

## **1. CORPORATE INFORMATION**

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

- Manufacture and sale of laminates
- Manufacture and sale of printed circuit boards
- Manufacture and sale of copper foil

## **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 22 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. Further details of this change and the prior year adjustment that has resulted from it are included in the accounting policy for “Foreign currencies” in note 3 to the financial statements and in the consolidated statement of changes in equity.

## **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 27(c) 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 schemes, as detailed in note 25 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 an investment property and other investments, 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)

#### **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.

#### **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 property, are stated at cost 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.

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

#### Fixed assets and depreciation (continued)

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

Freehold land	Nil
Leasehold land	2%
Buildings	2% – 4.5%
Leasehold improvements	20%
Plant and machinery	9% – 10%
Furniture and office equipment	10% – 20%
Motor vehicles	18% – 20%

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.

#### Construction in progress

Construction in progress represents factory buildings and plant and machinery under construction, and is included in fixed assets and stated at cost less any impairment losses. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. No depreciation is provided until the construction work is completed. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

#### Investment property

Investment property is interest in land and building in respect of which construction work and development has been completed and which is intended to be held on a long term basis for its investment potential, any rental income being negotiated at arm's length. Such property is not depreciated and is stated at its open market value on the basis of annual professional valuations performed at the end of each financial year.

Changes in the value of such investment property is dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, 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 such 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.

**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 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.

**Trademark**

The trademark is stated at cost less any impairment losses. It is amortised using the straight-line basis over its estimated useful life of five years, commencing from the date when the products are put into commercial production.

**Other investments**

Other investments represent an investment in a listed equity security and an unlisted fund which are held for the purpose of capital gain, and are stated at their fair values on the basis of their quoted market price and market price quoted by the bank, respectively, at the balance sheet date. The gains or losses arising from changes in the fair value of such investments are credited or charged to the profit and loss amount in the period in which they arise.

**Inventories**

Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs expected to be incurred to completion and in selling and distribution.

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

#### **Properties held for resale**

Properties held for resale, consisting of completed properties, are classified under current assets and stated at the lower of cost and net realisable value. Cost consists of all expenditure directly attributable to the acquisition and development of the properties plus other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices, less all costs of marketing and selling, on an individual basis.

#### **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.

#### **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 equalisation 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.

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 and 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 resulted in a prior year adjustment, further details of which are included in note 26(a) to the financial statements. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously-reported cash flows of the prior year.

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

#### **Foreign currencies** (continued)

With respect to the investments in certain overseas subsidiaries which are financed by way of loans that are not repayable in the foreseeable future, rather than by equity, the resulting exchange differences on translation are included in the exchange equalisation reserve. In the opinion of the directors, such loans are for practical purposes as permanent as equity and, accordingly, are treated as part of the Group's net investment in the subsidiaries.

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

#### **Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### **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)

#### **Employee benefits**

##### *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 in Hong Kong. Ongoing contributions to the MPF Scheme are made based on a percentage of the employees’ 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.

The Group operates defined contribution schemes for those employees in Thailand who are eligible and have elected to participate in the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions are made based on a percentage of the participating employees’ basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. When an employee leaves the scheme prior to his/her interest in the Group’s employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The employees of the Group’s subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain 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.

##### *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.



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

#### **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.

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 27(c) to the financial statements.

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

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 5% has been applied to the expenditure on the individual assets.

#### **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 manufacture and sale of laminates segment is a supplier of industrial laminates mainly for use in the manufacture of telecommunications and computer-related products;
- (b) the manufacture and sale of printed circuit boards ("PCBs") segment is a supplier of PCBs mainly for use in audio and visual household products; and
- (c) the manufacture and sale of copper foil segment is a supplier of copper foil mainly for use in the manufacture of industrial laminates and PCBs.

In determining the Group's geographical segments, revenues 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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## Notes to Financial Statements

31 March 2003

### 4. SEGMENT INFORMATION (continued)

#### (a) Business segments

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

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foil		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external										
customers	149,115	136,514	72,261	73,157	2,346	8,375	-	-	223,722	218,046
Intersegment sales	24,417	25,600	-	-	40,769	39,710	(65,186)	(65,310)	-	-
Other revenue	1,843	1,566	357	272	138	155	(1,298)	(1,296)	1,040	697
Total	175,375	163,680	72,618	73,429	43,253	48,240	(66,484)	(66,606)	224,762	218,743
Segment results	36,983	23,113	27,093	27,427	(1,651)	2,982	(64,830)	(63,877)	(2,405)	(10,355)
Interest income									90	25
Unallocated expenses									(1,257)	(2,268)
Loss from operating									(3,572)	(12,598)
activities									(6,228)	(6,941)
Finance costs									(9,800)	(19,539)
Loss before tax									(178)	(544)
Tax										
Net loss from ordinary										
activities attributable to										
shareholders									(9,978)	(20,083)

## Notes to Financial Statements

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### 4. SEGMENT INFORMATION (continued)

#### (a) Business segments (continued)

	Manufacture and sale of laminates		Manufacture and sale of PCBs		Manufacture and sale of copper foil		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>259,906</u>	260,855	<u>40,092</u>	47,136	<u>63,628</u>	75,937	<u>(64,269)</u>	(84,336)	<u>299,357</u>	299,592
Unallocated assets									<u>21,301</u>	20,207
Total assets									<u>320,658</u>	<u>319,799</u>
Segment liabilities	<u>27,208</u>	22,840	<u>34,308</u>	42,658	<u>18,541</u>	26,368	<u>(36,540)</u>	(55,345)	<u>43,517</u>	36,521
Bank loans and other borrowings	<u>66,312</u>	58,239	<u>7,538</u>	6,342	<u>10,370</u>	12,529	-	-	<u>84,220</u>	77,110
Unallocated liabilities									<u>436</u>	637
Total liabilities									<u>128,173</u>	<u>114,268</u>
Other segment information:										
Depreciation	<u>6,207</u>	5,563	<u>3,719</u>	4,189	<u>9,235</u>	7,797	-	-	<u>19,161</u>	17,549
Unallocated provisions/ (write back of provision) for impairment in values of properties held for resale									<u>(500)</u>	1,300
Provisions/(write back of provision) for bad and doubtful debts	<u>(881)</u>	1,373	<u>1,889</u>	745	-	-	-	-	<u>1,008</u>	2,118
Provisions/(write back of provision) against inventories	<u>(2,813)</u>	1,588	-	-	<u>(10)</u>	(20)	-	-	<u>(2,823)</u>	1,568
Write off of inventories	-	-	-	-	-	3,721	-	-	-	3,721
Capital expenditure	<u>8,829</u>	13,453	<u>5,519</u>	7,057	<u>1,032</u>	1,434	-	-	<u>15,380</u>	21,944

## Notes to Financial Statements

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### 4. SEGMENT INFORMATION (continued)

#### (b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	The People's Republic of China								Consolidated	
	Hong Kong		Mainland China		Overseas		Eliminations		2003	2002
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	183,644	173,425	14,615	13,786	25,463	30,835	-	-	223,722	218,046
Other segment information:										
Segment assets	143,503	166,444	177,461	161,444	63,963	76,247	(64,269)	(84,336)	320,658	319,799
Capital expenditure	3	533	14,345	19,977	1,032	1,434	-	-	15,380	21,944

### 5. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of turnover and revenue is as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
<b>Turnover</b>		
Sale of goods	223,722	218,046
<b>Other revenue</b>		
Sale of scrap materials	678	272
Interest income	90	25
Others	362	425
	1,130	722
Total turnover and revenue	224,852	218,768

## Notes to Financial Statements

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### 6. LOSS FROM OPERATING ACTIVITIES

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

		Group	
		2003	2002
	Notes	HK\$'000	HK\$'000
Auditors' remuneration		715	684
Depreciation	14	19,161	17,549
Provisions for bad and doubtful debts		1,008	2,118
Provisions/(write back of provision) against inventories		(2,823)	1,568
Provisions/(write back of provision) for impairment in values of properties held for resale*	19	(500)	1,300
Deficit on revaluation of an investment property	15	470	–
Write off of inventories		–	3,721
Staff costs (including directors' remuneration – note 8):			
Pension scheme contributions		362	425
Less: Forfeited contributions		(30)	(99)
Net pension scheme contributions**		332	326
Salaries and wages		24,824	27,782
		<u>25,156</u>	<u>28,108</u>
Foreign exchange losses/(gains), net		756	(132)
Loss on disposal of fixed assets, net		–	34
		<u>                    </u>	<u>                    </u>

\* The provisions/(write back of provision) for impairment in values of properties held for resale for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

\*\* At 31 March 2003, there were no forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years (2002: Nil).

## Notes to Financial Statements

31 March 2003

### 7. FINANCE COSTS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Interest expense on:		
Bank loans and other borrowings wholly repayable within five years	3,967	3,762
Factoring arrangements	2,102	2,317
Finance leases	877	1,112
Total interest	6,946	7,191
Less: Interest capitalised in construction in progress	(718)	(250)
	<u>6,228</u>	<u>6,941</u>

### 8. DIRECTORS' REMUNERATION

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	300	300
Other emoluments:		
Salaries, allowances and benefits in kind:		
Executive directors	6,556	8,326
Independent non-executive directors	–	–
	<u>6,856</u>	<u>8,626</u>

A management fee of HK\$468,000 (2002: HK\$692,000) paid to Emerald Hope Investments Limited during the year was included in the above remuneration.

## 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 – HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	2	–
HK\$2,500,001 – HK\$3,000,000	–	2
	<u>8</u>	<u>8</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2002: Nil).

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2002: five) directors, details of whose remuneration are set out in note 8 above.

### 10. TAX

	Group	
	2003 HK\$'000	2002 HK\$'000
Provision for the year:		
Hong Kong	38	–
Mainland China	–	16
Overseas	–	478
Underprovision in the prior year	140	50
Tax charge for the year	<u>178</u>	<u>544</u>

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax had been made in the prior year as the Group had no assessable profits which were earned in or derived from Hong Kong during that year. Taxes on profits assessable elsewhere in the PRC have been calculated at the applicable rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's PRC subsidiaries enjoy income tax exemptions and reductions.



## Notes to Financial Statements

31 March 2003

### 10. TAX (continued)

The overseas tax represents corporate income tax ("CIT") payable by a subsidiary operating in Thailand. The tax is charged at 30% (2002: 30%) on the income earned from non-promoted activities as defined by the Board of Investment in Thailand (the "Board of Investment"). The subsidiary received promotional privileges from the Board of Investment under promotion certificates issued for the manufacture of copper foil. Under these privileges, this subsidiary was exempt from certain taxes and duties as detailed in the certificates, including exemption from CIT for a period of seven years from the date of commencement of the promoted business of this subsidiary. As a promoted industry, the subsidiary is required to comply with the terms and conditions as specified in the promotion certificates.

### 11. NET 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\$6,743,000 (2002: net loss of HK\$968,000).

### 12. DIVIDEND

	Group and Company	
	2003	2002
	HK\$'000	HK\$'000
Interim – 1 HK cent (2002: Nil) per share	<u>3,713</u>	<u>–</u>

The directors do not recommend the payment of a final dividend in respect of the year.

### 13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders of HK\$9,978,000 (2002: HK\$20,083,000) and the weighted average of 371,464,740 (2002: 371,834,088) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2003 and 2002 have not been disclosed, as the share options outstanding during these years had an anti-dilutive effect on the basic loss per share for both of the years.

## Notes to Financial Statements

31 March 2003

### 14. FIXED ASSETS

#### Group

	Land and buildings	Leasehold improve- ments	Plant and machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:							
At beginning of year	67,324	4,939	188,398	17,264	2,901	46,129	326,955
Additions	185	–	7,310	253	230	7,402	15,380
Transfers	3,419	–	2,056	–	–	(5,475)	–
Exchange realignment	245	–	768	14	5	(119)	913
<b>At 31 March 2003</b>	<b>71,173</b>	<b>4,939</b>	<b>198,532</b>	<b>17,531</b>	<b>3,136</b>	<b>47,937</b>	<b>343,248</b>
Accumulated depreciation:							
At beginning of year	12,261	4,823	99,334	12,655	2,227	–	131,300
Provided during the year	2,670	116	15,303	890	182	–	19,161
Exchange realignment	24	–	371	9	3	–	407
<b>At 31 March 2003</b>	<b>14,955</b>	<b>4,939</b>	<b>115,008</b>	<b>13,554</b>	<b>2,412</b>	<b>–</b>	<b>150,868</b>
Net book value:							
<b>At 31 March 2003</b>	<b>56,218</b>	<b>–</b>	<b>83,524</b>	<b>3,977</b>	<b>724</b>	<b>47,937</b>	<b>192,380</b>
At 31 March 2002	55,063	116	89,064	4,609	674	46,129	195,655

At the balance sheet date, the Group's land and buildings were situated in the following locations under the following lease terms:

	2003 HK\$'000	2002 HK\$'000
At cost:		
Freehold land and buildings situated in Thailand	24,826	24,470
Medium term leasehold land and buildings situated in Hong Kong	1,039	1,039
Medium term leasehold land and buildings situated in Mainland China	45,308	41,815
	<b>71,173</b>	<b>67,324</b>

The net book values of plant and machinery and motor vehicles held under finance leases at the balance sheet date amounted to HK\$16,230,000 (2002: HK\$21,143,000) and HK\$600,000 (2002: HK\$554,000), respectively.

At 31 March 2003, the Group's land and buildings with a net book value of HK\$33,687,000 (2002: HK\$25,205,000) were pledged for banking facilities granted to the Group (note 22).

## Notes to Financial Statements

31 March 2003

### 15. INVESTMENT PROPERTY

	Group	
	2003 HK\$'000	2002 HK\$'000
Transfer from properties held for resale (note 19)	4,800	–
Deficit on revaluation	(470)	–
At end of year	<u>4,330</u>	<u>–</u>

The Group's investment property at 31 March 2003 is situated in Hong Kong and is held under a medium term lease.

The revaluation of the above investment property was carried out by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuers, on an open market, existing use basis, as at 31 March 2003.

At 31 March 2003, the Group's investment property was pledged to a bank for banking facilities granted to the Group (note 22).

### 16. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	63,074	63,074
Amounts due from subsidiaries	181,801	168,067
Amount due to a subsidiary	(245)	(11)
	<u>244,630</u>	<u>231,130</u>
Provision for impairment	(10,371)	–
	<u>234,259</u>	<u>231,130</u>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

## Notes to Financial Statements

31 March 2003

### 16. INTERESTS IN SUBSIDIARIES (continued)

Details of the principal subsidiaries are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2003	2002	
Nam Hing (B.V.I.) Limited	British Virgin Islands	US\$50,000	100	100	Investment holding
Nam Hing Industrial Laminate Limited	Hong Kong	HK\$200 HK\$2,000,000*	100	100	Trading of laminates
Nam Hing Circuit Board Company Limited	Hong Kong	HK\$500,000	100	100	Trading of printed circuit boards
Bangkok Industrial Laminate Company Limited #	Thailand	Baht20,000,000	100	100	Trading and manufacture of copper foil
Zhongshan Nam Hing Insulating Material Limited	Mainland China	HK\$93,000,000	100	100	Manufacture of laminates
Nam Hing Circuit Board (Dongguan) Co., Ltd.	Mainland China	HK\$28,000,000	100	100	Manufacture of printed circuit boards
Suzhou Nam Hing Industrial Laminate Limited	Mainland China	US\$6,800,000	100	100	Not yet commenced business
Zhongshan Chung Yuen Electronic Applied Materials Company Limited	Mainland China	HK\$2,000,000	100	–	Manufacture of laminates

# Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms

\* Non-voting deferred shares

Except for Nam Hing (B.V.I.) Limited which operates in Hong Kong, all of the other subsidiaries' places of operations are the same as their places of incorporation/registration.

## Notes to Financial Statements

31 March 2003

### 16. INTERESTS IN SUBSIDIARIES (continued)

Except for Nam Hing (B.V.I.) Limited, all subsidiaries are indirectly held by the Company.

The above summary 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.

### 17. TRADE DEBTORS

An aged analysis of the trade debtors at the balance sheet date is as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Within 3 months	29,210	29,727
4 to 6 months	10,225	12,212
Over 6 months	4,061	2,749
	<u>43,496</u>	<u>44,688</u>

The Group's credit terms given to its customers vary, and are generally around three months, and are granted based on the financial strengths of the individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically by management.

### 18. INVENTORIES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Raw materials	25,696	24,132
Work in progress	758	693
Finished goods	20,010	21,333
	<u>46,464</u>	<u>46,158</u>
Less: Provision against inventories	(4,073)	(6,912)
	<u>42,391</u>	<u>39,246</u>

The carrying amount of inventories carried at net realisable value included in the above balance was HK\$1,113,000 (2002: HK\$1,291,000) at the balance sheet date.

## Notes to Financial Statements

31 March 2003

### 19. PROPERTIES HELD FOR RESALE

	Group	
	2003	2002
	HK\$'000	HK\$'000
At beginning of year	20,000	21,300
Transfer to an investment property (note 15)	(4,800)	–
Write back of provision/(provision) for impairment in value	500	(1,300)
At end of year	15,700	20,000

The Group's properties held for resale are held under medium term leases.

The carrying amount of properties held for resale carried at net realisable value included in the above balance was HK\$15,700,000 (2002: HK\$20,000,000) at the balance sheet date.

Details of the properties held for resale are as follows:

Location	Use	Site area/gross floor area (sq. feet)	Percentage of attributable interest of the Group
Lot Nos. 587, 588, 675, 714, 1875A, 1875B and the remaining portion of Lot Nos. 589 and 1875C, Demarcation District, No. 107, Fung Kat Heung, Yuen Long, New Territories.	Industrial	78,408/ 46,505	100

At 31 March 2003, the Group's properties held for resale with an aggregate carrying amount of HK\$15,700,000 (2002: HK\$20,000,000) were pledged for banking facilities granted to the Group (note 22).

## Notes to Financial Statements

31 March 2003

### 20. OTHER INVESTMENTS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Listed equity investment in Hong Kong, at market value	80	–
Unlisted investment, at fair value	1,051	–
	<u>1,131</u>	<u>–</u>

At 31 March 2003, the Group's other investment amounting to HK\$1,051,000 (2002: Nil) was pledged to a bank for banking facilities granted to the Group (note 22).

### 21. TRADE CREDITORS

An aged analysis of the trade creditors at the balance sheet date is as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Within 3 months	19,591	17,104
4 to 6 months	1,845	1,831
Over 6 months	4,514	1,591
	<u>25,950</u>	<u>20,526</u>

## Notes to Financial Statements

31 March 2003

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Bank overdrafts, secured	19,380	13,464
Bank loans, secured	26,024	22,285
Trust receipt loans, secured	28,008	25,913
Loan from a director, unsecured	769	2,366
	<u>74,181</u>	<u>64,028</u>
Less: Portion due within one year included under current liabilities	(64,156)	(56,476)
Long term portion	<u>10,025</u>	<u>7,552</u>
Bank loans and other borrowings are repayable:		
Within one year	64,156	56,476
In the second year	4,700	3,152
In the third to fifth years, inclusive	5,325	4,400
	<u>74,181</u>	<u>64,028</u>

Certain bank borrowings are secured by:

- (a) the Group's leasehold land and buildings with an aggregate net book value of HK\$33,687,000 (2002: HK\$25,205,000);
- (b) the Group's investment property of HK\$4,330,000 (2002: Nil);
- (c) the Group's properties held for resale with an aggregate carrying amount of HK\$15,700,000 (2002: HK\$ 20,000,000);
- (d) the Group's other investment amounting to HK\$1,051,000 (2002: Nil); and
- (e) the Group's fixed deposits amounting to HK\$9,083,000 (2002: HK\$3,000,000).

The loan from a director is unsecured, interest-free and has no fixed terms of repayment. In the prior year, the loan bore interest at 11% per annum.



## Notes to Financial Statements

31 March 2003

### 23. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its manufacturing operations. These leases are classified as finance leases and have remaining lease terms ranging from one to four years.

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

<b>Group</b>	<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	6,810	6,497	6,112	5,668
In the second year	2,761	5,819	2,538	5,434
In the third to fifth years, inclusive	1,448	2,045	1,389	1,980
Total minimum finance lease payments	<u>11,019</u>	14,361	<u>10,039</u>	<u>13,082</u>
Future finance charges	(980)	(1,279)		
Total net finance lease payables	<u>10,039</u>	13,082		
Portion classified as current liabilities	(6,112)	(5,668)		
Long term portion	<u>3,927</u>	<u>7,414</u>		

### 24. DEFERRED TAX

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

	<b>Group</b>		<b>Company</b>	
	<b>2003 HK\$'000</b>	2002 HK\$'000	<b>2003 HK\$'000</b>	2002 HK\$'000
Accelerated depreciation allowances	(270)	(310)	–	–
Tax losses	9,320	6,540	594	155
	<u>9,050</u>	<u>6,230</u>	<u>594</u>	<u>155</u>

## Notes to Financial Statements

31 March 2003

### 25. SHARE CAPITAL

#### Shares

	Company	
	2003 HK\$'000	2002 HK\$'000
Authorised:		
500,000,000 (2002: 500,000,000) ordinary shares of HK\$0.10 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
371,718,800 (2002: 371,850,800) ordinary shares of HK\$0.10 each	<u>37,172</u>	<u>37,185</u>

During the year, the movements in the Company's share capital were as follows:

- (a) The subscription rights attaching to 1,210,000 share options were exercised at the subscription price of HK\$0.2104 per share, resulting in the issue of 1,210,000 ordinary shares of HK\$0.10 each for a total cash consideration before the related issue expenses of approximately HK\$255,000.
- (b) The Company repurchased a total of 1,342,000 ordinary shares of the Company of HK\$0.10 each on The Stock Exchange of Hong Kong Limited as follows:

Month	Number of shares	Price per share		Total price paid HK\$
		Highest HK\$	Lowest HK\$	
August 2002	<u>1,342,000</u>	0.180	0.168	<u>235,326</u>

The repurchased shares were cancelled upon repurchase and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK\$101,000 has been debited to the share premium account. An amount equivalent to the total par value of the shares cancelled of HK\$134,000 has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

## Notes to Financial Statements

31 March 2003

### 25. SHARE CAPITAL (continued)

#### Shares (continued)

A summary of the above movements in the Company's issued share capital during the year is as follows:

	Carrying amount HK\$'000	Number of issued shares
At 1 April 2001	37,180	371,800,800
Exercise of share options	5	50,000
At 31 March 2002 and 1 April 2002	37,185	371,850,800
Exercise of share options (a)	121	1,210,000
Repurchase of shares (b)	(134)	(1,342,000)
<b>At 31 March 2003</b>	<b>37,172</b>	<b>371,718,800</b>

#### Share option schemes

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 schemes 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.

On 12 January 1994, the Company adopted a share option scheme (the "Old Scheme"), which was the first share option scheme of the Company, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Old Scheme was terminated and replaced by a new share option scheme (the "New Scheme") at the annual general meeting of the Company held on 23 August 2002. Upon termination of the Old Scheme, no further options can be granted thereunder but in all other respects, the provisions of the Old Scheme shall remain in force and any options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

The maximum number of unexercised share options currently permitted to be granted under the Old Scheme and the New Scheme must not in aggregate exceed 30% of the shares of the Company in issue at any time.

**25. SHARE CAPITAL** (continued)

**Share option schemes** (continued)

A summary of the share option schemes of the Company is as follows:

	<b>Old Scheme</b>	<b>New Scheme</b>
Purpose	To provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity").
Participants	Employees (including directors) of the Company or any of its subsidiaries.	<ul style="list-style-type: none"> <li>(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company, any of its subsidiaries or any Invested Entity;</li> <li>(ii) any supplier of goods or services to any member of the Group or any Invested Entity; any customer of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and</li> <li>(iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.</li> </ul>

**25. SHARE CAPITAL** (continued)

**Share option schemes** (continued)

	<b>Old Scheme</b>	<b>New Scheme</b>
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report	Nil.	37,080,880 ordinary shares and 9.97% of the issued share capital.
Maximum entitlement of each participant	Shall not exceed 25% of the total number of ordinary shares in respect of the options that may be granted in accordance with the scheme.	Shall not exceed 1% of the issued share capital of the Company in any 12-month period.
Period within which the securities must be taken up under an option	An option may be exercised at any time during the 3-year period commencing on the expiry of six months after the date on which the option is accepted and expiring on the last day of the 3-year period or 11 January, 2004, the tenth anniversary of the date of adoption of the Old Scheme, whichever is earlier.	An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not more than 10 years from the date of offer of the grant of options subject to the provisions for early termination thereof.
Minimum period for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.
Amount payable on acceptance and the period within which such payment must be made	The offer of a grant of share options shall be accepted within 28 days from the date of the offer with a consideration of HK\$1.00 being payable by the grantee.	The offer of a grant of share options shall be accepted within 28 days from the date of the offer with a consideration of HK\$1.00 being payable by the grantee.

**25. SHARE CAPITAL** (continued)

**Share option schemes** (continued)

	<b>Old Scheme</b>	<b>New Scheme</b>
Basis of determining the exercise price	Determined by the directors based on the higher of (i) the nominal value of shares; and (ii) a price being not less than 80% of the average closing price of the ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the grant of options.	Determined by the directors but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant of options; and (iii) the nominal value of shares.
The remaining life of the scheme	The scheme was terminated on 28 August 2002.	The scheme remains in force until 27 August 2012.

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

## Notes to Financial Statements

31 March 2003

### 25. SHARE CAPITAL (continued)

#### Share option schemes (continued)

The following table showed the movement of share options during the year:

Name or category of participant	Number of share options outstanding at 1 April 2002	Number of share options exercised during the year	Number of share options lapsed during the year	Number of share options outstanding at 31 March 2003	Date of grant of share options	Exercise period of share options	Exercise price of share options**
<b>Directors</b>							
Mr Lau Kwai	1,500,000	-	(1,500,000)	-	7 July 1999	From 7 January 2000 to 6 January 2003	0.2620
Mr Lau Chung Yim	1,500,000	-	(1,500,000)	-	7 July 1999	From 7 January 2000 to 6 January 2003	0.2620
Mr Lau Chung Hung	3,000,000	-	(3,000,000)	-	7 July 1999	From 7 January 2000 to 6 January 2003	0.2620
Mr Lau Hing Hai	3,000,000	-	(3,000,000)	-	7 July 1999	From 7 January 2000 to 6 January 2003	0.2620
Ms Lau May Wah	1,500,000	-	(1,500,000)	-	7 July 1999	From 7 January 2000 to 6 January 2003	0.2620
<b>Other employees</b>							
In aggregate	850,000	(430,000)*	(220,000)	200,000	22 May 2000	From 22 November 2000 to 21 November 2003	0.2104
	850,000	(430,000)*	(220,000)	200,000	22 May 2000	From 22 November 2001 to 21 November 2003	0.2104
	850,000	(350,000)*	(260,000)	240,000	22 May 2000	From 22 November 2002 to 21 November 2003	0.2104
	<u>13,050,000</u>	<u>(1,210,000)</u>	<u>(11,200,000)</u>	<u>640,000</u>			

\* The weighted average closing price of the shares immediately before the dates on which the options were exercised is HK\$0.238.

\*\* 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.

During the year, no options to subscribe for ordinary shares in the Company have been granted to any eligible participants, including the directors or their respective employees of the Group, its holding company or any of its subsidiaries.

## **25. SHARE CAPITAL** (continued)

### **Share option schemes** (continued)

At the balance sheet date, the Company had 640,000 outstanding share options under the Old Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 640,000 additional ordinary shares of the Company and additional share capital of HK\$64,000 and share premium of HK\$71,000 (before issue expenses).

## **26. 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 22 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 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 been accounted for retrospectively and has resulted in a debit to the exchange equalisation reserve of HK\$2,780,000 as at 1 April 2002 and 1 April 2001, with an equivalent amount credited to retained profits at those dates, as set out in the consolidated statement of changes in equity. This prior year adjustment has had no effect on the current year.

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1994, over the nominal value of the Company's shares issued in exchange therefor.



## Notes to Financial Statements

31 March 2003

### 26. RESERVES (continued)

#### (b) Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2001	120,336	62,604	330	11,582	194,852
Premium on shares issued	3	–	–	–	3
Net loss for the year	–	–	–	(968)	(968)
At 31 March 2002 and 1 April 2002	120,339	62,604	330	10,614	193,887
Repurchase of shares	(101)	–	134	(134)	(101)
Premium on shares issued	134	–	–	–	134
Net profit for the year	–	–	–	6,743	6,743
Interim 2003 dividend (note 12)	–	–	–	(3,713)	(3,713)
<b>At 31 March 2003</b>	<b>120,372</b>	<b>62,604</b>	<b>464</b>	<b>13,510</b>	<b>196,950</b>

The contributed surplus of the Company represents the excess of the fair value of the subsidiaries acquired pursuant to the reorganisation referred to in note 26(a), over the nominal value of the Company's shares issued for their acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

The capital redemption reserve represents the par value of shares of the Company which have been repurchased and cancelled.

## 27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of loss before tax to net cash inflow from operating activities

	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)
Loss before tax		(9,800)	(19,539)
Adjustments for:			
Finance costs	7	6,228	6,941
Interest income	5	(90)	(25)
Depreciation	6	19,161	17,549
Provisions for bad and doubtful debts	6	1,008	2,118
Provisions/(write back of provision) against inventories	6	(2,823)	1,568
Provisions/(write back of provision) for impairment in values of properties held for resale	6	(500)	1,300
Deficit on revaluation of an investment property	6	470	–
Write off of inventories	6	–	3,721
Loss on disposal of fixed assets, net	6	–	34
Operating profit before working capital changes:		13,654	13,667
Decrease/(increase) in trade debtors		184	(7,761)
Decrease/(increase) in other debtors, prepayments and deposits		5,103	(2,254)
Decrease/(increase) in inventories		(322)	13,104
Increase/(decrease) in trade creditors		5,424	(13,215)
Increase in bills payable		146	5,064
Increase in other creditors and accruals		1,459	1,446
Cash generated from operations		25,648	10,051
Dividend paid		(3,713)	(3,718)
Hong Kong profits tax refunded/(paid)		(38)	196
Overseas taxes paid		(355)	(1,607)
Net cash inflow from operating activities		21,542	4,922

### (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 leases of HK\$2,550,000 (2002: HK\$3,308,000).

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

### (c) 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 and dividends paid are now included in cash flows from operating activities, interest received is now included in cash flows from investing 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.

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\$8,456,000, 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 cash flow statement has been changed accordingly.

## 28. CONTINGENT LIABILITIES

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

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$’000</b>	HK\$’000
Debts factored with recourse	<u>36,177</u>	<u>28,585</u>

At 31 March 2003, the Company had guarantees given to banks in connection with facilities granted to its subsidiaries to the extent of approximately HK\$113,263,000 (2002: HK\$99,458,000), of which HK\$73,412,000 (2002: HK\$61,662,000) had been utilised at the balance sheet date.

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### 28. 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 HK\$711,000 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.

### 29. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases its investment property (note 15) under an operating lease arrangement, with the lease negotiated for a term of three years. The term of the lease also requires the tenants to pay security deposits.

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

	2003 HK\$'000	2002 HK\$'000
Within one year	140	–
In the second to fifth years, inclusive	268	–
	<u>408</u>	<u>–</u>

#### (b) As lessee

The Group leases its office premise under an operating lease arrangement, with the lease negotiated for a term of two years.

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

	2003 HK\$'000	2002 HK\$'000
Within one year	64	–
In the second to fifth years, inclusive	58	–
	<u>122</u>	<u>–</u>

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### 30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29(b) above, at the balance sheet date, the Group had the following commitments in respect of capital expenditure, which was authorised, but not provided for in the financial statements:

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Contracted for in respect of:				
Capital contribution to subsidiaries	37,000	–	–	–
Purchases of fixed assets	5,234	5,396	–	–
Not contracted for	116	1,737	–	–
	<u>42,350</u>	<u>7,133</u>	<u>–</u>	<u>–</u>

### 31. RELATED PARTY TRANSACTIONS

In the prior year, the Group paid interest of HK\$323,000 on a loan from a director, further details of which are set out in note 22.

In the prior year, certain banking facilities of the Group were secured by properties owned by a director of the Company. The director received no consideration for providing this collateral.

### 32. 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 reclassified and restated to conform with the current year's presentation.

### 33. APPROVAL OF THE FINANCIAL STATEMENTS

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