

# Notes to Financial Statements

31 March 2003

## 1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- manufacture and sale of snap off blade cutters
- manufacture and sale of electronic consumer products, including toys and home appliances
- property investment

## 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

The following new and revised SSAPs are effective for the first time for the current year’s financial statements:

- SSAP 1 (Revised) : “Presentation of financial statements”
- SSAP 11 (Revised) : “Foreign currency translation”
- SSAP 15 (Revised) : “Cash flow statements”
- SSAP 34 : “Employee benefits”

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented on page 23 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group’s reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

## Notes to Financial Statements

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### 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (continued)

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes and the prior year adjustments that have resulted from them are included in the accounting policies for “Cash and cash equivalents” and “Foreign currencies” in note 3 and in note 29(a) to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are now required in respect of the Company’s share option scheme, as detailed in note 27 to the financial statements. These share option scheme disclosures are similar to the Listing Rules of The Stock Exchange of Hong Kong Limited disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

These financial statements have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of approximately HK\$7.2 million at the balance sheet date. In preparing these financial statements, the directors have given careful consideration to the current and anticipated future liquidity of the Group. Taking into account, inter alia, i) the expected net cash inflows generated from the Group’s operations for the year ending 31 March 2004; ii) the extension of the repayment due date for one year in respect of a short term bank loan of approximately HK\$4.7 million (31 March 2003: HK\$4.7 million) granted by a bank in July 2003; and iii) the subsequent loan advances to the Group aggregating approximately HK\$6 million from Mr. Chong Sing Yuen, the director and controlling shareholder of the Company (as detailed in note 36 to the financial statements), the directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due. The directors consider that the preparation of these financial statements on a going concern basis is appropriate.

## Notes to Financial Statements

31 March 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Basis of preparation (continued)**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain fixed assets, as further explained below.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

#### **Subsidiaries**

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

#### **Associates**

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

## *Notes to Financial Statements*

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Goodwill**

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life, but not exceeding 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

#### **Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

## Notes to Financial Statements

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

#### Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the land and buildings revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the land and buildings revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

## Notes to Financial Statements

31 March 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2% or over the lease terms, whichever is shorter
Leasehold improvements	20%
Plant and machinery	20% to 25%
Furniture and fixtures	20%
Motor vehicles	25%

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

#### Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

## Notes to Financial Statements

31 March 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

## Notes to Financial Statements

31 March 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Cash and cash equivalents (continued)

Prior to the adoption of the revised SSAP 15 during the year, as explained in note 2 to the financial statements, cash equivalents in the consolidated cash flow statement also included advances from banks repayable within three months from the date of the advance, in addition to bank overdrafts. This change in definition has resulted in a prior year adjustment relating to trust receipt loans, further details of which are included in note 29(a) to the financial statements.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

#### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

#### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

#### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;



## Notes to Financial Statements

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition (continued)

- (b) management income, when the services are provided;
- (c) rental income, on a time proportion basis over the lease terms; and
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

#### Employee benefits

##### *Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

##### *Employment Ordinance long service payments*

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

##### *Retirement benefits scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

## Notes to Financial Statements

31 March 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Employee benefits (continued)

##### *Retirement benefits scheme (continued)*

Prior to the MPF Scheme becoming effective, the Group operated a defined contribution retirement benefits scheme (the "Prior Scheme") for those employees who were eligible to participate in this scheme. The Prior Scheme operates in a similar way to the MPF Scheme, except that when an employee left the Prior Scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited employer's contributions. The Prior Scheme is still operating as at the balance sheet date.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

##### *Share option scheme*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme 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 profit and loss account or balance sheet for their cost. Upon the exercise of 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 by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

#### Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

## Notes to Financial Statements

31 March 2003

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Foreign currencies (continued)

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. These changes have had no material effect on the financial statements.

### 4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the snap off blade cutters segment manufactures and sells snap off blade cutters;
- (b) the electronic consumer products segment manufactures and sells electronic consumer products; and
- (c) the corporate and others segment comprises corporate income and expense items and rental income.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

# Notes to Financial Statements

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## 4. SEGMENT INFORMATION (continued)

### (a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

#### Group

	Snap off		Electronic		Corporate		Eliminations		Consolidated	
	blade cutters		consumer products		and others					
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue:										
Sales to external customers	44,496,640	49,166,220	59,506,358	26,176,642	2,653,955	789,320	-	-	106,656,953	76,132,182
Intersegment sales	-	-	-	-	-	-	-	-	-	-
Other revenue and gains	68	202,965	672,793	3,772,310	1,179,495	6,149,026	-	-	1,852,356	10,124,301
<b>Total</b>	<b>44,496,708</b>	<b>49,369,185</b>	<b>60,179,151</b>	<b>29,948,952</b>	<b>3,833,450</b>	<b>6,938,346</b>	<b>-</b>	<b>-</b>	<b>108,509,309</b>	<b>86,256,483</b>
Segment results	5,948,908	10,569,878	6,822,781	(3,531,042)	(7,561,905)	(1,267,170)	-	-	5,209,784	5,771,666
Interest income									7,634	11,985
Profit from operating activities									5,217,418	5,783,651
Finance costs									(1,937,366)	(2,422,292)
Share of profits and losses of associates									(133,252)	(687,291)
Profit before tax									3,146,800	2,674,068
Tax									(485,565)	(1,090,357)
Net profit from ordinary activities attributable to shareholders									2,661,235	1,583,711

# Notes to Financial Statements

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## 4. SEGMENT INFORMATION (continued)

### (a) Business segments (continued)

#### Group

	Snap off		Electronic		Corporate		Eliminations		Consolidated	
	blade cutters		consumer products		and others					
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment assets	25,302,022	20,660,880	99,378,163	100,303,599	8,124,637	10,579,331	-	-	132,804,822	131,543,810
Interests in associates	-	-	-	-	-	2,333,252	-	-	-	2,333,252
Total assets									132,804,822	133,877,062
Segment liabilities	5,672,685	8,001,634	10,899,606	10,437,674	1,795,019	4,946,441	-	-	18,367,310	23,385,749
Unallocated liabilities									37,633,329	36,266,107
Total liabilities									56,000,639	59,651,856
Other segment information:										
Depreciation	600,919	760,584	2,083,124	3,432,262	274,348	29,544	-	-	2,958,391	4,222,390
Write back of provision for slow-moving and obsolete inventories	-	-	-	3,682,529	-	-	-	-	-	3,682,529
Provision for slow-moving and obsolete inventories	-	-	-	289,000	-	-	-	-	-	289,000
Recovery of amounts due from associates	-	-	-	-	1,000,000	1,970,420	-	-	1,000,000	1,970,420
Provision for amounts due from associates	-	-	-	-	2,200,000	-	-	-	2,200,000	-
Recovery of trade receivables	-	-	501,001	694,523	-	-	-	-	501,001	694,523
Revaluation deficit of investment properties recognised directly in the profit and loss account	-	-	1,033,400	-	470,000	580,000	-	-	1,503,400	580,000
Revaluation deficit of land and buildings recognised directly in the profit and loss account	165,677	-	-	-	-	-	-	-	165,677	-
Revaluation surplus/(deficit) of land and buildings recognised directly in equity	(672,200)	(422,000)	589,942	1,176,664	-	-	-	-	(82,258)	754,664
Capital expenditure	4,183,140	114,530	1,781,476	1,180,372	237,382	125,970	-	-	6,201,998	1,420,872

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### 4. SEGMENT INFORMATION (continued)

#### (b) Geographical segments

##### Group

	Hong Kong		Mainland China		Europe		North America		East Asia		Others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue:																
Sales to external customers	60,822,797	10,834,400	1,321,831	1,595,157	21,413,167	32,258,995	11,947,296	19,641,928	2,533,742	7,808,575	8,618,120	3,993,127	-	-	106,656,953	76,132,182
Other segment information:																
Segment assets	31,232,703	35,753,507	101,572,119	98,123,555	-	-	-	-	-	-	-	-	-	-	132,804,822	133,877,062
Capital expenditure	4,701,996	1,344,359	1,500,002	76,513	-	-	-	-	-	-	-	-	-	-	6,201,998	1,420,872

### 5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and gross rental income received and receivable from investment properties during the year.

Revenue from the following activities has been included in turnover:

	Group	
	2003 HK\$	2002 HK\$
Sale of snap off blade cutters	44,496,640	49,166,220
Sale of electronic consumer products	59,506,358	26,176,642
Gross rental income	2,653,955	789,320
	<u>106,656,953</u>	<u>76,132,182</u>

## Notes to Financial Statements

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### 6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Depreciation	<b>2,958,391</b>	4,222,390
Minimum lease payments under operating leases:		
Land and buildings	<b>152,100</b>	405,600
Motor vehicles	<b>474,000</b>	276,500
	<b>626,100</b>	682,100
Auditors' remuneration	<b>420,000</b>	430,000
Staff costs (including directors' remuneration (note 8)):		
Wages and salaries	<b>20,832,155</b>	17,113,110
Pension scheme contributions	<b>306,020</b>	271,365
Less: Forfeited contributions	–	(84,966)
	<b>306,020</b>	186,399
Net pension scheme contributions	<b>306,020</b>	186,399
Total staff costs	<b>21,138,175</b>	17,299,509
Exchange losses, net	<b>233,675</b>	106,896
Revaluation deficit of investment properties	<b>1,503,400</b>	580,000
Revaluation deficit of land and buildings	<b>165,677</b>	–
Provision for amounts due from associates	<b>2,200,000</b>	–
Provision for slow-moving and obsolete inventories	–	289,000
Write back of provision for slow-moving and obsolete inventories	–	(3,682,529)
Recovery of trade receivables	<b>(501,001)</b>	(694,523)
Recovery of amounts due from associates	<b>(1,000,000)</b>	(1,970,420)
Interest income	<b>(7,634)</b>	(11,985)
Gain on disposal of fixed assets	–	(904,229)

## Notes to Financial Statements

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### 7. FINANCE COSTS

	Group	
	2003	2002
	HK\$	HK\$
Interest on bank loans, overdrafts and other loans wholly repayable within five years	1,589,086	2,066,180
Interest on bank loans wholly repayable after five years	288,491	335,758
Interest on finance leases	59,789	20,354
	<u>1,937,366</u>	<u>2,422,292</u>

### 8. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2003	2002
	HK\$	HK\$
Fees:		
Independent non-executive directors	<u>200,000</u>	<u>200,000</u>
Other emoluments:		
Executive directors		
Salaries, allowances and benefits in kind	7,230,380	5,113,646
Pension scheme contributions	99,171	79,500
	<u>7,329,551</u>	5,193,146
Non-executive directors		
Salaries, allowances and benefits in kind	<u>–</u>	<u>11,999</u>
	<u>7,329,551</u>	<u>5,205,145</u>
	<u>7,529,551</u>	<u>5,405,145</u>



## Notes to Financial Statements

31 March 2003

### 8. DIRECTORS' REMUNERATION (continued)

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	9	10
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$4,500,001 to HK\$5,000,000	1	–
	<u>10</u>	<u>11</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, 241,850,000 share options were granted to the directors in respect of their services to the Group, further details of which are set out in note 27 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2002: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2002: three) highest paid non-director employees are as follows:

	Group	
	2003	2002
	HK\$	HK\$
Salaries, allowances and benefits in kind	1,489,397	1,356,948
Pension scheme contributions	24,000	36,000
	<u>1,513,397</u>	<u>1,392,948</u>

The number of highest paid non-director employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2003	2002
Nil to HK\$1,000,000	<u>2</u>	<u>3</u>

## Notes to Financial Statements

31 March 2003

### 9. FIVE HIGHEST PAID EMPLOYEES (continued)

During the year, 3,750,000 share options were granted to the two highest paid non-director employees in respect of their services to the Group, further details of which are included in the disclosures in note 27 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above highest paid non-director employees' remuneration disclosures.

### 10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2003	2002
	HK\$	HK\$
Hong Kong	150,000	562,884
Elsewhere	<u>335,565</u>	<u>527,473</u>
Tax charge for the year	<u><u>485,565</u></u>	<u><u>1,090,357</u></u>

### 11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2003 dealt with in the financial statements of the Company is HK\$26,622,103 (2002: loss of HK\$368,963).

### 12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$2,661,235 (2002: HK\$1,583,771) and the weighted average of 4,544,457,705 (2002: 4,462,565,102) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31 March 2003 and 2002 have not been disclosed as the impact of the potential ordinary shares was anti-dilutive during these years.

## Notes to Financial Statements

31 March 2003

### 13. FIXED ASSETS

#### Group

	Investment properties	Land and buildings	Leasehold			Motor vehicles	Total
			improve- ments	Plant and machinery	Furniture and fixtures		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Cost or valuation:							
At beginning of year	5,420,000	85,590,000	4,843,907	28,629,308	9,702,093	1,375,597	135,560,905
Additions	–	3,681,000	525,920	1,419,893	575,185	–	6,201,998
Deficit on revaluation	(1,503,400)	(1,277,600)	–	–	–	–	(2,781,000)
Reclassification	43,604,400	(43,604,400)	–	–	–	–	–
At 31 March 2003	<u>47,521,000</u>	<u>44,389,000</u>	<u>5,369,827</u>	<u>30,049,201</u>	<u>10,277,278</u>	<u>1,375,597</u>	<u>138,981,903</u>
Analysis of cost or valuation:							
At cost	–	–	5,369,827	30,049,201	10,277,278	1,375,597	47,071,903
At 31 March 2003 valuation	<u>47,521,000</u>	<u>44,389,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>91,910,000</u>
	<u>47,521,000</u>	<u>44,389,000</u>	<u>5,369,827</u>	<u>30,049,201</u>	<u>10,277,278</u>	<u>1,375,597</u>	<u>138,981,903</u>
Accumulated depreciation:							
At beginning of year	–	–	2,803,322	28,122,686	8,687,850	1,375,597	40,989,455
Provided during the year	–	1,029,665	556,030	557,690	815,006	–	2,958,391
Eliminated on revaluation	–	(1,029,665)	–	–	–	–	(1,029,665)
At 31 March 2003	<u>–</u>	<u>–</u>	<u>3,359,352</u>	<u>28,680,376</u>	<u>9,502,856</u>	<u>1,375,597</u>	<u>42,918,181</u>
Net book value:							
At 31 March 2003	<u>47,521,000</u>	<u>44,389,000</u>	<u>2,010,475</u>	<u>1,368,825</u>	<u>774,422</u>	<u>–</u>	<u>96,063,722</u>
At 31 March 2002	<u>5,420,000</u>	<u>85,590,000</u>	<u>2,040,585</u>	<u>506,622</u>	<u>1,014,243</u>	<u>–</u>	<u>94,571,450</u>

## Notes to Financial Statements

31 March 2003

### 13. FIXED ASSETS (continued)

Company	Furniture and fixtures HK\$
Cost:	
At beginning of year	125,970
Additions	9,812
	<hr/>
At 31 March 2003	135,782
	<hr/>
Accumulated depreciation:	
At beginning of year	24,711
Provided during the year	26,417
	<hr/>
At 31 March 2003	51,128
	<hr/>
Net book value:	
At 31 March 2003	84,654
	<hr/> <hr/>
At 31 March 2002	101,259
	<hr/> <hr/>

The net book value of the Group's and the Company's fixed assets held under finance leases included in the total amount of plant and machinery and furniture and fixtures at 31 March 2003 amounted to HK\$792,213 (2002: HK\$596,975) and HK\$354,174 (2002: HK\$97,880), respectively.

The Group's land and buildings were revalued individually on 31 March 2003 by Castores Magi Surveyors Limited, independent professionally qualified valuers, at an aggregate open market value of HK\$6,460,000 based on their existing use, and at HK\$37,929,000 using the depreciated replacement cost method, as appropriate. Revaluation deficits of HK\$82,258 (2002: surplus of HK\$754,664) and HK\$165,677 (2002: Nil), resulting from the above valuations, have been charged to the land and buildings revaluation reserve and profit and loss account, respectively.

Had these land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been HK\$30,707,695 (2002: HK\$73,442,000).

## Notes to Financial Statements

31 March 2003

### 13. FIXED ASSETS (continued)

The Group's land and buildings included above are held under the following lease terms:

	<i>Notes</i>	<b>Hong Kong</b> <i>HK\$</i>	<b>Elsewhere</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
At valuation:				
Long term leases	(i)	6,460,000	–	6,460,000
Medium term leases	(ii)	–	37,929,000	37,929,000
		<u>6,460,000</u>	<u>37,929,000</u>	<u>44,389,000</u>

*Notes:*

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

The Group's investment properties included above are held under the following lease terms:

	<b>Hong Kong</b> <i>HK\$</i>	<b>Elsewhere</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
At valuation:			
Medium term leases	<u>4,950,000</u>	<u>42,571,000</u>	<u>47,521,000</u>

The Group's investment properties were revalued on 31 March 2003 by Castores Magi Surveyors Limited, independent professionally qualified valuers, at HK\$47,521,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 33 to the financial statements.

At 31 March 2003, the Group's investment properties with a value of HK\$47,521,000 (2002: HK\$5,420,000) and the Group's land and buildings with a net book value of HK\$18,293,848 (2002: HK\$85,590,000) were pledged to secure general banking facilities granted to the Group (note 21).

## Notes to Financial Statements

31 March 2003

### 14. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$	2002 HK\$
Unlisted share, at cost	35,741,016	35,741,016
Due from subsidiaries	103,770,688	61,479,029
Due to subsidiaries	<u>(48,357,797)</u>	<u>–</u>
	91,153,907	97,220,045
Provision for impairment	<u>(35,757,296)</u>	<u>(65,230,693)</u>
	<u>55,396,611</u>	<u>31,989,352</u>

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

Particulars of the Company's principal subsidiaries are set out in note 30 to the financial statements.

### 15. INTERESTS IN ASSOCIATES

	Group	
	2003 HK\$	2002 HK\$
Share of net assets	–	133,252
Due from associates	<u>15,713,271</u>	<u>16,713,271</u>
	15,713,271	16,846,523
Provision for impairment	<u>(15,713,271)</u>	<u>(14,513,271)</u>
	<u>–</u>	<u>2,333,252</u>

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

## Notes to Financial Statements

31 March 2003

### 15. INTERESTS IN ASSOCIATES (continued)

The Group's trade payable balances with the associates are disclosed in note 19 to the financial statements.

Particulars of the associates are as follows:

<b>Name</b>	<b>Business structure</b>	<b>Place of incorporation and operations</b>	<b>Percentage of ownership interest attributable to the Group</b>	<b>Principal activities</b>
Levington Associates Limited*	Corporate	British Virgin Islands	50	Investment holding
Northern Newland Engineering Limited*	Corporate	Hong Kong	40	Provision of engineering services and property investment

\* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

All of the above investments in associates are indirectly held by the Company.

The financial statements of the above associates are coterminous with those of the Group, except for Northern Newland Engineering Limited which has a financial year end of 30 April. The Group's financial statements have taken into account of the results of Northern Newland Engineering Limited between 1 May 2002 and 31 March 2003.

## Notes to Financial Statements

31 March 2003

### 16. INVENTORIES

	Group	
	2003	2002
	HK\$	HK\$
Raw materials	11,263,449	9,685,365
Work in progress	2,504,819	2,857,865
Finished goods	2,693,782	3,473,073
	<u>16,462,050</u>	<u>16,016,303</u>

The carrying amounts of work in progress and finished goods carried at net realisable value included in the above balance in the prior year were HK\$306,786 and HK\$1,759,015, respectively.

### 17. TRADE AND BILLS RECEIVABLES

The Group generally allows an average credit period of 60 days to its trade customers. A longer credit period may be granted to trade customers with long business relationship. An aged analysis of the trade and bills receivables as at the balance sheet date, based on payment due date, and net of provisions, is as follows:

	Group	
	2003	2002
	HK\$	HK\$
Within 60 days	7,647,831	5,099,557
61 to 90 days	105,319	241,664
Over 91 days	570,085	1,025,025
	<u>8,323,235</u>	<u>6,366,246</u>

### 18. DUE FROM AN ASSOCIATE

The balance was unsecured, interest-free and was fully repaid during the year.



## Notes to Financial Statements

31 March 2003

### 19. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on payment due date, is as follows:

	Group	
	2003 HK\$	2002 HK\$
Within 60 days	5,768,010	5,176,736
61 to 90 days	1,254,094	673,365
Over 91 days	2,122,232	3,850,702
	<u>9,144,336</u>	<u>9,700,803</u>

Included in the prior year's balance were trade payables of HK\$479,173 due to an associate, which were fully repaid during the year.

### 20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	Group		Company	
		2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Bank overdrafts – unsecured		712,353	106,402	–	–
Current portion of bank and other loans		<u>23,090,779</u>	<u>30,308,580</u>	–	<u>2,000,000</u>
	21	<u>23,803,132</u>	30,414,982	–	2,000,000
Current portion of finance lease payables	22	<u>399,744</u>	<u>229,210</u>	<u>11,587</u>	<u>64,210</u>
		<u>24,202,876</u>	<u>30,644,192</u>	<u>11,587</u>	<u>2,064,210</u>

## Notes to Financial Statements

31 March 2003

### 21. INTEREST-BEARING BANK LOANS AND OVERDRAFTS, AND OTHER LOANS

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Bank overdrafts:				
Unsecured	<u>712,353</u>	<u>106,402</u>	<u>—</u>	<u>—</u>
Bank loans:				
Secured	<u>34,717,699</u>	<u>28,052,672</u>	<u>—</u>	<u>—</u>
Unsecured	<u>—</u>	<u>4,000,000</u>	<u>—</u>	<u>—</u>
	<u>34,717,699</u>	<u>32,052,672</u>	<u>—</u>	<u>—</u>
Other loans:				
Unsecured	<u>—</u>	<u>2,000,000</u>	<u>—</u>	<u>2,000,000</u>
	<u>35,430,052</u>	<u>34,159,074</u>	<u>—</u>	<u>2,000,000</u>
Bank overdrafts repayable within one year or on demand	<u>712,353</u>	<u>106,402</u>	<u>—</u>	<u>—</u>
Bank loans repayable:				
Within one year or on demand	<u>23,090,779</u>	<u>28,308,580</u>	<u>—</u>	<u>—</u>
In the second year	<u>6,874,580</u>	<u>245,925</u>	<u>—</u>	<u>—</u>
In the third to fifth years, inclusive	<u>2,582,860</u>	<u>851,839</u>	<u>—</u>	<u>—</u>
Beyond five years	<u>2,169,480</u>	<u>2,646,328</u>	<u>—</u>	<u>—</u>
	<u>34,717,699</u>	<u>32,052,672</u>	<u>—</u>	<u>—</u>
Other loans repayable:				
Within one year or on demand	<u>—</u>	<u>2,000,000</u>	<u>—</u>	<u>2,000,000</u>
	<u>35,430,052</u>	<u>34,159,074</u>	<u>—</u>	<u>2,000,000</u>
Portion classified as current liabilities ( <i>note 20</i> )	<u>(23,803,132)</u>	<u>(30,414,982)</u>	<u>—</u>	<u>(2,000,000)</u>
Long term portion	<u>11,626,920</u>	<u>3,744,092</u>	<u>—</u>	<u>—</u>

Certain of the Group's bank loans are secured by:

- (i) mortgages over the Group's investment properties, which had an aggregate carrying value at the balance sheet date of HK\$47,521,000 (2002: HK\$5,420,000); and
- (ii) mortgages over certain of the Group's land and buildings, which had an aggregate net book value at the balance sheet date of HK\$18,293,848 (2002: HK\$85,590,000).

## Notes to Financial Statements

31 March 2003

### 22. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery, and furniture and fixtures for its business. These leases are classified as finance leases and have remaining lease terms ranging from one to five years.

At the balance sheet date, the total future minimum lease payments under finance leases and their present values were as follows:

#### Group

	<b>Minimum lease payments 2003 HK\$</b>	Minimum lease payments 2002 HK\$	<b>Present value of minimum lease payments 2003 HK\$</b>	Present value of minimum lease payments 2002 HK\$
Amounts payable:				
Within one year	<b>442,866</b>	254,728	<b>399,744</b>	229,210
In the second year	<b>354,394</b>	195,845	<b>336,008</b>	176,587
In the third to fifth years, inclusive	<b>140,800</b>	107,373	<b>133,798</b>	96,250
Total minimum lease payments	<b>938,060</b>	557,946	<b>869,550</b>	502,047
Future finance charges	<b>(68,510)</b>	(55,899)		
Total net finance lease payables	<b>869,550</b>	502,047		
Portion classified as current liabilities ( <i>note 20</i> )	<b>(399,744)</b>	(229,210)		
Long term portion	<b>469,806</b>	272,837		

## Notes to Financial Statements

31 March 2003

### 22. FINANCE LEASE PAYABLES (continued)

#### Company

	<b>Minimum lease payments 2003 HK\$</b>	Minimum lease payments 2002 HK\$	<b>Present value of minimum lease payments 2003 HK\$</b>	Present value of minimum lease payments 2002 HK\$
Amounts payable:				
Within one year	11,777	70,660	11,587	64,210
In the second year	—	11,777	—	11,587
	<u>11,777</u>	<u>82,437</u>	<u>11,587</u>	<u>75,797</u>
Total minimum lease payments	<b>11,777</b>	82,437	<b>11,587</b>	75,797
Future finance charges	<u>(190)</u>	<u>(6,640)</u>		
Total net finance lease payables	<b>11,587</b>	75,797		
Portion classified as current liabilities ( <i>note 20</i> )	<u>(11,587)</u>	<u>(64,210)</u>		
Long term portion	<u>—</u>	<u>11,587</u>		

### 23. DUE TO A RELATED COMPANY

The balance represented an amount due to Twin Base Limited (“Twin Base”), a company in which Mr. Chong Sing Yuen, the director and controlling shareholder of the Company, has a beneficial interest.

The balance was unsecured, interest-free and was fully repaid during the year.

### 24. DUE TO DIRECTORS

The balances are unsecured, interest-free and are repayable on demand.

## Notes to Financial Statements

31 March 2003

### 25. DEFERRED TAX

The principal components of the Group's and the Company's net deferred tax asset position not recognised in the financial statements are as follows:

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Tax losses	7,544,000	6,460,000	5,555,000	4,384,000
Accelerated depreciation allowances	(188,000)	—	—	—
	<u>7,356,000</u>	<u>6,460,000</u>	<u>5,555,000</u>	<u>4,384,000</u>

The revaluation of the Group's investment properties and land and buildings does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

### 26. SHARE CAPITAL

Shares	2003 HK\$	2002 HK\$
Authorised:		
30,000,000,000 ordinary shares of HK\$0.01 each	<u>300,000,000</u>	<u>300,000,000</u>
Issued and fully paid:		
4,544,457,705 ordinary shares of HK\$0.01 each	<u>45,444,577</u>	<u>45,444,577</u>

## Notes to Financial Statements

31 March 2003

### 26. SHARE CAPITAL (continued)

A summary of the transactions during the year involving the Company's issued ordinary share capital is as follows:

	Number of shares in issued	Issued share capital HK\$	Share premium account HK\$	Total HK\$
At 1 April 2001	4,236,057,705	42,360,577	19,420,331	61,780,908
Placement of new shares	300,000,000	3,000,000	5,842,800	8,842,800
Share options exercised	8,400,000	84,000	–	84,000
	308,400,000	3,084,000	5,842,800	8,926,800
Share issue expenses	–	–	(780,283)	(780,283)
<b>At 31 March 2002 and 31 March 2003</b>	<b>4,544,457,705</b>	<b>45,444,577</b>	<b>24,482,848</b>	<b>69,927,425</b>

#### Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 27 to the financial statements.

### 27. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

## Notes to Financial Statements

31 March 2003

### 27. SHARE OPTION SCHEME (continued)

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible participants for their contributions to the Group. Eligible participants of the Scheme include the Company's directors, including non-executive directors, employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons or entities that provided research, development or other technological support to the Group and any shareholder of the company in which the Group has equity interest. The Scheme became effective on 4 October 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 March 2003, the number of shares issuable under share options granted under the Scheme was 345,350,000, which represented approximately 7.6% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted prior to the date specified in the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer, and (iii) the nominal value of the Company's shares on the date of grant of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

## Notes to Financial Statements

31 March 2003

### 27. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the year:

Name or category of participant	At 1 April 2002	Number of share options			Cancelled during the year	At 31 March 2003	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares***	
		Granted during the year	Exercised during the year	Lapsed during the year						At grant date of options HK\$	At exercise date of options HK\$
<b>Directors</b>											
Mr. Chong Sing Yuen	50,000,000	-	-	(50,000,000)	-	-	25-6-1999	25-6-99 to 10-9-02	0.05	-	-
	27,000,000	-	-	(27,000,000)	-	-	18-6-2001	18-6-01 to 10-9-02	0.027	-	-
	-	3,350,000	-	-	-	3,350,000	30-10-2002	30-10-02 to 29-10-12	0.01	0.01	-
	<u>77,000,000</u>	<u>3,350,000</u>	<u>-</u>	<u>(77,000,000)</u>	<u>-</u>	<u>3,350,000</u>					
Mr. Sun Tak Yan, Desmond	20,000,000	-	-	(20,000,000)	-	-	25-6-1999	25-6-99 to 10-9-02	0.05	-	-
	48,600,000	-	-	(48,600,000)	-	-	25-11-2000	25-11-00 to 10-9-02	0.027	-	-
	6,000,000	-	-	(6,000,000)	-	-	18-6-2001	18-6-01 to 10-9-02	0.027	-	-
	-	45,000,000	-	-	-	45,000,000	30-10-2002	30-10-02 to 29-10-12	0.01	0.01	-
<u>74,600,000</u>	<u>45,000,000</u>	<u>-</u>	<u>(74,600,000)</u>	<u>-</u>	<u>45,000,000</u>						
Mr. Chong Chun Kwok, Piggy	6,000,000	-	-	(6,000,000)	-	-	18-6-2001	18-6-01 to 10-9-02	0.027	-	-
	-	45,000,000	-	-	-	45,000,000	30-10-2002	30-10-02 to 29-10-12	0.01	0.01	-
	<u>6,000,000</u>	<u>45,000,000</u>	<u>-</u>	<u>(6,000,000)</u>	<u>-</u>	<u>45,000,000</u>					
Mr. Chong Chun Man	8,500,000	-	-	(8,500,000)	-	-	25-11-2000	25-11-00 to 10-9-02	0.027	-	-
	7,000,000	-	-	(7,000,000)	-	-	18-6-2001	18-6-01 to 10-9-02	0.027	-	-
	-	45,000,000	-	-	-	45,000,000	30-10-2002	30-10-02 to 29-10-12	0.01	0.01	-
	<u>15,500,000</u>	<u>45,000,000</u>	<u>-</u>	<u>(15,500,000)</u>	<u>-</u>	<u>45,000,000</u>					
Mr. Chu Kiu Fat	7,500,000	-	-	(7,500,000)	-	-	25-11-2000	25-11-00 to 10-9-02	0.027	-	-
	6,000,000	-	-	(6,000,000)	-	-	18-6-2001	18-6-01 to 10-9-02	0.027	-	-
	-	45,000,000	-	-	-	45,000,000	30-10-2002	30-10-02 to 29-10-12	0.01	0.01	-
	<u>13,500,000</u>	<u>45,000,000</u>	<u>-</u>	<u>(13,500,000)</u>	<u>-</u>	<u>45,000,000</u>					



# Notes to Financial Statements

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## 27. SHARE OPTION SCHEME (continued)

Name or category of participant	At 1 April 2002	Granted during the year	Number of share options			At 31 March 2003	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares***	
			Exercised during the year	Lapsed during the year	Cancelled during the year					At grant date of options HK\$	At exercise date of options HK\$
<b>Directors (continued)</b>											
Mr. Wong Siu Keung, Joe	10,000,000	-	-	(10,000,000)	-	-	25-11-2000	25-11-00 to 10-9-02	0.027	-	-
	6,000,000	-	-	(6,000,000)	-	-	18-6-2001	18-6-01 to 10-9-02	0.027	-	-
	-	45,000,000	-	-	-	45,000,000	30-10-2002	30-10-02 to 29-10-12	0.01	0.01	-
	<u>16,000,000</u>	<u>45,000,000</u>	<u>-</u>	<u>(16,000,000)</u>	<u>-</u>	<u>45,000,000</u>					
Mr. Chu Bu Yang, Alexander	6,000,000	-	-	(6,000,000)	-	-	18-6-2001	18-6-01 to 10-9-02	0.027	-	-
	-	4,500,000	-	-	-	4,500,000	30-10-2002	30-10-02 to 29-10-12	0.01	0.01	-
	6,000,000	4,500,000	-	(6,000,000)	-	4,500,000					
	<u>6,000,000</u>	<u>4,500,000</u>	<u>-</u>	<u>(6,000,000)</u>	<u>-</u>	<u>4,500,000</u>					
Mr. Chong Chun Hing	6,000,000	-	-	(6,000,000)	-	-	18-6-2001	18-6-01 to 10-9-02	0.027	-	-
	-	4,500,000	-	-	-	4,500,000	30-10-2002	30-10-02 to 29-10-12	0.01	0.01	-
	6,000,000	4,500,000	-	(6,000,000)	-	4,500,000					
	<u>6,000,000</u>	<u>4,500,000</u>	<u>-</u>	<u>(6,000,000)</u>	<u>-</u>	<u>4,500,000</u>					
Mr. Wong, Bingley	6,000,000	-	-	(6,000,000)	-	-	18-6-2001	18-6-01 to 10-9-02	0.027	-	-
	-	4,500,000	-	-	-	4,500,000	30-10-2002	30-10-02 to 29-10-12	0.01	0.01	-
	6,000,000	4,500,000	-	(6,000,000)	-	4,500,000					
	<u>6,000,000</u>	<u>4,500,000</u>	<u>-</u>	<u>(6,000,000)</u>	<u>-</u>	<u>4,500,000</u>					
Mr. Ma Wah Yan	6,000,000	-	-	(6,000,000)	-	-	18-6-2001	18-6-01 to 10-9-02	0.027	-	-
	<u>226,600,000</u>	<u>241,850,000</u>	<u>-</u>	<u>(226,600,000)</u>	<u>-</u>	<u>241,850,000</u>					
<b>Employees</b>											
Cheng Man Shan*	1,150,000	-	-	(1,150,000)	-	-	18-6-2001	18-6-01 to 10-9-02	0.027	-	-
	-	1,150,000	-	-	-	1,150,000	30-10-2002	30-10-02 to 29-10-12	0.01	0.01	-
	1,150,000	1,150,000	-	(1,150,000)	-	1,150,000					
	<u>1,150,000</u>	<u>1,150,000</u>	<u>-</u>	<u>(1,150,000)</u>	<u>-</u>	<u>1,150,000</u>					
Other employees	9,000,000	-	-	(9,000,000)	-	-	18-6-2001	18-6-01 to 10-9-02	0.027	-	-
	-	102,350,000	-	-	-	102,350,000	31-10-2002	31-10-02 to 30-10-12	0.01	0.01	-
	9,000,000	102,350,000	-	(9,000,000)	-	102,350,000					
	<u>10,150,000</u>	<u>103,500,000</u>	<u>-</u>	<u>(10,150,000)</u>	<u>-</u>	<u>103,500,000</u>					
<b>Total</b>	<u>236,750,000</u>	<u>345,350,000</u>	<u>-</u>	<u>(236,750,000)</u>	<u>-</u>	<u>345,350,000</u>					

\* Spouse of Mr. Chong Sing Yuen

## Notes to Financial Statements

31 March 2003

### 27. SHARE OPTION SCHEME (continued)

- \* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- \*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- \*\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

At the balance sheet date, the Company had 345,350,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 345,350,000 additional ordinary shares of the Company and additional share capital of HK\$3,453,500.

### 28. RESERVES

#### (a) Group

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 23 of the financial statements.

The amounts of goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries prior to 1 April 2001, were HK\$22,648,000 as at 1 April 2002 and 31 March 2003. The amount of goodwill is stated at its cost.

The land and buildings revaluation reserve included revaluation surplus of HK\$6,771,841 attributable to the properties which were reclassified from land and buildings to investment properties in current year. This portion of revaluation reserve is not available to offset against deficit arising from the revaluation of investment properties subsequent to their reclassification, and can only be transferred to retained profits as a movement in reserves upon the disposal of the relevant investment properties.

The Group's special reserve represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

## Notes to Financial Statements

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### 28. RESERVES (continued)

#### (b) Company

	Notes	Share premium account HK\$	Accumulated losses HK\$	Total HK\$
Balance at 1 April 2001		19,420,331	(39,185,006)	(19,764,675)
Issue of shares	26	5,842,800	–	5,842,800
Share issue expenses	26	(780,283)	–	(780,283)
Net loss for the year	11	–	(368,963)	(368,963)
		<u>24,482,848</u>	<u>(39,553,969)</u>	<u>(15,071,121)</u>
At 31 March 2002 and beginning of year		24,482,848	(39,553,969)	(15,071,121)
Net profit for the year	11	–	26,622,103	26,622,103
		<u>24,482,848</u>	<u>(12,931,866)</u>	<u>11,550,982</u>
At 31 March 2003		<u>24,482,848</u>	<u>(12,931,866)</u>	<u>11,550,982</u>

### 29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Prior year adjustments

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid and interest received are now included in cash flows from operating activities and interest paid is now included in cash flows from financing activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

## Notes to Financial Statements

31 March 2003

### 29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

#### (a) Prior year adjustments (continued)

Also, the definition of “cash equivalents” under the revised SSAP 15 has been revised from that under the previous SSAP 15, as explained under the heading “Cash and cash equivalents” in note 3 to the financial statements. This has resulted in trust receipt loans no longer qualifying as cash equivalents. The amount of cash equivalents in the consolidated cash flow statement at 31 March 2002 has been adjusted to remove trust receipt loans amounting to HK\$2,239,519, previously included at that date. This year’s movement in trust receipt loans is now included in cash flows from financing activities and the comparative cash flow statement has been changed accordingly.

#### (b) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK\$765,000 (2002: HK\$617,350).

### 30. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Goodfit Products Company Limited	Hong Kong	HK\$1,000 Ordinary HK\$1,000,000 Non-voting deferred*	–	100	Sale of electronic consumer products
Northern Industrial (Panyu) Co., Ltd.#	Mainland China	HK\$95,000,000 Registered	–	100	Manufacture of electronic consumer products
Superior Trump Limited	Hong Kong	HK\$10,000 Ordinary	–	100	Property investment

## Notes to Financial Statements

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### 30. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tung Hing Plastic (Panyu) Co., Ltd. <sup>#</sup>	Mainland China	US\$1,800,000 Registered	–	100	Manufacture of snap off blade cutters
Tung Hing Products Company Limited	Hong Kong	HK\$100 Ordinary	–	100	Sale of snap off blade cutters

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

<sup>#</sup> Registered under the laws of the People's Republic of China as a wholly foreign-owned enterprise.

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

### 31. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Bills discounted with recourse	2,207,676	–	–	–
Guarantees given to banks in connection with facilities granted to subsidiaries	–	–	60,288,000	9,400,000
	<u>2,207,676</u>	<u>–</u>	<u>60,288,000</u>	<u>9,400,000</u>

## Notes to Financial Statements

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### 31. CONTINGENT LIABILITIES (continued)

- (b) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK\$185,000 as at 31 March 2003, as further explained under the heading "Employee benefits" in note 3 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

### 32. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by assets of the Group are included in note 21 to the financial statements.

### 33. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases its investment properties (note 13 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>Group</b>	
	<b>2003</b>	2002
	<i>HK\$</i>	<i>HK\$</i>
Within one year	<b>2,923,765</b>	566,040
In the second to fifth years, inclusive	<b>8,510,854</b>	178,500
Over five years	<b>3,970,750</b>	—
	<b><u>15,405,369</u></b>	<b><u>744,540</u></b>

## Notes to Financial Statements

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### 33. OPERATING LEASE ARRANGEMENTS (continued)

#### (b) As lessee

The Group leases certain of its office properties and motor vehicles under operating lease arrangements. Leases for motor vehicles are negotiated for terms of one year.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003	2002
	HK\$	HK\$
Land and buildings:		
Within one year	–	357,000
In the second to fifth years, inclusive	–	52,800
	<u>–</u>	<u>409,800</u>
Motor vehicles:		
Within one year	<u>197,500</u>	<u>197,500</u>

### 34. COMMITMENTS

At the balance sheet date, neither the Group nor the Company had any significant commitments, other than the operating lease commitments detailed in note 33 above.

### 35. RELATED PARTY TRANSACTIONS

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

- (i) During the year, the Group paid rentals of approximately HK\$152,000 (2002: HK\$406,000) to Twin Base for land and buildings. The rentals were charged in accordance with the tenancy agreements and the prevailing rent approximate to the open market rate estimated by the directors when the tenancy agreements were contracted. Details of the operating lease commitments at the balance sheet date are set out in note 33 to the financial statements.
- (ii) During the year, the Group paid rentals of approximately HK\$474,000 (2002: HK\$277,000) to Twin Base for a motor vehicle. The rentals were charged in accordance with a motor vehicle rental agreement and the prevailing rent approximate to the open market rate estimated by the directors when the motor vehicle rental agreement was contracted. Details of the operating lease commitments at the balance sheet date are set out in note 33 to the financial statements.

## Notes to Financial Statements

31 March 2003

### 35. RELATED PARTY TRANSACTIONS (continued)

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

(iv) As at 31 March 2003, Twin Base had pledged certain of its property interests to a bank to secure the credit facilities to the extent of HK\$12,899,980 (2002: HK\$5,400,000) granted to the Group.

(b) During the year, the Group had the following material transactions with its associates:

		<b>Group</b>	
		<b>2003</b>	2002
	<i>Notes</i>	<b>HK\$</b>	<i>HK\$</i>
Purchases of raw materials from an associate	(i)	<b>352,508</b>	2,068,180
Management fee received from an associate	(ii)	<b>144,000</b>	3,144,000

*Notes:*

(i) The purchases from an associate were made with reference to market prices.

(ii) The management fee was charged based on mutually agreed terms between the associate and the Group.

(c) During the year, Mr. Chong Sing Yuen and a subsidiary of the Group gave a joint and several guarantee to a financial institution to secure the credit facilities to the extent of HK\$2,000,000 (2002: HK\$2,000,000) granted to the Company. The credit facilities terminated on 31 January 2003.

(d) During the year, the Group paid nil (2002: HK\$53,000) product design service fees, and sold finished goods of approximately HK\$3,000 (2002: HK\$9,000) to RC Lab Ltd., a company in which an executive director of the Company, Mr. Chong Chun Hing, has a beneficial interest.

(e) During the year, the Group paid nil (2002: HK\$20,000) legal and professional fees for services rendered by a firm of solicitors, P.H. Chin & Company, in which a former non-executive director of the Company, Mr. Chin Pak Hing, is the sole proprietor.



## Notes to Financial Statements

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### 36. POST BALANCE SHEET EVENTS

- (a) On 11 June 2003, the Group and Mr. Chong Sing Yuen entered into a shareholder's loan agreement pursuant to which Mr. Chong Sing Yuen agreed to grant to the Company a loan of approximately HK\$2,642,000 for the repayment of a short term bank loan of the Group falling due in June 2003. The shareholder's loan is unsecured, interest-free and is repayable at the earlier of 10 June 2004 or the date on which the Group is able to obtain a new one year or longer term loan facility to repay the aforementioned loan advance to Mr. Chong Sing Yuen.

The full principal amount was drawn down by the Group on 11 and 12 June 2003.

- (b) On 18 July 2003, the Group and Mr. Chong Sing Yuen entered into a shareholder's loan agreement pursuant to which Mr. Chong Sing Yuen agreed to grant to the Company a loan of approximately HK\$3,350,000. The purpose of the loan advance is to provide the Company with bridging finance to enable the Group to have sufficient time to negotiate with the bankers for an extension arrangement of a short term bank loan of approximately HK\$3,350,000 due to be repayable in August 2003. This shareholder's loan is unsecured, interest-free and is repayable at the earlier of 17 July 2004 or the date on which the Group is successfully granted a one-year extension of the repayment due date of the aforementioned bank loan.

The full principal amount was drawn down by the Group on 18 July 2003.

### 37. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation.

In addition, directors consider that the reclassification of certain comparative amounts in profit and loss account and segment information provide a better presentation of the Group's income and expense items.

### 38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 July 2003.