

1. 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 and applicable to the Group:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 30th April. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power, holds more than half of the issued share capital or having the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(i) 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 unamortised goodwill or goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and also any related exchange fluctuation reserve and merger reserve on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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.

(ii) 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 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 a movement in reserves.

1. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(c) Fixed assets

Construction in progress is stated at cost which comprises cost of land use rights and development costs including attributable interest capitalised during the development period. No depreciation is provided on construction in progress.

Fixed assets other than construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use. Leasehold land and buildings (including land use rights) and leasehold improvements are depreciated over the shorter of the periods of the leases or their expected useful lives to the Group. Other fixed assets (excluding construction in progress) are depreciated at rates sufficient to write off their cost less any accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land, land use rights and buildings	2% to 7%
Leasehold improvements	5% to 50%
Plant and machinery	20%
Furniture, fixtures and office equipment	20%
Motor vehicles and motor launch	30%

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 any 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. Such impairment losses are recognised in the profit and loss account.

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.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) 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 borrowings. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated in accordance with the policies set out in note 1(c).

(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.

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of 10 years.

Goodwill on acquisitions that occurred prior to 1st January 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1st January 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Investments securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(g) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. In general, costs are assigned to items on a first-in first-out basis and are arrived at as follows:

- (i) Raw materials purchased for use in manufacturing process – invoiced price plus freight and insurance charges.
- (ii) Work in progress and finished manufactured goods – cost of direct materials, direct labour and an appropriate proportion of production overheads.
- (iii) Finished goods purchased for resale – invoiced price plus freight and insurance charges.

Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Accounts receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable 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 the date of investment and bank overdrafts.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(k) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(l) 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 recoverable in the foreseeable future.

(m) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from provision of services is recognised when the services are rendered.

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

Franchise income is recognised when the right to receive payment is established.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Retirement benefit costs

The Group's contributions to defined contribution retirement schemes (including the scheme set up pursuant to the Mandatory Provident Fund Schemes Ordinance) are expensed as incurred. The Group's contribution to the non-mandatory scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

(o) 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 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.

(p) Segment reporting

In accordance with the Group's internal financial reporting practices, 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 goodwill, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and bank borrowings. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, reported sales reflect the country in which the customer is located. The analyses of total assets and capital expenditure reflect the location of assets.

2. REVENUE, TURNOVER AND SEGMENT INFORMATION

- (a) The Group is principally engaged in the trading of mobile phones, parts and components, manufacturing and trading of office furniture and building materials, together with supply of kitchen cabinets. Revenues recognised during the year are as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Turnover		
Sale of goods	1,480,218	752,846
Other revenues		
Rendering of services	21,708	8,393
Interest income	1,609	1,966
Franchise income	735	1,047
	24,052	11,406
Total revenues	1,504,270	764,252

- (b) The Group is organised into three main business segments:
- (i) Mobile phones, parts and components – trading of mobile phones, parts and components
 - (ii) Office furniture and building materials – manufacturing and trading of office furniture and building materials
 - (iii) Kitchen cabinets – supply of kitchen cabinets

There are no sales or other transactions between the business segments.

2. REVENUE, TURNOVER AND SEGMENT INFORMATION (Continued)

(c) Primary reporting format – business segments

	Mobile phones, parts and components	Office furniture and building materials	Kitchen cabinets	Group
	2002	2002	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	905,804	489,643	84,771	1,480,218
Segment results	73,713	(52,425)	(14,830)	6,458
Loss on disposal of subsidiaries				(66,431)
Loss on disposal of long-term investments				(33,921)
Impairment losses on leasehold land, land use rights and buildings				(103,270)
Unallocated costs less revenue				(13,993)
Loss before finance costs				(211,157)
Finance costs				(7,224)
Loss before taxation				(218,381)
Taxation charge				(12,064)
Loss after taxation				(230,445)
Minority interests				(24,188)
Loss attributable to shareholders				(254,633)
Segment assets	759,491	328,992	–	1,088,483
Segment liabilities	276,066	96,505	–	372,571
Unallocated liabilities				276,621
Total liabilities				649,192
Capital expenditure	14,904	16,732	507	32,143
Depreciation	336	24,833	276	25,445
Amortisation	8,289	–	–	8,289
Impairment charge	–	103,270	–	103,270

2. REVENUE, TURNOVER AND SEGMENT INFORMATION (Continued)

(c) Primary reporting format – business segments (Continued)

	Office furniture and building materials	Kitchen cabinets	Trading of home furniture (note)	Group
	2001	2001	2001	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	701,319	51,527	–	752,846
Segment results	(9,213)	(11,302)	4,330	(16,185)
Unallocated revenue less costs				1,966
Loss before finance costs				(14,219)
Finance costs				(9,610)
Loss before taxation				(23,829)
Taxation credit				1,224
Loss attributable to shareholders				(22,605)
Segment assets	779,028	38,240	–	817,268
Unallocated assets				888
Total assets				818,156
Segment liabilities	205,835	16,427	–	222,262
Unallocated liabilities				63,352
Total liabilities				285,614
Capital expenditure	55,697	151	–	55,848
Depreciation	21,073	88	–	21,161

Note: The business of trading of home furniture was discontinued in the year ended 30th April 2000. The segment results for the year ended 30th April 2001 represented an insurance claim received by the Group.

2. REVENUE, TURNOVER AND SEGMENT INFORMATION (Continued)

(d) Secondary reporting format – geographical segments

	Turnover 2002 HK\$'000	Segment results 2002 HK\$'000	Total assets 2002 HK\$'000	Capital expenditure 2002 HK\$'000
Hong Kong	210,968	(39,512)	759,491	16,793
The People's Republic of China excluding Hong Kong (the "PRC")	1,253,330	42,918	328,992	15,350
Others	15,920	197	–	–
	<u>1,480,218</u>	<u>3,603</u>	<u>1,088,483</u>	<u>32,143</u>
Loss on disposal of subsidiaries		(66,431)		
Loss on disposal of long-term investments		(33,921)		
Impairment losses of leasehold land, land use rights and buildings		(103,270)		
Unallocated costs less revenue		<u>(11,138)</u>		
Loss before finance costs		<u>(211,157)</u>		
	Turnover 2001 HK\$'000	Segment results 2001 HK\$'000	Total assets 2001 HK\$'000	Capital expenditure 2001 HK\$'000
Hong Kong	341,336	(13,310)	322,859	5,453
The PRC	390,422	(1,119)	494,409	50,395
Others	21,088	(1,756)	–	–
	<u>752,846</u>	<u>(16,185)</u>	<u>817,268</u>	<u>55,848</u>
Unallocated revenue less costs		<u>1,966</u>		
Loss before finance costs		<u>(14,219)</u>		
Unallocated assets			<u>888</u>	
Total assets			<u>818,156</u>	

3. LOSS BEFORE FINANCE COSTS

(a) Loss before finance costs is stated after crediting and charging the following:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Crediting		
Net exchange gains	<u>363</u>	<u>–</u>
Charging		
Cost of inventories sold	1,190,756	458,049
Auditors' remuneration	1,253	1,382
Depreciation:		
Owned fixed assets	24,925	20,370
Leased fixed assets	520	791
Staff cost (including directors' remuneration and of which included in cost of sales amounted to HK\$11,035,000 (2001: HK\$12,454,000))	151,068	173,783
Operating lease rentals for land and buildings	19,691	22,490
Amortisation of goodwill	8,289	–
Provision for diminution in value of investment and loan	–	4,410
Provision for doubtful debts	15,138	8,615
Retirement benefit costs (<i>note 8</i>)	2,270	1,191
Net exchange losses	–	585
Loss on disposal of fixed assets	<u>3,712</u>	<u>357</u>

(b) The contribution to loss before finance costs in the year ended 30th April 2001 in respect of the discontinued operations, which comprised home furniture trading operations in the PRC, is as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Insurance claims received	<u>–</u>	<u>4,330</u>

4. FINANCE COSTS

	2002	2001
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	5,236	8,043
Interest element of finance leases	151	321
Bank charges and other borrowing costs	1,837	2,287
Less: amount capitalised in construction in progress	-	(1,041)
	7,224	9,610

5. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year. No provision for PRC income tax is made as the PRC subsidiaries of the Company have no assessable profit for the year (2001: Nil).

The amount of taxation (charged)/credited to the consolidated profit and loss account represents:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current year	(12,042)	-
(Under)/over provision in previous years	(22)	770
Deferred taxation	-	454
	(12,064)	1,224

There was no material unprovided deferred taxation for the year.

6. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Included in the Group's loss attributable to shareholders is a loss of HK\$213,683,000 (2001: profit of HK\$11,970,000) which has been dealt with in the accounts of the Company.

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the Group's loss attributable to shareholders of HK\$254,633,000 (2001: HK\$22,605,000) and the weighted average of 4,522,891,682 (2001: 3,261,740,866) ordinary shares in issue during the year.

No diluted loss per share has been presented for the year ended 30th April 2002 as the exercise of share options and convertible notes would be anti-dilutive.

8. RETIREMENT BENEFIT COSTS

The Group contributes to defined contribution retirement schemes (including the scheme set up pursuant to the Mandatory Provident Fund Schemes Ordinance) which are available to salaried person in the employment in Hong Kong of the Group. Contributions to the schemes by the Group and the employees are calculated as a percentage of the employees' basic salaries.

The retirement benefit scheme cost charged to the profit and loss accounts represents contributions payable by the Group to the funds.

The Group's contributions are reduced by contributions forfeited by those employees who leave the non-mandatory scheme prior to vesting fully in the contributions. Forfeited contributions totalling HK\$839,429 (2001: HK\$762,691) were utilised during the year leaving HK\$nil (2001: HK\$6,615) available at the year end to reduce future contributions.

Contributions totalling HK\$58,250 (2001: HK\$915,914) were payable to the funds at the year end and are included in other payables. The assets of the schemes are held separately from those of the Group in independently administered funds.

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:

	2002	2001
	HK\$'000	HK\$'000
Fees		
Executive directors	-	-
Non-executive directors	-	-
Independent non-executive directors	-	-
For management		
Salaries, allowances and benefits in kind	9,017	11,152
Retirement benefits contributions	210	165
Discretionary bonuses	-	1,032
	9,227	12,349

No directors have waived emoluments in respect of the years ended 30th April 2002 and 2001.

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' remuneration (Continued)

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2002	2001
Nil – HK\$1,000,000	13	3
HK\$1,000,001 – HK\$1,500,000	–	2
HK\$1,500,001 – HK\$2,000,000	2	3
HK\$4,000,001 – HK\$4,500,000	1	1

On 25th April 2002, two former directors of the Company had exercised their share options to subscribe for a total of 48,000,000 ordinary shares of HK\$0.10 each of the Company at an exercise price of HK\$0.1055 per share. The closing market price of the Company's share at the exercise date was HK\$0.155 per share. They resigned as directors of the Company on 8th August 2001.

Details of the outstanding share options held by directors of the Company as at 30th April 2002 are as follows:

Date of grant	Exercise price per share	Options outstanding at 30th April 2002	Exercisable period
31st August 2001	HK\$0.10	50,000,000	1st September 2001 to 31st August 2005
3rd January 2000	HK\$0.1055	32,100,000 (note)	3rd January 2000 to 2nd January 2004
3rd July 1997	HK\$0.2619	50,400,000 (note)	3rd July 1997 to 2nd July 2007

Note: The director holding these options has undertaken that he would not exercise these options.

The closing market price of the Company's shares as at 30th April 2002 was HK\$0.142 per share.

Apart from the aforesaid, no other emoluments have been paid to the directors for the years ended 30th April 2002 and 2001.

No amounts have been paid by the Group to the directors as inducement to join the Group or as compensation for loss of office for the years ended 30th April 2002 and 2001.

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

Three individuals (2001: Five) whose emoluments were the highest in the Group for the year were also directors and their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries, allowances and benefits in kind	3,376	–
Retirement benefits contributions	48	–
	<u>3,424</u>	<u>–</u>

The remuneration of the remaining two (2001: Nil) individuals who are not directors fell within the following bands:

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

10. GOODWILL

	HK\$'000
Cost	
At 1st May 2001	–
Purchase of subsidiaries (note 23(d))	<u>251,866</u>
At 30th April 2002	----- 251,866
Accumulated amortisation	
At 1st May 2001	–
Charge for the year	<u>8,289</u>
At 30th April 2002	----- 8,289
Net book value	
At 30th April 2002	<u>243,577</u>
At 30th April 2001	<u>–</u>

11. FIXED ASSETS

	Group						
	Leasehold land, land use rights and buildings HK\$'000	Construction in progress HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles and motor launch HK\$'000	Total HK\$'000
Cost							
At 1st May 2001	327,085	7,334	6,930	73,214	74,150	19,164	507,877
Additions	16,741	-	720	8,905	5,777	-	32,143
Acquisition of subsidiaries	-	-	388	-	484	-	872
Disposals of subsidiaries	(104,029)	-	(5,934)	(1,200)	(18,518)	(15,196)	(144,877)
Transfers	7,334	(7,334)	-	-	-	-	-
Disposals	(8,943)	-	(1,054)	-	(882)	(1,054)	(11,933)
At 30th April 2002	238,188	-	1,050	80,919	61,011	2,914	384,082
Accumulated depreciation and impairment losses							
At 1st May 2001	31,885	-	3,427	38,570	54,937	17,356	146,175
Charge for the year	6,501	-	1,211	11,225	5,969	539	25,445
Disposals of subsidiaries	(21,329)	-	(3,239)	(966)	(14,272)	(14,114)	(53,920)
Impairment losses	103,270	-	-	-	-	-	103,270
Disposals	(1,787)	-	(1,030)	-	(7)	(1,054)	(3,878)
At 30th April 2002	118,540	-	369	48,829	46,627	2,727	217,092
Net book value							
At 30th April 2002	119,648	-	681	32,090	14,384	187	166,990
At 30th April 2001	295,200	7,334	3,503	34,644	19,213	1,808	361,702

11. FIXED ASSETS *(Continued)*

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	13,971	7,008
Leases of between 10 to 50 years	–	80,664
In the PRC, held on:		
Leases of over 50 years	–	3,981
Leases of between 10 to 50 years	105,677	203,547
	119,648	295,200

- (b) At 30th April 2002, the net book value of leasehold land and buildings pledged as security for the Group's bank loan and overdraft facilities amounted to HK\$60,475,000 (2001: HK\$182,488,000) (note 21).
- (c) In light of the economic downturn and the sustained loss of the office furniture business, the directors have reviewed the carrying value of the Group's assets and provision for impairment losses of HK\$103,270,000 was made for certain leasehold land, land use rights and buildings held by the Group for its office furniture business in the PRC based on the estimated open market value of these properties as at 30th April 2002.

12. LONG-TERM INVESTMENTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Investment securities: unlisted shares, at cost	–	33,560
Loan to an investee company	–	15,115
	–	48,675
Less: Provision for diminution in value of investment and loan	–	(13,913)
	–	34,762

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost (*)	–	135,857
Amounts due from subsidiaries	542,827	359,557
Amounts due to subsidiaries	(38,763)	–
	504,064	495,414

* The investment cost in unlisted shares amounted to HK\$77 as at 30th April 2002.

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

Particulars of the Company's principal subsidiaries at 30th April 2002 are set out in the table below. The table includes subsidiaries which, in the opinion of the directors, materially 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.

Name	Country/ place of establishment/ incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held	
				Direct	Indirect
Lamex China Limited	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$ 1 each	100%	–
Dongguan Fort Worth Furniture Company Limited	The PRC	Manufacture and trading of office furniture in PRC	HK\$11,500,000 paid-up capital	–	Note (a)
Dongguan Lamex Furniture Company Limited	The PRC	Property holding, manufacture and trading of office furniture in PRC	HK\$98,000,000 paid-up capital	–	100% Note (b)
Ezcom Management Services Limited (formerly known as Prime East Holdings Limited)	Hong Kong	Provision of administrative services	2 Ordinary shares of HK\$1 each	–	100%
Ezcom Technology Limited	Hong Kong	Trading of mobile phones, parts and components	1,000,000 Ordinary shares of HK\$1 each	–	90%

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

- (a) The subsidiary is a co-operative joint venture between the Group and a PRC party whose respective rights and obligations with respect to the said joint venture are specified in a co-operative joint venture agreements and supplementary agreements. The Group has sole right to manage and operate the joint venture and, after payment of annual fixed fees to a PRC party, is entitled to all profits and is liable for all losses of the joint venture.
- (b) The subsidiary is a wholly-owned foreign enterprise.

14. INVENTORIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Finished goods	87,792	74,955
Raw materials	38,585	57,315
Work in progress	3,087	2,934
	129,464	135,204

At 30th April 2002, all inventories are carried at cost. At 30th April 2001, the carrying amount of inventories that are carried at net realisable value amounted to HK\$2,471,000.

15. ACCOUNTS RECEIVABLE

The Group maintains a defined credit policy. At 30th April 2002, the ageing analysis of the accounts receivable were as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Current – 60 days	116,418	121,219
61 – 120 days	49,009	17,635
121 – 180 days	4,467	9,691
181 days and over	9,906	19,668
	179,800	168,213

16. DUE FROM/(TO) A RELATED COMPANY

- (a) The amount due from a related company represented trade receivable from China Kejian Corporation Limited, a company in which Mr. Hou Ziqiang and Mr. Kok Kin Hok are the chairman and the managing director respectively. They have significant control on the day to day operations of this company. The amount due is unsecured, interest-free and has a 90 days credit term.
- (b) The amount due to a related company represented trade payable to Ezze Mobile Tech Inc., a company in which Mr. Kok Kin Hok and Mr. Lam Bing Sum held an indirect 40% and a direct 8% equity interest respectively as at 30th April 2002. The amount due is unsecured, interest-free and has a 90 days credit term.

17. BANK BALANCES AND CASH

As at 30th April 2002, bank balances and cash of HK\$33,463,000 (2001: HK\$34,408,000) of the Group were denominated in Renminbi and deposited with banks in the PRC. The conversion of these Renminbi denominated balances into other currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

18. ACCOUNTS AND BILLS PAYABLE

At 30th April 2002, the ageing analysis of the accounts and bills payable were as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Current – 60 days	227,698	70,177
61 – 120 days	60,692	22,155
121 – 180 days	3,655	2,727
181 days and over	2,263	2,273
	294,308	97,332

19. SHARE CAPITAL AND OPTIONS

(a) Share capital

	Authorised Ordinary shares of HK\$0.10 each			
	2002		2001	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At the beginning of the year	5,000,000,000	500,000	5,000,000,000	500,000
Increase in authorised ordinary share capital (note (i))	3,000,000,000	300,000	–	–
At the end of the year	8,000,000,000	800,000	5,000,000,000	500,000
	Issued and fully paid Ordinary shares of HK\$0.10 each			
	2002		2001	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At the beginning of the year	3,831,560,175	383,156	2,224,297,450	222,430
Issue of shares (note (ii) & (iii))	1,216,000,000	121,600	1,607,186,725	160,718
Exercise of share options (note 19(b))	48,000,000	4,800	–	–
Exercise of warrants	–	–	76,000	8
At the end of the year	5,095,560,175	509,556	3,831,560,175	383,156

- (i) By a special resolution passed on 6th November 2001, the authorised ordinary share capital of the Company was increased from HK\$500,000,000 to HK\$800,000,000 by the creation of 3,000,000,000 shares of HK\$0.10 each.
- (ii) On 11th September 2001, the Company issued a total 766,000,000 ordinary shares of HK\$0.10 each to independent third parties through share placement at HK\$0.10 per share for cash for general working capital purpose.
- (iii) On 14th November 2001, 450,000,000 shares of ordinary shares of HK\$0.10 each were issued at par as part of consideration for the acquisition of subsidiaries (note 26(a)(i)).

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

19. SHARE CAPITAL AND OPTIONS (Continued)

(b) Share options

A summary of movements in share options granted under the Company's share option schemes adopted on 4th November 1992 and 25th February 1999 (the "Old Option Schemes") is as follows:

Date of grant	Exercise price per share	Options outstanding at 1st May 2001	Granted during the year	Exercised during the year	Lapsed during the year	Options outstanding at 30th April 2002	Exercisable period
31st August 2001	HK\$0.10	-	120,000,000	-	-	120,000,000	1st September 2001 to 31st August 2005
3rd January 2000	HK\$0.1055	206,100,000	-	(48,000,000)	(90,000,000)	68,100,000	3rd January 2000 to 2nd January 2004
3rd July 1997	HK\$0.2619	54,648,000	-	-	(3,312,000)	51,336,000	3rd July 1997 to 2nd July 2007
13th July 1996	HK\$0.3164	1,368,000	-	-	(1,080,000)	288,000	13th July 1996 to 12th July 2006

The holders of 68,100,000 and 50,400,000 shares of option granted on 3rd January 2000 and 3rd July 1997 respectively outstanding as at 30th April 2002 have undertaken that they would not exercise their options.

The Old Option Schemes were terminated by the Company on 13th March 2002. Upon the termination, no further options can be granted thereunder but in all other respects, the provisions of the Old Options Schemes shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

A new share option scheme (the "New Option Scheme") was adopted by the Company on 13th March 2002. No options was granted under the New Option Scheme as at 30th April 2002.

20. RESERVES

	Group				Total <i>HK\$'000</i>
	Share premium <i>HK\$'000</i>	Merger reserve on consolidation <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained earnings/ losses (accumulated) <i>HK\$'000</i>	
At 1st May 2000	114,537	1,000	109	135,040	250,686
Bonus shares issued	–	–	–	(76,631)	(76,631)
Share issue expenses	(2,064)	–	–	–	(2,064)
Loss for the year	–	–	–	(22,605)	(22,605)
At 30th April 2001	112,473	1,000	109	35,804	149,386
At 1st May 2001	112,473	1,000	109	35,804	149,386
Premium on issue of shares	264	–	–	–	264
Reserves realised upon disposal of subsidiaries	–	(1,000)	(18)	–	(1,018)
Goodwill previously written off against retained earnings realised upon disposal of subsidiaries	–	–	–	18,631	18,631
Loss for the year	–	–	–	(254,633)	(254,633)
At 30th April 2002	112,737	–	91	(200,198)	(87,370)

	Company			Total <i>HK\$'000</i>
	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained earnings/ losses (accumulated) <i>HK\$'000</i>	
At 1st May 2000	114,537	64,817	77	179,431
Bonus shares issued	–	(64,817)	(11,814)	(76,631)
Share issue expenses	(2,064)	–	–	(2,064)
Profit for the year	–	–	11,970	11,970
At 30th April 2001	112,473	–	233	112,706
At 1st May 2001	112,473	–	233	112,706
Premium on issue of shares	264	–	–	264
Loss for the year	–	–	(213,683)	(213,683)
At 30th April 2002	112,737	–	(213,450)	(100,713)

21. INTEREST-BEARING BORROWINGS

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Bank borrowings:		
Trust receipt loans – secured	41,808	17,059
Bank overdrafts – secured	–	545
Bank loans – secured	62,780	42,617
	104,588	60,221
Obligations under finance leases	–	2,344
	104,588	62,565
Current portion of interest-bearing borrowings	(97,262)	(60,372)
Non-current portion of interest-bearing borrowings	7,326	2,193

The Group's bank loans and overdrafts and other interest-bearing borrowings were repayable as follows:

	Trust receipt loans, bank overdrafts and bank loans		Obligations under finance leases	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Within one year	97,262	59,221	–	1,151
In second year	7,326	1,000	–	999
In the third to fifth year	–	–	–	194
	104,588	60,221	–	2,344

At 30th April 2002, the bank loans and overdrafts were secured by bank deposits of HK\$50,867,000 (2001: HK\$6,000,000) and legal charges on the properties of the Group with an aggregate net book value of HK\$60,475,000 (2001: HK\$182,488,000).

22. CONVERTIBLE NOTES – GROUP AND COMPANY

Convertible notes of HK\$76,914,000 and HK\$81,391,000 were issued by the Company as consideration for acquisition of 19% and 20% beneficial interest in Ezcom Technology Limited from Mr. Kok Kin Hok, the Chairman and a shareholder of the Company, and Mr. Li Tung Wai, a director of Ezcom Technology Limited, respectively, on 28th March 2002. The convertible notes are unsecured, interest-free and repayable on or before 27th March 2004.

The noteholders have the right to convert any part of the principal amount of the convertible notes into ordinary issued shares of HK\$0.10 each of the Company at the price of HK\$0.10 each per share, subject to adjustment, at any time on or before the expiry date of the notes.

The shares to be issued upon conversion shall rank pari passu in all respect with all other existing shares in issue at the date of the conversion and be entitled to all dividends and other distributions the record date of which falls on a date or after the date of the conversion.

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of loss before taxation to net cash inflow from operating activities**

	<i>2002</i> <i>HK\$'000</i>	<i>2001</i> <i>HK\$'000</i>
Loss before taxation	(218,381)	(23,829)
Interest income	(1,609)	(1,966)
Interest expenses on bank loans and overdrafts	5,236	7,002
Interest element of finance leases	151	321
Bank charges and other borrowing costs	1,837	2,287
Depreciation of owned fixed assets	24,925	20,370
Depreciation of fixed assets held under finance leases	520	791
Amortisation of goodwill	8,289	–
Loss on disposal of fixed assets	3,712	357
Impairment losses on leasehold land, land use rights and buildings	103,270	–
Loss on disposal of subsidiaries	66,431	–
Loss on disposal of long-term investments	33,921	–
Provision for diminution in value in and non-recovery of loan from long-term investments	–	4,410
Decrease in inventories	47,249	10,296
Decrease in accounts receivable	134,916	37,425
(Increase)/decrease in prepayments, deposits and other receivables, due from a related company and pledged bank deposits	(165,163)	15,224
(Decrease)/increase in accounts and bills payable, accrued charges and other payables and due to a related company	(20,079)	3,448
Decrease in sales deposits received	(3,496)	(11,825)
Net cash inflow from operating activities	21,729	64,311

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital including premium		Obligations under finance leases		Bank loans and trust receipt loans		Convertible notes		Minority interests	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
At beginning of the year	495,629	336,967	2,344	2,146	59,676	124,383	-	-	-	-
Cash inflow/(outflow) from financing	81,664	49,031	(454)	(1,052)	30,045	(64,707)	-	-	-	-
Minority interests' in share of profits	-	-	-	-	-	-	-	-	24,188	-
Purchase of subsidiaries (note 23(d))	45,000	-	-	-	31,771	-	158,305	-	(7,083)	-
Acquisition of long-term investments	-	33,000	-	-	-	-	-	-	-	-
Bonus shares issued	-	76,631	-	-	-	-	-	-	-	-
Inception of finance leases	-	-	-	1,250	-	-	-	-	-	-
Disposal of subsidiaries (note 23(c))	-	-	(1,890)	-	(16,904)	-	-	-	-	-
At end of the year	622,293	495,629	-	2,344	104,588	59,676	158,305	-	17,105	-

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Disposal of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of		
Fixed asset	90,957	–
Inventories	22,305	–
Pledged bank deposits	6,000	–
Bank balances and cash	3,852	–
Other net current assets	12,498	–
Interest-bearing borrowings	(18,794)	–
	<u>116,818</u>	–
Reserves and goodwill previously written off against retained earnings realised upon disposal of subsidiaries	<u>17,613</u>	–
	<u>134,431</u>	–
Loss on disposal	<u>(66,431)</u>	–
	<u>68,000</u>	–
Satisfied by		
Cash	<u>68,000</u>	–
Analysis of net inflow in respect of disposal of subsidiaries:		
Cash consideration	68,000	–
Bank balances and cash disposed	(3,852)	–
	<u>64,148</u>	–

The subsidiaries disposed during the year incurred a net cash outflow of HK\$36,877,000 of the Group's net operating cash flow, paid HK\$1,308,000 in respect of the net returns on investments and servicing of finance, received HK\$888,000 in respect of refund of taxation, received an amount of HK\$2,922,000 from investing activities and repaid a net amount of HK\$7,010,000 for financing activities.

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Purchase of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets acquired		
Fixed asset	872	–
Inventories	63,814	–
Pledged bank deposits	29,100	–
Bank balances and cash	28,950	–
Other net current assets	8,391	–
Interest-bearing borrowings	(31,771)	–
Minority interests	7,083	–
	<u>106,439</u>	–
Goodwill	251,866	–
	<u>358,305</u>	–
Satisfied by		
Allotment of shares	45,000	–
Cash	155,000	–
Convertible notes	158,305	–
	<u>358,305</u>	–
Analysis of the net outflow in respect of the purchase of subsidiaries:		
Cash consideration	(155,000)	–
Bank balances and cash acquired	28,950	–
	<u>(126,050)</u>	–

The subsidiaries acquired during the year contributed HK\$60,911,000 of the Group's net operating cash flow, paid HK\$161,000 in respect of the net returns on investments and servicing of finance, paid HK\$5,488,000 in respect of taxation, utilised HK\$14,904,000 for investing activities and obtained HK\$19,711,000 for financing activities.

24. CONTINGENT LIABILITIES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bills of exchange discounted with recourse	30,407	-	-	-
Guarantees for bank loans and overdraft of certain subsidiaries (note (a))	-	-	-	69,457
Guarantees for bank loans and overdraft of certain independent third parties (note (a))	2,555	-	2,555	-

- (a) As at 30th April 2001, the Company has executed guarantees to certain banks for facilities granted to certain subsidiaries totalling approximately HK\$153,098,000. The utilised amount of such facilities as at that date amounted to HK\$69,457,000. During the year ended 30th April 2002, these subsidiaries were disposed of to independent third parties.

As at 30th April 2002, the guarantees issued by the Group and the Company for the banking facilities of those companies amounted to HK\$16,000,000, of which HK\$2,555,000 was utilised. The guarantees were released on 27th June 2002.

25. COMMITMENTS**(a) Capital commitments for property, plant and equipment**

	Group	
	2002 HK\$'000	2001 HK\$'000
Contracted but not provided for	-	6,025
Authorised by the directors but not contracted for	121	67
	121	6,092

The Company had no capital commitments as at 30th April 2002 (2001: Nil).

25. COMMITMENTS *(Continued)***(b) Commitments under operating leases**

As at 30th April 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2002	(restated)
	HK\$'000	2001
		HK\$'000
Not later than one year	6,955	20,947
Later than one year and not later than five years	5,887	17,094
Later than five years	1,691	–
	14,533	38,041

The Company had no commitments under non-cancellable operating leases at the balance sheet date (2001: Nil).

26. RELATED PARTY TRANSACTIONS

The Group, in the normal course of business, has undertaken the following significant related party transactions during the year:

		Group	
		2002	2001
		HK\$'000	HK\$'000
Acquisition of subsidiaries from Mr. Kok Kin Hok and Mr. Li Tung Wai	(a)	358,305	–
Sales to China Kejian Corporation Limited	(b)	481,196	–
Service income from China Kejian Corporation Limited	(b)	18,121	–
Purchases from Ezze Mobile Tech Inc.	(c)	145,864	–

26. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Acquisition of subsidiaries

- (i) On 14th November 2001, the Company acquired a 73% equity interest in Select Right Development Limited, a company holding 70% equity interest in Ezcom Technology Limited, from Mr. Kok Kin Hok, the Chairman and a substantial shareholder of the Company, for a total consideration of HK\$200,000,000 by way of payments of cash of HK\$155,000,000 and an allotment of 450,000,000 new shares of HK\$0.10 each of the Company.
- (ii) On 28th March 2002, the Company further acquired a 27% equity interest in Select Right Development Limited from Mr. Kok Kin Hok for a total consideration of approximately HK\$76,914,000 by the issue of a convertible note with an aggregate equivalent amount.

The convertible note is unsecured, interest-free and repayable on or before 27th March 2004. The noteholder has the right to convert any part of the principal amount of the convertible note into ordinary issued shares of HK\$0.10 each of the Company at the price of HK\$0.10 each per share, subject to adjustment, at any time on or before the expiry date of the note.

The shares to be issued upon conversion shall rank *pari passu* in all respect with all other existing shares in issue at the date of the conversion and be entitled to all dividends and other distributions the record date of which falls on a date or after the date of the conversion.

- (iii) On 28th March 2002, the Company acquired two-thirds of the issued share capital of Future Circle Holdings Limited, a company holding 30% equity interest in Ezcom Technology Limited, from Mr. Li Tung Wai, a director of Ezcom Technology Limited, for a consideration of approximately HK\$81,391,000 by the issue of a convertible note with an aggregate equivalent amount.

The convertible note is unsecured, interest-free and repayable on or before 27th March 2004. The noteholder has the right to convert any part of the principal amount of the convertible note into ordinary issued shares of HK\$0.10 each of the Company at the price of HK\$0.10 each per share, subject to adjustment, at any time on or before the expiry date of the note.

The shares to be issued upon conversion shall rank *pari passu* in all respect with all other existing shares in issue at the date of the conversion and be entitled to all dividends and other distributions the record date of which falls on a date or after the date of the conversion.

26. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

- (iv) On 28th March 2002, the Company was granted an option by Mr. Li Tung Wai to purchase the remaining one-third of the issued share capital of Future Circle Holdings Limited. The exercise price for this option is approximately HK\$40,695,000. The price shall be paid and satisfied by the issue of a convertible note of the same amount to Mr. Li Tung Wai. The terms of the convertible note shall be the same as the convertible notes granted to Mr. Kok Kin Hok and Mr. Li Tung Wai as mentioned above.
- (b) China Kejian Corporation Limited is a company in which Mr. Hou Ziqiang and Mr. Kok Kin Hok are the Chairman and the managing director respectively. They have significant control on the day to day operations of this company.
- (c) As at 30th April 2002, Ezze Mobile Tech Inc. is a company in which Mr. Kok Kin Hok and Mr. Lam Bing Sum held an indirect 40% and a direct 8% equity interest respectively.

27. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 5th August 2002.