

# Notes to Financial Statements

31 March 2003

## 1. CORPORATE INFORMATION

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

- design and manufacture of electrical appliances
- trading of merchandise

## 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 which have had a significant effect on the financial statements, 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 21 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 and associates 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.

## 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 as at the balance sheet date. 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 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 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.

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

#### **Basis of consolidation** *(Continued)*

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

#### **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 or a jointly-controlled entity, 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.

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

#### **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.

### 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 fixed asset 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 fixed asset revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

### 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 and buildings	2% or over the lease terms if less than 50 years
Furniture and fixtures	20%
Machinery, engineering and other equipment	10%
Motor vehicles	10%
Moulds	10%

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.

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 the 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.

#### **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 assets 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.

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

#### **Leased assets** *(Continued)*

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 receivables 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 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.

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, and assets similar in nature to cash, which are not restricted as to use.

#### **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.

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

#### **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;
- (b) rental income, on a time proportion basis over the lease terms; and
- (c) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

#### **Employee benefits**

##### *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 provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which had been earned by the employees from their service to the Group to the balance sheet date.

##### *Retirement benefits schemes*

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 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, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

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

#### **Employee benefits** *(Continued)*

##### *Retirement benefits schemes (Continued)*

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. The 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 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 and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates 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.

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.



# Notes to Financial Statements

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

#### **Foreign currencies** *(Continued)*

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 associates and the cash flows of overseas subsidiaries were translated into Hong Kong dollars 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. The adoption of the revised SSAP 15 has resulted in a prior year adjustment, further details of which are included in note 29(a) to the financial statements.

### 4. SEGMENT INFORMATION

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

#### **(a) Business segments**

The Group has two business segments, namely the design and manufacture of electrical appliances and the trading of merchandise. The design and manufacture of electrical appliances segment constitutes more than 90% of the consolidated turnover. Moreover, the segment results and segment assets for the trading of merchandise are less than 10% of the combined results and total assets of all segments, respectively. Therefore, no business segment analysis is presented.

#### **(b) Geographical segments**

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

The following tables present revenue, certain assets and expenditure information for the Group's geographical segments.

	<b>Segment revenue</b>	
	<b>Sales to</b>	
	<b>external customers</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Europe	<b>102,018</b>	105,068
North America	<b>70,812</b>	48,017
South America	<b>11,112</b>	12,863
Asia Pacific	<b>19,349</b>	27,213
Middle East	<b>9,667</b>	8,062
Oceania	<b>8,172</b>	11,460
	<b>221,130</b>	212,683

# Notes to Financial Statements

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## 4. SEGMENT INFORMATION (Continued)

### (b) Geographical segments (Continued)

Other segment information

	Segment assets		Capital expenditure	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Europe	<b>8,602</b>	12,147	<b>107</b>	68
North America	<b>4,189</b>	3,276	—	—
South America	<b>2,304</b>	1,500	—	—
Asia Pacific	<b>163,034</b>	160,624	<b>9,397</b>	7,845
Middle East	<b>582</b>	1,484	—	—
Oceania	<b>757</b>	1,829	—	—
Corporate and others	<b>26,588</b>	25,970	—	—
	<b>206,056</b>	206,830	<b>9,504</b>	7,913

## 5. RELATED PARTY TRANSACTIONS

- (a) In addition to the balances and transactions set out elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Interest expense paid to an associate	<b>86</b>	407

The interest expense related to an advance from an associate of HK\$22,760,000 (2002: HK\$22,760,000) at the balance sheet date. The interest was calculated at rates ranging from 0.13% to 0.88% (2002: 0.82% to 3.39%) per annum during the year.

# Notes to Financial Statements

31 March 2003

## 5. RELATED PARTY TRANSACTIONS (Continued)

(b) A director of the Company has given a guarantee, amounting to HK\$16,000,000 (2002: HK\$16,000,000), in favour of a bank in respect of banking facilities granted to the Group. These facilities were utilised to the extent of HK\$2,278,000 as at 31 March 2003 (2002: HK\$2,448,000).

## 6. TURNOVER, REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of turnover, other revenue and gains is as follows:

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
<b>Turnover</b>		
Sale of goods	<b>221,130</b>	212,683
	<hr/> <hr/>	
<b>Other revenue</b>		
Interest income	<b>52</b>	318
Gross rental income	<b>144</b>	708
Sale of moulds	<b>867</b>	886
Sale of scrap materials	<b>104</b>	343
Others	<b>836</b>	676
	<hr/>	
	<b>2,003</b>	2,931
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<b>Gains</b>		
Gain on disposal of interests in associates	<b>—</b>	1,957
Gain on disposal of fixed assets	<b>541</b>	—
	<hr/>	
	<b>541</b>	1,957
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Other revenue and gains	<b>2,544</b>	4,888
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# Notes to Financial Statements

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## 7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold *	<b>167,776</b>	170,494
Depreciation	<b>11,406</b>	14,539
Minimum lease payments under operating leases for land and buildings	<b>1,357</b>	1,392
Auditors' remuneration	<b>370</b>	482
Staff costs (excluding directors' remuneration — note 9):		
Wages and salaries	<b>24,605</b>	25,411
Severance payments	<b>548</b>	2,568
Pension scheme contributions	<b>168</b>	481
	<hr/>	<hr/>
Total staff costs	<b>25,321</b>	28,460
	<hr/>	<hr/>
Impairment of fixed assets #	—	161
Provision against a note receivable	—	295
Loss on disposal of fixed assets	—	269
Deficit/(surplus) on revaluation of fixed assets #	<b>(208)</b>	491
Deficit on revaluation of an investment property #	—	90
Exchange gains, net	<b>(213)</b>	(82)
Net rental income	<b>(206)</b>	(670)
	<hr/> <hr/>	<hr/> <hr/>

\* Included depreciation of HK\$8,325,000 (2002: HK\$10,286,000), staff costs of HK\$13,312,000 (2002: HK\$11,948,000) and provision for inventory obsolescence of HK\$282,000 (2002: HK\$1,000,000).

# The impairment of fixed assets and the deficit/(surplus) on revaluation of fixed assets and an investment property are included in other operating income/(expenses) on the face of the consolidated profit and loss account.

# Notes to Financial Statements

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## 8. FINANCE COSTS

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Interest on a bank loan, overdraft and other loans wholly repayable within five years	<b>1,290</b>	2,639
Interest on finance leases	<b>21</b>	41
Total interest	<b>1,311</b>	2,680

## 9. DIRECTORS' REMUNERATION

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

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Fees	<b>150</b>	100
Other emoluments:		
Salaries, commissions, allowances and benefits in kind *	<b>6,066</b>	6,422
Pension scheme contributions	<b>48</b>	49
	<b>6,114</b>	6,471
	<b>6,264</b>	6,571

\* Included the minimum lease payments under operating leases for land and buildings of HK\$1,357,000 (2002: HK\$1,392,000).

Fees include HK\$100,000 (2002: HK\$100,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2002: Nil).

# Notes to Financial Statements

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## 9. DIRECTORS' REMUNERATION (Continued)

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

	Number of directors	
	2003	2002
Nil – HK\$1,000,000	4	4
HK\$1,500,001 – HK\$2,000,000	3	3
	<u>7</u>	<u>7</u>

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

## 10. SIX HIGHEST PAID INDIVIDUALS

The six (2002: seven) highest paid individuals during the year included four (2002: five) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2002: two) non-director, highest paid individuals are as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Basic salaries, commissions and benefits in kind	984	1,092
Pension scheme contributions	24	24
	<u>1,008</u>	<u>1,116</u>

The remuneration of each of the two non-director, highest paid individuals was less than HK\$1,000,000 for the year.

# Notes to Financial Statements

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## 11. TAX

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere are 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.

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Group:		
Elsewhere	<b>38</b>	102
Deferred tax written back — <i>note 25</i>	<b>—</b>	(32)
	<b>38</b>	70
Share of tax attributable to an associate	<b>371</b>	198
Tax charge for the year	<b>409</b>	268

## 12. NET PROFIT/(LOSS) 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, was HK\$75,000 (2002: net loss of HK\$54,766,000).

## 13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit/(loss) from ordinary activities attributable to shareholders for the year of HK\$4,220,000 (2002: net loss of HK\$15,770,000) and the weighted average of 457,524,848 (2002: 457,524,848) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 March 2003 and 2002 have not been disclosed as no diluting events existed during these years.

# Notes to Financial Statements

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## 14. FIXED ASSETS

Group	Machinery, Furniture and engineering and other					Total
	Leasehold land and buildings	Furniture and fixtures	and other equipment	Motor vehicles	Moulds	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:						
At beginning of year	60,880	10,113	26,617	7,739	47,070	152,419
Additions	–	2,074	1,916	–	5,514	9,504
Disposals	(3,080)	–	–	–	–	(3,080)
Written off	–	(4,000)	(4,508)	(1,809)	(6,097)	(16,414)
Revaluation deficit	(1,250)	–	–	–	–	(1,250)
At 31 March 2003	<b>56,550</b>	<b>8,187</b>	<b>24,025</b>	<b>5,930</b>	<b>46,487</b>	<b>141,179</b>
Analysis of cost or valuation:						
At cost	–	8,187	24,025	5,930	46,487	84,629
At valuation	56,550	–	–	–	–	56,550
	56,550	8,187	24,025	5,930	46,487	141,179
Accumulated depreciation and impairment:						
At beginning of year	–	5,385	17,196	6,000	20,857	49,438
Provided during the year	1,444	2,018	2,524	664	4,756	11,406
Disposals	(41)	–	–	–	–	(41)
Written off	–	(4,000)	(4,508)	(1,809)	(6,097)	(16,414)
Written back on revaluation	(1,403)	–	–	–	–	(1,403)
At 31 March 2003	<b>–</b>	<b>3,403</b>	<b>15,212</b>	<b>4,855</b>	<b>19,516</b>	<b>42,986</b>
Net book value:						
At 31 March 2003	<b>56,550</b>	<b>4,784</b>	<b>8,813</b>	<b>1,075</b>	<b>26,971</b>	<b>98,193</b>
At 31 March 2002	60,880	4,728	9,421	1,739	26,213	102,981



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## 14. FIXED ASSETS (Continued)

The net book value of fixed assets held under finance leases included in the total amount of machinery, engineering and other equipment at 31 March 2003 amounted to HK\$792,000 (2002: HK\$1,216,000).

An analysis of the Group's leasehold land and buildings, which are stated at professional valuation and held under medium term leases, is as follows:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
At valuation:		
Hong Kong	<b>14,700</b>	17,980
Elsewhere	<b>41,850</b>	42,900
	<b>56,550</b>	60,880

The Group's leasehold land and buildings were revalued individually at the balance sheet date by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at an aggregate open market value of HK\$56,550,000 based on their existing use. A revaluation surplus of HK\$208,000 (2002: deficit of HK\$491,000) and revaluation deficit of HK\$55,000 (2002: HK\$472,000), resulting from the above valuations, have been credited/charged to the profit and loss account and the fixed asset revaluation reserve, respectively.

Had the Group's leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK\$38,301,000 (2002: HK\$43,766,000).

At 31 March 2003, certain of the Group's leasehold land and buildings with a net book value of HK\$14,700,000 (2002: HK\$17,980,000) were pledged to secure general banking facilities granted to the Group (note 23).

# Notes to Financial Statements

31 March 2003

## 15. INVESTMENT PROPERTY

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
At beginning of year	<b>1,290</b>	3,340
Transferred to leasehold land and buildings — <i>note 14</i>	—	(1,960)
Deficit on revaluation	—	(90)
	<b>1,290</b>	<u>1,290</u>
At 31 March	<b>1,290</b>	<u>1,290</u>

The investment property is situated in Hong Kong and is held under medium term leases.

The Group's investment property was revalued at the balance sheet date by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK\$1,290,000 (2002: HK\$1,290,000), on an open market value, existing use basis. The investment property is leased to third parties under operating leases, further details of which are included in note 31(a) to the financial statements.

At the balance sheet date, the Group's investment property was pledged to secure general banking facilities granted to the Group (note 23).

## 16. INTERESTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>60,953</b>	60,953
Due from subsidiaries	<b>152,271</b>	150,407
	<b>213,224</b>	<u>211,360</u>
Provision for impairment	<b>(129,182)</b>	(130,354)
	<b>84,042</b>	<u>81,006</u>

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

# Notes to Financial Statements

31 March 2003

## 16. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued shares/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Anex Electrical Company Limited ("AECL")	Hong Kong	HK\$9,000 ordinary shares HK\$3,000,000 non-voting deferred shares#	100	—	Sale of electrical appliances and property investment
Anex Industrial Corporation Limited	Hong Kong	HK\$500,000 ordinary shares	—	100	Property investment
Anco Industrial Company Limited	British Virgin Islands/ Mainland China	US\$100 ordinary shares	—	100	Manufacture of electrical appliances
Anex USA Products, Inc.*	United States of America	US\$10,000 ordinary shares	—	100	Sale of electrical appliances
Melwick (HK) Limited	Hong Kong	HK\$2 ordinary shares	100	—	Trading of merchandise
Antec Appliances Limited	Hong Kong	HK\$2 ordinary shares	100	—	Investment holding
Anco Industrial Company Limited	Hong Kong	HK\$10,000 ordinary shares	—	100	Dormant
Anex Germany Products GmbH*	Republic of Germany	EUR25,565 ordinary shares	—	95	Sale of electrical appliances

# Notes to Financial Statements

31 March 2003

## 16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued shares/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Anex Japan Corporation*	Japan	JPY10,000,000 ordinary shares	—	95	Dormant
東莞安達電器製品 有限公司**	Mainland China	HK\$20,000,000	—	100	Not yet commenced business

# The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of AECL by virtue or in respect of their holdings of such non-voting deferred shares. The holders of the non-voting deferred shares shall not be entitled to any participation in the profit or assets of AECL except that a fixed non-cumulative dividend at the rate of 5% per annum for any financial year of AECL in respect of which the net profit of AECL available for dividend exceeds HK\$1,000,000,000. On a winding-up, the holders of the non-voting deferred shares shall be entitled, out of the surplus assets of AECL, to a return of the capital paid up on the non-voting deferred shares held by them respectively after a total sum of HK\$100,000,000,000 has been distributed in such winding-up in respect of each of the ordinary shares of AECL.

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

\*\* Registered as wholly foreign owned enterprise in Mainland China.

## 17. INTEREST IN AN ASSOCIATE

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	—	—	—	—
Share of net assets	<b>21,859</b>	18,243	—	—
Due from an associate	—	—	<b>21,475</b>	21,475
Due to an associate	<b>(1,286)</b>	(1,286)	—	—
	<b>20,573</b>	16,957	<b>21,475</b>	21,475

# Notes to Financial Statements

31 March 2003

## 17. INTEREST IN AN ASSOCIATE (Continued)

The balances with the associate are unsecured, interest-free and have no fixed terms of repayment, except for an amount of HK\$22,760,000 (2002: HK\$22,760,000) due to the associate which bears interest at a rate ranging from 0.13% to 0.88% (2002: 0.82% to 3.39%) per annum.

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity interest attributable to the Group	Principal activity
Ancen Properties Limited	Corporate	Hong Kong	40	Real estate development

Extracts of the financial statements of the Group's associate are as follows:

	2003 HK\$'000	2002 HK\$'000
Consolidated profit and loss account		
Turnover	7,408	7,775
Net profit attributable to shareholders	<b>9,040</b>	674
Consolidated balance sheet		
Non-current assets	4,819	23,412
Current assets#	106,371	86,314
Current liabilities	(12,642)	(12,030)
Non-current liabilities	<b>(43,901)</b>	(52,089)

- # A time deposit and certain cash and bank balances of Ancen Properties Limited and its subsidiaries (the "Ancen Group") amounting to HK\$2,235,000 as at 31 March 2003 (2002: HK\$1,452,000) were pledged to a bank as security for its obligation under a buy-back undertaking entered into between the Ancen Group and the bank. Under this buy-back undertaking, the Ancen Group may be obliged to buy back properties in the event of any defaults by the initial mortgagors (who are unrelated to the Group) of properties sold. As at 31 March 2003, the outstanding mortgage balances granted by the bank amounted to HK\$7,171,000 (2002: HK\$2,952,000).

# Notes to Financial Statements

31 March 2003

## 18. NOTES RECEIVABLE

	<b>Group and Company</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Notes receivable	<b>5,900</b>	8,900
Portion classified as current assets	<b>(500)</b>	(3,000)
	<b>5,400</b>	5,900
Provision for a note receivable	<b>(295)</b>	(295)
Long term portion	<b>5,105</b>	5,605

The note receivable of HK\$5,400,000 from Cosmedia Limited bears interest at 0.5% per annum, is repayable on or before September 2006 and is secured against the shares in Cosmedia Limited. The remaining balance of the note receivable of HK\$4,500,000 amounting to HK\$500,000 is interest-free, repayable by monthly instalments until May 2003 and is secured against the shares in Cosmedia Limited and one of its fellow subsidiaries.

## 19. INVENTORIES

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>23,803</b>	21,520
Work in progress	<b>9,812</b>	7,987
Finished goods	<b>12,044</b>	13,878
	<b>45,659</b>	43,385

The carrying amount of inventories is arrived after charging a general provision of HK\$8,100,000 (2002: HK\$7,818,000) as at the balance sheet date.

# Notes to Financial Statements

31 March 2003

## 20. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit and letter of credit, except for new customers, where payment in advance and cash on delivery are normally required. Invoices are normally payable between 30 and 60 days after issuance, except for certain well-established customers, where the terms are extended to 90 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date and net of provisions, is as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
0 – 30 days	<b>6,958</b>	14,251
31 – 60 days	<b>2,403</b>	381
61 – 90 days	<b>2,623</b>	1,163
More than 90 days	<b>3,383</b>	3,758
	<b>15,367</b>	19,553

## 21. TRADE PAYABLES

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
0 – 30 days	<b>9,195</b>	7,830
31 – 60 days	<b>5,863</b>	5,079
61 – 90 days	<b>3,068</b>	4,460
More than 90 days	<b>9,646</b>	10,385
	<b>27,772</b>	27,754

# Notes to Financial Statements

31 March 2003

## 22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	Group	
		2003 HK\$'000	2002 HK\$'000
Current portion of a bank loan, secured		—	1,500
Trust receipt loans, secured		<b>2,278</b>	73
Interest-bearing bank borrowings	23	<b>2,278</b>	1,573
Current portion of finance lease payables	24	<b>257</b>	282
		<b>2,535</b>	1,855

## 23. INTEREST-BEARING BANK AND OTHER LOANS

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank loan, secured	—	2,375
Trust receipt loans, secured	<b>2,278</b>	73
Other loans, unsecured	<b>12,250</b>	14,500
	<b>14,528</b>	16,948
Bank loan repayable:		
Within one year	—	1,500
In the second year	—	875
	—	2,375
Trust receipt loans repayable within one year	<b>2,278</b>	73
Other loans repayable in the second year	<b>12,250</b>	14,500
	<b>14,528</b>	16,948
Portion classified as current liabilities — note 22	<b>(2,278)</b>	(1,573)
Long term portion	<b>12,250</b>	15,375



# Notes to Financial Statements

31 March 2003

## 23. INTEREST-BEARING BANK AND OTHER LOANS *(Continued)*

(a) The Group's bank loan and trust receipt loans are secured by:

- (i) mortgages over the Group's investment property situated in Hong Kong which has a carrying value at the balance sheet date of approximately HK\$1,290,000 (2002: HK\$1,290,000) (note 15); and
- (ii) mortgages over certain of the Group's leasehold land and buildings which have an aggregate net book value at the balance sheet date of approximately HK\$14,700,000 (2002: HK\$17,980,000) (note 14).

(b) Other loans are unsecured and bear interest at rates ranging from 5.0% to 7.3% (2002: 5.6% to 9.8%) per annum.

## 24. FINANCE LEASE PAYABLES

The Group leases certain of its engineering equipment for its design and manufacture business. These leases are classified as finance leases and have remaining lease terms of three years as at the balance sheet date.

# Notes to Financial Statements

31 March 2003

## 24. FINANCE LEASE PAYABLES (Continued)

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\$'000</b>	Minimum lease payments 2002 HK\$'000	<b>Present value of minimum lease payments 2003 HK\$'000</b>	Present value of minimum lease payments 2002 HK\$'000
Amounts payable:				
Within one year	<b>283</b>	288	<b>257</b>	282
In the second year	<b>283</b>	—	<b>273</b>	—
In the third to fifth years, inclusive	<b>24</b>	—	<b>23</b>	—
Total minimum finance lease payments	<b>590</b>	288	<b>553</b>	282
Future finance charges	<b>(37)</b>	(6)		
Total net finance lease payables	<b>553</b>	282		
Portion classified as current liabilities — note 22	<b>(257)</b>	(282)		
Long term portion	<b>296</b>	—		

# Notes to Financial Statements

31 March 2003

## 25. DEFERRED TAX

	Group	
	2003	2002
	HK\$'000	HK\$'000
Balance at beginning of year	—	32
Credit for the year — <i>note 11</i>	—	(32)
	<hr/>	<hr/>
At 31 March	—	—
	<hr/> <hr/>	<hr/> <hr/>

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

	2003	2002
	HK\$'000	HK\$'000
Accelerated depreciation allowances	<b>(2,343)</b>	(2,599)
Tax losses	<b>11,823</b>	12,906
	<hr/>	<hr/>
	<b>9,480</b>	10,307
	<hr/> <hr/>	<hr/> <hr/>

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

The Company had no unprovided deferred tax at the balance sheet date.

# Notes to Financial Statements

31 March 2003

## 26. SHARE CAPITAL

Shares	Company	
	2003 HK\$'000	2002 HK\$'000
Authorised:		
800,000,000 ordinary shares of HK\$0.10 each	<b>80,000</b>	80,000
Issued and fully paid:		
457,524,848 ordinary shares of HK\$0.10 each	<b>45,752</b>	45,752

### Share options

Details of the Company's share option 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.

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. Eligible participants of the share option scheme include the Company's directors and other employees of the Group. The share option scheme (the "Old Scheme") became effective on 27 June 1991 and was terminated on 26 June 2001. A new share option scheme (the "New Scheme") was adopted on 9 September 2002. Unless otherwise cancelled or amended, the New Scheme 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 as at the date of passing the Ordinary Resolution on 9 September 2002 (the "General Scheme Limit"). The Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit. At 31 March 2003, no share options had been granted under the New Scheme. The maximum number of shares issuable under share options to each eligible participant in the New 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.

# Notes to Financial Statements

31 March 2003

## 27. SHARE OPTION SCHEME (Continued)

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 within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (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.

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

### (a) Old Scheme

Name or category of participant	Number of share options			Date of grant of share options*	Exercise period of share options	Exercise price of share options ** HK\$	Price of Company's shares at grant date of options *** HK\$
	At 1 April 2002	Lapsed during the year	At 31 March 2003				
<b>Director</b>							
Mr. Chau Kwok Wai	480,000	(480,000)	—	1-2-2000	1-2-2000 to 31-1-2003	0.40	0.50
<b>Other employees</b>							
In aggregate	3,510,000	(3,510,000)	—	1-2-2000	1-2-2000 to 31-1-2003	0.40	0.50
	<u>3,990,000</u>	<u>(3,990,000)</u>	<u>—</u>				

## 27. SHARE OPTION SCHEME *(Continued)*

### (a) Old 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.

### (b) New Scheme

No share option was granted during the year.

## 28. RESERVES

### (a) Group

The amounts 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 21 of the financial statements.

The revised SSAP 11 was adopted during the year, as explained in note 2 and under the heading "Foreign currencies" in note 3 to the financial statements. As a result, the profit and loss accounts of overseas subsidiaries and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, rather than at the exchange rates ruling at the balance sheet date, as was previously the case. This change in accounting policy has had no material effect on the financial statements.

# Notes to Financial Statements

31 March 2003

## 28. RESERVES (Continued)

### (b) Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2001	103,948	60,733	(44,262)	120,419
Net loss for the year	—	—	(54,766)	(54,766)
At 31 March 2002 and beginning of year	103,948	60,733	(99,028)	65,653
Net profit for the year	—	—	75	75
At 31 March 2003	103,948	60,733	(98,953)	65,728

The contributed surplus of the Company represents the excess of the fair values of the shares of the subsidiaries acquired pursuant to the Group reorganisation in June 1991 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

## 29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Prior year adjustment

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 interest received, interest paid and taxes paid are now included in cash flows from operating activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

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

### **(a) Prior year adjustment** *(Continued)*

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading "Foreign currencies" in note 3 to the financial statements. Cash flows of overseas subsidiaries are now 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. Previously, the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. This change has no material effect on the 2002 comparative consolidated cash flow statement.

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 exclude the trust receipt loan amount of HK\$73,000, which was previously included at that date. The year's movement in trust receipt loans is now included in cash flows from financing activities and the comparative consolidated cash flow statement has been changed accordingly.

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

Included in the prior years were mould deposits of approximately HK\$4,905,000 which were transferred to moulds under fixed assets in the current year.

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\$819,000 (2002: Nil).



# Notes to Financial Statements

31 March 2003

## 30. CONTINGENT LIABILITIES

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

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bills discounted with recourse	<b>1,866</b>	1,113	—	—
Guarantees granted to subsidiaries for:				
Banking facilities	—	—	<b>16,000</b>	16,000
Finance lease facilities	—	—	<b>553</b>	—
	<b>—</b>	—	<b>16,553</b>	16,000

As at 31 March 2003, the guarantees given in connection with facilities granted to subsidiaries by the Company were utilised to the extent of HK\$2,831,000 (2002: HK\$2,448,000).

## 31. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its investment property (note 15 to the financial statements) under an operating lease arrangement, with the lease negotiated for a term of one year. The terms of the lease also require the tenant to pay a security deposit and provide for periodic rental adjustments according to the then prevailing market conditions.

At 31 March 2003, the Group had a total future minimum lease receivable under a non-cancellable operating lease with its tenant falling due within one year of HK\$144,000 (2002: HK\$144,000).

### (b) As lessee

The Group leases certain of its staff quarters under operating lease arrangements. Leases for these properties are negotiated for terms ranging one to two years.

# Notes to Financial Statements

31 March 2003

## 31. OPERATING LEASE ARRANGEMENTS (Continued)

### (b) As lessee (Continued)

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\$'000	HK\$'000
Within one year	1,092	1,357
In the second to fifth years, inclusive	550	29
	<b>1,642</b>	<b>1,386</b>

## 32. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 31(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Contracted, but not provided for:		
Mould deposits	85	170
Capital contribution into a subsidiary	3,930	—
	<b>4,015</b>	<b>170</b>

The Company had no significant commitments at the balance sheet date (2002: Nil).

### 33. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, in a press announcement of the Company dated 25 July 2003, the directors of the Company stated their intention to put forward a proposal to the shareholders of the Company to reduce the share premium account of the Company (the "Proposal") pursuant to the law of Bermuda and the Company's Bye-laws.

The amount standing to the credit of the share premium account of the Company as at the balance sheet date and 25 July 2003 was HK\$103,948,000. It was proposed that the share premium account of the Company as at 25 July 2003 be reduced by an amount of HK\$103,948,000 to zero of which HK\$98,953,000 would be applied towards the elimination of the accumulated losses of the Company and the remaining balance of HK\$4,995,000 would be credited to the distributable reserve account of the Company.

The Proposal is conditional upon, inter alia, the passing of a special resolution to approve the Proposal at the Company's forthcoming Annual General Meeting and the compliance with section 46 of the Companies Act 1981 of Bermuda, including the publication of a notice of the reduction of the share premium account of the Company in an appointed newspaper in Bermuda.

### 34. 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 prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

### 35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 July 2003.