

Notes to the Financial Statements

For the year ended 31st March, 2003

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of voltage converters and coils and rechargeable battery products.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAP”s) issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the introduction of the statement of changes in equity, but has no effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required. Comparative amounts and disclosures for the prior years have been restated in order to achieve a consistent presentation.

Foreign currencies

SSAP 11 (Revised) “Foreign currency translation” has eliminated the choice of translating the income statements of subsidiaries outside Hong Kong at the closing rate for the period which was previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

Under SSAP 15 (Revised) “Cash flow statements”, cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating, investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

Employee benefits

SSAP 34 “Employee benefits” introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

Notes to the Financial Statements

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

The results of subsidiaries and associates acquired and disposed of during the year are included in the consolidated income statement from and up to their effective dates of acquisition and disposal respectively.

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

Goodwill

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

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

Goodwill arising on acquisition after 1st April, 2001 is recognised as an asset and amortised on a straight line basis over its economic useful life. Goodwill arising on the acquisition of subsidiary is presented separately in the balance sheet.

On disposal of a business, the attributable amount of goodwill capitalised or held in reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

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

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

Negative goodwill arising on acquisition after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is

Notes to the Financial Statements

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Negative goodwill *(continued)*

recognised as income on a straight line basis over the remaining average useful lives of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately. Negative goodwill arising on the acquisition of subsidiary is presented separately in the balance sheet as a deduction from assets.

On disposal, the attributable amount of negative goodwill capitalised or held in reserves is included in the determination of the profit or loss on disposal.

Turnover

Turnover represents the net amount received and receivable for goods sold to outside customers, less returns and allowances.

Revenue recognition

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

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

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Investment properties

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

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

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

No depreciation is provided in respect of investment properties except where the unexpired terms is twenty years or less.

Notes to the Financial Statements

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.

Construction in progress is not depreciated until completion of construction.

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

Leasehold land	Over the remaining unexpired terms of the leases
Leasehold buildings	Over the remaining unexpired terms of the leases or fifty years, whichever is the shorter
Furniture, fixtures and equipment	10% - 25%
Motor vehicles	20% - 25%
Plant and machinery	10% - 33⅓%

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

Subsidiaries

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

Associates

The results and assets and liabilities of the associates are incorporated in the consolidated financial statements using the equity method of accounting.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

Investments in securities

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

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

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

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

Notes to the Financial Statements

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Marketable securities

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Research and development expenditure

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

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

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

Impairment

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

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

Taxation

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

Notes to the Financial Statements

For the year ended 31st March, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the approximate rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the results, assets and liabilities of operations outside Hong Kong are translated at the rates ruling at the balance sheet date. Income and expense items are translated at the average exchange rate for the year. All exchange differences arising on translation are dealt with in the translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operations are disposed of.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total commitments and the outstanding principal amount at the inception of the finance leases, are charged to the income statement using actuarial method over the period of the respective leases.

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

Retirement benefits costs

Payments to the defined contribution retirement plan are charged as expenses as they fall due.

Notes to the Financial Statements

For the year ended 31st March, 2003

4. SEGMENT INFORMATION

Business Segments

The Group's principal activities are manufacture and trading of voltage converters and coils and rechargeable battery products. These two business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented as below:

	Voltage converters and coils HK\$	Rechargeable battery products HK\$	Elimination HK\$	Consolidated HK\$
For the year ended 31st March, 2003				
Turnover				
External sales	286,881,502	33,918,855	—	320,800,357
Inter-segment sales	13,026,340	—	(13,026,340)	—
	<u>299,907,842</u>	<u>33,918,855</u>	<u>(13,026,340)</u>	<u>320,800,357</u>
Inter-segment sales are carried out at cost.				
Result				
Segment result	<u>10,921,682</u>	<u>(22,627,722)</u>		(11,706,040)
Unallocated corporate expenses				(6,210,279)
Interest income				<u>356,666</u>
Loss from operations				(17,559,653)
Finance costs				(164,045)
Share of results of associates	(523,067)	—		(523,067)
Gain on partial disposal of a subsidiary	—	3,148,827		3,148,827
Impairment losses recognised in respect of interest in associates				<u>(982,785)</u>
Loss before taxation				(16,080,723)
Taxation				<u>(1,725,000)</u>
Loss before minority interests				(17,805,723)
Minority interests				<u>(10,094)</u>
Net loss for the year				<u>(17,815,817)</u>
Other information				
Additions of property, plant and equipment	8,608,535	625,115		9,233,650
Depreciation and amortisation of property, plant and equipment	12,677,282	3,316,051		15,993,333
Loss on disposal of property, plant and equipment	2,435,362	—		2,435,362
Deficit arising on revaluation of investment properties	1,050,000	—		1,050,000
Write-off of property, plant and equipment	—	7,288,490		7,288,490
Write-off of debtors and prepayments	—	4,230,991		<u>4,230,991</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

4. SEGMENT INFORMATION *(continued)*

Business Segments *(continued)*

	Voltage converters and coils HK\$	Rechargeable battery products HK\$	Consolidated HK\$
As at 31st March, 2003			
Balance sheet			
Assets			
Segment assets	165,372,557	4,876,945	170,249,502
Investments in associates	3,510,000	—	3,510,000
Unallocated corporate assets			64,017,649
Consolidated total assets			237,777,151
Liabilities			
Segment liabilities	27,988,982	5,356,064	33,345,046
Unallocated corporate liabilities			12,080,343
Consolidated total liabilities			45,425,389

Notes to the Financial Statements

For the year ended 31st March, 2003

4. SEGMENT INFORMATION *(continued)*

Business Segments *(continued)*

	Voltage converters and coils HK\$	Rechargeable battery products HK\$	Elimination HK\$	Consolidated HK\$
For the year ended 31st March, 2002				
Turnover				
External sales	340,665,062	25,231,006	—	365,896,068
Inter-segment sales	4,945,250	—	(4,945,250)	—
	<u>345,610,312</u>	<u>25,231,006</u>	<u>(4,945,250)</u>	<u>365,896,068</u>
Inter-segment sales are carried out at cost.				
Result				
Segment result	<u>3,209,665</u>	<u>(6,613,704)</u>		(3,404,039)
Unallocated corporate expenses				(6,778,080)
Interest income				<u>2,045,510</u>
Loss from operations				(8,136,609)
Finance costs				(21,521)
Share of results of associates	(7,057,780)	—		(7,057,780)
Gain on winding up of subsidiaries				1,000,000
Impairment losses recognised in respect of goodwill				
- segment	(108,708)	(64,978)		(173,686)
- corporate				<u>(198,440)</u>
Loss before taxation				(14,588,036)
Taxation				<u>(127,743)</u>
Loss before minority interests				(14,715,779)
Minority interests				<u>225,258</u>
Net loss for the year				<u>(14,490,521)</u>
Other information				
Additions of property, plant and equipment	8,255,796	778,040		9,033,836
Depreciation and amortisation of property, plant and equipment	14,595,036	3,479,610		18,074,646
Loss on disposal of property, plant and equipment	—	187,718		187,718
Deficit arising on revaluation of investment properties	750,000	—		750,000
Write-off of property, plant and equipment	<u>4,526,725</u>	<u>501,290</u>		<u>5,028,015</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

4. SEGMENT INFORMATION *(continued)*

Business Segments *(continued)*

	Voltage converters and coils HK\$	Rechargeable battery products HK\$	Consolidated HK\$
As at 31st March, 2002			
Balance sheet			
Assets			
Segment assets	205,175,547	20,672,149	225,847,696
Investments in associates	5,005,852	—	5,005,852
Unallocated corporate assets			67,700,592
Consolidated total assets			298,554,140
Liabilities			
Segment liabilities	58,239,064	6,236,554	64,475,618
Unallocated corporate liabilities			1,406,919
Consolidated total liabilities			65,882,537

Geographical Segments

The Group's operations are located in Mainland China and Hong Kong of the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market Year ended 31st March,	
	2003 HK\$	2002 HK\$
The PRC		
Mainland China	43,644,474	92,471,945
Hong Kong	81,028,725	40,545,388
	124,673,199	133,017,333
United States of America, South America and Canada	83,719,628	23,928,981
Europe	66,545,997	150,255,545
Malaysia	30,210,906	30,003,410
Asia (excluding the PRC and Malaysia)	15,650,627	28,690,799
	320,800,357	365,896,068

Notes to the Financial Statements

For the year ended 31st March, 2003

4. SEGMENT INFORMATION *(continued)*

The following is an analysis of the carrying amount of consolidated total assets and additions to property, plant and equipment analysed by the geographical areas in which the assets are located:

	As at 31st March,	
	2003 HK\$	2002 HK\$
Carrying amount of consolidated total assets		
Hong Kong	152,866,248	187,933,610
Mainland China	84,853,372	110,295,260
United States of America	57,531	325,270
	<u>237,777,151</u>	<u>298,554,140</u>
	Year ended 31st March,	
	2003 HK\$	2002 HK\$
Additions to property, plant and equipment		
Mainland China	8,576,567	8,072,691
Hong Kong	657,083	870,400
United States of America	—	90,745
	<u>9,233,650</u>	<u>9,033,836</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

5. OTHER OPERATING INCOME

Included in other operating income is as follows:

Interest earned on bank deposits and balances

2003 HK\$	2002 HK\$
356,666	2,045,510

6. OTHER OPERATING EXPENSES

The other operating expenses comprise:

Write-off of property, plant and equipment

Write-off of debtors and prepayments

Provision for restructuring expenses

Deficit arising on revaluation of investment properties (note 12)

Factory relocation and closure expenses

2003 HK\$	2002 HK\$
7,288,490	5,028,015
4,230,991	—
2,167,000	—
1,050,000	750,000
—	193,966
14,736,481	5,971,981

During the year, the directors decided to restructure certain subsidiaries of the Company. It resulted in the write-off of property, plant and equipment, write-off of debtors and prepayments and a provision for restructuring expenses of HK\$7,288,490, HK\$4,230,991 and HK\$2,167,000 respectively.

In the previous year, the Group closed certain manufacturing factories in the Mainland China of the PRC to streamline the Group's operations. It resulted in the write-off of property, plant and equipment and factory relocation and closure expenses of HK\$5,028,015 and HK\$193,966 respectively.

Notes to the Financial Statements

For the year ended 31st March, 2003

7. LOSS FROM OPERATIONS

	2003 HK\$	2002 HK\$
Loss from operations has been arrived at after charging:		
Directors' remuneration (Note)	6,684,000	6,936,000
Staff salaries, allowance and welfare	31,958,828	30,533,482
Provident fund contributions	159,094	282,000
Mandatory provident fund contributions	341,899	311,524
Direct labour costs	17,085,794	23,731,164
Provision for long service payments	1,438,000	1,003,094
Total staff costs	57,667,615	62,797,264
Auditors' remuneration	720,000	842,910
Depreciation and amortisation of property, plant and equipment		
Owned assets	15,985,920	18,074,646
Assets held under finance leases	7,413	—
Loss on disposal of property, plant and equipment	2,435,362	187,718
Minimum lease payments in respect of rented premises	4,519,706	5,114,483
Research and development expenses	—	455,841
and after crediting:		
Property rental income net of nil outgoings	826,326	894,058

Note:

Information regarding directors' and employees' emoluments

	2003 HK\$	2002 HK\$
Directors		
Fees to independent non-executive directors	360,000	360,000
Other emoluments to executive directors:		
Salaries and other benefits	6,300,000	6,552,000
Mandatory provident fund contributions	24,000	24,000
	6,324,000	6,576,000
	6,684,000	6,936,000

Notes to the Financial Statements

For the year ended 31st March, 2003

7. LOSS FROM OPERATIONS *(continued)*

Emoluments of the directors were within the following bands:

	Number of director(s)	
	2003	2002
Nil - HK\$1,000,000	10	8
HK\$1,500,001 - HK\$2,000,000	2	2
HK\$2,500,001 - HK\$3,000,000	1	1
	<u>13</u>	<u>11</u>

Employees

The five highest paid individuals of the Group included three (2002: three) directors, details of whose emoluments are set out above. The emoluments of the two (2002: two) highest paid employees, other than directors of the Company, were as follows:

	2003 HK\$	2002 HK\$
Salaries and other benefits	<u>2,049,000</u>	<u>2,058,000</u>

Emoluments of these employees were within the following bands:

	Number of employee(s)	
	2003	2002
Nil - HK\$1,000,000	1	1
HK\$1,000,001 - HK\$1,500,000	1	1
	<u>2</u>	<u>2</u>

8. FINANCE COSTS

	2003 HK\$	2002 HK\$
Interest on:		
Bank borrowings wholly repayable within five years	158,580	21,521
Obligations under finance leases	<u>5,465</u>	<u>—</u>
Total borrowing costs	<u>164,045</u>	<u>21,521</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

9. TAXATION

	2003 HK\$	2002 HK\$
The charge comprises:		
The Company and its subsidiaries:		
Hong Kong Profits Tax		
- current year	900,000	—
- underprovision in prior years	825,000	127,743
	<u>1,725,000</u>	<u>127,743</u>
Share of taxation of an associate	—	—
	<u>1,725,000</u>	<u>127,743</u>

In the current year, the charge represents Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made in the previous year as the Group incurred a tax loss for that year.

In the opinion of the directors of the Company, a substantial portion of the Group's profit neither arises in, nor is derived from, Hong Kong and, accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax. Furthermore, the subsidiaries of the Company that are operating in the PRC are currently not subject to income tax of the PRC as these companies either operate under assembly and processing arrangements in the PRC or are exempted from income tax for the first two profitable years of operations and, thereafter, are entitled to 50% relief from income tax for the next three years under the tax laws of the PRC.

In May 2003, a tax audit was commenced by the Inland Revenue Department in Hong Kong on certain subsidiaries of the Company in respect of the years of assessment from 1997/98 to 2001/02. In the opinion of the directors of the Company, the outcome of this matters cannot be determined with reasonable certainty at this stage as the tax audit is still in progress. In addition, in the opinion of the directors of the Company, the taxation liabilities have been properly accounted for in respect of these years. Accordingly, no provision has been made in the financial statements in respect of the potential tax liabilities, if any, resulting from the tax audit.

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For the year ended 31st March, 2003

10. DIVIDENDS

	2003 HK\$	2002 HK\$
Interim dividend, paid - 4 cents (2002: 8 cents) per share	22,282,336	44,603,072
Final dividend, proposed - 4 cents (2002: nil) per share	22,282,336	—
	<u>44,564,672</u>	<u>44,603,072</u>

The final dividend of 4 cents (2002: nil) per share has been proposed by the directors of the Company.

11. LOSS PER SHARE

The calculation of loss per share is based on the net loss for the year of HK\$17,815,817 (2002: loss of HK\$14,490,521) and the weighted average of 557,230,778 (2002: 557,538,400) shares in issue during the year.

No diluted loss per share has been presented as the exercise of the Company's outstanding share options would reduce the loss per share for both years.

12. INVESTMENT PROPERTIES

	THE GROUP HK\$
AT VALUATION	
At 1st April, 2001	7,350,000
Deficit on revaluation (note 6)	(750,000)
	<u>6,600,000</u>
At 31st March, 2002 and 1st April, 2002	6,600,000
Deficit on revaluation (note 6)	(1,050,000)
	<u>5,550,000</u>
At 31st March, 2003	<u>5,550,000</u>

The investment properties are situated in Hong Kong and are held under long leases. The investment properties are rented out for use under operating leases. The valuation of investment properties was carried out by DTZ Debenham Tie Leung Limited, a firm of independent professional valuers, as at 31st March, 2003 on an open market value for existing use basis.

Notes to the Financial Statements

For the year ended 31st March, 2003

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Plant and machinery HK\$	Construction in progress HK\$	Total HK\$
THE GROUP						
COST						
At 1st April, 2002	41,451,358	25,061,020	5,388,425	89,677,545	685,109	162,263,457
Currency realignment	571,633	256,666	73,779	825,129	18,772	1,745,979
Additions	—	2,613,166	444,764	6,117,229	58,491	9,233,650
Transfer	—	194,735	—	516,227	(710,962)	—
Disposals	—	(3,515,127)	(334,276)	(23,779,037)	—	(27,628,440)
Write-off	—	(3,593,512)	(682,766)	(27,113,966)	—	(31,390,244)
At 31st March, 2003	42,022,991	21,016,948	4,889,926	46,243,127	51,410	114,224,402
DEPRECIATION AND AMORTISATION						
At 1st April, 2002	5,539,853	14,624,961	4,304,633	54,160,432	—	78,629,879
Currency realignment	68,596	99,790	55,122	493,554	—	717,062
Provided for the year	840,460	3,223,649	465,873	11,463,351	—	15,993,333
Eliminated on disposals	—	(2,474,718)	(334,276)	(22,384,084)	—	(25,193,078)
Write-off	—	(2,556,997)	(682,766)	(20,861,991)	—	(24,101,754)
At 31st March, 2003	6,448,909	12,916,685	3,808,586	22,871,262	—	46,045,442
NET BOOK VALUES						
At 31st March, 2003	35,574,082	8,100,263	1,081,340	23,371,865	51,410	68,178,960
At 31st March, 2002	35,911,505	10,436,059	1,083,792	35,517,113	685,109	83,633,578

The net book value of the Group's property interests shown above comprises:

Leasehold properties held under long leases in Hong Kong
Leasehold properties outside Hong Kong held under
- long leases
- medium term leases

	2003 HK\$	2002 HK\$
Leasehold properties held under long leases in Hong Kong	17,905,424	18,334,794
Leasehold properties outside Hong Kong held under - long leases	4,149,540	4,246,232
- medium term leases	13,519,118	13,330,479
	<u>35,574,082</u>	<u>35,911,505</u>

The net book values of motor vehicles of HK\$1,081,340 includes an amount of HK\$429,587 (2002: nil) in respect of assets held under finance leases.

Notes to the Financial Statements

For the year ended 31st March, 2003

14. INTEREST IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$	2002 HK\$
Unlisted shares, at carrying value (Note)	71,111,124	71,111,124
Unlisted shares, at cost	20	18
	<hr/>	<hr/>
	71,111,144	71,111,142
Amounts due from subsidiaries	514,046,868	464,347,736
	<hr/>	<hr/>
	585,158,012	535,458,878
Allowance made	(274,400,000)	(274,400,000)
	<hr/>	<hr/>
	310,758,012	261,058,878
	<hr/> <hr/>	<hr/> <hr/>

Note: The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group pursuant to the group reorganisation in 1994.

The amounts due from subsidiaries are unsecured, interest-free and no fixed terms of repayment. In the opinion of the directors of the Company, the amounts are unlikely to be repaid within one year and are therefore shown in the balance sheet as non-current.

Particulars of the Company's principal subsidiaries at 31st March, 2003 are set out in note 35.

15. INTEREST IN ASSOCIATES

	THE GROUP	
	2003 HK\$	2002 HK\$
Share of net assets	4,492,785	5,005,852
Impairment losses recognised	(982,785)	—
	<hr/>	<hr/>
	3,510,000	5,005,852
	<hr/> <hr/>	<hr/> <hr/>

As a result of directors' assessment of the business performance of the associates, impairment losses are recognised to the extent of the shortfall of the estimated recoverable amounts determined by the net selling price of the associates over the carrying value of the interest in associates.

Notes to the Financial Statements

For the year ended 31st March, 2003

15. INTEREST IN ASSOCIATES *(continued)*

Particulars of the Group's associates at 31st March, 2003 are as follows:

Name of associate	Place of incorporation/ operation	Percentage of nominal value of issued capital indirectly held by the Group	Principal activities
Mahan Industrial Co. Limited	Hong Kong	25%	Manufacture of and trading in electrical parts
Optimag Magnetic Limited	Hong Kong	25%	Inactive

16. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003 HK\$	2002 HK\$
INVESTMENT SECURITIES		
Unlisted shares, at cost	773,450	773,450
Impairment loss	(773,450)	(773,450)
	<u>—</u>	<u>—</u>
OTHER INVESTMENTS		
Listed shares, at cost (Note)	67,110,720	67,110,720
Impairment loss	(67,110,720)	(67,110,720)
	<u>—</u>	<u>—</u>
Market value of listed shares at 31st March	<u>1,231,344</u>	<u>1,641,792</u>

Note: The amount represents the Group's investment in the shares of Climax International Company Limited ("CICL"), a company incorporated in Bermuda with its shares listed on the Stock Exchange, representing approximately a 1.76% (2002: 1.89%) of the issued share capital of CICL.

In the opinion of the directors, in view of the low volume of transactions in the market for the CICL's shares, the fair value of other investments as at 31st March, 2003 and 31st March, 2002 was insignificant.

Notes to the Financial Statements

For the year ended 31st March, 2003

17. INVENTORIES

	THE GROUP	
	2003 HK\$	2002 HK\$
Raw materials	20,596,444	30,587,556
Work in progress	2,742,382	4,916,157
Finished goods	7,381,661	7,982,453
	<u>30,720,487</u>	<u>43,486,166</u>

At the balance sheet date, all the inventories were carried at cost.

18. DEBTORS AND PREPAYMENTS

- (a) The balance of debtors and prepayments included trade debtors of HK\$63,332,791 (2002: HK\$90,466,500). The aged analysis of trade debtors at the reporting date is as follows:

	THE GROUP	
	2003 HK\$	2002 HK\$
0 - 60 days	27,762,684	46,990,929
61 - 90 days	12,841,669	15,290,306
91 - 120 days	8,359,976	7,117,162
> 120 days	14,368,462	21,068,103
	<u>63,332,791</u>	<u>90,466,500</u>

The Group allows an average credit period ranged from 90 to 120 days (2002: 60 to 90 days) to its trade customers.

- (b) The balance of debtors and prepayments also included an amount due from a minority shareholder of a subsidiary of HK\$1,531,206 (2002: HK\$871,694). The amount is unsecured, interest free and repayable on demand.

Notes to the Financial Statements

For the year ended 31st March, 2003

19. MARKETABLE SECURITIES

	THE GROUP	
	2003 HK\$	2002 HK\$
Listed warrants in Hong Kong, at fair value	—	—
Market value at 31st March	<u>136,816</u>	<u>136,816</u>

Pursuant to the completion of a subscription agreement of CICL on 11th January, 2001, the Group was granted 13,681,600 bonus warrants of CICL on 29th January, 2001 on the basis of one bonus warrant for every five shares of CICL held by the Group on that date. No listed warrants of CICL were acquired nor disposed of during both years.

In the opinion of the directors, in view of the low volume of transactions in the market for these warrants, the fair value of these warrants as at 31st March, 2003 and 31st March, 2002 was insignificant.

20. CREDITORS AND ACCRUED CHARGES

The balance of creditors and accrued charges included trade creditors of HK\$16,667,867 (2002: HK\$43,452,630). The aged analysis of trade creditors at the reporting date is as follows:

	THE GROUP	
	2003 HK\$	2002 HK\$
0 - 60 days	10,920,848	25,239,305
61 - 90 days	3,302,153	8,790,323
> 90 days	2,444,866	9,423,002
	<u>16,667,867</u>	<u>43,452,630</u>

Notes to the Financial Statements

For the year ended 31st March, 2003

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Amount payable under finance lease				
Within one year	158,784	—	145,666	—
In the second to fifth years inclusive	251,408	—	230,639	—
	<u>410,192</u>	<u>—</u>	<u>376,305</u>	<u>—</u>
Less: Future finance charges	(33,887)	—	—	—
Present value of lease obligations	<u>376,305</u>	<u>—</u>	<u>376,305</u>	<u>—</u>
Amount due for settlement within 12 months			(145,666)	—
Amount due for settlement after 12 months			<u>230,639</u>	<u>—</u>

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term is 3 years. For the year ended 31st March, 2003, the effective borrowing rate was 3%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

22. OTHER BORROWINGS

THE GROUP

The other borrowings represented loans from a joint venture partner of a subsidiary in the PRC (the "PRC Partner") and details of the terms and arrangement are set out in note 35(c).

Notes to the Financial Statements

For the year ended 31st March, 2003

23. SHARE CAPITAL

		2003 & 2002 HK\$
Authorised:		
1,000,000,000 shares of HK\$0.1 each		<u>100,000,000</u>
	Number of shares	Amount HK\$
Issued and fully paid:		
Shares of HK\$0.1 each:		
Balance at 1st April, 2001 and 1st April, 2002	557,538,400	55,753,840
Repurchase of shares	<u>(480,000)</u>	<u>(48,000)</u>
Balance at 31st March, 2003	<u>557,058,400</u>	<u>55,705,840</u>

During the year, the Company repurchased a total of 480,000 shares on the Stock Exchange as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
August 2002	480,000	0.205	0.186	93,100

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on repurchase was charged against the share premium account.

Notes to the Financial Statements

For the year ended 31st March, 2003

24. SHARE OPTIONS

Pursuant to a special general meeting of the Company held on 25th August, 2000, the Company adopted an employee's share option scheme (the "Scheme") on that date for the primary purpose of providing incentive to the directors of the Company and eligible employees. According to the Scheme, the board of directors of the Company is authorised, at any time within three years after the adoption date of the Scheme, to grant options to eligible employees, including executive directors, of the Company and its subsidiaries at a nominal consideration to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and an amount which is not less than 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of the grant of the options. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company from time to time. As at the date of this report, the maximum number of option shares issuable under the Scheme was 46,705,840 option shares.

Options granted must be taken up within 21 days after the date of grant, upon payment of HK\$1 as consideration for the options granted, and are exercisable on the first anniversary of the date of grant of such options and will expire at the close of business on the third anniversary.

The movements in the number of options outstanding which have been granted to the directors of the Company and employees of the Group under the Scheme are as follows:

	Exercisable period	Exercise price HK\$	Number of option shares		
			Outstanding at 1.4.2001 and 1.4.2002	Cancelled during the year	Outstanding at 31.3.2003
Directors	28.8.2002 - 27.8.2003	0.62	6,000,000	—	6,000,000
Other employees	28.8.2002 - 27.8.2003	0.62	4,000,000	(1,000,000)	3,000,000
			<u>10,000,000</u>	<u>(1,000,000)</u>	<u>9,000,000</u>

The financial impact of the share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their costs. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded in the share premium account.

Notes to the Financial Statements

For the year ended 31st March, 2003

25. RESERVES

	Share premium HK\$	Capital redemption reserve HK\$	Capital reserve HK\$	Goodwill reserve HK\$	Translation reserve HK\$	Accumulated profits HK\$	Dividend reserve HK\$	Total HK\$
THE GROUP								
At 1st April, 2001	13,572,024	1,394,200	22,019,257	(372,126)	27,445	198,528,927	27,876,920	263,046,647
Capital reserve realised upon winding up of subsidiaries	—	—	(1,000,000)	—	—	—	—	(1,000,000)
Impairment losses recognised in respect of goodwill	—	—	—	372,126	—	—	—	372,126
Exchange differences on translation of operations outside Hong Kong	—	—	—	—	(6,023)	—	—	(6,023)
Net loss for the year	—	—	—	—	—	(14,490,521)	—	(14,490,521)
Interim dividends declared (note 10)	—	—	—	—	—	(44,603,072)	44,603,072	—
Dividends paid	—	—	—	—	—	—	(72,479,992)	(72,479,992)
At 31st March, 2002 and 1st April, 2002	13,572,024	1,394,200	21,019,257	—	21,422	139,435,334	—	175,442,237
Premium paid on repurchase of shares	(45,100)	—	—	—	—	—	—	(45,100)
Repurchase of shares	—	48,000	—	—	—	(48,000)	—	—
Capital reserve realised upon partial disposal of a subsidiary	—	—	(1,148,827)	—	—	—	—	(1,148,827)
Exchange differences on translation of operations outside Hong Kong	—	—	—	—	1,010,145	—	—	1,010,145
Net loss for the year	—	—	—	—	—	(17,815,817)	—	(17,815,817)
Interim dividends declared (note 10)	—	—	—	—	—	(22,282,336)	22,282,336	—
Final dividend proposed (note 10)	—	—	—	—	—	(22,282,336)	22,282,336	—
Dividends paid	—	—	—	—	—	—	(22,282,336)	(22,282,336)
At 31st March, 2003	13,526,924	1,442,200	19,870,430	—	1,031,567	77,006,845	22,282,336	135,160,302
Attributable to associates:								
At 31st March, 2003	—	—	—	—	—	(2,293,750)	—	(2,293,750)
At 31st March, 2002	—	—	—	—	—	(787,898)	—	(787,898)

The capital reserve of the Group represented the capital reserve arising on the group reorganisation in 1994 of HK\$19,870,430 (2002: HK\$19,870,430) and the negative goodwill arising on acquisition of additional interest in a subsidiary in the prior years of nil (2002: HK\$1,148,827).

Notes to the Financial Statements

For the year ended 31st March, 2003

25. RESERVES (continued)

	Share premium HK\$	Capital redemption reserve HK\$	Contributed surplus HK\$	Accumulated profits HK\$	Dividend reserve HK\$	Total HK\$
THE COMPANY						
At 1st April, 2001	13,572,024	1,394,200	70,911,124	2,558,380	27,876,920	116,312,648
Net profit for the year	—	—	—	43,593,152	—	43,593,152
Dividends declared (note 10)	—	—	—	(44,603,072)	44,603,072	—
Dividends paid	—	—	—	—	(72,479,992)	(72,479,992)
At 31st March, 2002 and 1st April, 2002	13,572,024	1,394,200	70,911,124	1,548,460	—	87,425,808
Premium paid on repurchase of shares	(45,100)	—	—	—	—	(45,100)
Repurchase of shares	—	48,000	—	(48,000)	—	—
Net profit for the year	—	—	—	43,639,471	—	43,639,471
Interim dividends declared (note 10)	—	—	—	(22,282,336)	22,282,336	—
Final dividend proposed (note 10)	—	—	—	(22,282,336)	22,282,336	—
Dividends paid	—	—	—	—	(22,282,336)	(22,282,336)
At 31st March, 2003	13,526,924	1,442,200	70,911,124	575,259	22,282,336	108,737,843

The contributed surplus of the Company represented the difference between the book values of underlying net assets of Pantronics Holdings Limited and its subsidiaries at the date on which the shares of these companies were acquired by the Company, and the nominal amount of the share capital issued by the Company under the group reorganisation in 1994, net of HK\$100,000 applied in paying up in full at par the 1,000,000 nil paid shares.

In addition to accumulated profits, under the company law in Bermuda, the contributed surplus account of a company is also available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution as at 31st March, 2003 consisted of contributed surplus of HK\$70,911,124 (2002: HK\$70,911,124), accumulated profits of HK\$575,259 (2002: HK\$1,548,460) and dividend reserve of HK\$22,282,336 (2002: nil).

Notes to the Financial Statements

For the year ended 31st March, 2003

26. PURCHASE OF A SUBSIDIARY

In the previous year, the Company acquired the remaining 50% of the equity interest of Pan Electrium Industrial Company Limited ("Pan Electrium") at a consideration of HK\$120,000. This acquisition has been accounted for by the acquisition method of accounting.

	2003 HK\$	2002 HK\$
Net assets acquired:		
Debtors and prepayments	—	1,512,870
Bank balances and cash	—	2,324,806
Creditors and accrued charges	—	(2,158,427)
Amount due to a group company	—	(1,439,249)
	<u>—</u>	<u>240,000</u>
Satisfied by:		
Cash	—	120,000
Transfer from investments in associates	—	120,000
	<u>—</u>	<u>240,000</u>
Net cash inflow arising on acquisition:		
Cash consideration	—	(120,000)
Bank balances and cash acquired	—	2,324,806
	<u>—</u>	<u>2,204,806</u>
Net cash inflow of cash and cash equivalents in respect of the purchase of a subsidiary	<u>—</u>	<u>2,204,806</u>

27. MAJOR NON-CASH TRANSACTIONS

- (a) During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$437,000 (2002: nil).
- (b) In the previous year, the Group waived the loan to Pan Electrium of HK\$4,750,000.
- (c) During the year, the Group agreed with the PRC Partner to terminate the supplemental agreement for a consideration of HK\$2,000,000 as full settlement of other borrowings of HK\$4,000,000 due to the PRC Partner. The Group also transferred 10% of its interest in 上海品新电源有限公司 Shanghai Pin Xin Power Resources Industry Co., Ltd. ("Shanghai Pin Xin") to the PRC Partner and the net assets and profit after taxation of Shanghai Pin Xin would then be shared by the Group and the PRC Partner according to their respective interests in the registered capital of Shanghai Pin Xin in the proportion of 90% and 10% respectively.

Notes to the Financial Statements

For the year ended 31st March, 2003

28. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the major components of the deferred tax (asset) liability not provided in the financial statements are as follows:

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Tax effect of timing differences attributable to:				
Difference between tax allowances and accounting depreciation	(117,000)	763,000	(29,000)	—
Taxation losses	<u>(28,094,000)</u>	<u>(26,070,000)</u>	<u>(14,709,000)</u>	<u>(13,575,000)</u>
	<u><u>(28,211,000)</u></u>	<u><u>(25,307,000)</u></u>	<u><u>(14,738,000)</u></u>	<u><u>(13,575,000)</u></u>

The amount of the unprovided deferred taxation credit for the year is as follows:

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Tax effect of timing differences attributable to:				
Difference between tax allowances and accounting depreciation	880,000	81,000	29,000	—
Taxation losses arising	<u>2,024,000</u>	<u>2,941,000</u>	<u>1,134,000</u>	<u>951,000</u>
	<u><u>2,904,000</u></u>	<u><u>3,022,000</u></u>	<u><u>1,163,000</u></u>	<u><u>951,000</u></u>

No deferred taxation asset has been recognised in the financial statements in respect of taxation losses available to offset future profit as it is uncertain that the taxation losses will be utilised in the foreseeable future.

29. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged its investment properties and certain leasehold properties of approximately HK\$5,550,000 (2002: HK\$6,600,000) and HK\$12,910,000 (2002: HK\$13,216,000) respectively to banks to secure credit facilities granted by the banks to the extent of approximately HK\$40,520,000 (2002: HK\$40,520,000). The Group also pledged its debtors of approximately HK\$3,234,000 (2002: nil) to a bank to secure bank loans granted by the bank.

Notes to the Financial Statements

For the year ended 31st March, 2003

30. RELATED PARTY TRANSACTIONS

- (a) The Group rented certain properties in an industrial estate in Songgang county, the PRC, and paid rent amounting to approximately HK\$2,035,000 (2002: HK\$1,409,000) during the year to 深圳市寶安區松崗鎮恒兆工業發展公司 Shenzhen City Baoan District Songgang County Heng Zhao Industrial Development Company (“Heng Zhao”). Heng Zhao has entered into an agreement with All Good Investments Limited (“All Good”), a company in which Messrs. Ho Che Kong and Leung Wai Chuen, the directors of the Company, have an interest of 24.5% and 12.2% respectively, for development of this industrial estate in Songgang county, the PRC. Pursuant to this agreement, All Good is entitled to 54% of the profit derived from this industrial estate.
- (b) During the year, the Group had the following transactions with a 50% associate of the Group:

	Notes	2003 HK\$	2002 HK\$
Sales of raw materials	(i)	—	5,627,547
Purchase of raw materials	(i)	—	2,346,059
Administration fee received	(ii)	—	540,000
		<u> </u>	<u> </u>

Notes:

- (i) The above transactions of sales and purchases of raw materials were carried out at market prices and at cost respectively.
- (ii) The administration fee received from an associate represented an appropriate allocation of expenses incurred for the provision of managerial and administrative support to this associate and the reimbursement of expenses incurred by the Group which were paid on behalf of this associate.

31. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Bills discounted with recourse	—	590,397	—	—
Cross guarantees given to banks to secure credit facilities granted to subsidiaries	—	—	40,520,000	50,647,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	—	590,397	40,520,000	50,647,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the Financial Statements

For the year ended 31st March, 2003

32. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2003 HK\$	2002 HK\$
Operating leases which expire:		
Within one year	2,657,208	2,559,226
In the second to fifth years inclusive	3,705,414	5,536,028
	<u>6,362,622</u>	<u>8,095,254</u>

Operating lease payments represent rentals payable by the Group for its office properties and factories which are negotiated for an average terms of three years.

At the balance sheet date, the Company had no commitments under non-cancellable operating leases in respect of rented premises.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2003 HK\$	2002 HK\$
Within one year	721,058	358,433
In the second to fifth years inclusive	998,239	—
	<u>1,719,297</u>	<u>358,433</u>

Operating lease income represents the rental receivable by the Group for its investment properties. Leases are negotiated for an average term of three years.

At the balance sheet date, the Company had not entered into any operating lease arrangement for rental income.

Notes to the Financial Statements

For the year ended 31st March, 2003

33. RETIREMENT BENEFIT SCHEME

Hong Kong

With effect from 1st December, 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. During the year ended 31st March, 2003, the retirement benefit scheme contributions charged to the consolidated income statement amounted to approximately HK\$366,000 (2002: HK\$336,000), which represent contribution payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

Mainland China

The Group also participates in defined contribution retirement scheme organised by the government of Mainland China. All employees of the Group in the Mainland China are entitled to an annual pension equal to a fixed portion of their individual final basic salaries at their retirement date. The Group is required to make contributions to the retirement scheme at the specified rate of the payroll of its employees in the Mainland China. The total contribution incurred in this connection for the year ended 31st March, 2003 was approximately HK\$159,000 (2002: HK\$282,000). No forfeited contributions may be used by the employer to reduce the existing level of contributions.

34. POST BALANCE SHEET EVENT

Subsequent to 31st March, 2003, the Group entered into agreements to dispose of all of the Group's interests in the two associates for an aggregate consideration of HK\$3,510,000 to the other shareholders of the associates.

Notes to the Financial Statements

For the year ended 31st March, 2003

35. PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation or registration	Issued and fully paid share capital/registered capital	Percentage of issued share capital/registered capital		Principal activities
			Held by the Company/subsidiaries	Attributable equity interest to the Group	
Pan Electrium Industrial Company Limited	Hong Kong	Ordinary HK\$5,000,000	100%	100%	Manufacture of and trading in electronic/electrical parts and products
Panjet (Int'l) Limited	British Virgin Islands	Ordinary US\$1	100%	100%	Manufacture of intermediate frequency transformers in the PRC
Pantene Industrial Co. Limited	Hong Kong	Ordinary HK\$10,000 Deferred HK\$800,000 (note (b))	100%	100%	Trading in electronics products
Pantronics Holdings Limited (note (a))	British Virgin Islands	Ordinary US\$200	100%	100%	Investment holding
Pantronics (Int'l) Limited	British Virgin Islands	Ordinary US\$1	100%	100%	Manufacture of electronics products in the PRC
Pin Xin International Limited	Hong Kong	Ordinary HK\$10,000	100%	100%	Trading in rechargeable battery products
Rise Up International Limited (note (a))	British Virgin Islands	Ordinary US\$1	100%	100%	Investment holding in Hong Kong
上海品新電源有限公司 Shanghai Pin Xin	PRC [#]	Registered HK\$28,000,000	0%	90% (note (c))	Manufacture of rechargeable battery products
深圳品泰電子有限公司 Shenzhen Pantai Electronic Co., Limited	PRC [*]	Registered US\$700,000	100%	100%	Manufacture of electronic products

Notes:

This subsidiary was established in the PRC as a Sino-foreign equity joint venture enterprise.

* This subsidiary was established in the PRC as a wholly foreign-owned enterprise.

(a) Directly held by the Company.

(b) These deferred shares, which are not held by the Group, practically carry no right to dividends or to receive notice of or to attend or vote at any general meeting of this subsidiary or to participate in any distribution on winding-up.

Notes to the Financial Statements

For the year ended 31st March, 2003

35. PRINCIPAL SUBSIDIARIES (continued)

- (c) Shanghai Pin Xin was established in the PRC as a sino-foreign joint venture company for a term of thirty years commencing 10th April, 1995 with a registered capital of HK\$28,000,000. Pursuant to the co-operative joint venture contract, a subsidiary of the Company, a joint venture partner in the PRC ("PRC Partner") and another joint venture partner in Hong Kong ("Hong Kong Partner") contributed the registered capital of Shanghai Pin Xin in the proportion of 75%, 20% and 5% respectively. The Hong Kong Partner was entitled to a technical service fee equivalent to 10% of the profit after taxation of Shanghai Pin Xin. The profit after taxation and technical service fee or loss was then shared by the subsidiary of the Company, PRC Partner and Hong Kong Partner according to their respective interests in the registered capital of Shanghai Pin Xin.

On 6th November, 1995, a supplemental agreement was entered into by all parties. Pursuant to this agreement, the PRC Partner would only be entitled to a guaranteed distribution of HK\$4,200,000 for the period from 10th April, 1995 to 31st December, 2000. The Hong Kong Partner was still entitled to a technical service fee of 10% of the profit after taxation and annualised guaranteed distribution to the PRC Partner of Shanghai Pin Xin. Other than the annualised guaranteed distribution and the technical service fee, the subsidiary of the Company and the Hong Kong Partner should bear the entire risks and liabilities and share the entire profit and loss of Shanghai Pin Xin during the term of the supplemental agreement from 10th April, 1995 to 31st December, 2000.

In 1999, the subsidiary of the Company acquired the 5% interest in Shanghai Pin Xin from the Hong Kong Partner at a consideration of approximately HK\$65,000. After this acquisition, the Company held a 80% interest in the paid-up registered capital of Shanghai Pin Xin and the Hong Kong Partner also agreed to waive its entitlement of technical service fee of 10% of the profit after taxation and annualised guaranteed distribution to the PRC Partner of Shanghai Pin Xin thereafter.

During the year ended 31st March, 2001, the subsidiary of the Company agreed with the PRC Partner of Shanghai Pin Xin to further extend the term of the supplemental agreement for two years from 1st January, 2001 to 31st December, 2002. In addition, the subsidiary of the Company acquired a 10% interest in Shanghai Pin Xin from the PRC Partner together with a loan of HK\$1,200,000 granted by the PRC Partner to Shanghai Pin Xin at a consideration of HK\$4,000,000. After this acquisition, the Company holds a 90% interest in the paid-up registered capital of Shanghai Pin Xin.

During the year ended 31st March, 2003, the subsidiary of the Company agreed with the PRC Partner to terminate the supplemental agreement for a consideration of HK\$2,000,000 as full settlement of other borrowings of HK\$4,000,000 due to the PRC Partner. The Group also transferred 10% of its interest in Shanghai Pin Xin to the PRC Partner and the net assets and profit after taxation of Shanghai Pin Xin would then be shared by the subsidiary of the Company and the PRC Partner according to their respective interests in the registered capital of Shanghai Pin Xin in the proportion of 90% and 10% respectively. The Group is then regarded to hold a 90% (2002: 100%) interest in Shanghai Pin Xin for accounting purposes.

Unless specified in the "Principal activities", the above subsidiaries operate principally in their respective places of incorporation or registration.

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of all the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at 31st March, 2003 or at any time during the year.