

## Notes to the Financial Statements

For the Year ended 31st March, 2001

### 12. EARNINGS (LOSS) PER SHARE

The calculation of earnings (loss) per share is based on the net profit for the year of HK\$88,345,715 (2000: loss of HK\$39,588,010) and the weighted average of 557,923,058 (2000: 558,058,400) shares in issue during the year.

No diluted earnings (loss) per share has been calculated as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's shares for both years.

### 13. INVESTMENT PROPERTIES

	THE GROUP HK\$
AT VALUATION	
At 1st April, 1999	8,700,000
Deficit on revaluation (note 5)	(1,000,000)
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At 31st March, 2000 and 1st April, 2000	7,700,000
Deficit on revaluation (note 5)	(350,000)
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At 31st March, 2001	7,350,000

The investment properties are situated in Hong Kong and are held under long leases. The investment properties are rented out for use under operating leases. The valuation of investment properties was carried out by DTZ Debenham Tie Leung Limited, a firm of independent professional valuers, as at 31st March, 2001 on an open market value for existing use basis.

## Notes to the Financial Statements

For the Year ended 31st March, 2001

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Plant and machinery HK\$	Construction in progress HK\$	Total HK\$
THE GROUP						
COST						
At 1st April, 2000	43,905,904	25,487,368	5,961,281	92,740,944	819,998	159,915,495
Additions	--	5,791,736	876,863	10,173,292	791,433	17,633,324
Transfer	--	--	--	1,280,524	(1,280,524)	--
Reclassification	--	28,175	--	(8,177)	(19,998)	--
Disposals	(2,454,546)	(103,515)	(847,810)	(1,669,099)	--	(5,074,970)
At 31st March, 2001	41,451,358	31,203,764	5,990,334	92,517,484	310,909	171,473,849
DEPRECIATION AND AMORTISATION						
At 1st April, 2000	4,250,572	12,013,742	3,929,328	37,597,182	--	57,790,924
Provided for the year	869,938	4,665,266	759,767	10,257,227	--	16,552,198
Reclassification	--	6,540	--	(6,540)	--	--
Eliminated on disposals	(409,785)	(37,328)	(508,686)	(310,402)	--	(1,766,200)
At 31st March, 2001	4,710,825	16,646,220	4,180,410	47,037,467	--	72,576,922
NET BOOK VALUES						
At 31st March, 2001	36,740,533	14,555,544	1,809,924	45,480,017	310,909	98,896,927
At 31st March, 2000	39,655,232	13,473,626	2,031,953	45,143,762	819,998	101,124,571

## Notes to the Financial Statements

For the Year ended 31st March, 2001

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor vehicle HK\$
THE COMPANY	
COST	
At 1st April, 2000	847,810
Disposals	(847,810)
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At 31st March, 2001	-
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DEPRECIATION	
At 1st April, 2000	423,905
Provided for the year	84,780
Eliminated on disposals	(508,685)
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At 31st March, 2001	-
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NET BOOK VALUE	
At 31st March, 2001	-
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At 31st March, 2000	423,905

	2001 HK\$	2000 HK\$
The net book value of the Group's property interests shown above comprises:		
Leasehold properties held under long leases in Hong Kong	<b>18,764,164</b>	19,193,535
Leasehold properties outside Hong Kong held under		
- long leases	<b>4,342,924</b>	4,439,616
- medium term leases	<b>13,633,445</b>	16,022,081
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	<b>36,740,533</b>	39,655,232

At 31st March, 2000, the net book values of property, plant and equipment of the Group and the Company held under finance leases amounted to approximately HK\$424,000 (2001: nil).

## Notes to the Financial Statements

For the Year ended 31st March, 2001

## 15. INTEREST IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK\$	HK\$
Unlisted shares, at carrying value	71,111,124	71,111,124
Unlisted shares, at cost	18	18
	71,111,142	71,111,142
Amounts due from subsidiaries	414,186,697	427,855,601
	485,297,839	498,966,743
Provision made	(274,400,000)	(423,600,000)
	210,897,839	75,166,743

The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group pursuant to the group reorganisation in 1994.

Particulars of the Company's principal subsidiaries at 31st March, 2001 are set out in note 39.

## 16. INVESTMENTS IN ASSOCIATES

	THE GROUP	
	2001	2000
	HK\$	HK\$
Share of net assets	7,433,632	7,699,457

Particulars of the Group's associates at 31st March, 2001 are as follows:

Name of company	Place of incorporation/ operation	Percentage of nominal value of issued capital indirectly held by the Group	Principal activities
Mahan Industrial Co. Limited	Hong Kong	25%	Manufacture of and trading in electrical parts
Pan Electrium Industrial Company Limited	Hong Kong	50%	Manufacture of and trading in cables

## Notes to the Financial Statements

For the Year ended 31st March, 2001

## 17. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
<b>INVESTMENT SECURITIES</b>				
Listed shares, at cost (Note)	--	120,224,778	--	2,703,343
Unlisted shares, at cost	773,450	773,450	--	--
	<b>773,450</b>	<b>120,998,228</b>	<b>--</b>	<b>2,703,343</b>
Provision made	(773,450)	(120,998,228)	--	(2,703,343)
	--	--	--	--
Market value of listed shares at 31st March	--	30,536,240	--	198,240
<b>OTHER INVESTMENTS</b>				
Listed shares, at cost (Note)	67,110,720	--	--	--
Provision made	(67,110,720)	--	--	--
	--	--	--	--
Market value of listed shares at 31st March	5,609,456	--	--	--

Note: The amount represents the Group's and the Company's investment in the shares of Climax International Company Limited ("CICL"), a company incorporated in Bermuda with its shares listed on the Stock Exchange, representing approximately a 1.89% (2000: 29.08%) and nil (2000: 0.2%) respectively of the issued share capital of CICL.

As stated in the Company's circular dated 25th October, 1997, the intention of the Group was to account for the investment in CICL as an associate as the Group held more than 20% of the issued share capital of CICL, and the Group expected to enjoy a positive contribution from CICL to the profit of the Group. However, following the discussion and negotiation with the largest shareholders of CICL, Selma Limited ("Selma"), the Group found it was unable to exercise any significant influence and, accordingly, in order to protect its investment, a memorandum of co-operation ("Memorandum") was entered into between the Company and Selma on 3rd October, 1997. Pursuant to the Memorandum, the Company would only be consulted by Selma in respect of the significant matters related to the management of CICL and the Company's involvement in the management of CICL was restricted to an ability to veto certain capital fund raising and notifiable transactions. In the opinion of the directors, the management of CICL thereby restricted the ability of the directors of the Company to participate in the financial and operating policy decisions, including the strategic policy, dividend and investment decisions of CICL and its subsidiaries (the "Climax Group"). During the year ended 31st March, 2000, the Company continued to be restricted by the Memorandum in its ability to exercise significant influence in the financial and operating policy decisions of the Climax Group. Accordingly, the shares of CICL held by the Group were classified as investment securities. As CICL incurred significant losses since the acquisition by the Group and was dependent upon the successful implementation of debt restructuring and refinancing proposals, the carrying amount of the investment in the shares of CICL was reduced to nil.

## Notes to the Financial Statements

For the Year ended 31st March, 2001

### 17. INVESTMENTS IN SECURITIES (continued)

On 13th April, 2000, the Company and Selma agreed to terminate the Memorandum. However, on 1st November, 2000, CACL issued a joint announcement with First Century Holdings Limited ("Subscriber") in respect of a subscription agreement (the "CACL Subscription Agreement") entered into by CACL and the Subscriber on 20th October, 2000. Pursuant to the CACL Subscription Agreement, the Subscriber conditionally agreed to subscribe for 2,000,000,000 new shares of CACL of HK\$0.01 each at the subscription price of HK\$0.05 per new share of CACL for a total consideration of HK\$100 million. The completion of the CACL Subscription Agreement was conditional upon, among other matters, the restructuring of the bank indebtedness of CACL and its subsidiaries pursuant to the bank debt restructuring agreement which was entered into by CACL and its 26 bank creditors on 22nd November, 2000. After the completion of the CACL Subscription Agreement and the bank debt restructuring agreement on 11th January, 2001, the Group's interest in CACL was diluted to approximately 1.89%. As a result, the directors no longer consider the investment in the shares of CACL to be a strategic investment of the Group and the Group's investment in CACL was reclassified as other investments at the balance sheet date.

In the opinion of the directors, in view of the low volume of transactions in the market for the CACL's shares, the fair value of other investments at 31st March, 2001 was insignificant.

### 18. INVENTORIES

	THE GROUP	
	2001	2000
	HK\$	HK\$
Raw materials	50,213,152	49,478,410
Work in progress	3,005,718	12,429,743
Finished goods	29,565,551	41,003,283
	<b>82,784,421</b>	<b>102,911,436</b>

At the balance sheet date, all the inventories were carried at cost.

### 19. DEBTORS AND PREPAYMENTS

The balance of debtors and prepayments included trade debtors of HK\$99,368,103 (2000: HK\$147,677,353). The aging analysis of trade debtors at the reporting date is as follows:

	THE GROUP	
	2001	2000
	HK\$	HK\$
0 - 60 days	62,941,180	85,095,053
61 - 90 days	9,820,668	19,203,104
> 90 days	26,606,255	43,379,196
	<b>99,368,103</b>	<b>147,677,353</b>

The Group allows an average credit period ranged from 60 to 90 days to its trade customers.

## Notes to the Financial Statements

For the Year ended 31st March, 2001

### 20. MARKETABLE SECURITIES

	THE GROUP	
	2001 HK\$	2000 HK\$
Listed warrants in Hong Kong, at fair value	--	--
Market value at 31st March	<b>437,811</b>	--

Pursuant to the CICL Subscription Agreement, which was completed on 11th January, 2001, the Group was granted 13,681,600 bonus warrants of CICL on 29th January, 2001 on the basis of one bonus warrants for every five shares of CICL held by the Group on that date. No listed warrants of CICL were disposed of during the year.

In the opinion of the directors, in view of the low volume of transactions in the market for these warrants, the fair value of these warrants at 31st March, 2001 was insignificant.

### 21. CREDITORS AND ACCRUED CHARGES

The balance of creditors and accrued charges included trade creditors of HK\$41,981,809 (2000: HK\$62,765,094). The aging analysis of trade creditors at the reporting date is as follows:

	THE GROUP	
	2001 HK\$	2000 HK\$
0 - 60 days	<b>35,146,135</b>	59,052,812
61 - 90 days	<b>6,084,221</b>	2,577,417
> 90 days	<b>751,453</b>	1,134,865
	<b>41,981,809</b>	62,765,094

### 22. TRUST RECEIPTS AND IMPORT LOANS

	THE GROUP	
	2001 HK\$	2000 HK\$
Secured	<b>298,937</b>	--
Unsecured	--	14,554,032
	<b>298,937</b>	14,554,032

## Notes to the Financial Statements

*For the Year ended 31st March, 2001*

### 23. OBLIGATIONS UNDER A FINANCE LEASE

The maturity of obligations under a finance lease is as follows:

	THE GROUP AND THE COMPANY	
	2001 HK\$	2000 HK\$
Within one year	–	180,780
Between one to two years	–	76,545
Between two to five years	–	–
	–	257,325
Less: Amount due within one year shown under current liabilities	–	(180,780)
Amount due after one year	–	76,545

### 24. OTHER BORROWINGS

#### THE GROUP

The other borrowings represent loans from a joint venture partner of a subsidiary in the PRC (the "PRC Partner") and details of the terms and arrangement are set out in note 39(c).



## Notes to the Financial Statements

For the Year ended 31st March, 2001

### 25. DEFERRED TAXATION

	THE GROUP	
	2001 HK\$	2000 HK\$
Balance at beginning of the year	--	4,698,000
Disposal of subsidiaries	--	(4,698,000)
<b>Balance at end of the year</b>	<b>--</b>	<b>--</b>

At the balance sheet date, the major components of the potential (asset) liability not provided in the financial statements are as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Tax effect of timing differences attributable to:				
Excess of tax allowances over accounting depreciation	844,000	1,958,000	--	25,000
Less: Taxation losses	(23,129,000)	(25,508,000)	(12,624,000)	(12,986,000)
	<b>(22,285,000)</b>	<b>(23,550,000)</b>	<b>(12,624,000)</b>	<b>(12,961,000)</b>

No deferred taxation asset has been recognised in the financial statements in respect of taxation losses available to offset future profit as it is uncertain that the taxation losses will be utilised in the foreseeable future.

## Notes to the Financial Statements

For the Year ended 31st March, 2001

## 26. SHARE CAPITAL

	2001 HK\$	2000 HK\$
Authorised:		
1,000,000,000 shares of HK\$0.1 each	100,000,000	100,000,000
	Number of shares	Amount HK\$
Issued and fully paid:		
Shares of HK\$0.1 each:		
Balance at 1st April, 1999 and 1st April, 2000	558,058,400	55,805,840
Repurchase of shares	(520,000)	(52,000)
Balance at 31st March, 2001	557,538,400	55,753,840

During the year, the Company repurchased its own shares on the Stock Exchange as follows:

Month	Number of shares	Price per share		Aggregate price HK\$
		Highest HK\$	Lowest HK\$	
December 2000	520,000	0.50	0.50	260,000

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against the share premium. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated profits to the capital redemption reserve (note 28).

## Notes to the Financial Statements

For the Year ended 31st March, 2001

### 27. SHARE OPTIONS

Pursuant to the employee's share option scheme for employees which was adopted at a special general meeting of the Company held on 28th March, 1994 (the "Old SOS"), the board of directors of the Company may grant options to eligible employees, including executive directors, of the Company and its subsidiaries at a nominal consideration to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and an amount which is not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options. The maximum number of shares in respect of which options may be granted under the share option scheme shall not exceed 10% of the issued share capital of the Company from time to time.

In 1996, 20,000,000 share options ("20,000,000 Share Options") and 5,000,000 options ("5,000,000 Share Options") were granted to directors of the Company and certain employees of the Group at an exercise price of HK\$1.05 per share and HK\$0.91 per share respectively under the Old SOS. The 20,000,000 Share Options are exercisable on an escalating scale of 30% to 40% per year over a period of four years from the date of grant. 1,670,000 share options out of the 5,000,000 Share Options are exercisable during a period of three years from the date of grant. The remaining 3,330,000 share options are exercisable after the first year but before the expiration of fourth year after these options are granted.

During the year, the movements in the number of options outstanding under the Old SOS were as follows:

	Number of option shares granted under the Old SOS with an exercise price per share of	
	HK\$1.05	HK\$0.91
Balance at beginning of the year	16,666,000	2,100,000
Lapsed during the year	(16,666,000)	(2,100,000)
Balance at end of the year	—	—

In October 2000, the Company adopted a new employee's share option scheme (the "New SOS") to replace the Old SOS. Options granted are exercisable on the first anniversary of the date of grant of such options and will expire at the close of business on the third anniversary. During the year, 6,000,000 share options and 4,000,000 share options were granted to the directors of the Company and certain employees of the Group respectively at an exercise price of HK\$0.62 per share. No such share options were exercised during the year.