u>	<u>–</u>	<u>37,115,065</u>	<u>(36,836,728)</u>	<u>123,432,954</u>
At 1st April 2001	123,154,617	–	37,115,065	(36,836,728)	123,432,954
Repurchase of shares	(77,139)	–	–	–	(77,139)
Loss for the year	–	–	–	(20,245)	(20,245)
	<u>123,077,478</u>	<u>–</u>	<u>37,115,065</u>	<u>(36,856,973)</u>	<u>123,335,570</u>
At 31st March 2002	<u>123,077,478</u>	<u>–</u>	<u>37,115,065</u>	<u>(36,856,973)</u>	<u>123,335,570</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

20. Reserves (continued)

- (a) The contributed surplus represents the difference between the nominal value of the Company's shares issued in exchange for all the issued ordinary shares of Same Time International (B.V.I.) Limited and the value of net assets of the underlying subsidiaries acquired as at 4th March 1992. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.
- (b) The contributed surplus is distributable under the Companies Act 1981 of Bermuda. However, the Company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if:
- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
 - (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

As at 31st March 2002, the reserves of the Company available for distribution amounted to HK\$258,092 (2001: HK\$278,337)

21. Long-term liabilities

	Group	
	2002	2001
	HK\$	HK\$
Promissory note to a financial institution	–	384,123
Secured bank loan	3,773,530	–
Obligations under finance leases	51,597,196	42,841,301
.....	55,370,726	43,225,424
Current portion of long-term liabilities	(30,015,071)	(20,362,999)
.....	25,355,655	22,862,425

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

21. Long-term liabilities (continued)

	Group	
	2002	2001
	HK\$	HK\$
The analysis of the above is as follows:		
Bank loan		
Not wholly repayable within five years	3,773,530	–
Promissory note to a financial institution		
Wholly repayable within five years	–	384,123
Obligations under finance leases		
Wholly repayable within five years	51,597,196	42,841,301
.....	55,370,726	43,225,424
Current portion of long-term liabilities	(30,015,071)	(20,362,999)
.....	25,355,655	22,862,425
.....		

Bank loan not wholly repayable within five years is repayable by monthly instalments from 23rd January 2002 to 23rd December 2008. Interest is charged on the outstanding balance at prime rate less 2.15%.

At 31st March 2002, the Group's bank loan and other borrowings (excluding finance lease liabilities) were repayable as follows:

	Bank loan		Promissory note to a financial institution	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Within one year	512,492	–	–	384,123
In the second year	527,773	–	–	–
In the third to fifth years	1,681,472	–	–	–
After the fifth year	1,051,793	–	–	–
.....	3,773,530	–	–	384,123
.....				

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

21. Long-term liabilities (continued)

At 31st March 2002, the Group's finance lease liabilities were repayable as follows:

	Group	
	2002	2001
	HK\$	HK\$
Within one year	32,041,151	23,392,433
In the second year	17,476,687	19,465,059
In the third to fifth years	5,541,625	4,878,991
.....	<u>55,059,463</u>	<u>47,736,483</u>
Future finance charges on finance leases	(3,462,267)	(4,895,182)
.....	<u>51,597,196</u>	<u>42,841,301</u>
Present value of finance lease liabilities	51,597,196	42,841,301
.....	<u>51,597,196</u>	<u>42,841,301</u>

	2002	2001
	HK\$	HK\$

The present value of finance lease liabilities is as follows:

Within one year	29,502,579	19,978,877
In the second year	16,710,134	18,128,496
In the third to fifth years	5,384,483	4,733,928
.....	<u>51,597,196</u>	<u>42,841,301</u>
.....	<u>51,597,196</u>	<u>42,841,301</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

22. Deferred taxation

	Group	
	2002 HK\$	2001 HK\$
At beginning of year	3,906,685	3,092,283
Transferred from profit and loss account (note 5)	<u>1,000,000</u>	<u>814,402</u>
At end of year	<u><u>4,906,685</u></u>	<u><u>3,906,685</u></u>
Provided for in respect of:		
Accelerated depreciation allowances	8,589,932	7,589,932
Other timing differences	<u>(3,683,247)</u>	<u>(3,683,247)</u>
	<u><u>4,906,685</u></u>	<u><u>3,906,685</u></u>

The potential deferred tax (asset)/liability not provided for in the accounts amounts to:

	Group	
	2002 HK\$	2001 HK\$
Accelerated depreciation allowance	435,381	234,647
Other timing differences	<u>(6,254,962)</u>	<u>(4,083,860)</u>
	<u><u>(5,819,581)</u></u>	<u><u>(3,849,213)</u></u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

23. Notes to the consolidated cash flow statement

(a) Reconciliation of (loss)/profit before taxation to net cash inflow from operating activities:

	2002	2001
	HK\$	HK\$
(Loss)/profit before taxation	(19,650,717)	11,136,630
Depreciation	31,152,470	25,980,923
Loss/(gain) on disposal of fixed assets	54,121	(133,031)
Decrease/(increase) in inventories	33,502,524	(6,468,899)
Decrease/(increase) in trade receivables, deposits and prepayments and other receivables	75,701,364	(27,712,832)
(Decrease)/increase in trade payables, accruals and other payables	(66,399,568)	6,879,878
Interest income	(198,140)	(247,308)
Interest expenses	8,402,413	6,810,457
.....	<u> </u>	<u> </u>
Net cash inflow from operating activities	<u>62,564,467</u>	<u>16,245,818</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

23. Notes to the consolidated cash flow statement (continued)

(b) Analysis of changes in financing during the year

	Amount due to a director		Loans not repayable within three months and other long-term liabilities		Obligations under finance leases		Share capital and premium	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
At beginning of year	-	4,700,000	14,735,976	15,103,446	42,841,301	15,185,489	176,341,177	164,641,177
Exchange difference	-	-	270,809	-	-	-	-	-
Issue of ordinary shares	-	-	-	-	-	-	-	12,000,000
Share issue expenses	-	-	-	-	-	-	-	(300,000)
Repurchase of own shares	-	-	-	-	-	-	(552,339)	-
New loans	-	-	3,900,000	-	-	-	-	-
Repayment of loans	-	(4,700,000)	(510,593)	(367,470)	-	-	-	-
Inception of finance leases	-	-	-	-	36,381,065	44,055,765	-	-
Capital element of finance lease rental payments	-	-	-	-	(27,625,170)	(16,399,953)	-	-
At end of year	-	-	18,396,192	14,735,976	51,597,196	42,841,301	175,788,838	176,341,177

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respects of fixed assets with a total capital value at the inception of the leases of HK\$36,381,065. This includes fixed assets acquired in the current year of HK\$32,587,747 and the remaining balance of HK\$3,793,318 was applied against the accounts payable in respect of fixed assets acquired in the prior year.

24 Facilities from banks and financial institutions

At 31st March 2002, the total facilities granted to the Group amounted to HK\$90,522,642 (2001: HK\$79,351,853) of which HK\$49,909,025 (2001: HK\$50,309,287) were utilised. These banking facilities are secured by:

- (a) corporate guarantee issued by the Company;
- (b) cross corporate guarantees issued by certain companies within the Group;

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

24. Facilities from banks and financial institutions (continued)

- (c) a legal charge on the leasehold land and building with a net book value of HK\$32,522,706 (2001: HK\$35,050,439) (note 10(b)) and prepayment of HK\$5,592,000 (2001: nil) for a purchase of a leasehold land and building of which the development is in progress.

25. Contingent liabilities

Since the year ended 31st March 2001, an investigation has been undertaken by the PRC customs authorities on a factory plant of a subsidiary in Dongguan in relation to a suspected under-declaration of customs duty by this factory. For the year ended 31st March 2002, amounts totalling HK\$1 million (2001: HK\$2.3 million) have been paid to the relevant authorities as a result of this investigation. The final result of this investigation is still unknown as at the date of approval of the accounts of the Company. The directors have not made any further provision in the consolidated accounts at this stage as in their opinion, there is unlikely to be any further liability arising from this investigation which would have a material effect on the Group's financial position or results of operations.

26. Commitments

(a) Capital commitments for the purchase of plant and machinery

	Group	
	2002	2001
	HK\$	HK\$
Contracted but not provided for	<u>9,436,430</u>	<u>24,245,630</u>

(b) Capital commitment in relation to capital injection to a new subsidiary

	Group	
	2002	2001
	HK\$	HK\$
Contracted but not provided for	<u>14,950,000</u>	<u>—</u>

NOTES TO THE ACCOUNTS

For the year ended 31st March 2002

26. Commitments (continued)

(c) Commitments under operating leases

At 31st March, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings which expire as follows:

	2002	2001
	HK\$	HK\$
Not later than one year	3,220,480	2,944,496
Later than one year and not later than five years	7,342,313	7,686,632
Later than five years	33,970,491	35,461,652
.....	<u>44,533,284</u>	<u>46,092,780</u>
.....	<u>44,533,284</u>	<u>46,092,780</u>

27. Future operating lease receivables

At 31st March, the Group had future minimum lease payments receivable under non-cancellable leases in respect of leasehold land and building as follow:

	2002	2001
	HK\$	HK\$
Not later than one year	186,000	—
Later than one year and not later than five years	31,000	—
.....	<u>217,000</u>	<u>—</u>
.....	<u>217,000</u>	<u>—</u>

28. Subsequent events

On 8th May 2002, the Company entered into a placing and underwriting agreement for a private placement of a total of 105,400,000 new shares of the Company at a placing price of HK\$0.10 per share to independent third parties ("The Share Placing"). The market price of the Company's shares was HK\$0.115 per share on that date. The Share Placing was completed on 22nd May 2002. The new shares rank pari passu in all respects with the existing issued shares of the Company. The Share Placing raised a total of approximately HK\$10,100,000 (net of expenses) for the Company. The purpose of the Share Placing is to finance acquisition of new machinery and equipment, and to enhance capital base.

29. Approval of accounts

The accounts were approved by the board of directors on 23rd July 2002.