Notes to the Financial Statements

For the Year ended 31st March, 2001

1. GENERAL

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of voltage converters, intermediate frequency transformers, rechargeable battery products and mobile phone accessories.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, other than Asina Manufacturing Company Limited ("Asina"), made up to 31st March each year.

Before the date of disposal of Goldwiz Holdings Limited (formerly known as Hong Kong Toy Centre International Limited) ("HKTC"), a then 72.65% owned subsidiary, on 31st January, 2000, HKTC held a 51% equity interest in the issued ordinary share capital of Asina. However, HKTC did not have effective control over Asina as there were restrictions imposed on the ability of HKTC to appoint a majority of the board of directors of Asina. Accordingly, Asina was considered as a subsidiary not consolidated for accounting purposes and the interest in Asina was reported in the consolidated financial statements using the equity method of accounting. Asina was incorporated in Hong Kong and engaged in the business of manufacturing of toy products.

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

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

Goodwill

Goodwill or capital reserve represents respectively the excess or shortfall of the purchase consideration over the fair value of the Group's share of the separable net assets of subsidiaries and associates acquired. Goodwill or capital reserve are written off or credited directly to reserves respectively in the year of acquisition.

On disposal of a business, 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 business.

Notes to the Financial Statements

For the Year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

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

When properties are developed for sale, revenue attributable to the sale price, exclusive of interest, is recognised upon the sale contract becomes unconditional. The sale price is the present value of the consideration, determined by discounting the instalments receivable at the imputed rate of interest. The interest element is recognised as revenue as it is earned on a time basis by reference to the imputed rate of interest.

Investment properties

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

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

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

No depreciation is provided in respect of investment properties which are held on leases with unexpired terms, including the renewable period, of more than twenty years.

Property, plant and equipment

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

Notes to the Financial Statements

For the Year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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.

Construction in progress is stated at cost. Cost includes all development expenditure and other direct costs attributable to such projects. It is not depreciated until completion of construction. Cost on completed construction works is transferred to other categories of property, plant and equipment.

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

Leasehold land	Over the remaining unexpired terms of the leases
Leasehold buildings	Over the remaining unexpired terms of the leases or fifty years, whichever is the shorter
Furniture, fixtures and equipment	10% – 25%
Motor vehicles	20% – 25%
Plant and machinery	10% – $33^1/_3$%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or the terms of the relevant leases, where shorter.

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.

Investment in subsidiaries is included in the Company's balance sheet at cost less any impairment losses.

Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. The carrying amount of such interests are reduced to recognise any impairment losses.

Notes to the Financial Statements

For the Year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in jointly controlled operations

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control. Where a group company undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the balance sheet of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations together with the expenses incurred are included in the income statement when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

Investments in securities

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

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

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

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

Marketable securities

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

Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance lease are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation of the Group. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the respective leases so as to produce a constant periodic rate of charge on the remaining balance of obligations for each accounting period.

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

Notes to the Financial Statements

For the Year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Research and development cost

Expenditure on research and development is charged to the income statement in the year in which it is incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity.

Taxation

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

Foreign currencies

Transactions in foreign currencies are translated at the approximate rates ruling on the dates of the transactions or at the contracted settlement rate. 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 results, assets and liabilities of operations outside Hong Kong are translated at the rates ruling at the balance sheet date. All exchange differences arising on translation are dealt with in the translation reserve.

Notes to the Financial Statements

For the Year ended 31st March, 2001

3. TURNOVER AND SEGMENT INFORMATION

The analysis of the Group's turnover and contribution to profit (loss) from operations by principal activity for the year ended 31st March, 2001 is as follows:

Principal activity	2001 Turnover HK$	2001 Contribution to profit (loss) from operations HK$	2000 Turnover HK$	2000 Contribution to profit (loss) from operations HK$
Continuing operations:				
Voltage converters and intermediate frequency transformers and coils	**622,764,841**	**86,611,460**	636,478,310	95,627,306
Rechargeable battery products and mobile phone accessories	**31,271,745**	**(5,914,974)**	23,670,174	(5,466,965)
	654,036,586	**80,696,486**	660,148,484	90,160,341
Discontinued operations:				
Manufacturing, export and retail distribution of toy products	–	–	189,567,977	(68,744,027)
General trading	–	–	22,956,997	(2,985,001)
	–	–	212,524,974	(71,729,028)
	654,036,586	**80,696,486**	872,673,458	18,431,313
Net realised gain on disposal of investments in securities and forfeiture of deposit received for disposal of other investments		**14,007,496**		9,037,110
		94,703,982		27,468,423

The analysis of the Group's turnover and contribution to profit (loss) from operations by geographical market for the year ended 31st March, 2001 is as follows:

Geographical market	2001 Turnover HK$	2000 Turnover HK$	2000 Contribution to profit (loss) from operations HK$
Europe	**429,701,261**	513,926,336	43,290,208
Australia	**1,435,539**	22,069,533	(18,713,665)
Asia (excluding Hong Kong)	**72,749,263**	46,368,428	(2,335,301)
United States of America, South America and Canada	**94,653,253**	193,221,504	3,160,796
Hong Kong	**55,497,270**	97,087,657	2,066,385
	654,036,586	872,673,458	27,468,423

Contribution to profit by geographical market for the year ended 31st March, 2001 has not been presented as the contribution to profit from each market is substantially in line with the overall Group ratio of profit to turnover.

Notes to the Financial Statements

For the Year ended 31st March, 2001

4. OTHER REVENUE

	2001 HK$	2000 HK$
Included in other revenue is net investment income as follows:		
From continuing operations:		
Net realised gain on disposal of investment securities	12,156,007	192,502
Interest earned on bank deposits and balances	4,733,315	3,575,248
Forfeiture of deposit received for disposal of other investments	1,851,489	–
Gain on disposal of property, plant and equipment	691,230	–
Net realised gain on disposal of other investments	–	8,844,608
From discontinued operations:		
Interest earned on bank deposits and balances	–	107,209

5. OTHER OPERATING EXPENSES

The other operating expenses comprise:

	2001 HK$	2000 HK$
From continuing operations:		
Deficit arising on revaluation of investment properties (note 13)	350,000	1,000,000
Loss on disposal of property, plant and equipment	–	6,394,397
Provision for doubtful debts	–	1,000,000
	350,000	8,394,397
From discontinued operations:		
Provision for properties held for sale	–	4,218,193
Loss on disposal of property, plant and equipment	–	1,911,036
	–	6,129,229
	350,000	14,523,626

Notes to the Financial Statements

For the Year ended 31st March, 2001

6. PROFIT FROM OPERATIONS

	2001 HK$	2000 HK$
Profit from operations has been arrived at after charging:		
Directors' remuneration (Note)	10,912,000	14,348,874
Staff salaries, allowance and welfare	23,941,162	51,731,302
Mandatory provident fund contributions	277,543	–
Direct labour costs	43,037,316	61,507,615
Provision for long service payment	1,020,000	1,020,000
Total staff costs	79,188,021	128,607,791
Amortisation of trademark	–	40,699
Auditors' remuneration	857,400	1,849,310
Depreciation and amortisation of property, plant and equipment		
Owned assets	16,467,418	73,371,000
Assets held under finance leases	84,780	1,507,374
Operating lease rentals paid in respect of rented premises	4,693,955	17,814,889
Research and development costs	862,175	5,461,244
and after crediting:		
Property rental income net of outgoings	1,049,189	1,303,911

Note:

Information regarding directors' and employees' emoluments

	2001 HK$	2000 HK$
Directors		
Fees to independent non-executive directors	360,000	360,000
Other emoluments to executive directors:		
Salaries and other benefits	10,552,000	13,988,874
	10,912,000	14,348,874

Notes to the Financial Statements

For the Year ended 31st March, 2001

6. PROFIT FROM OPERATIONS (continued)

Note: (continued)

Information regarding directors' and employees' emoluments (continued)

Emoluments of the directors, including the alternate directors, were within the following bands:

	Number of director(s)	
	2001	2000
Nil – HK$1,000,000	**11**	9
HK$2,500,001 – HK$3,000,000	**1**	1
HK$3,000,001 – HK$3,500,000	**1**	1
HK$3,500,001 – HK$4,000,000	**–**	1
HK$4,500,001 – HK$5,000,000	**1**	1

Employees

The five highest paid individuals of the Group included three (2000: four) directors, details of whose emoluments are set out above. The emoluments of the two (2000: one) highest paid employees, other than directors of the Company, were as follows:

	2001	2000
	HK$	HK$
Salaries and other benefits	**2,278,000**	3,432,000

Emoluments of these employees were within the following bands:

	Number of employee(s)	
	2001	2000
HK$1,000,001 – HK$1,500,000	**2**	–
HK$3,000,001 – HK$3,500,000	**–**	1

7. FINANCE COSTS

	2001	2000
	HK$	HK$
Interest on:		
Bank borrowings wholly repayable within five years	**628,532**	11,051,139
Obligations under finance leases	**13,705**	395,392
Total borrowing costs	**642,237**	11,446,531

Notes to the Financial Statements

For the Year ended 31st March, 2001

8. DISCONTINUED OPERATIONS

In the previous year, the Group disposed of its operations engaged in the manufacture and trading of toy products and general trading conducted by HKTC and its subsidiaries for the purpose of minimising the loss position of the Group. The effective date of discontinuance for accounting purposes was 31st January, 2000 upon the completion of the disposal of the majority stake of the equity interest in HKTC to an independent purchaser.

The loss on discontinued operations is analysed as follows:

	2001 HK$	2000 HK$
Loss on disposal of subsidiaries (note 30)	–	67,684,908

No taxation charge or credit arose from the above transaction.

The results of the operations of the business of manufacture and trading of toy products and general trading for the period from 1st April, 1999 to 31st January, 2000, which have been included in the comparative figures in the consolidated income statement, were as follows:

	1.4.1999 to 31.1.2000 HK$
Turnover	212,524,974
Cost of sales	(222,385,738)
Gross loss	(9,860,764)
Other revenue	4,144,700
Distribution costs	(11,155,861)
Administrative expenses	(48,727,874)
Other operating expenses	(6,129,229)
Loss from operations	(71,729,028)
Finance costs	(6,816,514)
Share of results of an associate	8,303
Share of results of a subsidiary not consolidated	(148,062)
Loss before taxation	(78,685,301)
Taxation	(5,000,000)
Loss before minority interests	(83,685,301)
Minority interests	22,885,288
Net loss for the period	(60,800,013)

Notes to the Financial Statements

For the Year ended 31st March, 2001

9. TAXATION

	2001 HK$	2000 HK$
The charge comprises:		
The Company and its subsidiaries:		
Hong Kong Profits Tax		
– current year	6,694,995	6,800,000
– (over)underprovision in prior years	(1,340,006)	4,386,819
	5,354,989	11,186,819
Share of taxation of an associate	26,907	74,178
	5,381,896	11,260,997

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the year.

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

10. NET PROFIT (LOSS) FOR THE YEAR

Of the consolidated net profit for the year of HK$88,345,715 (2000: loss of HK$39,588,010), a profit of HK$142,102,229 (2000: loss of HK$236,199,905) has been dealt with in the financial statements of the Company.

11. DIVIDENDS/DISTRIBUTION

	2001 HK$	2000 HK$
Special dividend/distribution, paid – 10 cents per share	55,805,840	–
Special dividend, paid – 5 cents per share	27,902,920	–
Interim dividend, paid – 5 cents per share	27,902,920	–
Final dividend, declared – 5 cents per share	27,876,920	–
	139,488,600	–