

Notes to the Financial Statements

For the Year ended 31st March, 2001

28. RESERVES

	Share premium HK\$	Capital redemption reserve HK\$	Contributed surplus HK\$	Capital reserve HK\$	Transition reserve HK\$	Accumulated (losses) profits HK\$	Total HK\$
THE GROUP							
At 31st March, 1999 and 1st April, 1999	382,680,024	1,342,200	-	17,768,513	27,445	(79,588,178)	322,230,004
Goodwill realised upon disposal of subsidiaries	-	-	-	3,878,618	-	-	3,878,618
Net loss for the year	-	-	-	-	-	(39,588,010)	(39,588,010)
At 31st March, 2000 and 1st April, 2000	382,680,024	1,342,200	-	21,647,131	27,445	(119,176,188)	286,520,612
Transfer upon capital reduction (Note)	(368,900,000)	-	-	-	-	368,900,000	-
Premium paid on repurchase of shares	(208,000)	-	-	-	-	-	(208,000)
Transfer upon repurchase of shares	-	52,000	-	-	-	(52,000)	-
Net profit for the year	-	-	-	-	-	88,345,715	88,345,715
Dividends/distribution (note 11)	-	-	-	-	-	(139,488,600)	(139,488,600)
At 31st March, 2001	13,572,024	1,394,200	-	21,647,131	27,445	198,520,927	235,169,727
Attributable to associates:							
At 31st March, 2001	-	-	-	-	-	(860,118)	(860,118)
At 31st March, 2000	-	-	-	-	-	(694,293)	(694,293)
THE COMPANY							
At 1st April, 1999	382,680,024	1,342,200	70,911,124	-	-	(132,703,344)	322,230,004
Net loss for the year (note 10)	-	-	-	-	-	(236,199,905)	(236,199,905)
At 31st March, 2000 and 1st April, 2000	382,680,024	1,342,200	70,911,124	-	-	(368,903,249)	86,030,099
Transfer upon capital reduction (Note)	(368,900,000)	-	368,900,000	-	-	-	-
Premium paid on repurchase of shares	(208,000)	-	-	-	-	-	(208,000)
Transfer upon repurchase of shares	-	52,000	-	-	-	(52,000)	-
Transfer	-	-	(368,900,000)	-	-	368,900,000	-
Net profit for the year (note 10)	-	-	-	-	-	142,102,229	142,102,229
Dividends/distribution (note 11)	-	-	-	-	-	(139,488,600)	(139,488,600)
At 31st March, 2001	13,572,024	1,394,200	70,911,124	-	-	2,558,380	86,435,728

Notes to the Financial Statements

For the Year ended 31st March, 2001

28. RESERVES (continued)

Note: The Company undertook a capital reduction exercise to reduce the Company's share premium and the contributed surplus accounts (the "Capital Reduction"). Details of the Capital Reduction were set out in the Company's circular dated 18th May, 2000. Following the completion of the Capital Reduction on 12th June, 2000, the share premium and the contributed surplus accounts were adjusted from HK\$382.7 million and HK\$70.9 million to HK\$13.8 million and HK\$439.8 million respectively. An amount of HK\$368.9 million credit arising from the Capital Reduction, which was credited to the contributed surplus account, was applied to eliminate the accumulated losses of the Company at the same date.

The contributed surplus of the Company represented the difference between the book values of underlying net assets of Pantronics Holdings Limited and its subsidiaries at the date on which the shares of these companies were acquired by the Company, and the nominal amount of the share capital issued by the Company under the group reorganisation in 1994, net of HK\$100,000 applied in paying up in full at par the 1,000,000 nil paid shares.

In addition to accumulated profits, under the company law in Bermuda, the contributed surplus account of a company is also available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution at 31st March, 2001 consisted of contributed surplus of HK\$70,911,124 and accumulated profits of HK\$2,558,380. At 31st March, 2000, the Company had no reserves available for distribution.

Notes to the Financial Statements

For the Year ended 31st March, 2001

29. RECONCILIATION OF PROFIT (LOSS) BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$	2000 HK\$
Profit (loss) before taxation	93,922,827	(51,210,774)
Share of results of associates	138,918	(600,304)
Interest on bank borrowings	628,532	11,051,139
Interest on obligations under finance leases	13,705	395,392
Interest income	(4,733,315)	(3,682,457)
Depreciation and amortisation of property, plant and equipment	16,552,198	74,878,374
(Gain) loss on disposal of property, plant and equipment	(691,230)	8,305,433
Deficit arising on revaluation of investment properties	350,000	1,000,000
Forfeiture of deposit received for disposal of other investments	(1,851,489)	-
Net realised gain on disposal of investment securities	(12,156,007)	(192,502)
Net realised gain on disposal of other investments	-	(8,844,608)
Share of results of a subsidiary not consolidated	-	148,062
Amortisation of trademark	-	40,699
Provision for properties held for sale	-	4,218,193
Loss on disposal of subsidiaries	-	67,684,908
Decrease in inventories	20,127,015	6,050,440
Decrease (increase) in debtors and prepayments	47,415,707	(79,301,801)
Decrease in mortgage receivable	-	10,664,929
(Decrease) increase in creditors and accrued charges	(26,807,057)	48,396,809
Decrease in bills payable	-	(701,473)
Increase in amount due to a subsidiary not consolidated	-	2,198,661
Net cash inflow from operating activities	132,909,804	90,499,120

Notes to the Financial Statements

For the Year ended 31st March, 2001

30. DISPOSAL OF SUBSIDIARIES

	2001 HK\$	2000 HK\$
Net assets disposed of:		
Property, plant and equipment	--	173,193,118
Mortgage receivable	--	18,040,472
Trademark	--	350,016
Interest in an associate	--	333,921
Interest in a subsidiary not consolidated	--	2,911,938
Inventories	--	45,348,722
Properties held for sale	--	19,490,000
Debtors and prepayments	--	27,657,348
Taxation recoverable	--	11,592
Bank balances and cash	--	7,038,892
Creditors and accrued charges	--	(61,712,612)
Bills payable	--	(4,047,571)
Amount due to a subsidiary not consolidated	--	(2,198,661)
Loan from ultimate holding company	--	(17,000,000)
Amount due to an associate	--	(70,882)
Taxation payable	--	(10,000,000)
Obligations under finance leases	--	(2,174,476)
Mortgage loans	--	(373,826)
Short term bank loans	--	(26,922,226)
Bank overdrafts	--	(18,925,841)
Deferred taxation	--	(4,698,000)
Minority interests	--	(40,005,302)
	--	106,246,622
Assignment of loan from ultimate holding company to the purchaser	--	17,000,000
Goodwill realised upon disposal of the subsidiaries	--	3,878,618
Transfer to other investments	--	(6,350,332)
Loss on disposal	--	(57,684,908)
	--	53,090,000
Satisfied by:		
Cash received	--	54,500,000
Expenses incurred for the disposal of the subsidiaries	--	(1,410,000)
	--	53,090,000
Analysis of net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash received	--	53,090,000
Bank balance and cash disposed of	--	(7,038,892)
Short term bank loans disposed of	--	26,922,226
Bank overdrafts disposed of	--	18,925,841
	--	91,899,175

Notes to the Financial Statements

For the Year ended 31st March, 2001

30. DISPOSAL OF SUBSIDIARIES (continued)

The subsidiaries disposed of in the previous year contributed HK\$20,411,932 to the Group's net operating cash flows, paid HK\$6,709,305 in respect of the net returns on investments and servicing of finance, received HK\$2,316,175 from investing activities and utilised HK\$5,028,414 for financing.

31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium	Trust receipts and import loans	Bank loans other than cash and cash equivalents	Minority interests	Obligations under finance leases	Other borrowings
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Balance at 1st April, 1999	438,485,864	18,406,488	100,192,419	62,890,590	7,099,677	8,000,000
Net cash outflow during the year	--	(3,852,456)	(99,818,593)	--	--	--
Disposal of subsidiaries	--	--	(373,826)	(40,005,302)	(2,174,476)	--
Minority interests in the losses of subsidiaries	--	--	--	(22,883,761)	--	--
Capital contribution from minority interests of a subsidiary	--	--	--	1,504,041	--	--
Principal repayments for obligations under finance leases	--	--	--	--	(4,667,876)	--
Balance at 31st March, 2000 and 1st April, 2000	438,485,864	14,554,032	--	1,505,568	257,325	8,000,000
Repurchase of shares	(260,000)	--	--	--	--	--
Capital reduction (note 28)	(368,900,000)	--	--	--	--	--
Net cash outflow during the year	--	(14,255,095)	--	--	--	--
Minority interests in the profit of subsidiaries	--	--	--	195,216	--	--
Principal repayments for obligations under finance leases	--	--	--	--	(257,325)	--
Repayment of other borrowings (note 32)	--	--	--	--	--	(4,000,000)
Balance at 31st March, 2001	69,325,864	298,937	--	1,700,784	--	4,000,000

Notes to the Financial Statements

For the Year ended 31st March, 2001

32. MAJOR NON-CASH TRANSACTIONS

During the year, the Group acquired a 10% interest in a subsidiary from the PRC Partner together with a loan of HK\$1,200,000 granted by the PRC Partner to this subsidiary at a consideration of HK\$4,000,000 (see note 39(c)). The consideration of HK\$4,000,000 was settled by the transfer of certain property, plant and equipment of this subsidiary to the PRC Partner at the price of HK\$4,000,000.

33. JOINTLY CONTROLLED OPERATIONS

In 1992, Playwell Investment Limited ("PINV"), a wholly-owned subsidiary of HKTC, entered into an agreement with Dongguan Zhang Mu Tou Town Property Development Company ("PRC joint venture party"), an independent third party, for the development of a property in the PRC into a residential and commercial complex known as Grand Garden. All the development of the property was completed in August 1996. Under the agreement, PINV was responsible for arranging finance and managing the project after completion of the development and sale of the properties, PINV was entitled to 60% of the profit derived from the joint venture project after deducting all costs and expenses and after writing down properties to its net realisable value, if necessary. Under a separate agreement between PINV and the PRC joint venture party, it was agreed that PINV is entitled to 80% of the forfeited deposits and instalment monies from the property buyers.

In 1993, PINV entered into a second agreement with the PRC joint venture party for the development of another property in the PRC into a residential and commercial complex known as Fantasy Garden. The development of the property was completed in December 1995. PINV was responsible for developing and arranging finance for the project. After completion of the development and sale of the properties, PINV was entitled to 80% of the profit derived from this project after deducting all costs and expenses and after writing down properties to their net realisable value, if necessary. Under a separate agreement between PINV and the PRC joint venture party, it was agreed that PINV is entitled to 80% of the forfeited deposits and instalment monies from the property buyers.

In the previous year, the Group disposed of its interest in HKTC to an independent purchaser and the transaction was completed on 31st January, 2000. Accordingly, both HKTC and PINV ceased to be the subsidiaries of the Company thereafter. The income and the net loss of the Group's interests in these two former jointly controlled operations for the period from 1st April, 1999 to 31st January, 2000, which have been incorporated in the Group's financial statements, for the year ended 31st March, 2000, were as follows:

	1.4.1999
	to
	31.1.2000
	HK\$
Income statement	
Interest income	1,021,901
Sale of properties	—
	1,021,901
Net loss for the period	(4,770,015)

Notes to the Financial Statements

For the Year ended 31st March, 2001

34. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged its investment properties and certain leasehold properties of approximately HK\$7,350,000 (2000: nil) and HK\$13,523,000 (2000: nil) respectively to banks to secure credit facilities granted by the banks to the extent of approximately HK\$40,520,000 (2000: nil).

35. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following transactions with a 50% associate of the Group:

	Notes	2001 HK\$	2000 HK\$
Sales of raw materials	(i)	5,588,398	2,509,486
Administration fee received	(ii)	540,000	540,000
Rental income received	(iii)	--	79,767
Rental paid	(iv)	--	38,646

Notes:

- (i) The above transactions of sales of raw materials were carried out at market prices.
- (ii) The administration fee received from an associate represented an appropriate allocation of expenses incurred for the provision of managerial and administrative support to this associate and the reimbursement of expenses incurred by the Group which were paid on behalf of this associate.
- (iii) The rental income received from an associate represented the reimbursement of rental paid by the Group on behalf of this associate.
- (iv) The rental paid to an associate represented the reimbursement of rental paid by the associate on behalf of the Group.
- (b) The Group rented certain properties in an industrial estate in Songgang county, the PRC, and paid rent amounting to approximately HK\$1,717,000 (2000: HK\$3,640,000) during the year to 深圳市寶安區松崗鎮恒兆工業發展公司 Shenzhen City Baoan District Songgang County Heng Zhao Industrial Development Company ("Heng Zhao"). Heng Zhao has entered into an agreement with All Good Investments Limited ("All Good"), a company in which Messrs. Ho Che Kong and Leung Wai Chuen, the directors of the Company, have an interest of 24.5% and 12.2% respectively, for development of this industrial estate in Songgang county, the PRC. Pursuant to this agreement, All Good is entitled to 54% of the profit derived from this industrial estate.

Notes to the Financial Statements

For the Year ended 31st March, 2001

36. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Bills discounted with recourse	47,214	1,251,364	--	--
Cross guarantees given to banks to secure credit facilities granted to subsidiaries	--	--	50,582,000	20,062,000
	47,214	1,251,364	50,582,000	20,062,000

37. CAPITAL COMMITMENTS

	THE GROUP	
	2001 HK\$	2000 HK\$
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	704,727	39,235

At 31st March, 2001, the Company did not have any capital commitments (2000: nil).

38. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had outstanding commitments under non-cancellable operating leases in respect of rented properties. The portion of these commitments which is payable in the following year is as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Operating leases which expire:				
Within one year	159,815	391,462	--	862,500
In the second to fifth years inclusive	2,269,621	1,812,619	--	--
After five years	1,984,167	2,278,712	--	--
	4,413,603	4,982,793	--	862,500

Notes to the Financial Statements

For the Year ended 31st March, 2001

39. PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Percentage of issued share capital/registered capital		Principal activities
			Held by the Company/ subsidiaries	Attributable equity interest to the Group	
Best Success Investment Limited (note a))	Hong Kong	Ordinary HK\$2	100%	100%	Investment holding
Pacific Margin International Limited (note a))	British Virgin Islands	Ordinary US\$1	100%	100%	Investment holding in Hong Kong
Panjet (Int'l) Limited	British Virgin Islands	Ordinary US\$1	100%	100%	Manufacture of intermediate frequency transformers in the PRC
Pantene Industrial Co. Limited	Hong Kong	Ordinary HK\$10,000 Deferred HK\$800,000 (note b))	100%	100%	Trading in electronics products
Pantronics Holdings Limited (note a))	British Virgin Islands	Ordinary US\$200	100%	100%	Investment holding
Pantronics (Int'l) Limited	British Virgin Islands	Ordinary US\$1	100%	100%	Manufacture of electronics products in the PRC
Pin Xin International Limited	Hong Kong	Ordinary HK\$10,000	100%	100%	Trading in rechargeable battery products
Rise Up International Limited (note a))	British Virgin Islands	Ordinary US\$1	100%	100%	Investment holding in Hong Kong
上海品新電源有限公司 Shanghai Pin Xin Power Resources Industry Co., Ltd. ("Shanghai Pin Xin")	PRC	Registered HK\$28,000,000	Note (c)	Note (c)	Manufacture of rechargeable battery products

Notes to the Financial Statements

For the Year ended 31st March, 2001

39. PRINCIPAL SUBSIDIARIES (continued)

Notes:

- (a) Directly held by the Company.
- (b) These deferred shares, which are not held by the Group, practically carry no right to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding-up.
- (c) Shanghai Pin Xin was established in the PRC as a joint venture company for a term of thirty years commencing 10th April, 1995 with a registered capital of HK\$28,000,000. Pursuant to the co-operative joint venture contract, a subsidiary of the Company, the PRC Partner and another joint venture partner in Hong Kong ("Hong Kong Partner") contributed the registered capital of Shanghai Pin Xin in the proportion of 75%, 20% and 5% respectively. The Hong Kong Partner was entitled to a technical service fee equivalent to 10% of the profit after taxation of Shanghai Pin Xin. The profit after taxation and technical service fee or loss was then shared by the Group, PRC Partner and Hong Kong Partner according to their respective interests in the registered capital of Shanghai Pin Xin.

On 6th November, 1995, a supplemental agreement was entered into by all parties. Pursuant to this agreement, the PRC Partner would only be entitled to a guaranteed distribution of HK\$4,200,000 for the period from 10th April, 1995 to 31st December, 2000. The Hong Kong Partner was still entitled to a technical service fee of 10% of the profit after taxation and annualised guaranteed distribution to the PRC Partner of Shanghai Pin Xin. Other than the annualised guaranteed distribution and the technical service fee, the Group and the Hong Kong Partner should bear the entire risks and liabilities and share the entire profit and loss of Shanghai Pin Xin during the term of the supplemental agreement from 10th April, 1995 to 31st December, 2000.

In 1999, the Group acquired the 5% interest in Shanghai Pin Xin from the Hong Kong Partner at a consideration of approximately HK\$65,000. After this acquisition, the Group held a 80% interest in the paid-up registered capital of Shanghai Pin Xin and the Hong Kong Partner also agreed to waive its entitlement of technical service fee of 10% of the profit after taxation and annualised guaranteed distribution to the PRC Partner of Shanghai Pin Xin thereafter.

During the year, the Group agreed with the PRC Partner of Shanghai Pin Xin to further extend the term of the supplemental agreement for two years from 1st January, 2001 to 31st December, 2002. In addition, during the year, the Group acquired a 10% interest in Shanghai Pin Xin from the PRC Partner together with a loan of HK\$1,200,000 granted by the PRC Partner to Shanghai Pin Xin at a consideration of HK\$4,000,000. After this acquisition, the Group holds a 90% interest in the paid-up registered capital of Shanghai Pin Xin.

Upon dissolution of the co-operative joint venture company, the PRC Partner will receive the amount of registered capital it contributed. The Group is then regarded to hold a 100% (2000: 100%) interest in Shanghai Pin Xin for accounting purposes. The registered capital contributed by the PRC Partner of HK\$2,800,000 (2000: HK\$5,600,000) has been treated as an unsecured and interest free loan. Together with a loan of HK\$1,200,000 (2000: HK\$2,400,000) from the PRC Partner, the total amounts of HK\$4,000,000 (2000: HK\$8,000,000) are disclosed as other borrowings (note 24).

Notes to the Financial Statements

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39. PRINCIPAL SUBSIDIARIES (continued)

Unless specified in the "Principal activities", the above subsidiaries operate principally in their respective places of incorporation or registration.

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of all the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital subsisting at 31st March, 2001 or at any time during the year.