

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The company was incorporated in Bermuda on 17 August 1992 as an exempt company under the Companies Act, 1981 of Bermuda (as amended).

Although not required to do so under the bye-laws of the company, these accounts are prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the group is set out below.

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Basis of consolidation

The consolidated accounts include the accounts of the company and all its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions and balances are eliminated on consolidation.

(d) Investments in subsidiaries

A subsidiary is a company in which the group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investments in subsidiaries in the company's balance sheet are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the profit and loss account.

(e) Jointly controlled entity

A jointly controlled entity is an entity which operates under a contractual arrangement between the group or company and other parties, where the contractual arrangement establishes that the group or company and one or more of the other parties share joint control over the economic activity of the entity.

Unless the interest in the jointly controlled entity is acquired and held exclusively with a view to subsequent disposal in the near future, an investment in a jointly controlled entity is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the group's share of the jointly controlled entity's net assets. The consolidated profit and loss account reflects the group's share of the post-acquisition results of the jointly controlled entities for the year.

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Jointly controlled entity (continued)

On disposal of a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

Unrealised profits and losses resulting from transactions between the group and its jointly controlled entities are eliminated to the extent of the group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit and loss account.

The results of the jointly controlled entities are included in the company's profit and loss account to the extent of dividends received and receivable, providing the dividend is in respect of a period ending on or before that of the company and the company's right to receive the dividend is established before the accounts of the company are approved by the directors. In the company's balance sheet, its investments in jointly controlled entities are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each jointly controlled entity individually. Any such provisions are recognised as an expense in the profit and loss account.

(f) Goodwill and capital reserve on consolidation

Goodwill arising on the acquisition of subsidiaries, or jointly controlled entities, being the excess of the cost of investment in these companies over the fair value of the group's share of the separable net assets acquired, is written off against reserves in the year of acquisition.

The excess of the group's share of the fair value of the separable net assets of subsidiaries, or jointly controlled entities acquired over the cost of investments in these companies is credited directly to capital reserve.

(g) Investments in securities

The group's policies for investments in securities other than investments in subsidiaries and jointly controlled entities are as follows:

- (i) Investment securities are stated in the balance sheet at cost less any provisions for diminution in value.
- (ii) Other investments are stated in the balance sheet at fair value. Changes in fair values are recognised in the profit and loss account as they arise.
- (iii) Profits or losses on disposal of investments in securities are accounted for in the profit and loss account as they arise.

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Fixed assets and depreciation

- (i) Fixed assets are stated in the balance sheet at cost less accumulated depreciation.
- (ii) Depreciation is calculated to write off the cost of fixed assets over their anticipated useful lives on a straight line basis at the following annual rates:

| | |
|--|--|
| Leasehold land | Over the remaining terms of the leases |
| Buildings | 4 – 5% |
| Plant, machinery, furniture, fixtures and office equipment | 9 – 20% |
| Moulds | 20 – 50% |
| Motor vehicles | 10 – 25% |

- (iii) The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account. In determining the recoverable amount, expected future cash flows generated by the fixed assets are not discounted to their present values.

When the circumstances and events that led to the write-down or write-off cease to exist, any subsequent increase in the recoverable amount of an asset is written back to the profit and loss account. The amount written back is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

- (iv) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (v) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is 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.

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Inventories (continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

(k) Revenue recognition

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Sales of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

(iii) Dividends

- Dividend income from unlisted investments other than jointly controlled entities is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(l) Operating leases

Rentals payable or receivable under operating leases are accounted for in the profit and loss account on a straight line basis over the periods of the respective leases.

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

The accounts of overseas subsidiaries expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

(o) Related parties

For the purposes of these accounts, parties are considered to be related to the group if the group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

2 TURNOVER

The principal activity of the company is investment holding. The principal activities of the group are the manufacture and sale of electronic products, toys and houseware and the sale and distribution of clocks, watches and electronic products. The activities of the principal subsidiaries are set out on pages 42 to 44.

Turnover represents the net invoiced sales to customers less returns.

The analysis of the principal activities and geographical locations of operations of the group during the financial year are as follows:

| | Group turnover | | Contribution to profit from operations | |
|-----------------------------|----------------|----------------|---|---------------|
| | 2001 | 2000 | 2001 | 2000 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Principal activities | | | | |
| Electronic products | 504,840 | 519,962 | 5,784 | 18,400 |
| Non-electronic products | 432,206 | 418,033 | 20,941 | 28,859 |
| Non-manufacturing | 16,838 | 9,491 | (10,078) | (2,168) |
| | 953,884 | 947,486 | 16,647 | 45,091 |

| | Group turnover | |
|---|----------------|----------------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Geographical locations of operations | | |
| Europe | | |
| United Kingdom | 261,471 | 347,749 |
| Other countries | 135,711 | 146,365 |
| North America | 376,294 | 305,841 |
| Asia | 121,597 | 109,424 |
| Others | 58,811 | 38,107 |
| | 953,884 | 947,486 |

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

3 INCOME

| | 2001 HK\$'000 | 2000 HK\$'000 |
|---|------------------|------------------|
| Other revenue | | |
| Interest income | 3,945 | 4,540 |
| Rental income | 2,329 | 2,505 |
| Dividend income (including from listed investments HK\$56,000 (2000: HK\$123,000)) | 56 | 198 |
| Others | 2,555 | 3,144 |
| | <u>8,885</u> | <u>10,387</u> |
| Other net losses | | |
| Loss on disposal of fixed assets | (141) | (3,837) |
| Exchange loss | (3,595) | (56) |
| Provision for diminution in value of investments | (7,800) | – |
| Loss on disposal of subsidiaries | – | (1,167) |
| Write back on provision for diminution in value of a subsidiary | 2,236 | – |
| Others | 3,748 | 101 |
| | <u>(5,552)</u> | <u>(4,959)</u> |

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

| | 2001 HK\$'000 | 2000 HK\$'000 |
|---|------------------|------------------|
| (a) Finance cost: | | |
| Interest on bank advances and other borrowings repayable within five years | 1,315 | 1,224 |
| (b) Other items: | | |
| Cost of inventories | 738,815 | 681,390 |
| Staff costs (including retirement cost of HK\$6,231,000 (2000: HK\$4,899,000)) | 169,154 | 161,186 |
| Depreciation | 27,298 | 29,402 |
| Auditors' remuneration | | |
| – current year | 2,251 | 2,101 |
| – under/(over)provision in previous year | 10 | (346) |
| Operating lease charges | | |
| – land and buildings | 6,645 | 6,317 |
| – other assets | 969 | 1,890 |
| Net unrealised and realised losses on other securities | 886 | 1,271 |

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

5 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--------------------------------|------------------|------------------|
| Executive directors | | |
| Salaries and allowances | 17,225 | 13,094 |
| Pension scheme contributions | 1,323 | 853 |
| Discretionary bonuses | – | 2,653 |
| | <u>18,548</u> | <u>16,600</u> |
| Non-executive directors | | |
| Fees | 540 | 540 |
| | <u>19,088</u> | <u>17,140</u> |

The remuneration of the directors is within the following bands:

| | Number of directors | |
|--------------------------------|---------------------|----------|
| | 2001 | 2000 |
| HK\$Nil to HK\$1,000,000 | 3 | 3 |
| HK\$2,500,001 to HK\$3,000,000 | 1 | 1 |
| HK\$3,000,001 to HK\$3,500,000 | – | 2 |
| HK\$3,500,001 to HK\$4,000,000 | 2 | 2 |
| HK\$4,000,001 to HK\$4,500,000 | 2 | – |
| | <u>2</u> | <u>–</u> |

(b) Employees' emoluments

During the year ended 31 March 2001, the five highest paid individuals comprised four directors (2000: four directors), details of whose emoluments are set out in note 5(a). The aggregate of the emoluments in respect of the remaining individual in 2001 (2000: one) is as follows:

| | 2001 HK\$'000 | 2000 HK\$'000 |
|------------------------------|------------------|------------------|
| Salaries and allowances | 3,385 | 2,603 |
| Pension scheme contributions | 302 | 202 |
| Bonuses | – | 588 |
| | <u>3,687</u> | <u>3,393</u> |

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

6 TAXATION

(a) Taxation in the consolidated profit and loss account represents:

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Provision for Hong Kong profits tax for the year | 2,171 | 2,402 |
| Overprovision in respect of prior year | (1,556) | (7,251) |
| Overseas taxation at applicable rates | 1,072 | 3,064 |
| Deferred taxation (<i>note 18</i>) | 430 | 237 |
| | <u>2,117</u> | <u>(1,548)</u> |
| Share of a jointly controlled entity's taxation | 140 | - |
| | <u>2,257</u> | <u>(1,548)</u> |

The provision for Hong Kong profits tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the year ended 31 March 2001. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Taxation in the consolidated balance sheet represents:

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Provision for Hong Kong profits tax for the year | 2,171 | 2,402 |
| Provisional profits tax paid | (4,031) | (3,295) |
| Tax recoverable in respect of prior year | (1) | - |
| Balance of profits tax provision relating to prior years | - | 1,309 |
| Overseas taxation | 777 | 2,236 |
| | <u>(1,084)</u> | <u>2,652</u> |

(c) Taxation in the company's balance sheet represents:

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Provision for Hong Kong profits tax for the year | 50 | - |
| Provisional profits tax paid | (47) | (130) |
| | <u>3</u> | <u>(130)</u> |

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a profit of HK\$494,000 (2000: HK\$18,779,000) which has been dealt with in the accounts of the company.

8 DIVIDENDS

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Interim dividend paid of HK1 cent per share (2000: HK1 cent per share) | 6,252 | 6,432 |
| Final dividend proposed of Nil cent per share (2000: HK3 cents per share) | — | 18,756 |
| | <u>6,252</u> | <u>25,188</u> |

The dividends have been charged to the contributed surplus (note 20).

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the year attributable to ordinary shareholders of HK\$8,673,000 (2000: HK\$39,367,000), and on 625,826,000 (2000: 645,031,000) ordinary shares, being the weighted average number of ordinary shares outstanding during the year.

There were no dilutive potential ordinary shares in existence during the years ended 31 March 2001 and 2000.

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

10 FIXED ASSETS

(a) The group

| | Land and buildings HK\$'000 | Plant, machinery, furniture, fixtures and office equipment HK\$'000 | Moulds HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|----------------------------------|-----------------------------------|---|--------------------|-------------------------------|-------------------|
| Cost: | | | | | |
| At 1 April 2000 | 222,448 | 220,190 | 25,710 | 16,257 | 484,605 |
| Exchange differences | (829) | (943) | – | (228) | (2,000) |
| Additions | 2,438 | 12,609 | 1,077 | 1,039 | 17,163 |
| Disposals | – | (3,204) | – | (1,414) | (4,618) |
| At 31 March 2001 | 224,057 | 228,652 | 26,787 | 15,654 | 495,150 |
| Accumulated depreciation: | | | | | |
| At 1 April 2000 | 50,809 | 149,538 | 22,777 | 11,430 | 234,554 |
| Exchange differences | (126) | (446) | – | (129) | (701) |
| Charge for the year | 8,334 | 15,840 | 1,898 | 1,226 | 27,298 |
| Written back on disposal | – | (2,062) | – | (1,171) | (3,233) |
| At 31 March 2001 | 59,017 | 162,870 | 24,675 | 11,356 | 257,918 |
| Net book value: | | | | | |
| At 31 March 2001 | 165,040 | 65,782 | 2,112 | 4,298 | 237,232 |
| At 31 March 2000 | 171,639 | 70,652 | 2,933 | 4,827 | 250,051 |

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

10 FIXED ASSETS (continued)

(b) Net book value of land and buildings comprises:

| | The group | |
|----------------------------|----------------|----------------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Freehold outside Hong Kong | 5,403 | 6,188 |
| Medium term leases | | |
| – in Hong Kong | 62,535 | 65,596 |
| – outside Hong Kong | 95,110 | 97,715 |
| Short term leases | | |
| – outside Hong Kong | 1,992 | 2,140 |
| | <u>165,040</u> | <u>171,639</u> |

(c) The gross amount of fixed assets of the group held for use in operating leases at 31 March 2001 was HK\$14,822,000 (2000: HK\$14,822,000) and the related accumulated depreciation was HK\$2,449,000 (2000: HK\$2,024,000).

11 INVESTMENTS IN SUBSIDIARIES

| | The company | |
|--|----------------|----------------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Unlisted shares, at cost, net of dividend received from subsidiary from pre-acquisition profits | <u>327,365</u> | <u>327,365</u> |

Details of the company's principal subsidiaries at 31 March 2001 are set out on pages 42 to 44.

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

12 INTEREST IN A JOINTLY CONTROLLED ENTITY

| | The group | |
|--|------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Share of net assets | 1,546 | 1,379 |
| Amount due from/(to) a jointly controlled entity | 2 | (175) |
| | <u>1,548</u> | <u>1,204</u> |

Details of the group's jointly controlled entity are as follows:

| Name of company | Principal activity | Place of incorporation and operation | Effective percentage of equity held by | |
|--|--------------------------|--------------------------------------|--|--------------|
| | | | company | subsidiaries |
| Ningbo Herald Metal Products Company Limited | Manufacture of houseware | The People's Republic of China | – | 40 |

13 OTHER NON-CURRENT FINANCIAL ASSETS

| | The group | |
|-------------------------------------|------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Investment securities | | |
| Unlisted debt securities, at cost | 2,120 | 2,120 |
| Other investments | | |
| Listed equity shares, at fair value | | |
| – in Hong Kong | 23 | 1,504 |
| – outside Hong Kong | 3,215 | 3,895 |
| | <u>3,238</u> | <u>5,399</u> |
| | <u>5,358</u> | <u>7,519</u> |
| Market value of listed investments | <u>3,238</u> | <u>5,399</u> |

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

14 INVENTORIES

| | The group | |
|------------------|----------------|----------------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Raw materials | 65,420 | 56,722 |
| Work in progress | 29,599 | 24,284 |
| Finished goods | 64,501 | 42,272 |
| | 159,520 | 123,278 |

The amount of inventories (included above) carried at net realisable value is HK\$10,259,000 (2000: HK\$13,047,000).

15 TRADE AND OTHER RECEIVABLES

| | The group | | The company | |
|-------------------------------------|----------------|---------------|-------------|------------|
| | 2001 | 2000 | 2001 | 2000 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Trade debtors and bills receivables | 81,888 | 77,057 | – | – |
| Other receivables | 24,072 | 22,339 | 111 | 157 |
| | 105,960 | 99,396 | 111 | 157 |

All of the trade and other receivables are expected to be recovered within one year.

Included in trade and other receivables are trade debtors and bills receivable (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

| | The group | |
|----------------|---------------|---------------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Within 1 month | 63,503 | 55,696 |
| 2 – 3 months | 13,839 | 17,561 |
| Over 3 months | 4,546 | 3,800 |
| | 81,888 | 77,057 |

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

16 BANK LOANS AND OVERDRAFTS

All bank loans and overdrafts are unsecured and repayable on demand or within one year.

17 TRADE AND OTHER PAYABLES

| | The group | | The company | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| Trade creditors and bills payable | 60,935 | 48,017 | – | – |
| Accruals and other payables | 51,684 | 73,470 | 710 | 1,069 |
| | <u>112,619</u> | <u>121,487</u> | <u>710</u> | <u>1,069</u> |

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis:

| | The group | |
|-----------------------------|------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| On demand or within 1 month | 54,171 | 39,109 |
| 2 – 3 months | 4,877 | 8,420 |
| Over 3 months | 1,887 | 488 |
| | <u>60,935</u> | <u>48,017</u> |

18 DEFERRED TAXATION

(a) Movements in deferred taxation of the group comprise:

| | 2001 HK\$'000 | 2000 HK\$'000 |
|--|------------------|------------------|
| Balance at 1 April | 687 | 450 |
| Transfer from the profit and loss account (note 6) | 430 | 237 |
| Exchange difference | (45) | – |
| | <u>1,072</u> | <u>687</u> |
| Balance at 31 March | | |

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

18 DEFERRED TAXATION (continued)

(b) Major components of deferred taxation of the group are set out below:

| | 2001 | | 2000 | |
|--|----------------------|---|----------------------|---|
| | Provided HK\$'000 | Potential assets unrecognised HK\$'000 | Provided HK\$'000 | Potential assets unrecognised HK\$'000 |
| Depreciation allowances in excess of related depreciation | 1,504 | - | 834 | - |
| Future benefit of tax losses | - | (5,154) | (18) | (1,827) |
| Other timing differences | (387) | - | (129) | - |
| Exchange difference | (45) | - | - | - |
| | <u>1,072</u> | <u>(5,154)</u> | <u>687</u> | <u>(1,827)</u> |

19 SHARE CAPITAL

| | 2001 | | 2000 | |
|----------------------------------|-----------------------------------|--------------------|-----------------------------------|--------------------|
| | Number of shares (Thousand) | Amount HK\$'000 | Number of shares (Thousand) | Amount HK\$'000 |
| Authorised: | | | | |
| Shares of US\$0.01 each | <u>1,000,000</u> | <u>78,000</u> | <u>1,000,000</u> | <u>78,000</u> |
| Issued and fully paid: | | | | |
| Shares of US\$0.01 each | | | | |
| At 1 April | 635,461 | 49,566 | 650,086 | 50,707 |
| Shares repurchased and cancelled | <u>(10,260)</u> | <u>(800)</u> | <u>(14,625)</u> | <u>(1,141)</u> |
| At 31 March | <u>625,201</u> | <u>48,766</u> | <u>635,461</u> | <u>49,566</u> |

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

19 SHARE CAPITAL (continued)

During the year, the company repurchased a total of 10,260,000 (2000: 14,625,000) of its shares on The Stock Exchange of Hong Kong Limited, all of which were then cancelled. The premium paid on repurchase was charged against share premium in accordance with the Companies Act 1981 of Bermuda (as amended). Details of the shares repurchased are as follows:

| Month of repurchase | Number of shares (Thousand) | Price per share | | Aggregate price HK\$'000 |
|---------------------|--------------------------------|-----------------|----------------|-----------------------------|
| | | Highest HK\$ | Lowest HK\$ | |
| April 2000 | 6,635 | 0.550 | 0.435 | 3,480 |
| May 2000 | 3,625 | 0.445 | 0.400 | 1,579 |
| | <u>10,260</u> | | | <u>5,059</u> |

20 RESERVES

(a) The group

| | Share premium HK\$'000 | Capital reserve (Note i) HK\$'000 | Contributed surplus (Note ii) HK\$'000 | Exchange fluctuation reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|--------------------------------------|---------------------------|---|--|--|------------------------------|-------------------|
| At 1 April 1999 | 37,100 | 5,559 | 112,393 | (7,534) | 257,611 | 405,129 |
| Exchange difference on consolidation | - | - | - | 348 | - | 348 |
| Negative goodwill written back | - | 82 | - | - | - | 82 |
| Premium paid on repurchase of shares | (5,142) | - | - | - | - | (5,142) |
| Release on disposal of subsidiaries | - | 244 | - | 1,550 | (1,550) | 244 |
| Profit for the year | - | - | - | - | 39,367 | 39,367 |
| Dividends | - | - | (25,188) | - | - | (25,188) |
| At 31 March 2000 | <u>31,958</u> | <u>5,885</u> | <u>87,205</u> | <u>(5,636)</u> | <u>295,428</u> | <u>414,840</u> |
| At 1 April 2000 | 31,958 | 5,885 | 87,205 | (5,636) | 295,428 | 414,840 |
| Exchange difference on consolidation | - | - | - | (3,525) | - | (3,525) |
| Premium paid on repurchase of shares | (4,259) | - | - | - | - | (4,259) |
| Profit for the year | - | - | - | - | 8,673 | 8,673 |
| Dividends | - | - | (6,252) | - | - | (6,252) |
| At 31 March 2001 | <u>27,699</u> | <u>5,885</u> | <u>80,953</u> | <u>(9,161)</u> | <u>304,101</u> | <u>409,477</u> |

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

20 RESERVES (continued)

(b) The company

| | Share premium | Contributed surplus <i>(Note ii)</i> | Retained profits | Total |
|--------------------------------------|------------------|--|---------------------|----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 April 1999 | 37,100 | 249,445 | 516 | 287,061 |
| Premium paid on repurchase of shares | (5,142) | – | – | (5,142) |
| Profit for the year | – | – | 18,779 | 18,779 |
| Dividends | – | (25,188) | – | (25,188) |
| | <u>31,958</u> | <u>224,257</u> | <u>19,295</u> | <u>275,510</u> |
| At 31 March 2000 | 31,958 | 224,257 | 19,295 | 275,510 |
| Premium paid on repurchase of shares | (4,259) | – | – | (4,259) |
| Profit for the year | – | – | 494 | 494 |
| Dividends | – | (6,252) | – | (6,252) |
| | <u>27,699</u> | <u>218,005</u> | <u>19,789</u> | <u>265,493</u> |
| At 31 March 2001 | 27,699 | 218,005 | 19,789 | 265,493 |

Notes:

(i) Capital reserve

The capital reserve represents the excess of the group's share of the fair value of the separable net assets of subsidiaries or a jointly controlled entity acquired over the cost of investments in these companies.

(ii) Contributed surplus

The contributed surplus represents the excess value of the consolidated net tangible assets represented by the shares of the former holding of the group, Herald (Hong Kong) Limited, acquired by the company over the nominal value of the shares issued by the company in exchange pursuant to a Scheme of Arrangement in 1992, less dividends. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to shareholders.

(iii) The total distributable reserves of the company as at 31 March 2001 amounted to HK\$237,794,000 (2000: HK\$243,552,000).

NOTES ON THE ACCOUNTS

Accounts for the year ended 31 March 2001

21 CONTINGENT LIABILITIES

At 31 March 2001, there were contingent liabilities in respect of the following:

| | The group | | The company | |
|---|---------------|----------|---------------|----------|
| | 2001 | 2000 | 2001 | 2000 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Guarantees issued in respect of facilities granted by banks to subsidiaries | 45,148 | – | 45,148 | 84,148 |

22 COMMITMENTS

At 31 March 2001, the group had commitments to make payments under operating leases in the next year as follows:

| | 2001 | | 2000 | |
|---------------------------------|--------------------|--------------|--------------------|----------|
| | Land and buildings | Others | Land and buildings | Others |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Leases expiring: | | | | |
| Within 1 year | 3,386 | 340 | 3,169 | 262 |
| After 1 year but within 5 years | 1,476 | 828 | 2,470 | 858 |
| After 5 years | 470 | 11 | 531 | 16 |
| | 5,332 | 1,179 | 6,170 | 1,136 |

23 PENSION SCHEMES

The principal subsidiaries of the company have defined contribution pension schemes for their qualifying employees. The assets of the schemes are held separately under provident funds managed by independent fund managers or insurance companies. Pursuant to the rules of the schemes, the employers are required to make contributions to the schemes calculated at 5% of employees' basic salaries on a monthly basis. One of these schemes also requires the employer's contributions to be increased to 10% after the employees' length of service exceeds five years. The employees are entitled to 100% of the employers' contributions and the accrued income after completion of 10 years' service, and at an increasing scale rate between 50% and 90% after completion of five to nine years' service.

The total retirement scheme cost charged to the profit and loss account for the year was HK\$6,231,000 (2000: HK\$4,899,000). Where there are employees who leave the schemes prior to vesting fully in the contributions, in accordance with the rules of the schemes, the forfeited employers' contributions shall be used to reduce the future contributions of the employers. At 31 March 2001, the total amount of forfeited contributions which are available to reduce the contributions payable in future years was HK\$120,000 (2000: HK\$383,000).