



1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAPs”) and Interpretations issued by the Hong Kong Society of Accountants (“HKSA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the financial statements is historical cost, as modified by the revaluation of certain property, plant and equipment.

A summary of the significant accounting policies adopted by the Group is set out below:

(a) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

(b) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

On disposal of a subsidiary, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary.



1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary. The results of subsidiaries are accounted for by the Company to the extent of dividends received and receivable during the year.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement 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 asset, the expenditure is capitalised as an additional cost of the asset.

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

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Certain of the Group's machinery and equipment are carried at valuation less depreciation. Advantage has been taken of the transitional relief provided by paragraph 72 of SSAP 17 "Property, Plant and Equipment" issued by the HKSA from the requirement to make regular revaluations of the Group's machinery and equipment, which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of such machinery and equipment is carried out. The revaluation increase arising on the revaluation of these assets in previous years was credited to the asset revaluation reserve. On the subsequent sale or retirement of a revalued asset, the attributable revaluation increase is transferred to retained profits.



1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, on a straight line basis, as follows:

<u>Category of assets</u>	<u>Estimated useful lives</u>
Leasehold land	Over the remaining term of the relevant lease
Buildings	25 to 40 years or over the remaining term of the relevant lease, whichever is shorter
Other assets	4 to 10 years

(e) Properties held for development

Properties held for development are stated at cost less any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying value. Cost includes the cost of land, development expenditure and other attributable expenses.

(f) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, financial and other attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.



1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries operating outside Hong Kong, which are denominated in currencies other than Hong Kong dollars, are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

(i) Operating leases

Operating leases are leases whereby substantially all the risks and rewards of ownership of the assets remain with the lessors. Rentals payable under operating leases are charged to the income statement over the relevant lease terms.

(j) Taxation

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

(k) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transactions during the year will flow to the Group and these benefits can be measured reliably on the following bases:

(i) Sale of properties

Revenue from the sale of properties is recognised on the execution of a binding sales agreement.



1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Revenue recognition *(Continued)*

(ii) Sale of goods

Sale of goods is recognised when the goods are delivered and title has passed.

(iii) Rental income

Rental income is recognised on a straight line basis over the relevant lease term.

(iv) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2. TURNOVER AND CONTRIBUTION

The principal activities of the Group are property development and investment and treasury activities. The Group's turnover comprises proceeds from sale of goods and properties, income from property rental and related services, and interest income, as analysed below:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Continuing operations:		
Proceeds from sale of properties	4,761	6,830
Income from property rental and related services	1,895	1,978
Interest from bank deposits	34,403	37,741
	41,059	46,549
Discontinued operations:		
Proceeds from sale of goods	–	454,398
	41,059	500,947

2. TURNOVER AND CONTRIBUTION (Continued)

The following is an analysis of the turnover and contribution to profit of the Group:

(a) By activity

	Turnover		Contribution to profit before taxation	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:				
Property development and investment	6,656	8,808	297	(21,254)*
Treasury activities:				
– interest income	34,403	37,741	34,403	37,741
Discontinued operations:				
Manufacture and sale of goods	–	454,398	–	105,338
	41,059	500,947	34,700	121,825
Less: Unallocated administrative and other expenses			(25,554)	(23,378)
Finance costs			(4)	(5,330)
Add: Profit on disposal of discontinued operations				
– Printed Circuit Boards (“PCB”) manufacturing			–	1,296,778
			9,142	1,389,895

* including provision for properties held for sale amounted to HK\$16 million.

2. TURNOVER AND CONTRIBUTION *(Continued)*

(b) By geographical location

The turnover and contribution to profit of the Group for the year ended 31st March, 2001 analysed by geographical location are as follows:

	Turnover HK\$'000	Contribution to profit before taxation HK\$'000
Hong Kong	33,750	8,845
The People's Republic of China (the "PRC")	7,309	297
	41,059	9,142

Following the disposal of the Group's PCB manufacturing business on 6th August, 1999, the directors do not have information regarding the analysis of such business by geographical location for the period from 1st April, 1999 to 5th August, 1999 and accordingly, an analysis of the Group's turnover and contribution to profit by geographical location for the prior year is not disclosed.

3. OTHER REVENUE

Included in other revenue are exchange gains totalling HK\$1,005,000 (2000: HK\$14,783,000).

4. PROFIT FROM OPERATIONS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	350	400
Depreciation and amortisation		
– Owned assets	3,891	34,711
– Assets held under finance leases and hire purchase contracts	–	30
Staff costs	5,777	69,331
Operating lease rentals in respect of land and buildings	708	6,629
Provision for		
– Properties held for sale	–	16,000
– Doubtful debts	552	1,904
Loss on disposal/write-offs of property, plant and equipment	1,155	1,368



5. FINANCE COSTS

THE GROUP		
	2001 HK\$'000	2000 HK\$'000
Interests on:		
Finance leases and hire purchase contracts	4	1,346
Bank loans and overdrafts	–	3,984
	4	5,330

6. OTHER NON-OPERATING CHARGES

Other non-operating charges represent provisions for warranties and undertakings given by the Group in connection with the disposal of the PCB Subsidiaries (see note 29(d)).

7. PROFIT ON DISPOSAL OF DISCONTINUED OPERATIONS

On 6th August, 1999, the Group disposed of its subsidiaries engaged in the business of the manufacture and sale of printed circuit boards (the “PCB Subsidiaries”) and discontinued such business thereafter. The profit on disposal of the PCB Subsidiaries amounted to approximately HK\$1,296,778,000 was recognised by the Group in the year ended 31st March, 2000.

The combined results of the PCB Subsidiaries for the period from 1st April, 1999 up to 5th August, 1999, which have been prepared based on their unaudited management accounts and included in the consolidated income statement for the year ended 31st March, 2000, were as follows:

	HK\$'000
Turnover	452,224
Cost of sales	(316,914)
	135,310
Other revenue	10,193
Operating expenses and finance costs	(43,961)
	101,542
Profit before taxation	101,542
Taxation	(7,108)
Profit for the period	94,434

In connection with this disposal, the Group has undertaken not to, directly or indirectly, carry on any business which competes with the business as carried on by the PCB Subsidiaries, except the manufacturing and sale of laminates, prepreg and machinery used in such business, for a period of two years following the date of completion of the disposal.

8. TAXATION

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
The credit (charge) comprises:		
Company and subsidiaries		
Hong Kong Profits Tax	–	(7,108)
Overprovision of overseas taxation written back	817	–
Deferred taxation	–	3,820
	817	(3,288)

No provision for Hong Kong Profits Tax and overseas taxation has been made in the financial statements for the current year as the Group has no assessable profits for the year. Hong Kong Profits Tax for 2000 was calculated at 16% of the estimated assessable profits for that year.

Details of the potential deferred taxation not provided for the year are set out in note 22.

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Included in the profit attributable to shareholders is a loss of HK\$1,550,000 (2000: profit of HK\$1,963,144,000) dealt with in the financial statements of the Company.

10. DIVIDENDS

	2001	2000
	HK\$'000	HK\$'000
2000 interim, paid		
First special dividend of HK\$10 per ordinary share of HK\$0.8 each	–	1,664,643
Second special dividend of HK\$0.08 per ordinary share of HK\$0.08 each	–	133,171
	–	1,797,814



11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit attributable to shareholders for the purposes of basic and diluted earnings per share	9,959	1,386,545
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,664,643	1,601,528
Effect of dilutive potential ordinary shares – share options	N/A	29,914
Weighted average number of ordinary shares for the purposes of diluted earnings per share	N/A	1,631,442

Diluted earnings per share for the year ended 31st March, 2001 has not been presented as there were no dilutive potential shares outstanding during the year.



12. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors

THE GROUP		
	2001 HK\$'000	2000 HK\$'000
Directors' fees	200	200
Basic salaries, allowances and benefits-in-kind	5,006	10,041
Contributions to provident fund scheme	34	–
Total emoluments	5,240	10,241

The directors' fees of HK\$200,000 (2000: HK\$200,000) disclosed above were payable to independent non-executive directors.

The emoluments of the directors were within the following bands:

	2001 Number of directors	2000 Number of directors
HK\$		
Nil - 1,000,000	4	3
1,500,001 - 2,000,000	1	–
2,000,001 - 2,500,000	1	–
3,000,001 - 3,500,000	–	1
6,500,001 - 7,000,000	–	1
	6	5



12. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES (Continued)

(b) Senior employees

Of the five individuals with the highest emoluments in the Group, three (2000: two) were directors of the Company, whose emoluments have been included above. The emoluments of the remaining two (2000: three) individuals were as follows:

THE GROUP		
	2001	2000
	HK\$'000	HK\$'000
Basic salaries, allowances and benefits-in-kind	553	874
Incentive bonus	–	10,600
Contributions to provident fund schemes	25	33
	578	11,507

Their emoluments were within the following bands:

THE GROUP		
	2001	2000
	Number of employees	Number of employees
<i>HK\$</i>		
Nil - 1,000,000	2	–
2,000,001 - 2,500,000	–	1
4,000,001 - 4,500,000	–	1
4,500,001 - 5,000,000	–	1
	2	3



13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Machinery, moulds and equipment <i>HK\$'000</i>	Furniture, fixtures, leasehold improvements and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
COST OR VALUATION				
At 1st April, 2000	41,708	41,583	19,972	103,263
Additions	44,977	62	7,657	52,696
Disposals/write-offs	–	(8,717)	(440)	(9,157)
At 31st March, 2001	86,685	32,928	27,189	146,802
Comprising:				
At cost	86,685	14,219	27,189	128,093
At 1987 professional valuation	–	18,709	–	18,709
	86,685	32,928	27,189	146,802
DEPRECIATION				
At 1st April, 2000	1,893	37,926	16,547	56,366
Provided for the year	1,563	1,262	1,066	3,891
Eliminated on disposals/write-offs	–	(7,754)	(198)	(7,952)
At 31st March, 2001	3,456	31,434	17,415	52,305
NET BOOK VALUES				
At 31st March, 2001	83,229	1,494	9,774	94,497
At 31st March, 2000	39,815	3,657	3,425	46,897

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book value of the Group's land and buildings is analysed as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Land and buildings in Hong Kong on:		
Long lease	77,433	33,700
Medium-term leases	5,796	6,115
	83,229	39,815

The Group's machinery and equipment which were revalued in 1987 would have no carrying value had these assets been carried in the financial statements at cost less depreciation (2000: Nil).

14. PROPERTIES HELD FOR DEVELOPMENT

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Land use rights in the PRC on long lease:		
Cost at beginning and end of the year	37,345	37,345
Less: Impairment loss	(13,118)	(13,118)
	24,227	24,227

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	261,810	261,810
Amounts due from subsidiaries less provisions	403,035	394,106
	664,845	655,916

15. INTERESTS IN SUBSIDIARIES (Continued)

The following list contains only the particulars of the subsidiaries at 31st March, 2001 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length. Unless otherwise specified, all the following subsidiaries are wholly owned subsidiaries incorporated and operating in their place of incorporation/establishment. None of the subsidiaries had any loan capital outstanding at 31st March, 2001 or at any time during the year.

Name of company	Place of incorporation/ establishment	Paid up issued share capital/ registered capital	Principal activities
<i>Direct subsidiary:</i>			
Termbray Electronics (B.V.I.) Limited (i)	British Virgin Islands	100 ordinary shares of US\$1 each	Investment holding
<i>Indirect subsidiary:</i>			
Bow Yuen Industries Limited (ii)	Hong Kong	28,000 ordinary shares of HK\$1 each	Investment holding
Cong Hua White Swan Bow Yuen Real Estate Development Company Limited (iii)	PRC	Registered capital of US\$12,000,000	Property development
Ever Success Properties Limited (ii)	Hong Kong	100 ordinary shares of HK\$1 each	Investment holding
Termbray (China) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	Investment holding
Termbray (Fujian) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	Property holding
Termbray (Guangzhou) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	Property holding
Termbray Electronics Company Limited	Hong Kong	2 ordinary shares of HK\$100 each and 10,000 non-voting deferred shares of HK\$100 each	Investment holding and treasury activities
Zhongshan Ever Success Properties Limited (iv)	PRC	Registered capital of RMB1,500,000	Property development



15. INTERESTS IN SUBSIDIARIES *(Continued)*

- (i) Operating in Hong Kong
- (ii) Operating principally in the PRC
- (iii) Sino-foreign cooperative joint venture established in the PRC
- (iv) Limited liability company established in the PRC

16. INSTALMENTS RECEIVABLE

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Instalments receivable from property purchasers	2,683	5,987
Less: Amounts due within one year included in trade and other receivables	(1,701)	(922)
	982	5,065

17. INVENTORIES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	191	191

The inventories are stated at net realisable value.



18. TRADE AND OTHER RECEIVABLES

For sales of properties, the sale consideration is payable in accordance with the terms of the sale agreement. With respect to the manufacturing business which was discontinued in the prior year, the Group allowed an average credit period of 60 days to its trade customers.

The following is an ageing analysis of trade and other receivables at the balance sheet date:

THE GROUP		
	2001 HK\$'000	2000 HK\$'000
0-90 days	3,176	14,796
Over 90 days	766	1,957
	3,942	16,753

19. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an analysis of trade and other payables and accrued charges at the balance sheet date:

THE GROUP		
	2001 HK\$'000	2000 HK\$'000
Trade and other payables, aged		
0-90 days	–	30,330
Over 90 days	8,047	10,838
Accrued charges	10,616	10,570
	18,663	51,738

20. SHARE CAPITAL

	Number of ordinary shares of HK\$0.8 each HK\$0.08 each '000 '000		Nominal value HK\$'000
THE GROUP AND THE COMPANY			
Authorised:			
At 1st April, 1999	280,000	–	224,000
Subdivision of shares	(280,000)	2,800,000	–
At 31st March, 2000 and 31st March, 2001	–	2,800,000	224,000
Issued and fully paid:			
At 1st April, 1999	151,464	–	121,171
Issue of shares	15,000	–	12,000
Subdivision of shares	(166,464)	1,664,643	–
At 31st March, 2000 and 31st March, 2001	–	1,664,643	133,171

(a) Ordinary shares

On 2nd September, 1999, 15,000,000 ordinary shares of HK\$0.8 each in the Company were issued upon the exercise of the share options previously granted pursuant to the share option scheme of the Company at a subscription price of HK\$5.49 per share, giving a total cash consideration of HK\$82,350,000.

Pursuant to an ordinary resolution passed at the special general meeting of the shareholders of the Company held on 27th September, 1999, every issued and unissued ordinary share of the Company of HK\$0.8 each was subdivided into 10 ordinary shares of HK\$0.08 each with effect from 28th September, 1999.

(b) Share options

Under the terms of the share option scheme of the Company which became effective on 28th September, 1991, the board of directors of the Company may offer to any full-time employee, including executive directors, of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time.

No options under the scheme were granted or exercised during the year or outstanding at 31st March, 2001.

21. RESERVES

	Share premium HK\$'000	Exchange equalisation reserve HK\$'000	Goodwill on consolidation HK\$'000	Asset revaluation reserve HK\$'000	Contributed surplus HK\$'000	Retained profits (loss) HK\$'000	Total HK\$'000
THE GROUP							
At 1st April, 1999	62,200	(785)	(4,528)	1,639	–	941,543	1,000,069
Arising from translation of financial statements of subsidiaries	–	(10)	–	–	–	–	(10)
Arising from issue of shares	70,350	–	–	–	–	–	70,350
Eliminated on disposal of subsidiaries	–	–	11,129	–	–	–	11,129
Reserve realised	–	–	–	(1,639)	–	1,639	–
Profit for the year	–	–	–	–	–	1,386,545	1,386,545
Dividends	–	–	–	–	–	(1,797,814)	(1,797,814)
At 31st March, 2000	132,550	(795)	6,601	–	–	531,913	670,269
Arising from translation of financial statements of subsidiaries	–	285	–	–	–	–	285
Profit for the year	–	–	–	–	–	9,959	9,959
At 31st March, 2001	132,550	(510)	6,601	–	–	541,872	680,513
THE COMPANY							
At 1st April, 1999	62,200	–	–	–	191,810	(37,751)	216,259
Arising from issue of shares	70,350	–	–	–	–	–	70,350
Profit for the year	–	–	–	–	–	1,963,144	1,963,144
Dividends	–	–	–	–	–	(1,797,814)	(1,797,814)
At 31st March, 2000	132,550	–	–	–	191,810	127,579	451,939
Loss for the year	–	–	–	–	–	(1,550)	(1,550)
At 31st March, 2001	132,550	–	–	–	191,810	126,029	450,389



21. RESERVES (Continued)

Notes:

- (a) The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1991.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
 - (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.
- (b) In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Contributed surplus	191,810	191,810
Retained profits	126,029	127,579
	317,839	319,389



22. DEFERRED TAXATION

At the balance sheet date, the major components of unprovided deferred tax liabilities (assets) are as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	1,492	82
Unutilised tax losses	(14,112)	(9,626)
	(12,620)	(9,544)

The deferred tax asset has not been recognised in the financial statements as it is not certain that the tax losses will be utilised in the foreseeable future.

The amount of the unprovided deferred tax charge (credit) for the year is as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Tax effect of timing differences because of:		
Difference between tax allowances and depreciation	1,410	(4,105)
Tax losses arising	(4,486)	(595)
Other timing differences	–	(153)
	(3,076)	(4,853)

23. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured and interest free with no fixed repayment terms. Repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current liabilities.

24. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2001	2000
	HK\$'000	HK\$'000
Profit before taxation	9,142	1,389,895
Depreciation of property, plant and equipment	3,891	34,741
Loss on disposals/write-offs of property, plant and equipment	1,155	1,368
Impairment loss on properties held for sale	–	16,000
Provision for doubtful debts	552	1,904
Provision for warranties and undertakings	9,369	–
Interest expenses	–	3,984
Interest element of finance lease and hire purchase contract rental payments	4	1,346
Interest income	(34,403)	(37,741)
Profit on disposal of discontinued operations	–	(1,296,778)
Decrease in inventories	–	19,362
Decrease in properties held for sale	3,630	9,105
Decrease (increase) in trade and other receivables, deposits and prepayments	7,695	(54,665)
Decrease in instalments receivable	3,304	1,769
(Decrease) increase in trade and other payables and accrued charges, deposits received and provisions	(2,777)	91,221
Decrease in bills payable	–	(24,528)
(Decrease) increase in amount due to a related company	(13,374)	18,763
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	(11,812)	175,746



25. PURCHASES OF PROPERTY, PLANT AND EQUIPMENT

	2001 HK\$'000	2000 HK\$'000
Current year's additions to property, plant and equipment (<i>Note 13</i>)	52,696	57,852
Outstanding consideration for acquisition of property, plant and equipment paid (provided)	30,330	(30,330)
Deposits for acquisition of property, plant and equipment in prior year	–	(9,930)
Cash paid for acquisition of property, plant and equipment	83,026	17,592

26. DISPOSAL OF SUBSIDIARIES IN PRIOR YEAR

	HK\$'000
Net assets disposed:	
Properties, plant and equipment	786,181
Inventories	168,518
Trade and other receivables, deposits and prepayments	297,251
Bank balances and cash	115,864
Trade payables, deposits received and accrued charges	(256,156)
Provision for taxation	(12,608)
Bank loans	(35,564)
Long-term borrowings	(48,646)
Deferred taxation	(15,683)
	999,157
Goodwill on consolidation realised	11,129
Profit on disposal of subsidiaries	1,296,778
	2,307,064
Satisfied by:	
Cash consideration, net of related expenses	2,491,430
Less: Settlement of amounts due to the subsidiaries disposed of	(184,366)
	2,307,064
Inflow of cash and cash equivalents arising on disposal:	
Cash consideration, net	2,307,064
Bank balances and cash disposed of	(115,864)
	2,191,200

26. DISPOSAL OF SUBSIDIARIES IN PRIOR YEAR *(Continued)*

For the year ended 31st March, 2000, the subsidiaries disposed of contributed HK\$170,712,000 to the Group's net operating cash flows, paid HK\$4,053,000 in respect of the net returns on investment and servicing of finance, paid HK\$427,000 in respect of taxation, utilized HK\$19,676,000 for investing activities and utilised HK\$112,575,000 in respect of financing activities. These subsidiaries also contributed HK\$452,224,000 to the Group's turnover and HK\$101,542,000 to the Group's profit before taxation for that year.

27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium <i>HK\$'000</i>	Bank loans and obligations under finance leases and hire purchase contracts <i>HK\$'000</i>
Balance at 1st April, 1999	183,371	138,792
Net cash inflow (outflow) from financing	82,350	(90,102)
Disposal of subsidiaries	–	(48,646)
Balance at 31st March, 2000	265,721	44
Cash outflow from financing	–	(44)
Balance at 31st March, 2001	265,721	–

28. COMMITMENTS

At the balance sheet date, the Group had contracted commitments not provided for in the financial statements as follows:

THE GROUP		
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
(a) Property development expenditure and purchase of land use rights in the PRC	65,347	65,347
(b) Annual commitments payable in respect of rental premises under non-cancellable operating leases expiring within one year	450	150
(c) Purchase of property, plant and equipment	–	39,813



29. CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

At the balance sheet date, there were contingencies and assets pledged to secure the Group's credit facilities as follows:

- (a) The Group's bank deposits of approximately HK\$465,000 (2000: HK\$10,000,000) were pledged to secure general banking facilities granted to the Group. The mortgage over the land and buildings of the Group at 31st March, 2000 with a net book value of approximately HK\$6,115,000 was released during the year.
- (b) Guarantees were issued to banks by a subsidiary in respect of mortgage loans granted to property purchasers amounting to approximately HK\$9,956,000 (2000: HK\$9,166,000) and, in this connection, the Group's bank deposit of HK\$2,204,000 (2000: HK\$2,000,000) was pledged to the banks as security for the said guarantees.
- (c) In the prior year, certain former subsidiaries of the Company purchased production materials for its printed circuit board manufacture activities amounting to approximately HK\$12,000,000 from an outside supplier. Such production materials acquired were subsequently found to be defective and settlement of the purchases was therefore withheld by the former subsidiaries. A legal action for settlement of the purchases together with interest was taken by the supplier against the said former subsidiaries. The said former subsidiaries instituted a legal action against the supplier claiming damages arising from the materials delivered by the supplier. In the prior year, these former subsidiaries were disposed of to outside parties as detailed in note 7. In connection with the disposal, the Group has undertaken to indemnify the purchasers the losses, if any, arising from the legal action taken by the supplier against the former subsidiaries. While the outcome of these proceedings cannot be estimated with certainty at this stage, based on independent legal advice obtained, the directors are of the opinion that the outcome of these cases would not have a material adverse impact on the financial position of the Group.
- (d) In connection with the disposal of the PCB Subsidiaries as detailed in note 7, the Group has given warranties and undertakings to the purchaser as specified in the agreement for the disposal of these subsidiaries. During the year, the Group received notification from the purchaser raising claims against the Group arising from the warranties and undertakings. It is the intention of the management to contest the claims vigorously. No legal proceedings have yet been instituted against the Group for these claims. The directors are of the opinion that such claims, if materialised, would not result in any material liabilities to the Group in excess of the amounts already provided for in the financial statements.



30. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with Panda Investment Company Limited (“Panda Investment”), in which the Company’s directors, Mr. Lee Lap and Madam Leung Lai Ping, have controlling interests:

- (a) Panda Investment made advances to the Group which are unsecured and interest free with no fixed repayment terms. The balance of such advances outstanding at 31st March, 2001 was approximately HK\$5,505,000 (2000: HK\$18,879,000); and
- (b) Pursuant to the tenancy agreements entered into between Panda Investment and a wholly-owned subsidiary of the Company, Termbray Electronics Company Limited (“Termbray Electronics”), Termbray Electronics leased certain office premises and warehouses from Panda Investment during the year at the agreed rental of HK\$600,000 (2000: HK\$1,600,000).

31. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company to be Lee & Leung (B.V.I.) Limited, a company incorporated in the British Virgin Islands.