

Notes to the Financial Statements

For the year ended 31st March, 2002

1. GENERAL

The Company is an exempted company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company while the Group is engaged in the manufacture and sales of snap off blade cutters and electronic consumer products, including toys and home appliances.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities of approximately HK\$18,663,000 as at 31st March, 2002.

To diversify the Group's product mix, the Group acquired the business for the manufacture and sales of snap off blade cutters in 2000. The Group recorded a net profit for the year ended 31st March, 2002 of approximately HK\$1,584,000 and the net current liabilities of the Group were reduced from approximately HK\$33,058,000 as at 31st March, 2001 to approximately HK\$18,663,000 as at 31st March, 2002.

During the year, the Group negotiated with relevant bankers and was able to re-arrange and extend the repayment due dates of certain of the Group's existing short-term bank loans of approximately HK\$15,600,000 to dates beyond their respective original due dates. In April 2002, the Group successfully concluded with a banker to re-arrange certain of the Group's existing short-term bank loans of approximately HK\$6,000,000 to be wholly repayable in April 2003.

However, the Group is still dependent upon the continuing support of its bankers. The directors are currently continuing their negotiations with relevant bankers to re-arrange the Group's existing short-term bank loans and are confident that agreements will be reached with the bankers in the near future.

Provided that the agreements will be reached with the bankers to re-arrange the Group's existing short-term bank loans, the directors consider that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. ADOPTION OF NEW OR REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time the following new or revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants.

SSAP 14 (Revised)	Leases
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets

Adoption of these SSAP has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 4. In addition, the new or revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been re-stated in order to achieve a consistent presentation.

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

Leases

Disclosures of all of the Group’s leasing arrangements have been modified so as to comply with SSAP 14 (Revised). Comparative amounts have been re-stated in order to achieve a consistent presentation as required under SSAP 14 (Revised).

Segment reporting

In the current year, the Group has changed its basis of identification of reportable segments to that required by SSAP 26 “Segment reporting”. Segment information, with comparative information re-stated on a consistent basis, is presented in note 6.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. ADOPTION OF NEW OR REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

Goodwill

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected not to re-state 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 associate, 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 or associate.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and land and buildings, and 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 and associates acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Notes to the Financial Statements

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and negative goodwill

Goodwill and negative goodwill arising on consolidation represents the excess or shortfall of the purchase consideration over the fair value of the Group's share of the identifiable separable net assets at the date of acquisition of subsidiaries or associates.

Goodwill and negative goodwill arising on acquisitions prior to 1st April, 2001 continue to be held in reserves. Goodwill will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. On disposal of a subsidiary or an associate, any previously unrealised negative goodwill is included in the calculation of the profit or loss on disposal.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight line basis over its estimated useful life, but not exceeding twenty years. Goodwill arising on acquisition of an associate is included in the carrying amount of the associate. Goodwill arising on the acquisition of a subsidiary is presented separately on the balance sheet. Negative goodwill arising on acquisition of a subsidiary after 1st April, 2001 is presented as a deduction from assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted. Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate.

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

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss.

Notes to the Financial Statements

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

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

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

Where the Group transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Revenue recognition

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

Sub-contracting service income is recognised when the services are provided.

Rental income, including rentals invoiced in advance, from properties let under operating leases is recognised on a straight line basis over the period of the respective leases.

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

Notes to the Financial Statements

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the Group. Assets held under finance leases are capitalised at their fair values at the date of inception of the lease. The outstanding principal portion of the leasing commitment is shown as an obligation of the Group. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, is charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the period of the respective leases.

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 annual professional valuation 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 on this reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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

No depreciation is provided in respect of investment properties which are held on leases with unexpired terms of more than 20 years.

Notes to the Financial Statements

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment, other than land and buildings, are stated at cost less depreciation and amortisation and any identified impairment loss at the balance sheet date.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

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

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent depreciation and amortisation and any identified impairment loss. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any surplus arising on the revaluation of land and buildings is credited to the other property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case, this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in the net carrying amount arising on the revaluation of an asset is charged to the income statement to the extent that it exceeds the balance, if any, on the other property revaluation reserve relating to a previous revaluation of that asset. On the subsequent disposal or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Notes to the Financial Statements

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The valuation of leasehold land is amortised over the period of the lease using the straight line method.

The valuation of buildings is depreciated over 50 years or over the period of the lease, if shorter, using the straight line method.

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

Leasehold improvements	20%
Furniture and equipment	20%
Motor vehicles	25%
Plant and machinery	20% - 25%

Assets held under finance leases are depreciated on the same basis as assets owned by the Group or over the period of the leases, if shorter.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Financial Statements

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

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

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

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Taxation

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

Notes to the Financial Statements

For the year ended 31st March, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

On consolidation, the assets and liabilities of operations which are denominated in foreign currencies are translated at the rates ruling on the balance sheet date and the income and expense items are translated at the average rate for the financial period. All exchange differences arising on translation are dealt with in reserves.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks which are repayable within three months from the dates of the advances.

5. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties and is summarised as follows:

	2002	2001
	HK\$	HK\$
Sales of goods	72,619,057	38,797,187
Sub-contracting service income	2,723,805	1,080,189
	<u>75,342,862</u>	<u>39,877,376</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

6. SEGMENT INFORMATION

(a) Business segments

The Group's main business segments comprise manufacture and sales of snap off blade cutters and electronic consumer products, which include toys and home appliances.

Business segments are presented as the primary reporting format and geographical segments as the secondary reporting format.

Analysis of the Group's business segmental information is as follows:

Segment results

	2002	2001
	HK\$	HK\$
Turnover		
– snap off blade cutters	49,166,220	13,717,535
– electronic consumer products	26,176,642	26,159,841
	<u>75,342,862</u>	<u>39,877,376</u>
Results		
– snap off blade cutters	12,538,853	3,453,901
– electronic consumer products	(3,757,060)	(16,020,573)
	8,781,793	(12,566,672)
Unallocated corporate income	4,182,694	583,845
Central administrative expenses	(7,180,836)	(8,643,053)
Profit (loss) from operations	5,783,651	(20,625,880)
Impairment in value of goodwill on de-registration of a subsidiary	–	(1,426,984)
Impairment in value of goodwill attributable to an associate	–	(500,707)
Finance costs	(2,422,292)	(2,916,986)
Share of results of an associate	(687,291)	411,811
Profit (loss) before taxation	2,674,068	(25,058,746)
Taxation	(1,090,357)	(519,539)
Net profit (loss) for the year	<u>1,583,711</u>	<u>(25,578,285)</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

6. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Segment assets and liabilities	2002 HK\$	2001 HK\$
ASSETS		
Segment assets		
– snap off blade cutters	20,660,880	16,489,190
– electronic consumer products	<u>100,303,599</u>	<u>91,544,054</u>
	120,964,479	108,033,244
Interests in associates	2,333,252	3,020,543
Unallocated corporate assets	<u>10,579,331</u>	<u>13,327,482</u>
	<u>133,877,062</u>	<u>124,381,269</u>
LIABILITIES		
Segment liabilities		
– snap off blade cutters	15,681,815	9,866,443
– electronic consumer products	<u>32,986,237</u>	<u>35,288,116</u>
	48,668,052	45,154,559
Unallocated corporate liabilities	<u>10,983,804</u>	<u>15,486,396</u>
	<u>59,651,856</u>	<u>60,640,955</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

6. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Other information

	2002			2001		
	Snap off blade cutters HK\$	Electronic consumer products HK\$	Unallocated corporate section HK\$	Snap off blade cutters HK\$	Electronic consumer products HK\$	Unallocated corporate section HK\$
Capital expenditure	114,530	1,180,372	125,970	3,404,420	835,254	–
Depreciation and amortisation	760,584	3,432,262	29,544	194,873	5,135,974	12,000
(Deficit) surplus arising on revaluation of properties	(422,000)	1,176,664	(580,000)	2,613,019	2,495,372	(138,000)
Impairment in value of goodwill on de-registration of a subsidiary	–	–	–	–	–	1,426,984
Impairment in value of goodwill attributable to an associate	–	–	–	–	–	500,707
Provision for bad and doubtful debts	–	–	–	–	4,779,718	–
Provision for bad and doubtful debts written back	–	694,523	–	–	–	–
Provision for amount due from associates written back	–	–	1,970,420	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the Financial Statements

For the year ended 31st March, 2002

6. SEGMENT INFORMATION (continued)

(b) Geographical segments

The Group's operations are located in Hong Kong and Mainland China (the "PRC"). Manufacture of goods and sub-contracting services are carried out in the PRC and the distribution of goods is carried out in Hong Kong.

An analysis of the Group's geographical segment information, irrespective of the origin of the goods, is as follows:

Geographical area	Turnover by geographical market		Profit (loss) from operations	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
North America	19,641,928	15,452,095	2,696,365	(7,631,637)
Europe	32,258,995	12,003,800	1,796,450	(3,494,798)
Hong Kong	10,045,080	10,266,316	1,567,745	(861,215)
East Asia	9,403,732	1,347,554	1,703,029	(654,033)
Others	3,993,127	807,611	1,018,204	75,011
	<u>75,342,862</u>	<u>39,877,376</u>	<u>8,781,793</u>	<u>(12,566,672)</u>
Unallocated corporate income			4,182,694	583,845
Central administrative expenses			<u>(7,180,836)</u>	<u>(8,643,053)</u>
Profit (loss) from operations			<u>5,783,651</u>	<u>(20,625,880)</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

6. SEGMENT INFORMATION (continued)

(b) Geographical segments (continued)

An analysis of the carrying amount of segment assets, and additions to property, plant and equipment, identified by the geographical areas in which the assets are located is as follows:

Geographical area	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
PRC	98,123,555	93,668,767	76,513	2,177,872
Hong Kong	35,753,507	30,712,502	1,344,359	2,061,802
	<u>133,877,062</u>	<u>124,381,269</u>	<u>1,420,872</u>	<u>4,239,674</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

7. PROFIT (LOSS) FROM OPERATIONS

	2002 HK\$	2001 HK\$
Profit (loss) from operations has been arrived at after charging:		
Staff costs	17,113,110	14,367,204
Retirement benefits scheme contributions, net of forfeited contributions of HK\$84,966 (2001: HK\$49,594)	<u>186,399</u>	<u>120,416</u>
Total staff costs including directors' emoluments	17,299,509	14,487,620
Less: Staff costs included in research and development costs	<u>(466,418)</u>	<u>(744,403)</u>
	<u>16,833,091</u>	<u>13,743,217</u>
Auditors' remuneration		
– current year	430,000	450,000
– overprovision in prior years	–	(75,000)
Deficit arising on revaluation of investment properties	580,000	130,000
Deficit arising on revaluation of land and buildings	–	8,000
Depreciation and amortisation of property, plant and equipment		
– owned by the Group	4,166,935	5,342,847
– held under finance leases	55,455	–
Operating lease rentals in respect of land and buildings	405,600	339,890
Provision for bad and doubtful debts	–	4,779,718
Provision for inventories	289,000	3,200,000
Research and development costs	585,324	1,122,726
and after crediting:		
Gain on disposal of property, plant and equipment	904,229	–
Gross rental income from investment properties before deduction of outgoings of HK\$61,032 (2001: HK\$76,019)	789,320	1,120,895
Interest income	11,985	197,978
Provision for amount due from associates written back	1,970,420	–
Provision for bad and doubtful debts written back	694,523	–
Provision for inventories written back	<u>3,682,529</u>	<u>–</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

8. FINANCE COSTS

	2002 HK\$	2001 HK\$
Interest on		
– bank and other borrowings wholly repayable within five years	(2,066,180)	(2,433,387)
– bank borrowings not wholly repayable within five years	(335,758)	(483,599)
– finance leases	(20,354)	–
	<u>(2,422,292)</u>	<u>(2,916,986)</u>

9. DIRECTORS' EMOLUMENTS

	2002 HK\$	2001 HK\$
Directors' fees:		
Executive	–	–
Independent non-executive	200,000	200,000
Other non-executive	–	–
	<u>200,000</u>	<u>200,000</u>
Other emoluments:		
Executive directors		
– Salaries and other benefits	5,113,646	4,202,510
– Retirement benefits scheme contributions	79,500	32,850
Non-executive directors		
– Salaries and other benefits	11,999	–
	<u>5,205,145</u>	<u>4,235,360</u>
Total directors' emoluments	<u>5,405,145</u>	<u>4,435,360</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

9. DIRECTORS' EMOLUMENTS (continued)

Included in the salaries and other benefits of executive directors for the year was an amount of HK\$276,500 (2001: Nil), in respect of operating lease rentals for a motor vehicle paid to a related company, details of which are set out in note 37(i)(a).

The emoluments of the directors were within the following bands:

	2002 Number of directors	2001 Number of directors
Nil to HK\$1,000,000	10	10
HK\$3,000,001 to HK\$3,500,000	<u>1</u>	<u>1</u>

10. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals for the year included two (2001: two) executive directors of the Company, whose emoluments are included in note 9 above. The aggregate emoluments of the remaining three (2001: three) highest paid individuals are as follows:

	2002 HK\$	2001 HK\$
Salaries and other benefits	1,356,948	1,171,981
Retirement benefits scheme contributions	<u>36,000</u>	<u>39,975</u>
	<u>1,392,948</u>	<u>1,211,956</u>

None of the emoluments of the remaining three highest paid individuals was in excess of HK\$1 million.

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no director waived any emoluments during the year.

Notes to the Financial Statements

For the year ended 31st March, 2002

11. TAXATION

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
The charge comprises:		
Hong Kong Profits Tax calculated at 16% on the estimated assessable profit for the year	562,884	517,102
Mainland China Income Tax	527,473	2,437
	<u>1,090,357</u>	<u>519,539</u>

Income tax in the PRC is calculated at the rates pursuant to the relevant laws and regulations in the PRC.

12. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the net profit for the year of HK\$1,583,711 (2001: net loss of HK\$25,578,285) and on the weighted average of 4,462,565,102 (2001: 3,307,079,623) shares in issue during the year.

No diluted earnings per share has been presented in 2002 because the exercise price of the Company's options was higher than the average market price of the Company's shares for the year.

No diluted loss per share amount has been presented in 2001 as the effect of the potential shares outstanding during that year was anti-dilutive.

Notes to the Financial Statements

For the year ended 31st March, 2002

13. INVESTMENT PROPERTIES

	THE GROUP <i>HK\$</i>
At 1st April, 2000	6,130,000
Deficit arising on revaluation	<u>(130,000)</u>
At 31st March, 2001	6,000,000
Deficit arising on revaluation	<u>(580,000)</u>
At 31st March, 2002	<u><u>5,420,000</u></u>

The Group's investment properties were revalued at 31st March, 2002 on an open market value basis by Castores Magi Surveyors Limited, an independent firm of professional surveyors. The deficit arising on the revaluation has been charged to the income statement.

The Group's investment properties are situated in Hong Kong under medium-term leases and are rented out under operating leases. These property interests were pledged to a bank to secure the credit facilities granted to the Group.

Notes to the Financial Statements

For the year ended 31st March, 2002

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$	Leasehold improvements HK\$	Furniture and equipment HK\$	Motor vehicles HK\$	Plant and machinery HK\$	Total HK\$
THE GROUP						
COST OR VALUATION						
At 1st April, 2001	87,480,000	4,441,407	9,504,988	1,375,597	31,266,851	134,068,843
Additions		402,500	319,292	–	699,080	1,420,872
Disposals	(580,000)	–	(122,187)	–	(3,336,623)	(4,038,810)
Revaluation changes	(1,310,000)	–	–	–	–	(1,310,000)
	<u>85,590,000</u>	<u>4,843,907</u>	<u>9,702,093</u>	<u>1,375,597</u>	<u>28,629,308</u>	<u>130,140,905</u>
At 31st March, 2002	<u>85,590,000</u>	<u>4,843,907</u>	<u>9,702,093</u>	<u>1,375,597</u>	<u>28,629,308</u>	<u>130,140,905</u>
Comprising:						
At cost	–	4,843,907	9,702,093	1,375,597	28,629,308	44,550,905
At valuation - 2002	<u>85,590,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>85,590,000</u>
	<u>85,590,000</u>	<u>4,843,907</u>	<u>9,702,093</u>	<u>1,375,597</u>	<u>28,629,308</u>	<u>130,140,905</u>
DEPRECIATION AND AMORTISATION						
At 1st April, 2001	–	1,891,521	8,442,726	1,375,597	30,585,528	42,295,372
Provided for the year	2,069,497	911,801	367,311	–	873,781	4,222,390
Eliminated on disposals	(4,833)	–	(122,187)	–	(3,336,623)	(3,463,643)
Eliminated on revaluation	(2,064,664)	–	–	–	–	(2,064,664)
	<u>–</u>	<u>2,803,322</u>	<u>8,687,850</u>	<u>1,375,597</u>	<u>28,122,686</u>	<u>40,989,455</u>
At 31st March, 2002	<u>–</u>	<u>2,803,322</u>	<u>8,687,850</u>	<u>1,375,597</u>	<u>28,122,686</u>	<u>40,989,455</u>
NET BOOK VALUES						
At 31st March, 2002	<u>85,590,000</u>	<u>2,040,585</u>	<u>1,014,243</u>	<u>–</u>	<u>506,622</u>	<u>89,151,450</u>
At 31st March, 2001	<u>87,480,000</u>	<u>2,549,886</u>	<u>1,062,262</u>	<u>–</u>	<u>681,323</u>	<u>91,773,471</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's land and buildings were revalued at 31st March, 2002 on an open market value basis and on the basis of depreciated replacement cost, as appropriate, by Castores Magi Surveyors Limited, an independent firm of professional surveyors. These property interests were pledged to banks to secure the credit facilities granted to the Group.

The net surplus of HK\$754,664 arising on the revaluation of the Group's land and buildings has been credited to other property revaluation reserve.

Had the Group's land and buildings not been revalued, they would have been included on a historical cost basis at the following amounts:

	THE GROUP
	<i>HK\$</i>
Cost	86,573,000
Accumulated depreciation and amortisation	<u>(13,151,000)</u>
Net book value at 31st March, 2002	<u>73,422,000</u>
Net book value at 31st March, 2001	<u>75,138,000</u>

THE GROUP	
2002	2001
<i>HK\$</i>	<i>HK\$</i>

The net book value of the Group's land and buildings comprise:

Properties situated in Hong Kong held under long leases (<i>note i</i>)	3,890,000	4,400,000
Properties situated in the PRC held under		
– long-term leases (<i>note i</i>)	–	580,000
– medium-term leases (<i>note ii</i>)	81,700,000	<u>82,500,000</u>
	<u>85,590,000</u>	<u>87,480,000</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

- (i) The properties were valued on an open market value basis.
- (ii) The properties were specially designed properties which, due to their specialised nature, have an utility restricted to particular uses or users, and are rarely, if ever, sold on the open market, except as part of a sale of the business in occupation. As there are no readily market sales comparable, the buildings and structures cannot be valued on the basis of open market value. They have therefore been valued on the basis of their depreciated replacement cost.

	Furniture and equipment HK\$
THE COMPANY COST	
Acquired during the year and balance at 31st March, 2002	125,970
DEPRECIATION	
Provided for the year and balance at 31st March, 2002	<u>24,711</u>
NET BOOK VALUE	
At 31st March, 2002	<u><u>101,259</u></u>

At the balance sheet date, the net book value of the property, plant and equipment held under finance leases of the Group and the Company was HK\$596,975 (2001: Nil) and HK\$97,880 (2001: Nil) respectively.

Notes to the Financial Statements

For the year ended 31st March, 2002

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK\$	HK\$
Unlisted shares, at cost	35,741,016	35,741,016
Amounts due from subsidiaries	61,479,029	56,717,353
	97,220,045	92,458,369
Impairment in value	(65,230,693)	(66,856,837)
	31,989,352	25,601,532

Details of the Company's principal subsidiaries at 31st March, 2002 are set out in note 39.

16. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002	2001
	HK\$	HK\$
Share of associates' net assets	133,252	820,543
Amounts due from associates less provision	2,200,000	2,200,000
	2,333,252	3,020,543

The investment in principal associate at 31st March, 2002 represents the Group's 40% equity interest in Northern Newland Engineering Limited, which is a company incorporated in Hong Kong and engaged in the provision of engineering services.

During the year, the Group received payment of HK\$1,000,000, from an associate and set off an amount of HK\$970,420 with the amount due to the associate for balance due from the associate which was previously provided for. Accordingly provision of HK\$1,970,420 made in prior year has been reversed and credited to administrative expenses.

The above list the associate of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Financial Statements

For the year ended 31st March, 2002

17. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$	HK\$
Raw materials	9,685,365	7,553,050
Work in progress	2,857,865	1,233,893
Finished goods	3,473,073	1,793,929
	<u>16,016,303</u>	<u>10,580,872</u>

As at 31st March, 2002, included in the above were work in progress of HK\$306,786 (2001: Nil) and finished goods of HK\$1,759,015 (2001: Nil) which were carried at net realisable value.

During the year, as a result of resumption of sales orders cancelled by a customer in prior years, provision made in prior year against carrying value of raw materials amounting to HK\$2,576,529, work in progress amounting to HK\$276,000 and finished goods amounting to HK\$830,000 have been reversed and credited to cost of goods sold.

Notes to the Financial Statements

For the year ended 31st March, 2002

18. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2002	2001
	HK\$	HK\$
Trade receivables	6,205,219	4,368,204
Other receivables	2,036,184	873,063
	<u>8,241,403</u>	<u>5,241,267</u>

The Group allows an average credit period of 60 days. A longer credit period may be granted to customers with long business relationship. The following is an aged analysis of the trade receivables at the balance sheet date:

	THE GROUP	
	2002	2001
	HK\$	HK\$
Age		
0 to 60 days	4,938,530	3,568,259
61 to 90 days	241,664	149,780
Over 90 days	1,025,025	650,165
	<u>6,205,219</u>	<u>4,368,204</u>

19. AMOUNT DUE FROM A RELATED COMPANY

The amount was unsecured, interest-free and was fully repaid during the year. It represented the payment for the shortfall of the contracted net tangible assets value of the business acquired in prior year and was payable by Twin Base Limited ("Twin Base"), a company in which a controlling shareholder and a director of the Company Mr. Chong Sing Yuen ("Mr. Chong") has a beneficial interest.

Notes to the Financial Statements

For the year ended 31st March, 2002

20. TRADE AND OTHER PAYABLES

	THE GROUP	
	2002	2001
	HK\$	HK\$
Trade payables	9,221,630	7,671,834
Other payables	7,535,565	13,413,794
	<u>16,757,195</u>	<u>21,085,628</u>

The following is an aged analysis of the trade payables at the balance sheet date:

	THE GROUP	
	2002	2001
	HK\$	HK\$
Age		
0 to 60 days	5,172,230	5,199,916
61 to 90 days	636,794	266,733
Over 90 days	3,412,606	2,205,185
	<u>9,221,630</u>	<u>7,671,834</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum		Present value	
	lease payments		of minimum	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
THE GROUP				
Amount payable under finance leases				
Within one year	254,728	–	229,210	–
More than one year, but not exceeding two years	195,845	–	176,587	–
More than two years, but not exceeding five years	107,373	–	96,250	–
	<u>557,946</u>	–	<u>502,047</u>	–
Less: Future finance charges	<u>55,899</u>	–	<u>–</u>	–
Present value of lease obligations	<u>502,047</u>	–	<u>502,047</u>	–
Less: Amount due within one year shown under current liabilities			<u>229,210</u>	–
Amount due after one year			<u>272,837</u>	–
THE COMPANY				
Amount payable under a finance lease				
Within one year	70,660	–	64,210	–
More than one year, but not exceeding two years	11,777	–	11,587	–
	<u>82,437</u>	–	<u>75,797</u>	–
Less: Future finance charges	<u>6,640</u>	–	<u>–</u>	–
Present value of lease obligations	<u>75,797</u>	–	<u>75,797</u>	–
Less: Amount due within one year shown under current liabilities			<u>64,210</u>	–
Amount due after one year			<u>11,587</u>	–

Notes to the Financial Statements

For the year ended 31st March, 2002

22. SECURED BANK LOANS

	THE GROUP	
	2002	2001
	HK\$	HK\$
The secured bank loans are repayable as follows:		
Within one year	229,061	188,105
More than one year, but not exceeding two years	245,925	206,347
More than two years, but not exceeding five years	851,839	719,174
More than five years	2,646,328	3,070,454
	3,973,153	4,184,080
Less: Amount due within one year shown under current liabilities	229,061	188,105
Amount due after one year	3,744,092	3,995,975

23. SHORT-TERM BANK AND OTHER LOANS

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Short-term bank loans	26,120,374	22,587,664	–	–
Other short-term loan	2,000,000	–	2,000,000	–
	28,120,374	22,587,664	2,000,000	–
Analysed as				
– secured	22,120,374	22,587,664	–	–
– unsecured	6,000,000	–	2,000,000	–
	28,120,374	22,587,664	2,000,000	–

Notes to the Financial Statements

For the year ended 31st March, 2002

24. BANK OVERDRAFTS

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Bank overdrafts				
– secured	–	397,070	–	–
– unsecured	106,402	131,316	–	131,316
	106,402	528,386	–	131,316

25. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
At 1st April, 2000, ordinary shares of HK\$0.05 each	6,000,000,000	300,000,000
Reduction of capital from HK\$0.05 each to HK\$0.01 each on 30th June, 2001	<u>24,000,000,000</u>	–
At 31st March, 2001 and 31st March, 2002, ordinary shares of HK\$0.01 each	<u>30,000,000,000</u>	<u>300,000,000</u>
	Number of shares	Amount HK\$
Issued and fully paid:		
At 1st April, 2000, ordinary shares of HK\$0.05 each	3,007,057,705	150,352,885
Reduction of capital from HK\$0.05 each to HK\$0.01 each	–	(120,282,308)
Issue of shares for the acquisition of a business	1,200,000,000	12,000,000
Exercise of share options	<u>29,000,000</u>	<u>290,000</u>
At 31st March, 2001, ordinary shares of HK\$0.01 each	4,236,057,705	42,360,577
Placement of new shares	300,000,000	3,000,000
Exercise of share options	<u>8,400,000</u>	<u>84,000</u>
At 31st March, 2002, ordinary shares of HK\$0.01 each	<u>4,544,457,705</u>	<u>45,444,577</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

25. SHARE CAPITAL (continued)

During the year, the following changes in the share capital of the Company took place:

- (a) Pursuant to the placing agreement entered into on 14th June, 2001 between the Company and NSC Securities (Asia) Limited (the "Placing Agent"), the Company placed through the Placing Agent a total of 300,000,000 shares of HK\$0.01 each to independent third parties at a price of HK\$0.029 per share, representing a discount of approximately 5.84% to the average closing price of the shares for the last ten trading days quoted on the Stock Exchange prior to 14th June, 2001, the date of the announcement of the said placing agreement. The net proceeds of the placement which amounted to approximately HK\$8,000,000 was used as general working capital for the Company. The new shares were issued on 5th July, 2001 under the general mandate granted to the board of directors on 17th November, 2000.

- (b) During the year, 8,400,000 share options were exercised at a subscription price of HK\$0.027 per share, resulting in the issue of 8,400,000 shares of HK\$0.01 each in the Company.

All the shares issued during the year rank pari passu with the then existing shares in all respects.

Notes to the Financial Statements

For the year ended 31st March, 2002

26. SHARE OPTIONS

Details of the movements in the number of share options granted under the Company's share option scheme adopted on 10th September, 1992 are as follows:

Exercisable period	Exercise price per share HK\$	Outstanding at 1.4.2001	Number of share options				Outstanding at 31.3.2002
			Granted during the year	Lapsed during the year	Exercised during the year		
25th June, 1999 to 10th September, 2002	0.050	70,910,000	–	910,000	–	70,000,000	
25th November, 2000 to 10th September, 2002	0.027	76,000,000	–	–	1,400,000	74,600,000	
18th June, 2001 to 10th September, 2002	0.027	–	99,150,000	–	7,000,000	92,150,000	
		<u>146,910,000</u>	<u>99,150,000</u>	<u>910,000</u>	<u>8,400,000</u>	<u>236,750,000</u>	

Notes to the Financial Statements

For the year ended 31st March, 2002

27. RESERVES

	Share premium HK\$	Other property revaluation reserve HK\$	Goodwill HK\$	Translation reserve HK\$	Special reserve HK\$	Retained profits (deficit) HK\$	Total HK\$
THE GROUP							
At 1st April, 2000	141,656,660	12,101,474	(1,927,691)	-	(11,152,801)	(217,862,069)	(77,184,427)
Premium arising on issue of shares, net of expenses of HK\$3,872,669	19,420,331	-	-	-	-	-	19,420,331
Effect of capital reduction	(141,656,660)	-	-	-	-	261,938,968	120,282,308
Surplus arising on revaluation	-	5,108,391	-	-	-	-	5,108,391
Impairment in value of goodwill on de-registration of a subsidiary	-	-	1,426,984	-	-	-	1,426,984
Impairment in value of goodwill attributable to an associate	-	-	500,707	-	-	-	500,707
Goodwill arising on acquisition of a business	-	-	(22,648,000)	-	-	-	(22,648,000)
Exchange differences arising on translation of financial statements of overseas operations	-	-	-	51,728	-	-	51,728
Net loss for the year	-	-	-	-	-	(25,578,285)	(25,578,285)
At 31st March, 2001	19,420,331	17,209,865	(22,648,000)	51,728	(11,152,801)	18,498,614	21,379,737
Premium arising on issue of shares, net of expenses of HK\$780,283	5,062,517	-	-	-	-	-	5,062,517
Surplus arising on revaluation	-	754,664	-	-	-	-	754,664
Net profit for the year	-	-	-	-	-	1,583,711	1,583,711
At 31st March, 2002	<u>24,482,848</u>	<u>17,964,529</u>	<u>(22,648,000)</u>	<u>51,728</u>	<u>(11,152,801)</u>	<u>20,082,325</u>	<u>28,780,629</u>
Attributed to:							
- the Company and subsidiaries	24,482,848	17,964,529	(22,648,000)	51,728	(11,152,801)	20,749,073	29,447,377
- associates	-	-	-	-	-	(666,748)	(666,748)
At 31st March, 2002	<u>24,482,848</u>	<u>17,964,529</u>	<u>(22,648,000)</u>	<u>51,728</u>	<u>(11,152,801)</u>	<u>20,082,325</u>	<u>28,780,629</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

27. RESERVES (continued)

The special reserve of the Group represents the difference between the nominal amount of the Company's shares issued as consideration and the aggregate of the nominal amount of the share capital and share premium accounts of the subsidiaries acquired at the date of the group reorganisation.

	Share premium HK\$	Contributed surplus HK\$	Deficit HK\$	Total HK\$
THE COMPANY				
At 1st April, 2000	141,656,660	10,429,000	(293,560,881)	(141,475,221)
Premium arising on issue of shares, net of expenses of HK\$3,872,669	19,420,331	–	–	19,420,331
Effect of capital reduction	(141,656,660)	–	261,938,968	120,282,308
Transfers	–	(10,429,000)	10,429,000	–
Net loss for the year	–	–	(17,992,093)	(17,992,093)
At 31st March, 2001	19,420,331	–	(39,185,006)	(19,764,675)
Premium arising on issue of shares, net of expenses of HK\$780,283	5,062,517	–	–	5,062,517
Net loss for the year	–	–	(368,963)	(368,963)
At 31st March, 2002	<u>24,482,848</u>	<u>–</u>	<u>(39,553,969)</u>	<u>(15,071,121)</u>

At the balance sheet date, the Company had no reserves available for distribution to shareholders.

Notes to the Financial Statements

For the year ended 31st March, 2002

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

	2002	2001
	HK\$	HK\$
Profit (loss) before taxation	2,674,068	(25,058,746)
Interest income	(11,985)	(197,978)
Interest expenses	2,422,292	2,916,986
Share of results of an associate	687,291	(411,811)
Depreciation and amortisation	4,222,390	5,342,847
Deficit arising on revaluation of investment properties	580,000	130,000
Deficit arising on revaluation of land and buildings	–	8,000
Gain on disposal of property, plant and equipment	(904,229)	–
Impairment in value of goodwill on de-registration of a subsidiary	–	1,426,984
Impairment in value of goodwill attributable to an associate	–	500,707
Provision for bad and doubtful debts	–	4,779,718
Provision for bad and doubtful debts written back	(694,523)	–
Provision for amount due from associates written back	(1,970,420)	–
Provision for inventories	289,000	3,200,000
Provision for inventories written back	(3,682,529)	–
Increase in inventories	(2,041,902)	(2,471,849)
Increase in trade and other receivables	(2,305,613)	(4,123,248)
Increase in amount due from an associate	(3,000,000)	–
(Decrease) increase in trade and other payables	(4,328,433)	6,054,071
Decrease in trade payable to a related company	–	(1,747,444)
Increase in amount due to an associate	524,575	925,018
	<u> </u>	<u> </u>
Net cash outflow from operating activities	<u>(7,540,018)</u>	<u>(8,726,745)</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

29. ACQUISITION OF A BUSINESS

	2002	2001
	HK\$	HK\$
Net assets acquired:		
Property, plant and equipment	–	3,136,000
Inventories	–	6,856,000
Trade receivables	–	12,000
Bank balances and cash	–	52,000
Trade and other payables	–	(881,000)
Taxation	–	(12,000)
	<hr/>	<hr/>
Net assets	–	9,163,000
Goodwill arising on acquisition	–	22,648,000
	<hr/>	<hr/>
Consideration satisfied by issue of 1,200,000,000 new shares of HK\$0.01 each in the Company at HK\$0.029 per share as quoted on the Stock Exchange on the completion date of the transaction, less guaranteed net assets compensation receivable of HK\$2,989,000	<hr/> –	<hr/> 31,811,000
	<hr/>	<hr/>
Analysis of cash inflow on acquisition of the business:		
Bank balances and cash acquired	<hr/> –	<hr/> 52,000
	<hr/>	<hr/>

The business acquired in 2001 contributed HK\$4,735,330 to the Group's net operating cash flows, paid taxation of HK\$12,000 and utilised HK\$268,418 for investing activities.

Notes to the Financial Statements

For the year ended 31st March, 2002

30. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$	Bank loans HK\$	Short-term bank and other loans HK\$	Amount due to a related company HK\$	Amounts due to directors HK\$	Obligations under finance leases HK\$
At 1st April, 2000	292,009,545	4,324,954	21,715,434	–	1,781,495	–
Currency realignment	–	–	872,230	–	–	–
Outgoings from issue of new shares	(3,089,669)	–	–	–	–	–
Borrowings raised	–	–	–	5,338,268	3,210,332	–
Repayment of borrowings	–	(140,874)	–	–	(1,781,495)	–
Other movements not involving cash flows:						
Shares issued for the acquisition of a business	34,800,000	–	–	–	–	–
Effect of capital reduction	(261,938,968)	–	–	–	–	–
At 31st March, 2001	61,780,908	4,184,080	22,587,664	5,338,268	3,210,332	–
Proceeds from issue of new shares, net of expenses	8,146,517	–	–	–	–	–
Inception of finance leases	–	–	–	–	–	617,350
Borrowings raised	–	–	6,000,000	5,777,915	2,623,486	–
Repayment of borrowings	–	(210,927)	(467,290)	(5,770,000)	(5,310,994)	(115,303)
At 31st March, 2002	69,927,425	3,973,153	28,120,374	5,346,183	522,824	502,047

Notes to the Financial Statements

For the year ended 31st March, 2002

31. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases in respect of property, plant and equipment with total capital value at the inception of the leases of HK\$617,350 (2001: Nil).

32. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Bills receivables	161,027	332,369
Bank balances and cash	9,553,627	4,041,165
Trust receipt loans	(2,239,519)	(2,262,040)
Bank overdrafts	(106,402)	(528,386)
	<u>7,368,733</u>	<u>1,583,108</u>

33. UNRECOGNISED DEFERRED TAXATION

At 31st March, 2002, the Group and the Company has an unrecognised deferred tax asset of approximately HK\$6,460,000 (2001: HK\$5,996,000) and HK\$4,384,000 (2001: HK\$5,201,000) respectively which represents the tax effect of timing differences arising as a result of tax losses available to set off against future assessable profits. This deferred tax asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

No provision for deferred taxation has been made in the financial statements in respect of the land appreciation tax arising on the revaluation of land and buildings in the PRC as, in the opinion of the directors, the respective properties are held for the Group's own use and are not intended to be held for resale in the foreseeable future.

Deferred tax has not been provided on the revaluation surplus arising on the revaluation of land and buildings in respect of properties situated in Hong Kong as profits arising on the disposal of those assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

Notes to the Financial Statements

For the year ended 31st March, 2002

34. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP			
	2002		2001	
	Land and buildings HK\$	Motor vehicle HK\$	Land and buildings HK\$	Motor vehicle HK\$
Within one year	357,000	197,500	405,600	–
In the second to fifth year inclusive	52,800	–	304,200	–
	<u>409,800</u>	<u>197,500</u>	<u>709,800</u>	<u>–</u>
Payable to				
– Twin Base	304,200	197,500	709,800	–
– others	105,600	–	–	–
	<u>409,800</u>	<u>197,500</u>	<u>709,800</u>	<u>–</u>

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments to the Group in respect of rented investment properties:

	THE GROUP	
	2002 HK\$	2001 HK\$
Within one year	566,040	659,400
In the second to fifth year inclusive	178,500	252,900
	<u>744,540</u>	<u>912,300</u>

The Company had no operating lease commitments at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st March, 2002

35. CONTINGENT LIABILITIES

	THE GROUP	
	2002	2001
	HK\$	HK\$
Export bills discounted with recourse	—	1,019,484

At 31st March, 2002, the Company has given guarantees to the extent of HK\$9,400,000 (2001: HK\$20,500,000) to certain banks in respect of credit facilities granted to subsidiaries.

36. RETIREMENT BENEFITS SCHEME

The Company operates defined contribution retirement benefits schemes under the Occupational Retirement Scheme Ordinance (the “ORSO Schemes”) for all qualified employees. The assets of the ORSO Schemes are held separately in funds under the control of independent trustees. The retirement benefits scheme contributions charged to the income statement represents contributions payable to the ORSO Schemes by the Company at rates specified in the rules of the ORSO Schemes. Where there are employees who leave the ORSO Schemes prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contribution payable by the Group.

In light of the introduction of Mandatory Provident Fund (the “MPF”) in Hong Kong, all qualifying employees of the Group were granted a one-off option to elect staying with the ORSO Schemes or switching to the MPF schemes. The Group has arranged for relevant employees to join the MPF schemes since December 2000. The Group and each of the employees make monthly mandatory contributions to the MPF schemes.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

At the balance sheet date, there was no significant forfeited contributions, which arose upon employees leaving the ORSO Schemes, available to reduce the contribution payable in the future years.

Notes to the Financial Statements

For the year ended 31st March, 2002

37. RELATED PARTY TRANSACTIONS

- (i) (a) During the year, the Group had the following significant transactions with Twin Base:

Nature of transactions	THE GROUP	
	2002 HK\$	2001 HK\$
Rentals paid for land and buildings (<i>note i</i>)	405,600	263,400
Rentals paid for a motor vehicle (<i>note ii</i>)	276,500	–
Property rental income and reimbursement of outgoings received (<i>note i</i>)	–	704,268
Management fees paid (<i>note iii</i>)	–	400,613
	<u> </u>	<u> </u>

Notes:

- (i) The property rental income as well as rentals paid were charged in accordance with respective tenancy agreements and the prevailing rent approximate to the open market rentals estimated by the directors at the time when these tenancy agreements were contracted. Outgoings in connection with the property let to Twin Base were reimbursed on an actual incurred basis.
- (ii) The motor vehicle rentals paid was charged in accordance with a motor vehicle rental agreement and the prevailing rent approximate to the open market rents estimated by the directors at the time when the motor vehicle rental agreement was contracted.
- (iii) Management fees were charged on the basis to reimburse the actual staff costs incurred by Twin Base.

Notes to the Financial Statements

For the year ended 31st March, 2002

37. RELATED PARTY TRANSACTIONS (continued)

- (b) As at 31st March, 2002, Twin Base has pledged certain of its property interests to a bank to secure the credit facilities to the extent of HK\$5,400,000 granted to the Group.
 - (c) As at 31st March, 2002, the amount due to Twin Base is unsecured, interest-free and repayable on demand.
 - (d) Details of the operating lease commitments with Twin Base at the balance sheet date are set out in note 34.
- (ii) As at 31st March, 2002, Mr. Chong has given a joint and several guarantee to a financial institution to secure the credit facilities to the extent of HK\$2,000,000 granted to the Company.
- (iii) (a) During the year, the Group purchased raw materials amounting to HK\$2,068,180 (2001: HK\$657,185) from an associate of the Group, 番禺精輝電路版有限公司. These transactions were carried out at market price.
- (b) In addition, during the year, the Group received management fee income amounting to HK\$3,144,000 (2001: HK\$144,000) from an associate of the Group, Levington Associates Limited. The management fee is based on mutually agreed terms.
 - (c) As at 31st March, 2002, the amount due from an associate, the amounts due to an associate and directors are unsecured, interest-free and are repayable on demand.
 - (d) Also, as at the balance sheet date, an associate of the Group held 48,138,279 shares of the Company resulting from the scheme of arrangement in its capacity as creditors of a former subsidiary.

38. POST BALANCE SHEET EVENT

In June 2002, the Group entered into an agreement to acquire certain properties from Twin Base for a consideration of HK\$3,600,000, which was determined with reference to a valuation report dated 31st May, 2002 prepared by Castores Magi Surveyors Limited, an independent firm of professional valuers.

Notes to the Financial Statements

For the year ended 31st March, 2002

39. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are wholly-owned and indirectly held by the Company, at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation or establishment and operations	Nominal value of issued/ registered capital	Principal activities
Goodfit Products Company Limited	Hong Kong	Ordinary – HK\$1,000 Non-voting deferred – HK\$1,000,000	Sales of toys, home appliances and electronic products
北方實業(番禺)有限公司 Northern Industrial (Panyu) Co., Ltd.	PRC	HK\$95,000,000	Manufacture of electronic products
Richsharp Investment Limited	Hong Kong	Ordinary – HK\$100 Non-voting deferred – HK\$1,200,000	Property investment
Superior Trump Limited	Hong Kong	Ordinary – HK\$10,000	Property investment
同興制品(番禺)有限公司 Tung Hing Plastic (Panyu) Co., Ltd.	PRC	US\$1,800,000	Manufacture of snap off blade cutters
Tung Hing Products Company Limited	Hong Kong	Ordinary – HK\$100	Sales of snap off blade cutters

Notes to the Financial Statements

For the year ended 31st March, 2002

39. PRINCIPAL SUBSIDIARIES (continued)

The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up. The Group has been granted an option by the holders of the deferred shares to acquire these shares at a nominal amount.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.