1. SEGMENT INFORMATION

The Group's operations comprise two main business segments: telecommunication and electronic products, and e-Business related services. Telecommunication and electronic products include the design, manufacture and distribution of telecommunication, electronic learning, information appliances, and other electronic products. e-Business related services include the provision of web services, learning web, a global positioning system and other e-Business related activities.

Primary reporting format – business segments

Year ended 31st March 2002

		Telecommunication and electronic products US$ million	e-Business related services US$ million	Unallocated US$ million	Total US$ million
i	**Segment turnover**	957.7	2.1	—	959.8
	Segment result	30.9	(6.1)	—	24.8
	Unallocated corporate expenses			(1.8)	(1.8)
	Operating profit				23.0
	Net finance costs				(8.6)
	Share of results of associates		(0.5)		(0.5)
	Profit before taxation				13.9
	Taxation				(2.6)
	Profit after taxation				11.3
	Minority interest				(0.1)
	Profit attributable to shareholders				11.2
ii	**Segment assets**	390.8	2.3	—	393.1
	Associates	0.1	0.2		0.3
	Unallocated assets			15.6	15.6
	Income/Deferred tax assets				7.3
	Total assets				416.3
	Segment liabilities	315.1	2.2	—	317.3
	Unallocated liabilities			5.5	5.5
	Income/Deferred tax liabilities				3.3
	Total liabilities				326.1
iii	**Capital expenditure, restructuring costs, depreciation and other net non-cash expenses**				
	Capital expenditure	13.0	0.1	0.2	13.3
	Depreciation	30.9	0.5	2.4	33.8
	Amortization of leasehold land payments	—	—	0.1	0.1
	Impairment charges	3.6	—	0.5	4.1
	Restructuring costs	9.5	0.9	—	10.4
	Other net non-cash expenses	12.3	—	—	12.3

There were no sales or transactions between the business segments. Segment assets consist primarily of tangible assets, stocks, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation. Capital expenditure comprises additions to construction in progress, moulds, machinery and equipment, and other assets.

1. SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

Year ended 31st March 2001

		Telecommunication and electronic products US$ million	e-Business related services US$ million	Unallocated US$ million	Total US$ million
i	**Segment turnover**	1,333.9	1.0	—	1,334.9
	Segment result	(183.7)	(15.0)	—	(198.7)
	Unallocated corporate expenses			(1.4)	(1.4)
	Operating loss				(200.1)
	Net finance costs				(12.5)
	Share of results of associates		(0.5)		(0.5)
	Loss before taxation				(213.1)
	Taxation				(1.8)
	Loss after taxation				(214.9)
	Minority interest				(0.1)
	Loss attributable to shareholders				(215.0)
ii	**Segment assets**	606.6	4.7	—	611.3
	Associates	0.1	0.3		0.4
	Unallocated assets			21.5	21.5
	Income/Deferred tax assets				7.6
	Total assets				640.8
	Segment liabilities	550.0	1.8	—	551.8
	Unallocated liabilities			5.8	5.8
	Income/Deferred tax liabilities				2.3
	Total liabilities				559.9
iii	**Capital expenditure, restructuring costs, depreciation and other net non-cash expenses**				
	Capital expenditure	28.4	1.7	0.6	30.7
	Depreciation	43.1	0.2	1.2	44.5
	Amortization of leasehold land payments	—	—	0.1	0.1
	Amortization of goodwill	—	0.3	—	0.3
	Impairment charges	42.4	—	—	42.4
	Restructuring costs	68.0	—	—	68.0
	Other net non-cash expenses	2.2	—	—	2.2

1. SEGMENT INFORMATION (continued)

Secondary reporting format – geographical segments

Although the Group's two business segments are managed on a worldwide basis, they principally operate in the following geographical areas:

USA and Mexico – the operations are principally the distribution of telecommunication and electronic consumer products.

Europe – the operations are principally the distribution of electronic consumer products.

Asia Pacific – the Group is headquartered in the Hong Kong Special Administrative Region ("HKSAR") and the Group's principal manufacturing operations are located in mainland China.

Turnover represents the amounts received and receivable for sale of goods of US$957.7 million (2001:US$1,333.9 million) and rendering of services of US$2.1 million (2001: US$1.0 million) to third parties.

	Turnover		Operating profit/(loss)		Capital expenditure		Total assets	
	2002 US$ million	2001 US$ million	2002 US$ million	2001 US$ million	2002 US$ million	2001 US$ million	2002 US$ million	2001 US$ million
USA and Mexico	**747.0**	1,047.2	**15.7**	(156.9)	**2.2**	8.1	**185.6**	332.6
Europe	**148.5**	181.6	**17.1**	(10.0)	**0.6**	2.3	**49.0**	62.9
Asia Pacific	**37.9**	51.0	**(7.2)**	(36.1)	**10.1**	20.3	**174.4**	227.3
Others	**26.4**	55.1	**(2.6)**	2.9	**0.4**	—	**7.3**	18.0
Total	**959.8**	1,334.9	**23.0**	(200.1)	**13.3**	30.7	**416.3**	640.8

2. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is arrived at after charging/(crediting) the following:

	Note	2002 US$ million	2001 US$ million
Staff related costs:			
— salaries and wages		**93.4**	139.3
— severance payments		**1.6**	1.1
— pension costs: defined contribution plans	18	**1.3**	1.5
— pension costs: defined benefit plan	18	**1.3**	1.4
Depreciation charges			
— owned assets		**33.6**	44.5
— leased assets		**0.2**	—
Amortization of leasehold land payments	10	**0.1**	0.1
Restructuring and impairment charges	3	**14.0**	110.4
Provision for doubtful debts		**9.5**	3.6
Royalties		**9.1**	15.5
Operating leases on land and buildings		**6.4**	12.6
Provision for stock obsolescence		**2.8**	30.5
Loss on disposal of tangible assets		**2.0**	1.2
Repair and maintenance expenditure		**1.1**	3.0
Auditors' remuneration		**0.8**	0.8
Impairment of investment properties		**0.5**	—
Exchange loss		**0.2**	0.7
Recognition of negative goodwill		**—**	(31.9)
Amortization of goodwill		**—**	0.3
Forward contracts: fair value gain on cash flow hedge transferred from hedging reserve	21	**(0.3)**	—

3. RESTRUCTURING AND IMPAIRMENT CHARGES

The Group launched a comprehensive restructuring plan in March 2001. Details of the plan have been provided in the annual financial statements for the year ended 31st March 2001. The restructuring and impairment charges during the year predominantly comprise the full provision for the closure costs and impairment charges associated with the disposal of the Mexican factories, scale down of e-Business related services and additional provision for the reorganization costs of the information appliances business.

	Note	2002 US$ million	2001 US$ million
Severance payments		—	36.0
Impairment of intangible assets		—	25.2
Impairment of tangible assets and assets held for sale		**3.6**	17.2
Write-down of discontinued stocks		**1.7**	17.1
Other closure and termination costs	19	**8.7**	14.9
	2	**14.0**	110.4

4. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Directors' emoluments

The emoluments of the directors of the Company are as follows:

	2002 US$ million	2001 US$ million
Salaries, allowances and benefits in kind	**2.2**	3.3
Bonuses	**0.6**	0.3
Fees	**0.1**	0.1
Contributions to retirement benefit schemes	**0.1**	0.2
Compensation for loss of office	—	0.9
	3.0	4.8

The table below shows the number of directors whose emoluments were within the bands stated:

US$	2002 Number of directors	2001 Number of directors
Nil – 128,000	**6**	3
128,001 – 192,000	**1**	—
192,001 – 256,000	**1**	—
256,001 – 320,000	**1**	—
320,001 – 384,000	**1**	—
384,001 – 448,000	—	1
448,001 – 512,000	—	2
512,001 – 576,000	**1**	—
704,001 – 768,000	**2**	—
768,001 – 832,000	—	2
896,001 – 960,000	—	2

Emoluments of independent non-executive directors included above amounted to US$63,000 (2001: US$37,000) in respect of directors' fees.

4. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (continued)

Senior executives' emoluments

The directors' emoluments set out above exclude 2 senior executives (2001: 1) whose emoluments were among the five highest earning employees of the Group. Details of the emoluments in aggregate for these executives are set out below:

	2002 US$ million	2001 US$ million
Salaries, allowances and benefits in kind	**0.5**	0.4
Bonuses	**0.3**	0.2
	0.8	0.6

The emoluments fell within the following bands:

US$	2002 Number of individuals	2001 Number of individuals
320,001–384,000	**1**	—
448,001–512,000	**1**	—
576,001–640,000	**—**	1
	2	1

5. NET FINANCE COSTS

	2002 US$ million	2001 US$ million
Interest expense		
Wholly repayable within five years:		
Bank loans and overdrafts	**11.4**	14.8
Finance leases	**0.1**	—
Not wholly repayable within five years:		
Bank loans	**0.1**	0.9
Interest income	**(3.0)**	(3.2)
	8.6	12.5

6. TAXATION

	2002 US$ million	2001 US$ million
Current tax		
— Hong Kong	**1.7**	0.9
— Overseas	**0.4**	0.7
Underprovision in prior years		
— Overseas	**0.5**	—
Deferred tax	**—**	0.2
	2.6	1.8

Tax on profits has been calculated at the rates of taxation prevailing in the countries in which the Group operates.

6. TAXATION (continued)

The consolidated effective income tax rate for the year ended 31st March 2002 was 18.7% (2001: 0.8%). This effective income tax rate is reconciled to the statutory domestic income tax rate as follows:

	2002 %	2001 %
Statutory domestic income tax rate	**16.0**	(16.0)
Difference in overseas income tax rates	**3.4**	—
Underprovision in prior years	**3.4**	—
Non-temporary differences	**(17.7)**	(2.2)
Tax losses not recognized	**10.2**	15.0
Others	**3.4**	4.0
Effective income tax rate	**18.7**	0.8

In March 2002, the Inland Revenue Department of the HKSAR issued estimated assessments to certain subsidiaries of the Group in respect of their potential taxation liabilities for prior years. The concerned subsidiaries have formally objected to the estimated assessments as, in the opinion of the directors of the subsidiaries, these estimated assessments are incorrect. The outcome of the objections has yet to be determined. The directors consider that it is impracticable to estimate whether it might give rise to any tax liabilities. Accordingly, no provision has been made in the financial statements for the year ended 31st March 2002.

7. DIVIDENDS

	2002 US$ million	2001 US$ million
Nil (2001: Final dividend in respect of 2000 of US 12.5 cents per share)	**—**	26.9

Final dividend in respect of 2000 of US$26.9 million was satisfied by the payment of cash of US$10.8 million and the balance of US$16.1 million by the allotment of 5,114,154 new ordinary shares in the Company by way of scrip dividend.

The board of directors has not recommended any dividend for the year (2001: nil).

8. EARNINGS/(LOSS) PER SHARE

The calculations of basic and diluted earnings/(loss) per share are based on the Group's profit attributable to shareholders of US$11.2 million (2001: loss of US$215.0 million).

The basic earnings/(loss) per share is based on the weighted average of 225.3 million (2001: 222.4 million) ordinary shares in issue during the year. The diluted earnings/(loss) per share is based on 225.3 million ordinary shares which is the weighted average number of ordinary shares in issue during the year after adjusting for the weighted average number of ordinary shares deemed to be issued at no consideration if all outstanding share options and warrants had been exercised at 31st March 2002. No ordinary shares are deemed to be issued at no consideration during the year.

9. TANGIBLE ASSETS

	Land and buildings		Construction in progress		Moulds, machinery and equipment		Motor vehicles, furniture and fixtures and leasehold improvements		Total	
	2002 US$ million	2001 US$ million	2002 US$ million	2001 US$ million	2002 US$ million	2001 US$ million	2002 US$ million	2001 US$ million	2002 US$ million	2001 US$ million
Cost or valuation										
At 1st April										
— as previously reported	**64.8**	92.1	**0.5**	0.5	**179.0**	220.1	**70.5**	67.3	**314.8**	380.0
— effect of adopting IAS 40 and consequential changes	**(6.9)**	(6.9)	**—**	—	**—**	—	**—**	—	**(6.9)**	(6.9)
— as restated	**57.9**	85.2	**0.5**	0.5	**179.0**	220.1	**70.5**	67.3	**307.9**	373.1
Additions	**—**	2.8	**0.1**	—	**8.2**	18.8	**5.0**	9.1	**13.3**	30.7
Acquisition of subsidiaries	**—**	—	**—**	—	**—**	1.0	**—**	—	—	1.0
Reclassifications	**0.6**	—	**(0.6)**	—	**(0.4)**	(0.3)	**0.4**	0.3	—	—
Disposals	**(10.3)**	(4.8)	**—**	—	**(20.4)**	(10.5)	**(11.3)**	(4.1)	**(42.0)**	(19.4)
Impairment charges	**(2.1)**	(3.4)	**—**	—	**(0.5)**	(12.4)	**—**	(1.4)	**(2.6)**	(17.2)
Transfers from assets held for sale	**—**	—	**—**	—	**5.3**	—	**—**	—	**5.3**	—
Transfers to assets held for sale	**(9.1)**	(21.2)	**—**	—	**—**	(37.3)	**—**	—	**(9.1)**	(58.5)
Effect of changes in exchange rate	**(0.1)**	(0.7)	**—**	—	**—**	(0.4)	**(0.1)**	(0.7)	**(0.2)**	(1.8)
At 31st March	**36.9**	57.9	**—**	0.5	**171.2**	179.0	**64.5**	70.5	**272.6**	307.9
Accumulated depreciation										
At 1st April										
— as previously reported	**14.6**	12.3	**—**	—	**144.0**	149.2	**53.4**	45.7	**212.0**	207.2
— effect of adopting IAS 40 and consequential changes	**(0.1)**	—	**—**	—	**—**	—	**—**	—	**(0.1)**	—
— as restated	**14.5**	12.3	**—**	—	**144.0**	149.2	**53.4**	45.7	**211.9**	207.2
Charge for the year	**2.2**	3.8	**—**	—	**22.9**	30.1	**8.7**	10.6	**33.8**	44.5
Reclassifications	**—**	—	**—**	—	**(0.4)**	(0.1)	**0.4**	0.1	**—**	—
Disposals	**(0.7)**	(0.5)	**—**	—	**(20.4)**	(8.0)	**(9.8)**	(2.6)	**(30.9)**	(11.1)
Transfers to assets held for sale	**(0.1)**	(1.1)	**—**	—	**—**	(27.0)	**—**	—	**(0.1)**	(28.1)
Effect of changes in exchange rate	**—**	—	**—**	—	**—**	(0.2)	**(0.1)**	(0.4)	**(0.1)**	(0.6)
At 31st March	**15.9**	14.5	**—**	—	**146.1**	144.0	**52.6**	53.4	**214.6**	211.9
Net book value at 31st March	**21.0**	43.4	**—**	0.5	**25.1**	35.0	**11.9**	17.1	**58.0**	96.0
Cost or valuation of tangible assets is analysed as follows:										
At cost	**26.4**	26.8	**—**	0.5	**171.2**	179.0	**64.5**	70.5	**262.1**	276.8
At professional valuation – 2000	**10.5**	29.6	**—**	—	**—**	—	**—**	—	**10.5**	29.6
At professional valuation – 2001	**—**	1.5	**—**	—	**—**	—	**—**	—	**—**	1.5
	36.9	57.9	**—**	0.5	**171.2**	179.0	**64.5**	70.5	**272.6**	307.9

The net book value of tangible assets held under finance lease as at 31st March 2002 is US$0.5 million (2001: US$0.6 million).

The net book value of tangible assets pledged as security for borrowings at 31st March 2002 amounted to US$2.3 million (2001: US$7.0 million).

The impairment charges for land and buildings, and machinery and equipment, relating to the restructuring plan launched in March 2001, are included in the amount as disclosed in note 3 to the financial statements.

9. TANGIBLE ASSETS (continued)

Land and buildings comprise:

	Freehold land and buildings and long-term leasehold buildings		Short-term leasehold buildings		Investment properties		Total	
	2002 US$ million	2001 US$ million	2002 US$ million	2001 US$ million	2002 US$ million	2001 US$ million	2002 US$ million	2001 US$ million
Cost or valuation								
At 1st April								
— as previously reported	**35.0**	62.3	**26.8**	26.8	**3.0**	3.0	**64.8**	92.1
— effect of adopting IAS 40 and consequential changes	**(5.4)**	(5.4)	**—**	—	**(1.5)**	(1.5)	**(6.9)**	(6.9)
— as restated	**29.6**	56.9	**26.8**	26.8	**1.5**	1.5	**57.9**	85.2
Additions	**—**	2.8	**—**	—	**—**	—	**—**	2.8
Reclassifications	**—**	—	**0.6**	—	**—**	—	**0.6**	—
Disposals	**(9.3)**	(4.8)	**(1.0)**	—	**—**	—	**(10.3)**	(4.8)
Impairment charges	**(1.6)**	(3.4)	**—**	—	**(0.5)**	—	**(2.1)**	(3.4)
Transfers to assets held for sale	**(8.1)**	(21.2)	**—**	—	**(1.0)**	—	**(9.1)**	(21.2)
Effect of changes in exchange rate	**(0.1)**	(0.7)	**—**	—	**—**	—	**(0.1)**	(0.7)
At 31st March	**10.5**	29.6	**26.4**	26.8	**—**	1.5	**36.9**	57.9
Accumulated depreciation								
At 1st April								
— as previously reported	**0.9**	—	**13.7**	12.3	**—**	—	**14.6**	12.3
— effect of adopting IAS 40 and consequential changes	**(0.1)**	—	**—**	—	**—**	—	**(0.1)**	—
— as restated	**0.8**	—	**13.7**	12.3	**—**	—	**14.5**	12.3
Charge for the year	**0.8**	2.4	**1.4**	1.4	**—**	—	**2.2**	3.8
Disposals	**(0.5)**	(0.5)	**(0.2)**	—	**—**	—	**(0.7)**	(0.5)
Transfers to assets held for sale	**(0.1)**	(1.1)	**—**	—	**—**	—	**(0.1)**	(1.1)
Effect of changes in exchange rate	**—**	—	**—**	—	**—**	—	**—**	—
At 31st March	**1.0**	0.8	**14.9**	13.7	**—**	—	**15.9**	14.5
Net book value at 31st March	**9.5**	28.8	**11.5**	13.1	**—**	1.5	**21.0**	43.4
Cost or valuation of tangible assets is analysed as follows:								
At cost	**—**	—	**26.4**	26.8	**—**	—	**26.4**	26.8
At professional valuation – 2000	**10.5**	29.6	**—**	—	**—**	—	**10.5**	29.6
At professional valuation – 2001	**—**	—	**—**	—	**—**	1.5	**—**	1.5
	10.5	29.6	**26.4**	26.8	**—**	1.5	**36.9**	57.9
Net book value of land and buildings comprises:								
Hong Kong								
Long-term leasehold buildings (not less than 50 years)	**3.1**	5.2	**—**	—	**—**	1.5	**3.1**	6.7
Overseas								
Freehold land and buildings	**6.4**	23.6	**—**	—	**—**	—	**6.4**	23.6
Short-term leasehold buildings	**—**	—	**11.5**	13.1	**—**	—	**11.5**	13.1
	6.4	23.6	**11.5**	13.1	**—**	—	**17.9**	36.7
Net book value of revalued tangible assets had the assets been carried at cost less accumulated depreciation:	**6.0**	19.4	**—**	—	**—**	0.6	**6.0**	20.0

The Group's freehold and long-term leasehold land and buildings were last revalued during 2000. Investment properties were last revalued during 2001 by Chung, Chan & Associates (Hong Kong), independent professional valuers, on an open market value basis.

The directors have reviewed the carrying value of freehold land and buildings and long-term leasehold buildings, as at 31st March 2002.

10. LEASEHOLD LAND PAYMENTS

	2002 US$ million	2001 US$ million
Net book value at 1st April		
— as previously reported	—	—
— effect of adopting IAS 40 and consequential changes	**7.0**	7.1
— as restated	**7.0**	7.1
Disposals	**(0.1)**	—
Amortization	**(0.1)**	(0.1)
Transfers to assets held for sale (note 14)	**(3.7)**	—
Net book value at 31st March	**3.1**	7.0
Leasehold land payments in respect of:		
Owner-occupied properties	**3.1**	5.5
Investment properties	—	1.5
	3.1	7.0

11. DEFERRED TAXATION

The deferred tax assets and liabilities and the deferred tax account movements for the years ended 31st March 2001 and 31st March 2002 are attributable to the following items:

	1st April 2000 US$ million	Credited/ (charged) to income statement US$ million	31st March 2001 and 1st April 2001 US$ million	Credited/ (charged) to income statement US$ million	Credited to other properties revaluation reserve US$ million	31st March 2002 US$ million
Deferred tax assets						
Provisions	1.6	(1.0)	0.6	(0.1)	—	**0.5**
Tax losses carried forward	1.0	0.7	1.7	(0.1)	—	**1.6**
Other deductible temporary differences	2.7	(0.2)	2.5	0.1	—	**2.6**
	5.3	(0.5)	4.8	(0.1)	—	**4.7**
Deferred tax liabilities						
Accelerated tax depreciation	(2.0)	0.3	(1.7)	0.1	—	**(1.6)**
Asset revaluation	(0.4)	—	(0.4)	—	0.4	**—**
	(2.4)	0.3	(2.1)	0.1	0.4	**(1.6)**
Net deferred tax assets	2.9	(0.2)	2.7	—	0.4	**3.1**

Deferred tax assets and liabilities are offset when the taxes relate to the same fiscal authority. The following amounts are shown in the consolidated balance sheet:

	2002 US$ million	2001 US$ million
Deferred tax assets	**4.3**	4.0
Deferred tax liabilities	**(1.2)**	(1.3)
	3.1	2.7

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. Deferred tax asset of US$80.3 million (2001: US$61.1 million) arising from unused tax losses of US$255.4 million (2001: US$218.3 million) has not been recognized at the end of the year.

12. INVESTMENTS

	2002 US$ million	2001 US$ million
Associates		
Share of net tangible assets (Note)	**0.3**	0.4
Other investments		
Unlisted investments, at cost	**0.1**	0.1
	0.4	0.5

Note: Investment in associates at 31st March 2002 included goodwill in respect of acquisition of associates of US$0.6 million which had been fully amortized as at 31st March 2001.

13. STOCKS

	2002 US$ million	2001 US$ million
Raw materials	**18.0**	40.7
Work in progress	**1.8**	6.4
Finished goods	**74.6**	140.4
	94.4	187.5
Analysis by product category:		
Telecommunication and electronic products	**94.4**	187.5
e-Business related services	**—**	—
	94.4	187.5

At 31st March 2002, no stocks were pledged as security for liabilities (2001: US$0.7 million).

Stocks carried at net realizable value at 31st March 2002 amounted to US$15.3 million (2001: US$51.9 million).

14. ASSETS HELD FOR SALE

	2002 US$ million	2001 US$ million
Land and buildings		
Mexican factories*	**19.8**	20.1
Transferred from investment properties	**1.0**	—
Transferred from leasehold land payments (Note 10)	**3.7**	—
	24.5	20.1
Machinery and equipment	**—**	10.3
	24.5	30.4

* Pursuant to the restructuring plan announced in March 2001, certain factory buildings in Mexico were intended for disposal. The facility in Reynosa was disposed during the year for US$7.9 million. The sale of part of the building in Guadalajara was entered into during the year for a proceed of US$11.8 million and the completion took place in April 2002. The remaining part of the building in Guadalajara with a net book value of US$8.0 million was transferred from freehold land and buildings to assets held for sale during the year.

Certain land, buildings and equipment are no longer required for the purposes for which they were originally intended. In addition, sales of certain land and buildings has been entered into after year end.

The assets have been written down to their estimated recoverable amounts.

15. DEBTORS AND PREPAYMENTS

	Note	2002 US$ million	2001 US$ million
Net trade debtors			
(Net of provision for doubtful debts of US$7.2 million			
(2001: US$4.0 million))		**128.9**	195.3
Other debtors and prepayments		**34.1**	58.2
Pension assets	18	**1.8**	2.1
Forward foreign exchange contracts	22	**0.5**	—
		165.3	255.6

At 31st March 2002, no trade debtors were pledged as security for liabilities (2001: nil).

An aging analysis of net trade debtors by transaction date is as follows:

	0–30 days US$ million	31–60 days US$ million	61–90 days US$ million	Over 90 days US$ million	Total US$ million
Balance at 31st March 2002	**75.3**	**31.6**	**8.6**	**13.4**	**128.9**
Balance at 31st March 2001	81.3	75.4	25.2	13.4	195.3

The majority of the Group's sales are on letter of credit and on open credit with varying terms of 30 to 90 days. Certain open credit sales are covered by credit insurance or bank guarantees.

16. CREDITORS AND ACCRUALS

	Note	2002 US$ million	2001 US$ million
Trade creditors		**76.3**	106.2
Other creditors and accruals		**110.6**	135.4
Obligations under finance leases	17	**0.1**	0.1
Interest rates swaps	22	**0.9**	—
		187.9	241.7

An aging analysis of trade creditors by transaction date is as follows:

	0–30 days US$ million	31–60 days US$ million	61–90 days US$ million	Over 90 days US$ million	Total US$ million
Balance at 31st March 2002	**36.7**	**20.5**	**11.0**	**8.1**	**76.3**
Balance at 31st March 2001	30.1	38.8	9.6	27.7	106.2

17. BORROWINGS

	Note	2002 US$ million	2001 US$ million
Bank loans, overdrafts and finance lease obligations			
Repayable by installments, any one of which is due for repayment after five years:			
Secured bank loans		**1.0**	4.6
Repayable by installments, all of which are due for repayment within five years:			
Unsecured bank loans and overdrafts		**93.0**	241.4
Secured bank loans		**1.3**	3.1
Obligations under finance leases (Note)		**0.5**	0.5
		94.8	245.0
Less: amounts due within one year included under current liabilities:			
Unsecured bank loans and overdrafts		**(30.2)**	(111.3)
Secured bank loans		**(0.3)**	(1.3)
Obligations under finance leases (Note)	16	**(0.1)**	(0.1)
		(30.6)	(112.7)
		65.2	136.9
Bank loans, overdrafts and finance lease obligations are repayable as follows:			
Between one and two years		**63.2**	50.5
Between two and five years		**1.0**	81.9
In more than five years		**1.0**	4.5
		65.2	136.9

Note: The amounts are net of future finance charges of US$0.1 million (2001: US$0.2 million).

The secured bank loans are secured against certain land and buildings of the Group with a net book value of US$2.3 million (2001: US$7.0 million).

Details of the bank loans and overdrafts are as follows:

	2002	2001
United States Dollars		
Unsecured bank loans and overdrafts at an average floating rate of 5.8% (2001: 6.9%), after taking into account of interest rate swaps.	**93.0**	239.3
Secured bank loans at an average fixed interest rate of 8.7% in 2001	—	4.2
EURO		
Secured bank loans at an average fixed interest rate of 6.7% (2001: 6.7%)	**2.3**	3.5
Hong Kong Dollars and French Francs		
Unsecured overdrafts at an average floating rate of 5.0% in 2001	—	2.1
	95.3	249.1

18. PENSION SCHEMES

Total retirement benefit costs recognized in the income statement for the year ended 31st March 2002 amounted to US$2.6 million (2001: US$2.9 million). The Group operated a defined benefit scheme and a defined contribution scheme in Hong Kong. The defined contribution scheme operated in Hong Kong complied with the requirements under the Mandatory Provident Fund ("MPF") Ordinance. For the defined contribution schemes operated for overseas employees and Hong Kong employees under the MPF Ordinance, the retirement benefit cost expensed in the income statement amounted to US$1.2 million (2001: US$1.5 million) and US$0.1 million (2001: nil) respectively. For the defined benefit scheme ("the Scheme") operated for Hong Kong employees, contributions made by the Group during the year were calculated based on advice from Watson Wyatt Hong Kong Limited ("Watson Wyatt"), independent actuaries and consultants. The Scheme is valued annually. The latest actuarial valuation was completed by Watson Wyatt as at 31st March 2002 using the projected unit credit method.

For the defined benefit scheme:

	Note	2002 US$ million	2001 US$ million
The amounts recognized in the balance sheet are as follows:			
Fair value of Scheme assets		**11.5**	12.3
Present value of defined benefit obligations		**(10.1)**	(12.4)
Unrecognized actuarial gains		**0.4**	2.2
Assets recognized in the balance sheet	15	**1.8**	2.1
The amounts recognized in the income statement are as follows:			
Current service cost		**1.4**	1.9
Interest cost		**0.9**	1.0
Expected return on plan assets		**(1.0)**	(1.5)
Net actuarial losses recognized in the year		**—**	—
Expenses recognized in the income statement*	2	**1.3**	1.4
The actual return on plan assets was as follows:			
Expected return on plan assets		**1.0**	1.5
Actuarial losses on plan assets		**(1.4)**	(4.4)
Actual return on plan assets		**(0.4)**	(2.9)
Movement in the assets recognized in the balance sheet:			
At beginning of year		**2.1**	1.4
Total expenses as above*		**(1.3)**	(1.4)
Contributions paid		**1.0**	2.1
At end of year		**1.8**	2.1
The principal actuarial assumptions used for accounting purposes were:			
Discount rate		**7.0%**	7.0%
Expected return on plan assets		**7.0%**	8.0%
Future salary increases		**5.0%**	6.0%

19. PROVISIONS

	Defective goods returns US$ million	Restructuring costs US$ million	Employee compensated leave entitlements US$ million	Total US$ million
At 1st April 2001	35.2	30.3	0.8	66.3
Additional provisions	27.1	9.2	1.2	37.5
Unused amounts reversed	(10.3)	(0.5)	(0.1)	(10.9)
Charged to income statement	16.8	8.7	1.1	26.6
Utilized during the year	(19.0)	(34.4)	(0.4)	(53.8)
At 31st March 2002	33.0	4.6	1.5	39.1

Defective goods returns

The Group undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognized for expected return claims, which included cost of repairing or replacing defective goods, loss of margin and cost of materials scrapped, based on past experience of the level of repairs and returns.

Restructuring costs

Restructuring costs include the costs of terminating employees and other closure costs relating to the cessation or streamlining of business activities arising from the restructuring plan launched in March 2001. Details of the plan have been provided in the annual financial statements for the year ended 31st March 2001.

20. SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Share Capital

	2002 US$ million	2001 US$ million
Authorized		
Ordinary shares:		
400,000,000 (2001: 400,000,000) of US$0.05 each	**20.0**	20.0

	Number of shares	2002 US$ million	2001 US$ million
Issued and fully paid			
Ordinary shares of US$0.05 each:			
Balance as at 1st April 2001	**225,151,233**	**11.3**	10.7
Issued on acquisition of a subsidiary	—	—	0.3
Placing of shares (Note)	**375,900**	—	—
Issued in lieu of scrip dividend	—	—	0.3
Balance as at 31st March 2002	**225,527,133**	**11.3**	11.3

Note: On 27th September 2001, 375,900 new ordinary shares of the Company of US$0.05 each were placed to an independent third party on that date at a premium of US$0.22 each. The placing was completed in October 2001 and 375,900 new ordinary shares were alloted and issued to the placee.

20. SHARE CAPITAL, SHARE OPTIONS AND WARRANTS (continued)

Share Options

The 1991 Scheme

Pursuant to the share option scheme adopted on 24th September 1991 (the "1991 Scheme"), the directors may, at their discretion, at any time during the 10 years from the date of approval of the 1991 Scheme, invite employees of the Company and subsidiaries of the Group, including directors, to take up share options of the Company for incentive purposes. The maximum number of shares on which options may be granted may not exceed 10% of the issued share capital of the Company from time to time. The maximum number of shares in respect of which options may be granted under the 1991 Scheme to any one participant (including shares issued and issuable to him under all the options previously granted to him) is limited to 25% of the maximum aggregate number of shares of the Company subject to the 1991 Scheme. The offer of a grant of options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1.00 in total by the grantee. The exercise price in relation to each option offer shall be determined by the directors at their absolute discretion, but in any event shall not be less than the greater of (i) 80% of the average of the official closing price of the shares on the London Stock Exchange plc and The Stock Exchange of Hong Kong Limited for the 5 trading days immediately preceding the relevant offer date and (ii) the nominal value of the shares. The terms of the 1991 Scheme provide that an option may be exercised at any time during the period beginning with the commencement date (being the first anniversary of the date of grant of the option) and ending with the date which is 10 years after the date of grant of the option and in the first 48 months following the commencement date, a grantee may only exercise to the extent of 25% of shares comprised in the options granted to him in any 12 month period. The 1991 Scheme expired on 23rd September 2001.

As at 31st March 2002, the number of shares issuable under the options granted pursuant to the 1991 Scheme was 270,000, which represented approximately 0.12% of the issued share capital of the Company. The movements in the number of share options under the 1991 Scheme during the period were as follows:

Date of grant	Exercise price US$	Exercisable period	Balance in issue at 1st April 2001	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed/cancelled during the period	Balance in issue at 31st March 2002
8th October 1991	0.733	8th October 1991 to 7th October 2001	316,300	—	—	(316,300)	—
1st May 1998	2.9	1st May 1998 to 30th April 2008	4,025,000	—	—	(3,835,000)	**190,000**
1st June 1999	2.72	1st June 1999 to 30th May 2009	200,000	—	—	(200,000)	—
17th December 1999	2.3	17th December 1999 to 16th December 2009	140,000	—	—	(60,000)	**80,000**
16th November 2000	1.76	16th November 2000 to 15th November 2010	40,000	—	—	(40,000)	—
			4,721,300	—	—	(4,451,300)	**270,000**

20. SHARE CAPITAL, SHARE OPTIONS AND WARRANTS (continued)

Share Options (continued)

The 2001 Scheme

Pursuant to the share option scheme adopted on 10th August 2001 (the "2001 Scheme"), the directors are authorized, at any time during the 10 years from the date of approval of the 2001 Scheme, to grant options to certain employees of the Company and subsidiaries of the Group, including executive directors (but excluding non-executive directors) to subscribe for shares in the Company at prices to be determined by the directors in accordance with the terms of the 2001 Scheme for incentive purposes. On 1st September 2001, Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") was amended whereby if the Company wishes to grant options under the 2001 Scheme on or after 1st September 2001, it must comply with the new requirements set out therein.

Pursuant to the Listing Rules, the Company can issue options so that number of shares that may be issued upon exercise of all options to be granted under all the schemes does not in aggregate exceed 10% of the relevant class of shares in issue from time to time. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular. The Company may also seek separate shareholders' approval for granting options beyond the 10% limit to eligible employees specifically identified by the Company, subject to shareholders' approval and the issue of a circular. The Company can issue options so that shares to be issued upon exercise of all outstanding options does not exceed 30% of the relevant class of shares in issue from time to time. The maximum entitlement for any one eligible employee is that the total number of shares issued and to be issued upon exercise of options granted and to be granted in any 12-month period up to the date of the last grant does not exceed 1% of the relevant class of shares in issue. The Company can grant further options in excess of this limit, subject to shareholders' approval (with that eligible employee and his associates abstaining from voting) and the issue of a circular. The offer of a grant of options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1.00 in total by the grantee. The 2001 Scheme has a life of 10 years and will expire on 9th August 2011.

Pursuant to the Listing Rules, the subscription price payable for each share under the 2001 Scheme shall be at least the highest of (i) the closing price of the shares as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited for the 5 business days immediately preceding the date of grant; and (iii) the par value of the shares. The closing price of the Company's shares traded on The Stock Exchange of Hong Kong Limited on 25th February 2002 (being the day immediately before the date on which options were granted or deemed to be granted) was HK$9.70.

The directors are of the view that value of options granted during the year depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the directors believed that any calculation of the value of options will not be meaningful and may be misleading to shareholders in the circumstances.

As at 31st March 2002, the number of shares issuable under the options granted pursuant to the 2001 Scheme was 18,535,000, which represented approximately 8.22% of the issued share capital of the Company. The movements in the number of share options under the 2001 Scheme during the period were as follows:

Date of grant (note 1)	Exercise price	Exercisable period (note 2)	Balance in issue at 1st April 2001	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed/cancelled during the period	Balance in issue at 31st March 2002
26th February 2002 to 26th March 2002	HK$10.20	26th February 2002 to 25th March 2012	—	18,535,000	—	—	**18,535,000**
			—	18,535,000	—	—	**18,535,000**

Note 1: Due to the large number of employees participating in the 2001 Scheme, the information can only be shown within a reasonable range in this report. For options granted to employees, the options were granted during the underlying periods for acceptance of the offer of such options by the employees concerned.

Note 2: As one of the conditions of grant, the employees concerned agreed with the Company that the options shall not be exercisable within the period of 36 months from the date on which such options were granted or deemed to be granted and accepted and shall not be exercisable after 60 months from the date on which such options were granted or deemed to be granted and accepted.

20. SHARE CAPITAL, SHARE OPTIONS AND WARRANTS (continued)

Share Options (continued)

HomeRelay Plan

Pursuant to the stock option plan adopted by HomeRelay Communications, Inc. ("HomeRelay" formerly known as Unbound Communications, Inc.) in August, 2000 (the "HomeRelay Plan"), the directors of HomeRelay may grant options to the employees of HomeRelay up to 10% of HomeRelay's common stock in issue from time to time for incentive purposes. Options for common stock may be incentive stock options or non-statutory stock options. A committee designated by the directors of HomeRelay may fix the terms and vesting of all stock options; however, in no event will the contractual term exceed 10 years. Unless specified otherwise, stock options vest 25% one year from the grant date and the remaining 75% vest in successive equal semi-annual installments over the succeeding three year period until the stock options are fully vested. The HomeRelay Plan has a life of 10 years and will expire on 29th August 2010.

No stock option may be granted to any employee if it would result in the total amount of stock option to be issued or already issued to him under the HomeRelay Plan exceeding 25% of the maximum aggregate amount of stock subject to the HomeRelay Plan. The exercise price under the HomeRelay Plan will be as follows: (i) incentive stock options-an amount equal to not less than 100% of the Fair Market Value (as defined in the HomeRelay Plan) of the stock at the date of grant; (ii) non-statutory stock options-an amount equal to not less than 85% of the Fair Market Value of the stock at the date of grant; and (iii) incentive stock options to 10% Employees (as defined in the HomeRelay Plan)-an amount equal to not less than 110% of the Fair Market Value of the stock at the date of grant.

The directors are of the view that value of options granted during the year depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the directors believed that any calculation of the value of options will not be meaningful and may be misleading to shareholders in the circumstances.

As at 31st March 2002, the number of common stock issuable under the stock options granted pursuant to the HomeRelay Plan was 705,475, which represented approximately 9.53% of the issued share capital of HomeRelay. The movements in the number of stock options under the HomeRelay Plan during the period were as follows:

Date of grant (note 1)	Weighted average exercise price US$	Exercisable period	Balance in issue at 1st April 2001	Number of stock options granted during the period	Number of stock options exercised during the period	Number of stock options lapsed/cancelled during the period	Balance in issue at 31st March 2002
1st September 2000 to 22nd February 2001	1.00	1st September 2000 to 21st February 2011	614,425	91,050	—	—	**705,475**
			614,425	91,050	—	—	**705,475**

Note 1: The stock options were granted to the employees concerned during the period and the information can only be shown within a reasonable range in this report.

Warrants

Pursuant to a warrant instrument dated 19th January 2000 issued by the Company to AT&T Corp. ("AT&T") as part of a trademark licence agreement between the Company and AT&T pursuant to which AT&T granted the Company the exclusive right to use the AT&T brand for 10 years in connection with the manufacture and sale of wireless telephones and accessories in the United States and Canada, the Company granted AT&T warrants carrying rights to subscribe for 3,000,000 shares in the Company at a subscription price of HK$20.0 per share on or before 18th January 2012.

Pursuant to a Revised AT&T Brand License Agreement dated 24th January 2002, the subscription price of these warrants was revised to be determined and based on the average of the closing price of the shares of the Company as quoted on The Stock Exchange of Hong Kong Limited for the five (5) dealing days immediately preceding 15th July 2002 or the initial subscription price of HK$20.0, whichever is lower.

No warrants have been exercised since the date of grant.

21. RESERVES

	Note	Group 2002 US$ million	Group 2001 US$ million	Company 2002 US$ million	Company 2001 US$ million
Share premium		**74.3**	74.2	**74.3**	74.2
Other properties revaluation reserve		**6.6**	10.7	**—**	—
Investment properties revaluation reserve		**—**	—	**—**	—
Revenue reserve		**4.2**	(9.8)	**36.6**	35.3
Exchange reserve		**(6.6)**	(6.4)	**(1.2)**	(1.2)
Hedging reserve		**(0.4)**	—	**—**	—
		78.1	68.7	**109.7**	108.3

An analysis of movements in reserves is set out below:

	Note	Group 2002 US$ million	Group 2001 US$ million	Company 2002 US$ million	Company 2001 US$ million
Share premium					
Brought forward		**74.2**	46.0	**74.2**	46.0
Shares issued on the acquisition of a subsidiary		**—**	12.4	**—**	12.4
Shares issued in lieu of scrip dividend		**—**	15.8	**—**	15.8
Placing of shares		**0.1**	—	**0.1**	—
Carried forward		**74.3**	74.2	**74.3**	74.2
Other properties revaluation reserve					
Brought forward					
— as previously reported		**10.7**	11.5	**—**	—
— effect of adopting IAS 40		**(0.1)**	—	**—**	—
— as restated		**10.6**	11.5	**—**	—
Impairment charge	9	**(1.6)**	—	**—**	—
Transfer of properties previously revalued to assets held for sale		**(0.1)**	—	**—**	—
Disposal of properties previously revalued		**(2.7)**	(0.8)	**—**	—
Deferred tax reversed upon disposal of a property previously revalued		**0.4**	—	**—**	—
Carried forward		**6.6**	10.7	**—**	—
Investment properties revaluation reserve					
Brought forward					
— as previously reported		**1.0**	1.0	**—**	—
— effect of adopting IAS 40		**(1.0)**	(1.0)	**—**	—
As restated and carried forward		**—**	—	**—**	—
Revenue reserve					
Brought forward					
— as previously reported		**(11.0)**	230.1	**35.3**	209.8
— effect of adopting IAS 40		**1.2**	1.2	**—**	—
— as restated		**(9.8)**	231.3	**35.3**	209.8
Profit/(loss) attributable to shareholders		**11.2**	(215.0)	**1.3**	(147.6)
Final dividends paid	7	**—**	(26.9)	**—**	(26.9)
Disposal of properties previously revalued		**2.7**	0.8	**—**	—
Transfer of properties previously revalued to assets held for sale		**0.1**	—	**—**	—
Carried forward		**4.2**	(9.8)	**36.6**	35.3

21. RESERVES (continued)

	Note	Group 2002 US$ million	Group 2001 US$ million	Company 2002 US$ million	Company 2001 US$ million
Exchange reserve					
Brought forward		**(6.4)**	(2.5)	**(1.2)**	(1.2)
Exchange translation differences		**(0.2)**	(3.9)	**—**	—
Carried forward		**(6.6)**	(6.4)	**(1.2)**	(1.2)
Hedging reserve					
Brought forward					
— as previously reported		**—**	—	**—**	—
— effect of adopting IAS 39		**0.3**	—	**—**	—
— as restated		**0.3**	—	**—**	—
Transfer to income statement		**(0.3)**	—	**—**	—
Fair value losses arising during the year		**(0.4)**	—	**—**	—
Carried forward		**(0.4)**	—	**—**	—

Reserves of the company available for distribution to shareholders amounted to US$36.6 million (2001: US$35.3 million).

22. FINANCIAL INSTRUMENTS

The Group enters into forward foreign exchange contracts and interest rate swaps to hedge certain exposures on fluctuations on foreign currency exchange rates and interest rate respectively. The Group does not use derivative financial instruments for speculative purposes.

Credit risk

Financial assets which potentially subject the Group to credit risk consist principally of cash, short-term deposits and trade receivables. The Group's cash equivalents and short-term deposits are placed with major financial institutions. Trade receivables are presented net of the allowance for doubtful receivables. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different industries and geographical areas. Accordingly, the Group has no significant concentration of credit risk. In addition, credit risks are mitigated by the use of insurance plans.

The Group manages these risks by monitoring credit ratings and limiting the aggregate risk to any individual counterparty.

Foreign exchange risk

The Group enters into foreign exchange contracts in order to manage its exposure to fluctuations in foreign currency exchange rates on specific transactions. Foreign exchange contracts are matched with anticipated future cash flows in foreign currencies, primarily from sales.

Interest rate risk

The Group's income and operating cash flows are affected by the change in market interest rates in relation to its interest-bearing loans. The Group uses interest rate swaps as cash flow hedges of future interest payments to convert certain borrowings from floating rates to fixed rates.

Fair values

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

Derivative financial instruments

Prior to 1st April 2001, the Group did not recognize in its financial statements the change in fair value of derivative financial instruments. On the adoption of IAS 39 at 1st April 2001, forward foreign exchange contracts and interest rate swaps contracts were designated as cash flow hedges and remeasured to fair values.

22. FINANCIAL INSTRUMENTS (continued)

The net fair values of derivative financial instruments at 31st March designated for cash flow hedges were as follows:

	2002		2001	
	Positive fair value US$ million	Negative fair value US$ million	Positive fair value US$ million	Negative fair value US$ million
Forward foreign exchange contracts	**0.5**	**—**	0.8	(0.5)
Interest rate swaps	**—**	**(0.9)**	—	—
	0.5	**(0.9)**	0.8	(0.5)

Forward foreign exchange contracts

The net fair value gains at 31st March 2002 on open forward foreign exchange contracts which hedge anticipated future foreign currency sales and purchases will be transferred from the hedging reserve to the consolidated income statement when the forecasted sales and purchases occur, at various dates between 1 month to 6 months from the balance sheet date.

The total contract amount of the outstanding forward foreign exchange contracts at 31st March 2002 was US$22.8 million (2001: US$40.8 million).

Interest rate swaps

The notional principal amount of the outstanding interest rate swap contracts at 31st March 2002 was US$40.0 million (2001: US$40.0 million).

At 31st March 2002, the fixed interest rate relating to interest rate swaps varied from 6.7% to 7.0% (2001: 6.7% to 7.0%).

Fair values

The fair values of the Group's financial assets and liabilities, before taking account of hedging transactions, are summarized as follows:

	2002		2001	
	Carrying amount US$ million	Fair value US$ million	Carrying amount US$ million	Fair value US$ million
Financial assets:				
Investments	**0.3**	**0.3**	0.5	0.5
Debtors	**128.9**	**128.9**	195.3	195.3
Cash at bank and deposits*	**63.3**	**63.3**	56.2	56.2
	192.5	**192.5**	252.0	252.0
Financial liabilities:				
Creditors and accruals	**154.7**	**154.7**	252.6	252.6
Bank overdrafts	**0.2**	**0.2**	2.8	2.8
Term loans	**95.1**	**95.1**	246.3	246.3
Obligations under finance leases	**0.5**	**0.5**	0.5	0.5
	250.5	**250.5**	502.2	502.2

The fair value of debtors, bank balances, creditors and accruals and bank overdrafts approximate their carrying amounts due to the short-term maturities of these assets and liabilities. The fair value of term loans and obligations under finance leases is estimated using the expected future payments discounted at market interest rates.

* The weighted average effective interest rate on short term bank deposits was 1.8% (2001:4.7%) and these deposits have an average maturity of 1 day to 1 week.

22. FINANCIAL INSTRUMENTS (continued)

Currency profile

The currency profile of the Group's financial assets and liabilities, before taking account of hedging transactions, is summarized as follows:

	2002		2001	
	Financial assets US$ million	Financial liabilities US$ million	Financial assets US$ million	Financial liabilities US$ million
Currency:				
United States Dollar	**165.6**	**194.5**	215.0	404.5
Euro	**14.9**	**14.7**	2.2	8.6
United Kingdom Sterling	**7.5**	**1.6**	6.8	5.3
Hong Kong Dollar	**2.5**	**28.1**	3.0	47.6
Dutch Guilder	**0.1**	**0.1**	2.1	—
Chinese Renminbi	**1.5**	**6.9**	1.4	19.7
Swiss Franc	**0.1**	**0.2**	0.7	0.2
Spanish Peseta	**—**	**—**	2.6	2.1
French Franc	**—**	**—**	9.3	8.3
Deutsch Mark	**—**	**—**	4.3	1.1
Others	**0.3**	**4.4**	4.6	4.8
	192.5	**250.5**	252.0	502.2

23. COMMITMENTS

	2002 US$ million	2001 US$ million
(i) Capital commitments for property, plant and equipment		
Authorized but not contracted for	**11.8**	14.1
Contracted but not provided for	**2.4**	3.2
	14.2	17.3
(ii) Operating lease commitments		
The future aggregate minimum lease payments under non-cancelable operating leases are as follows:		**Restated**
Land and buildings		
In one year or less	**10.9**	10.4
Between one and two years	**7.3**	9.1
Between two and five years	**12.4**	15.9
In more than five years	**5.9**	8.7
	36.5	44.1

23. COMMITMENTS (continued)

The Group has entered into agreements with an independent third party in the People's Republic of China ("PRC") to lease factory premises in Houjie, Dongguan comprising several factory buildings. There are totally four separate leases which expire in 2003, 2004, 2022 and 2029 respectively. The lease expiring in 2029 has a non-cancelable period of eight years which expires in 2007. At the end of this non-cancelable period, the lease can only be cancelled on six months' notice with a penalty equivalent to three months' rentals. All other buildings have lease terms which can be cancelled upon three to six months' notice with penalties equivalent to three to twelve months' rentals. The operating lease commitments above include total commitments over the non-cancelable period of the lease terms.

In January 1996, the Group entered into an agreement with an independent third party in the PRC whereby the PRC party will construct in phases and lease to the Group a new production facility in Liaobu, Dongguan. Under a fifty year lease agreement, the Group will rent the first and second phases of the facility for non-cancelable periods of six and eight years after completion respectively. The Group also has an option to purchase each phase of the production facility at any time within four and a half years after the completion of each phase. The first phase became fully operational in April 1998 and the completed production facility of the second phase became operational in October 2001. The operating lease commitments above include total commitments over the non-cancelable period of the lease terms.

The operating lease commitments in respect of the agreements with the above independent third party in the PRC for 2001 have been restated to reflect total commitments over the non-cancelable period of the lease terms. The restatement is consistent with IAS disclosure requirement for operating leases.

Under a Brand License Agreement, a wholly-owned subsidiary of the Group is required to make royalty payments to AT&T Corp., calculated as a percentage of net sales of the relevant categories of products, subject to certain minimum aggregate royalty payments. The percentage of net sales payable varies over time and between products. There is no maximum royalty payment. The aggregate minimum royalty payments as at 31st March 2002 amount to US$94.6 million and the annual payment increases on a sliding scale from US$11.3 million for the year ending 31st March 2003 to US$12.6 million for the year ending 31st March 2010, when the agreement expires. The subsidiary can renew the agreement for two additional five year terms provided certain performance requirements are achieved.

24. CONTINGENT LIABILITIES

The directors have been advised that certain accusations of infringements of patents, trademarks and tradenames have been lodged against the Company and its subsidiaries. In the opinion of legal counsel, it is too early to evaluate the likelihood of an unfavourable result. The directors are of the opinion that even if the accusations are found to be valid, there will be no material adverse effect on the financial position of the Group.

Certain subsidiaries of the Group are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the directors are of the opinion that even if the claims are found to be valid, there will be no material adverse effect on the financial position of the Group.

At 31st March 2002, there was no contingent liability in respect of bills discounted (2001: US$0.6 million).

25. BALANCE SHEET OF THE COMPANY AS AT 31ST MARCH

	Note	2002 US$ million	2001 US$ million
Non-current assets			
Subsidiaries		**103.3**	102.7
Associates		**—**	0.6
		103.3	103.3
Current assets			
Amounts due from subsidiaries	(i)	**223.5**	225.5
Debtors and prepayments		**—**	1.0
Tax recoverable		**—**	0.4
Cash at bank and deposits		**0.2**	0.2
		223.7	227.1
Current liabilities			
Amounts due to subsidiaries	(i)	**(204.1)**	(208.9)
Creditors and provisions		**(1.8)**	(1.9)
Current tax liabilities		**(0.1)**	—
		(206.0)	(210.8)
		121.0	119.6
Share capital	20	**11.3**	11.3
Reserves	21	**109.7**	108.3
Shareholders' funds		**121.0**	119.6

(i) The amounts due from/(to) subsidiaries have no fixed terms of repayment. Most of the amounts due are interest free.

26. PRINCIPAL SUBSIDIARIES

Details of the Company's interests in those subsidiaries which materially affect the results or assets of the Group as at 31st March 2002 are set out below:

Name of subsidiary	Fully paid issued share capital	Percentage of interest held by the Group	Principal activity
Incorporated and operating in Hong Kong:			
Perseus Investments Limited	Ordinary HK$1,000 Deferred HK$1,000	100	Property holding
Valentia Investment Limited	Ordinary HK$1,000 Deferred HK$1,000	100	Property holding
VTech eLearning Limited (formerly known as VTech Computers Systems Limited)	Ordinary HK$3,300,000	*100	Provision of IT training courses and online education services and the sale of consumer electronic products
VTech Electronics Limited	HK$ 5,000,000	*100	Design, manufacture and distribution of electronic products

26. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Fully paid issued share capital	Percentage of interest held by the Group	Principal activity
Incorporated and operating in Hong Kong: (continued)			
VTech Communications Limited	Ordinary HK$1,000 Deferred HK$5,000,000	*100	Design, manufacture and distribution of telecommunication equipment
VTech Telecommunications Limited	Ordinary HK$1,000 Deferred HK$5,000,000	*100	Design, manufacture and distribution of telecommunication equipment
Incorporated and operating in France:			
# VTech Electronics Europe S.A. (formerly VTech Electronics France S.A.)	FRF20,000,000	*100	Sale of electronic products
Incorporated and operating in Germany:			
VTech Electronics Europe GmbH (formerly VTech Electronics Germany GmbH)	DM5,085,158	*100	Sale of electronic products
Incorporated and operating in Spain:			
# VTech Electronics Spain S.L.	ESP386,381,569	*100	Sale of electronic products
Incorporated and operating in Mexico:			
VTech Innovations, S.A. de C.V.	Class A PESO5,000 Class B PESO80,840,930	*100	Manufacture of telecommunication products
Incorporated and operating in the US:			
# VTech Industries, LLC.	US$22,212,997	*100	Sale of electronic products
VTech Communications, Inc.	US$300,000	*100	Sale of telecommunication products
VTech Innovation L.P.	US$110,000,100	*100	Sale of telecommunication products
# HomeRelay Communication, Inc.	US$10,072,800	*85	Provision of web services
Incorporated and operating in Canada:			
VTech Electronics Canada Limited	Class A C$5,000 Class B C$195,000	*100 *100	Sale of electronic and telecommunication products
Incorporated and operating in the Netherlands:			
VTech Electronics Europe B.V. (formerly VTech Electronics Netherlands B.V.)	DFL33,550,000	*100	Sale of electronic products

26. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Fully paid issued share capital	Percentage of interest held by the Group	Principal activity
Incorporated and operating in the United Kingdom:			
# VTech Electronics Europe plc (formerly VTech Electronics (UK) plc)	GBP500,000	*100	Sale of electronic products
Incorporated in the British Virgin Islands and operating in the People's Republic of China:			
Asian Luck Limited	US$1	*100	Manufacture of electronic & telecommunication products

* Indirectly held by subsidiaries

\# Principal subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of these principal subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 10.8% of the Group's net assets.

27. RELATED PARTY TRANSACTIONS

In the normal course of business and on normal commercial terms, the Group undertakes a variety of transactions with certain of its associates. None of these transactions was material to the Group's results.

28. POST BALANCE SHEET DATE EVENT

On 25th January 2001, the Group filed a complaint against Lucent Techologies Inc. ("Lucent") and Lucent Technologies Consumer Products, L.P. in the United States District Court for the Southern District of New York seeking damages and related relief arising out of the acquisition by the Group of Lucent's Wired Consumer Products Business in 2000.

On 7th June 2002, the Group and Lucent settled the lawsuit filed by the Group against Lucent in January 2001 in a mutually satisfactory manner. There was no admission of wrongdoing by either party. Under the terms of the settlement, Lucent has agreed to adjust the purchase price of the acquisition downward by US$50.0 million. Such amount, after deducting incidental expenses, will be fully settled in cash on or before 3rd July 2002.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 26th June 2002.