

Notes to the Financial Statements

For the year ended 31st March, 2001

1. GENERAL

The Company is incorporated in Bermuda under The Companies Act 1981 of Bermuda as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 14.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain 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 set out as follows:

Basis of consolidation

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

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

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

Goodwill

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

On disposal of a business, including a subsidiary or an associate, the attributable amount of goodwill previously eliminated against or credited to goodwill reserve 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)*

Investments in subsidiaries

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

Investments in subsidiaries are included in the Company's balance sheet at cost as reduced by any impairment loss that is other than temporary. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in associates

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

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, the Group's interests in associates are stated at its share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in associates are stated at cost as reduced by any impairment loss that is other than temporary.

Properties held for development

Properties held for development with the intention for holding for long-term purposes when completed, or where no decision has yet been made on their purposes, are included in the balance sheet as non-current assets and stated at cost, less any impairment loss that is other than temporary.

Construction in progress - properties

Construction costs incurred in connection with the construction of the properties are capitalised until the construction of the properties is completed.

No depreciation or amortisation is provided on properties under construction. Depreciation and amortisation will be provided when the construction is completed, and the properties are ready for their intended use.

Notes to the Financial Statements

For the year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

The cost of patents is amortised on a straight line basis over the shorter of the periods in respect of which the related benefits are expected to be received or 20 years. The carrying value is reviewed annually.

The cost of technical know-how is amortised on a straight line basis over its expected useful life of five years.

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium arising on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

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 net profit or loss for the year.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when they were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

Notes to the Financial Statements

For the year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction contracts *(continued)*

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet as a liability, as advances received. Amounts billed for work performed, but not yet paid by the customer, are included in the balance sheet within trade and other receivables.

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 weighted average cost 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.

Property, plant and equipment

Property, plant and equipment other than properties under construction are stated at cost or valuation less depreciation or 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.

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

When 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.

Advantage has been taken of the transitional relief provided by paragraph 72 of the Statement of Standard Accounting Practice ("SSAP") No. 17 "Property, plant and equipment" from the requirement to make revaluation on a regular basis of the Group's land and buildings which had been carried at revalued amounts prior to 30th September, 1995 and accordingly no further revaluation of land and buildings is carried out. On the subsequent sale of assets, the attributable revaluation surplus not yet transferred to retained profits in prior years is transferred to retained profits.

The cost or valuation of freehold land is not amortised.

Notes to the Financial Statements

For the year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The cost or valuation of leasehold land is amortised over the term of the lease.

The cost or valuation of buildings is depreciated over their estimated useful lives of 8 to 60 years using the straight line method.

Property, plant and equipment in the course of construction for production, rental or administrative purposes or for purposes not yet determined, are carried at cost. Cost includes professional fees and borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of plant and equipment over their estimated useful lives using straight-line method, at the following rates per annum:

Furniture and fixtures	25%
Leasehold improvements	25%
Plant, machinery and equipment	12½% to 33⅓%
Motor vehicles	33⅓%
Audio equipment	12.5%
Lighting equipment	12.5%
Antenna and antenna control equipment	10% to 12.5%

Assets held under hire purchase contracts are depreciated over their estimated useful lives on the same basis as owned assets.

In previous years, certain plant and equipment were depreciated using the reducing balance method at rates ranged from 25% to 30% per annum. With effect from 1st April, 2000, all plant and equipment are to be depreciated using the straight-line method at rates set out above which reflect the change in estimation of the Company's directors on the useful lives of the assets. The change in depreciation method has increased the depreciation charge for the year by approximately HK\$4,745,000.

Hire purchase contracts

Assets held under hire purchase contracts are capitalised at their fair value at the dates of acquisition. The corresponding liability to the lessor is included in the balance sheet as obligations under hire purchase contracts. The finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Notes to the Financial Statements

For the year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

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

Revenue from services rendered is recognised when the services are rendered, the revenue can be reliably estimated and it is probable that the revenue will be received.

Interest income from loans is recognised in the income statement as it accrues except in the case of receivables which are deemed to be doubtful at which stage interest accrual ceases.

Interest income from bank deposits is recognised on a time proportion basis, by reference to the principal outstanding and at the interest rates applicable.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease terms.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate, if applicable. 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 translation are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries and associates are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the currency translation reserve.

Notes to the Financial Statements

For the year ended 31st March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed 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.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverse, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of advances.

Notes to the Financial Statements

For the year ended 31st March, 2001

3. TURNOVER AND SEGMENTAL INFORMATION

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

	Turnover		Contribution to (loss) profit from operations	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Revenue from construction contracts in respect of:				
— design, manufacture and sale of custom built electroplating machinery and other industrial machinery	651,271,416	458,940,126	20,465,781	717,073
— stage construction and arts production	17,159,920	18,656,780	1,949,652	3,131,406
— arts performance and social functions	16,301,628	73,220,770	(584,985)	7,597,935
Sale of goods	16,913,843	15,572,433	1,192,576	1,327,429
Interest income from money lending	6,654,755	6,991,723	1,286,275	2,137,876
Repair and maintenance services rendered	11,467,201	7,806,434	665,098	461,319
Provision of services, including repair and maintenance, satellite communication and internet data centre	627,142	—	(28,516,164)	—
	720,395,905	581,188,266	(3,541,767)	15,373,038
Net realised (loss) gain on other investments			(16,145,699)	12,288,655
Impairment loss of investment securities			(128,100,013)	—
Net unrealised loss on other investments			(12,372,583)	—
Interest income			6,402,581	6,930,592
(Loss) profit from operations			(153,757,481)	34,592,285

Notes to the Financial Statements

For the year ended 31st March, 2001

3. TURNOVER AND SEGMENTAL INFORMATION (continued)

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

	Turnover		Contribution to (loss) profit from operations	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Hong Kong and other locations				
in the People's Republic of China	400,393,968	379,767,986	(7,625,606)	22,806,109
Taiwan	218,876,135	136,398,435	16,585,401	4,910,868
Europe and North America	88,664,643	52,829,342	(12,811,395)	(14,745,111)
Others	12,461,159	12,192,503	309,833	2,401,172
	720,395,905	581,188,266	(3,541,767)	15,373,038
Net realised (loss) gain on other investments			(16,145,699)	12,288,655
Impairment loss of investment securities			(128,100,013)	—
Net unrealised loss on other investments			(12,372,583)	—
Interest income			6,402,581	6,930,592
(Loss) profit from operations			(153,757,481)	34,592,285

Notes to the Financial Statements

For the year ended 31st March, 2001

4. OTHER REVENUE

	2001 HK\$	2000 HK\$
Interest earned on bank deposits	5,150,694	2,224,682
Other interest income	1,251,887	4,705,910
Dividend income	177,596	—
Exchange gain	1,421,478	608,905
Sundry income	5,843,221	4,190,901
	13,844,876	11,730,398

5. (LOSS) PROFIT FROM OPERATIONS

	2001 HK\$	2000 HK\$
(Loss) profit from operations has been arrived at after charging:		
Amortisation of intangible assets	25,772	219,424
Auditors' remuneration	1,425,805	1,564,477
Depreciation and amortisation on:		
Owned assets	18,505,025	13,161,116
Assets held under hire purchase contracts	476,209	279,297
Loss on disposal of property, plant and equipment	634,133	2,367,664
Operating lease payments in respect of:		
Rented premises	3,423,808	2,311,790
Plant and machinery	767,413	601,734
Preliminary expenses written off	—	9,903
Provision for bad and doubtful debts	3,578,534	—
Provision for slow moving inventories	4,067,718	2,317,400
Staff costs:		
Directors' remuneration (note)	8,473,908	9,139,674
Salaries and allowances	147,051,535	95,294,102
Retirement benefit scheme contributions	3,766,531	3,608,782
	159,291,974	108,042,558

Notes to the Financial Statements

For the year ended 31st March, 2001

5. (LOSS) PROFIT FROM OPERATIONS (continued)

Note:

Information regarding directors' and employees' emoluments

	2001 HK\$	2000 HK\$
Directors		
Directors' fees:		
Executive	—	—
Non-executive	180,000	180,000
Other emoluments to executive directors:		
Salaries and other benefits	8,030,747	8,468,752
Retirement benefit scheme contributions	263,161	490,922
	<u>8,473,908</u>	<u>9,139,674</u>

No compensation was paid to any directors of the Company during the year for the loss of office as directors of the Company and its subsidiaries.

Emoluments of the directors, excluding two directors who had resigned during the year (the two "Resigned Directors"), were within the following bands:

	Number of directors	
	2001	2000
HK\$nil - HK\$1,000,000	3	4
HK\$1,000,001 - HK\$1,500,000	—	1
HK\$1,500,001 - HK\$2,000,000	—	3
HK\$2,000,001 - HK\$2,500,000	—	1
HK\$4,000,001 - HK\$4,500,000	2	—

Information regarding the emoluments of the two Resigned Directors was set out below.

Notes to the Financial Statements

For the year ended 31st March, 2001

5. (LOSS) PROFIT FROM OPERATIONS (continued)

Note: (continued)

Information regarding directors' and employees' emoluments (continued)

Employees

The five highest paid individuals of the Group included two (2000: five) directors, details of whose emoluments are set out above. The emoluments of the remaining three highest paid individuals including two directors who resigned during the year (2000: nil) and remain as employees of the Company following their resignation as directors of the Company. Details of the emoluments received by them during their directorships for the year are included above. The amounts received by them after their resignation as directors of the Company, together with the emoluments of the remaining one (2000: nil) individual, are as follows:

	2001 HK\$	2000 HK\$
Salaries and other benefits	4,944,689	—
Retirement benefit scheme contributions	263,471	—
	<u>5,208,160</u>	<u>—</u>

Emoluments of these remaining three (2000: nil) highest paid employees including the emoluments received by the two Resigned Directors during their directorships, were within the following bands:

	Number of employees	
	2001	2000
HK\$1,500,001 - HK\$2,000,000	<u>3</u>	<u>—</u>

Notes to the Financial Statements

For the year ended 31st March, 2001

6. FINANCE COSTS

	2001 HK\$	2000 HK\$
Interest on:		
Bank borrowings wholly repayable within five years	4,053,661	2,581,897
Bank borrowings not wholly repayable within five years	865,293	1,901,530
Hire purchase contracts	63,020	34,708
Other loan	1,249,125	12,292
	<u>6,231,099</u>	<u>4,530,427</u>
Less: Interest capitalised to land and buildings	<u>(2,153,380)</u>	<u>(383,270)</u>
	<u>4,077,719</u>	<u>4,147,157</u>

7. TAXATION

The taxation charge (credit) comprises:

	2001 HK\$	2000 HK\$
Hong Kong Profits Tax		
Charge for the year	1,089,867	2,010,499
Under(over)provision in prior years	<u>275,917</u>	<u>(396,954)</u>
	<u>1,365,784</u>	<u>1,613,545</u>
Overseas taxation		
Charge for the year	2,217,923	3,703,050
Under(over)provision in prior years	<u>58,878</u>	<u>(70,461)</u>
	<u>2,276,801</u>	<u>3,632,589</u>
Deferred taxation (note 30)	<u>1,663,220</u>	<u>(1,653,404)</u>
	<u>5,305,805</u>	<u>3,592,730</u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the year. Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

Notes to the Financial Statements

For the year ended 31st March, 2001

8. NET (LOSS) PROFIT FOR THE YEAR

The Group's loss for the year includes a loss of HK\$134,043,697 (2000: a profit of HK\$1,060,916) which has been dealt with in the financial statements of the Company.

9. DIVIDEND

	2001 HK\$	2000 HK\$
Underprovision of final dividend in the previous year	—	127,360

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic/diluted (loss) earning per share is based on the following data:

	2001 HK\$	2000 HK\$
(Loss) earnings for the purposes of basic earnings per share	(199,794,733)	25,060,543
Weighted average number of shares for the purposes of basic earnings per share	5,123,712,636	4,498,210,625
Effect of dilutive potential shares:		
Options	—	1,928,313
Warrants	—	182,721,112
Weighted average number of shares for the purposes of diluted earnings per share	5,123,712,636	4,682,860,050

The exercises of the Company's warrants and options do not result in any dilutive effect for the year ended 31st March, 2001.

Notes to the Financial Statements

For the year ended 31st March, 2001

11. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK\$	Land and buildings HK\$	Furniture and fixtures HK\$	Leasehold improvements HK\$	Plant, machinery and equipment HK\$	Motor vehicles HK\$	Audio equipment HK\$	Lighting equipment HK\$	Antenna and antenna control equipment HK\$	Total HK\$
THE GROUP										
COST OR VALUATION										
At 1st April, 2000	26,656,082	146,905,790	9,722,910	3,253,116	48,914,301	11,151,593	7,766,486	6,879,067	—	261,249,345
Currency relignment	4,090	358,822	16,723	(93,053)	(149,999)	(222,727)	—	—	—	(86,144)
Additions	54,115,602	15,924,427	1,575,109	1,724,339	48,932,546	3,342,865	—	—	16,178,144	141,793,032
Transfers	(26,027,119)	26,018,038	9,081	—	—	—	—	—	—	—
Disposed of on disposal of subsidiaries	—	—	(332,790)	(1,208,964)	(40,025,750)	—	—	—	—	(41,567,504)
Disposals	—	—	(544,364)	(246,045)	(556,495)	(1,170,257)	—	—	—	(2,517,161)
At 31st March, 2001	54,748,655	189,207,077	10,446,669	3,429,393	57,114,603	13,101,474	7,766,486	6,879,067	16,178,144	358,871,568
COMPRISING										
At cost	54,748,655	104,707,077	10,446,669	3,429,393	57,114,603	13,101,474	7,766,486	6,879,067	16,178,144	274,371,568
At valuation -										
31st March, 1992	—	43,000,000	—	—	—	—	—	—	—	43,000,000
31st March, 1994	—	41,500,000	—	—	—	—	—	—	—	41,500,000
	54,748,655	189,207,077	10,446,669	3,429,393	57,114,603	13,101,474	7,766,486	6,879,067	16,178,144	358,871,568
DEPRECIATION AND AMORTISATION										
At 1st April, 2000	—	12,837,027	5,840,060	1,684,288	32,568,634	7,825,625	2,103,424	2,119,830	—	64,978,888
Currency relignment	—	55,362	12,645	(32,997)	(50,195)	(85,520)	—	—	—	(100,705)
Provided for the year	—	3,454,357	1,533,494	731,747	7,514,872	2,811,110	1,132,612	1,299,447	503,595	18,981,234
Eliminated on disposal of subsidiaries	—	—	(73,045)	(114,240)	(944,241)	—	—	—	—	(1,131,526)
Eliminated on disposals	—	—	(375,232)	(142,245)	(315,483)	(910,264)	—	—	—	(1,743,224)
At 31st March, 2001	—	16,346,746	6,937,922	2,126,553	38,773,587	9,640,951	3,236,036	3,419,277	503,595	80,984,667
NET BOOK VALUES										
At 31st March, 2001	54,748,655	172,860,331	3,508,747	1,302,840	18,341,016	3,460,523	4,530,450	3,459,790	15,674,549	277,886,901
At 31st March, 2000	26,656,082	134,068,763	3,882,850	1,568,828	16,345,667	3,325,968	5,663,062	4,759,237	—	196,270,457

Notes to the Financial Statements

For the year ended 31st March, 2001

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of land and buildings and construction in progress shown above comprises:

	Land and buildings		Construction in progress	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Medium-term leasehold land and buildings in Hong Kong	35,900,341	37,164,044	54,115,602	—
Freehold land and buildings in:				
Taiwan	85,281,287	44,327,331	—	26,018,038
United Kingdom	2,867,000	2,897,500	—	—
Medium-term leasehold land in the People's Republic of China	48,811,703	49,679,888	—	—
Other plant and equipment	—	—	633,053	638,044
	<u>172,860,331</u>	<u>134,068,763</u>	<u>54,748,655</u>	<u>26,656,082</u>

The net book value of property, plant and equipment includes an amount of HK\$1,140,236 (2000: HK\$254,865) in respect of assets held under hire purchase contracts.

Up to 31st March, 2001, interest expenses capitalised in construction in progress amounted to approximately HK\$2,536,000 (2000: HK\$383,000).

Had the land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of the land and buildings would have been stated at approximately HK\$163,946,000 (2000: HK\$100,030,000).

12. PROPERTIES HELD FOR DEVELOPMENT

	THE GROUP	
	2001	2000
	HK\$	HK\$
Properties held for development, at cost	<u>19,613,373</u>	<u>19,613,373</u>

Properties held for development are situated in Hong Kong and are held under medium-term leases.

Notes to the Financial Statements

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13. INTANGIBLE ASSETS

	Patents HK\$	Technical know-how HK\$	Total HK\$
THE GROUP			
COST			
At 1st April, 2000	217,866	74,654	292,520
Currency realignment	—	(9,695)	(9,695)
Additions	—	9,474	9,474
	<hr/>	<hr/>	<hr/>
At 31st March, 2001	217,866	74,433	292,299
	<hr/>	<hr/>	<hr/>
AMORTISATION			
At 1st April, 2000	89,559	29,320	118,879
Currency realignment	—	(3,816)	(3,816)
Provided for the year	10,892	14,880	25,772
	<hr/>	<hr/>	<hr/>
At 31st March, 2001	100,451	40,384	140,835
	<hr/>	<hr/>	<hr/>
NET BOOK VALUES			
At 31st March, 2001	117,415	34,049	151,464
	<hr/>	<hr/>	<hr/>
At 31st March, 2000	128,307	45,334	173,641
	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements

For the year ended 31st March, 2001

14. INTERESTS IN SUBSIDIARIES

	2001 HK\$	2000 HK\$
THE COMPANY		
Quoted shares, at cost (note (i))	19,702,937	—
Unlisted shares, at cost	8	22,525,588
Unlisted shares (note (ii))	47,285,952	47,285,952
Loan to a subsidiary	65,000,000	65,000,000
	131,988,897	134,811,540
Market value of quoted shares	185,847,925	—

The loan to a subsidiary is unsecured, non-interest bearing and in the opinion of the directors, will not be repaid within the next twelve months.

Notes:

- (i) During the year, the unlisted shares of one of the Company's subsidiaries, Intech Machines Company, Limited, were admitted for trading on the Taiwan Over-The-Counter Securities Exchange.
- (ii) The carrying value of the unlisted shares is based on the 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 under the group reorganisation in 1991, less dividends subsequently distributed from pre-reorganisation reserves of the subsidiaries.

Notes to the Financial Statements

For the year ended 31st March, 2001

14. INTERESTS IN SUBSIDIARIES (continued)

Details of the Company's subsidiaries as at 31st March, 2001 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by			Principal activities
			The Company %	The subsidiaries %	The Group %	
Asia Nice Art Production Limited	Hong Kong	HK\$10,000	—	60	60	Stage construction and arts production
Asia Tele-Net Investments Limited	Hong Kong	HK\$2	—	100	100	Securities trading
Asia Vigour (Holdings) Limited	British Virgin Islands	US\$1	—	100	100	Investment holding
Asia Vigour Productions Limited	Hong Kong	HK\$2	—	100	100	Organise arts performance, sale of video productions and equipment leasing
ATNT Global Investments Company Limited	Hong Kong	HK\$2	—	100	100	Securities trading
ATNT Group Management Limited	Hong Kong	HK\$2	—	100	100	Management service
Baolong Automatic Machinery (Shenzhen) Company Limited	People's Republic of China	HK\$18,000,000	—	100	100	Design, manufacture and sale of electroplating machines
Beijing Golden PAL Plating Equipment Company Limited	People's Republic of China	US\$1,291,500	—	52	52	Design, manufacture and sale of electroplating machines and other automated equipment

Notes to the Financial Statements

For the year ended 31st March, 2001

14. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by			Principal activities
			The Company %	The subsidiaries %	The Group %	
Beijing Haoyuan Power Equipment Company Limited	People's Republic of China	US\$500,000	—	52	52	Design, manufacture and sale of rectifiers and other equipment
Gold Beat Investments Limited	Hong Kong	HK\$2	—	100	100	Properties investment
Gold Island International Limited	Hong Kong	HK\$2	—	100	100	Investment holding
Golden Rainbow Investments Limited	British Virgin Islands	US\$1	—	100	100	Properties investment
Goodyear Asia Limited	Hong Kong	HK\$100,000	—	60	60	Promotion and marketing of electroplating machines
Fairway Int'l Limited	British Virgin Islands	US\$1	—	100	100	Investment holding
Happy Treasure Limited	Hong Kong	HK\$2	—	100	100	Not yet commenced business
Hovington Agents Limited	British Virgin Islands	US\$1	—	100	100	Investment holding

Notes to the Financial Statements

For the year ended 31st March, 2001

14. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by			Principal activities
			The Company %	The subsidiaries %	The Group %	
Happy Win Resources Limited	British Virgin Islands	US\$1	100	—	100	Investment holding
Intech Enterprise (BVI) Company, Limited	British Virgin Islands	US\$50,000	—	100	100	Not yet commenced business
Intech Machines Company, Limited	Taiwan	NT\$380,000,000	51	—	51	Design, manufacture and sale of wet processing equipment
Intech Machines (BVI) Company, Limited	British Virgin Islands	US\$2,500,000	—	100	100	Investment holding
Kamtress Limited	Hong Kong	HK\$300,000	—	80	80	Design, manufacture and sale of water purification equipment and waste treatment systems
Kings Dragon Electroplating Equipment Company Limited	Hong Kong	HK\$2	—	100	100	Inactive
PAL Finance Limited	Hong Kong	HK\$2	—	100	100	Money lending
PAL Properties Investment Limited	British Virgin Islands	US\$1	—	100	100	Investment holding
PAL Sales, Inc.	The United States of America	US\$1,000	—	51	51	Sale of electroplating machines

Notes to the Financial Statements

For the year ended 31st March, 2001

14. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by			Principal activities
			The Company %	The subsidiaries %	The Group %	
PAL (Sea) Sdn. Bhd.	Malaysia	RM300,000	—	60	60	Marketing and servicing of electroplating machines
PAL Service, Inc.	The United States of America	US\$100,000	—	100	100	Installation and servicing of electroplating machines
PAL Service Sdn. Bhd.	Malaysia	RM50,002	—	60	36	Installation, servicing of machine and sale of spare parts
Power Conversion System Limited	The United Kingdom	GBP2	—	100	100	Design, manufacture and sale of rectifiers and other equipment
Process Automation (BVI) Limited	British Virgin Islands	HK\$110,000	100	—	100	Investment holding
Process Automation International Limited	Hong Kong	HK\$2 (see note 1)	—	100	100	Design, manufacture and sale of electroplating machines
Process Automation (UK) Limited	The United Kingdom	GBP2	—	100	100	Sale of electroplating machines
Prosmart Developments Limited	Hong Kong	HK\$2	—	100	100	Properties investment

Notes to the Financial Statements

For the year ended 31st March, 2001

14. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by			Principal activities
			The Company %	The subsidiaries %	The Group %	
Rich Town Properties Limited	British Virgin Islands	US\$2	—	100	100	Properties investment
Sky Citi-Link ATNT (Holdings) Limited ("SCL")	British Virgin Islands	US\$1	—	100 (see note 2)	100	Investment holding
Sky Citi-Link International Telecom Limited	Hong Kong	HK\$2	—	100	100	Provision of telecommunication services
Sky Citi-Link (Great China) Communication Limited	Hong Kong	HK\$10,000	—	100	100	Provision of telecommunication services
Sky Citi-Link Teleport Limited	British Virgin Islands	US\$1	—	100	100	Property holding
Sky Datamann (China) Limited	British Virgin Islands	US\$1	—	100	100	Not yet commenced business
Vigour Entertainment Company Limited	Hong Kong	HK\$2	—	100	100	Organising arts performance, social functions and sales of video products
World Pride Technology Limited	Hong Kong	HK\$2	—	100	100	Trading of electroplating equipment
亞智科技(深圳)有限公司	People's Republic of China	US\$600,000	—	100	100	Not yet commenced business

Notes to the Financial Statements

For the year ended 31st March, 2001

14. INTERESTS IN SUBSIDIARIES *(continued)*

All active subsidiaries operate in their places of incorporation.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

Notes:

- (1) At 31st March, 2001, Process Automation International Limited ("PAL") had outstanding 11,000,000 non-voting deferred shares of HK\$1 each which were held by Process Automation (BVI) Limited. The deferred shares carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of PAL and practically carry no rights to participate in any distribution on winding up.
- (2) Subsequent to 31st March, 2001, the issued and fully paid share capital of SCL has increased to US\$100 and the Group disposed of 20% of its interest in SCL. Details of the disposal are set out in note 40.

15. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Unlisted shares, at cost	—	—	—	11,514,377
Share of net assets	4,334,181	6,372,457	—	—
	4,334,181	6,372,457	—	11,514,377

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

Name of associate	Place of incorporation/ registration	Proportion of nominal value of issued capital held by the Group	Principal activities
Beijing Wan Dian Company Limited	People's Republic of China	50%	Design, manufacture and sale of wind generators
Mainstream Automaton (International) Limited	Hong Kong	35%	Inactive
Sparkling Stream International Limited	Western Samoa	32.8%	Inactive

Notes to the Financial Statements

For the year ended 31st March, 2001

16. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Investment securities shown as non-current assets:				
Unlisted shares, at cost less provision for impairment loss	10,868,004	89,674,876	—	80,100,013
Other investments shown as current assets:				
Listed shares, at market value	34,830,508	2,378,400	—	—

The investment securities at 31st March, 2000 represented investment cost of 10% equity interest in HK Sky-e.com Limited ("HKSL") which is a company incorporated in Hong Kong and is engaged in producing and providing content and programmes mainly entertainment and infotainment by nature for distribution through the internet and broadcasting, and holding and owning an entertainment website called "HK Sky-e.com". During the year, the Company acquired an additional 6% equity interest in HKSL at a consideration of HK\$48,000,000, details of which are set out in note 35. At the balance sheet date, full provision for impairment loss has been made for the cost of investment in HKSL.

17. OTHER ASSETS

	THE GROUP	
	2001 HK\$	2000 HK\$
Loans receivable - non current portion (Note 21)	2,399,883	1,798,424
Non current receivable	78,000	312,000
	2,477,883	2,110,424

18. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are unsecured and have no fixed terms of repayment. The amounts included approximately HK\$47 million (2000: HK\$43 million) which bear interest based on Hong Kong prime lending rate less 1% per annum, the remaining balance is non-interest bearing.

Notes to the Financial Statements

For the year ended 31st March, 2001

19. INVENTORIES

	THE GROUP	
	2001 HK\$	2000 HK\$
Raw materials	67,231,756	66,825,213
Work in progress	31,676,127	17,319,455
Finished goods	2,287,246	8,241,780
	101,195,129	92,386,448

Included above are raw materials of HK\$10,493,089 (2000: HK\$7,036,542) which are carried at net realisable value.

20. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2001 HK\$	2000 HK\$
Contracts in progress at the balance sheet date:		
Contract costs incurred	83,814,210	90,250,283
Recognised profits less recognised losses	9,492,363	18,736,563
	93,306,573	108,986,846
Progress billings	(59,852,995)	(77,174,620)
	33,453,578	31,812,226
Represented by:		
Due from customers included in current assets	37,320,213	36,819,829
Due to customers included in current liabilities	(3,866,635)	(5,007,603)
	33,453,578	31,812,226

At the balance sheet date, there were no retention monies held by customers for contract work performed. At the balance sheet date, advances received from customers for contract work performed amounted to HK\$22,565,491 (2000: HK\$15,156,115) were included in creditors, bills payable and accrued charges.

Notes to the Financial Statements

For the year ended 31st March, 2001

21. LOANS RECEIVABLE

The following is the maturity profile of loans receivable at balance sheet date:

	THE GROUP	
	2001 HK\$	2000 HK\$
Repayable within 3 months	32,711,884	16,549,811
Repayable after 3 months but within 6 months	39,923	23,513,731
Repayable after 6 months but within 1 year	23,617,036	2,223,974
	56,368,843	42,287,516
Repayable after more than 1 year	2,399,883	1,798,424
	58,768,726	44,085,940

The loans receivable which are repayable after more than one year are included in other assets in note 17. All loans receivable bear interests at commercial rates.

22. DEBTORS, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	2001 HK\$	2000 HK\$
Trade debtors	191,890,670	128,645,748
Bills receivables	3,769,456	1,911,521
Other debtors and prepayments	22,567,112	70,683,774
	218,227,238	201,241,043

The Group allows a general credit period of one month to its trade customers except construction contracts where the Group allows stage payments. In general, credit will only be offered to customers in accordance with their financial assessments and an established payment record.

Notes to the Financial Statements

For the year ended 31st March, 2001

22. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

The following is an aged analysis of trade debtors as at the reporting date:

	2001 HK\$	2000 HK\$
Current	98,986,009	72,497,742
Overdue by:		
0 - 60 days	32,943,029	30,206,802
61 - 120 days	29,489,366	8,677,420
121 - 180 days	17,106,176	2,801,820
> 180 days	13,366,090	14,461,964
	191,890,670	128,645,748

23. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES

	THE GROUP	
	2001 HK\$	2000 HK\$
Trade creditors	108,086,942	89,725,658
Bills payable	—	4,457,211
Other creditors and accrued charges	98,367,706	75,939,081
	206,454,648	170,121,950

The following is an aged analysis of trade creditors as at the reporting date:

	2001 HK\$	2000 HK\$
0 - 60 days	61,718,863	73,205,226
61 - 120 days	43,197,719	12,633,294
121 - 180 days	676,959	91,469
> 180 days	2,493,401	3,795,669
	108,086,942	89,725,658

Notes to the Financial Statements

For the year ended 31st March, 2001

24. AMOUNTS DUE TO SUBSIDIARIES

The amounts at 31st March, 2001 are unsecured, non-interest bearing and have no fixed terms of repayment. The amounts at 31st March, 2000 borne interest based on Hong Kong prime lending rate less 1% per annum.

25. SHARE CAPITAL

	2001 HK\$	2000 HK\$
Shares of HK\$0.01 each Authorised	200,000,000	200,000,000
Issued and fully paid:		
At beginning of the year	49,071,680	43,576,347
Exercise of share options	—	61,333
Issue of shares	3,000,000	5,500,000
Shares repurchased and cancelled	—	(66,000)
Shares repurchased and pending for cancellation	(942,600)	—
At end of the year	51,129,080	49,071,680

All shares issued during the year rank pari passu with the existing shares in all respects.

- (a) During the year, the Company issued and allotted an aggregate of 300,000,000 new shares of HK\$0.01 each in the Company, at a price of HK\$0.16 per share to Starwood Asia Limited ("Starwood"), an independent third party who is not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries, as the consideration for the acquisition of 6% interest in HK Sky-e.com Limited. The price of HK\$0.16 per share represented a premium of approximately 46.79% percent over the average closing price of the Company as quoted on the Stock Exchange for the 10 trading days ended on 19th May, 2000, the date on which the conditional sale and purchase agreement was entered into between the Company and Starwood.

Notes to the Financial Statements

For the year ended 31st March, 2001

25. SHARE CAPITAL (continued)

(b) During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of shares of HK\$0.01 each	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
February 2001	19,400,000	0.050	0.050	973,784
March 2001	74,860,000	0.052	0.039	3,360,288
	<u>94,260,000</u>			<u>4,334,072</u>

The above shares are pending for cancellation at the balance sheet date.

26. WARRANTS

On 27th September, 1999, the Company issued a total of 891,433,600 units of warrant ("2001 warrants") to shareholders whose names appeared on the Company's Register of Members on that date on a basis of one warrant for every five shares of HK\$0.01 each then held. Each warrant entitles the holder thereof to subscribe in cash for one new share of HK\$0.01 each in the Company at an initial subscription price of HK\$0.203 per share, subject to adjustment, during the period from 15th March, 2001 to 28th March, 2001, both days inclusive.

During the year, registered holders of 40,000 "2001 warrants" exercised their rights to subscribe for 40,000 ordinary shares in the Company at HK\$0.203 per share. The allotment was made on 3rd April, 2001.

The 2001 warrants lapsed on 28th March, 2001 and no warrants are outstanding at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st March, 2001

27. SHARE OPTION SCHEME

Pursuant to the Company's executive share option scheme adopted on 2nd January, 1991 (the "Original Scheme"), the directors may grant options to executive directors and employees of the Company or any of its subsidiaries to subscribe for shares of the Company. The subscription price of shares under the Original Scheme shall be calculated at the discretion of the directors at an amount not more than a 20% discount to the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for one or more board lots of shares on the five trading days immediately preceding the date of grant of the option provided that in no circumstances shall the subscription price be less than the par value of a share.

The Original Scheme remained in force for a period of ten years from the date of its adoption and was expired on 1st January, 2001.

Under the rules of the Original Scheme, options must be exercised before the expiry date of the scheme. Pursuant to an ordinary resolution passed at a special general meeting held on 6th September, 2000 (the "Resolution"), the rule with regard to the exercisable period has amended under which options are exercisable before the third anniversary from the date of options are granted or the later date as the directors may determine but not being later than the tenth anniversary from the date the options are granted.

Pursuant to the revised Original Scheme, the Company had granted options on 14th November, 2000 to the following directors of the Company, exercisable at any time from 17th November, 2000 and during the employment with the Company and its subsidiaries to 16th November, 2003:

Name	Exercise price per share HK\$	Number of share options		
		Outstanding at 1st April, 2000	Granted during the year	Outstanding at 31st March, 2001
Mr. Kwok Yan Lam	0.056	—	43,000,000	43,000,000
Mr. Kwok Hing Lam	0.056	—	43,000,000	43,000,000
			<u>86,000,000</u>	<u>86,000,000</u>

Pursuant to the Resolution, the Company adopted a new executive share option scheme (the "New Scheme") which became effective on 1st January, 2001. The rules of the New Scheme are the same as the revised Original Scheme and will remain in force for a period of ten years from the date of its adoption.

No share options were granted under the New Scheme during the year.

Notes to the Financial Statements

For the year ended 31st March, 2001

28. RESERVES

	Share premium HK\$	Property revaluation reserve HK\$	Legal reserves HK\$	Currency translation reserve HK\$	Contributed surplus HK\$	Goodwill reserve HK\$	Retained profits HK\$	Total HK\$
THE GROUP								
Balance at 1st April, 1999	134,532,403	46,427,459	15,214,240	(8,703,212)	—	(7,195,319)	177,428,790	357,704,361
Realised upon the disposal of land and buildings	—	(7,282,668)	—	—	—	—	7,282,668	—
Realised upon the de-registration of a subsidiary	—	—	—	75,294	—	—	—	75,294
Goodwill acquired on acquisition of an associate	—	—	—	—	—	(11,514,377)	—	(11,514,377)
Transfer	—	—	832,349	—	—	—	(832,349)	—
Share premium cancelled on share repurchased	(315,457)	—	—	—	—	—	—	(315,457)
New issue of shares	150,372,467	—	—	—	—	—	—	150,372,467
Exercise of share options	187,067	—	—	—	—	—	—	187,067
Profit for the year	—	—	—	—	—	—	25,060,543	25,060,543
Dividend	—	—	—	—	—	—	(127,360)	(127,360)
Balance at 31st March, 2000	284,776,480	39,144,791	16,046,589	(8,627,918)	—	(18,709,696)	208,812,292	521,442,538
Exchange difference arising on translation of overseas subsidiaries	—	—	—	545,900	—	—	—	545,900
Realised upon the deemed disposal of a subsidiary	—	—	(29,498)	28,399	—	—	29,498	28,399
Realised upon the partial disposal of a subsidiary	—	—	(576,011)	554,544	—	—	576,011	554,544
Goodwill realised upon deemed disposal of a subsidiary	—	—	—	—	—	2,515	—	2,515
Goodwill realised upon partial disposal of a subsidiary	—	—	—	—	—	48,931	—	48,931
Goodwill of a subsidiary and an associate written off	—	—	—	—	—	12,123,962	—	12,123,962
Goodwill arisen on purchase of additional shares in a subsidiary	—	—	—	—	—	(2,000)	—	(2,000)
Transfer	—	—	784,225	—	—	—	(784,225)	—
Share premium cancelled on share repurchased	(3,391,472)	—	—	—	—	—	—	(3,391,472)
New issue of shares	45,000,000	—	—	—	—	—	—	45,000,000
Loss for the year	—	—	—	—	—	—	(199,794,733)	(199,794,733)
Balance at 31st March, 2001	326,385,008	39,144,791	16,225,305	(7,499,075)	—	(6,536,288)	8,838,843	376,558,584

Included in the above retained profits was a deficit of HK\$3,794,486 (2000: HK\$1,714,210) representing the Group's share of post-acquisition deficit of associates.

Notes to the Financial Statements

For the year ended 31st March, 2001

28. RESERVES (continued)

	Share premium HK\$	Property revaluation reserve HK\$	Legal reserves HK\$	Currency translation reserve HK\$	Contributed surplus HK\$	Goodwill reserve HK\$	Retained profits HK\$	Total HK\$
THE COMPANY								
Balance at 1st April, 1999	134,532,403	—	—	—	29,510,207	—	4,736,514	168,779,124
Share premium cancelled on shares repurchased	(315,457)	—	—	—	—	—	—	(315,457)
New issue of shares	150,372,467	—	—	—	—	—	—	150,372,467
Exercise of share options	187,067	—	—	—	—	—	—	187,067
Profit for the year	—	—	—	—	—	—	1,060,916	1,060,916
Dividend	—	—	—	—	—	—	(127,360)	(127,360)
Balance at 31st March, 2000	284,776,480	—	—	—	29,510,207	—	5,670,070	319,956,757
Share premium cancelled on shares repurchased	(3,391,472)	—	—	—	—	—	—	(3,391,472)
New issue of shares	45,000,000	—	—	—	—	—	—	45,000,000
Loss for the year	—	—	—	—	—	—	(134,043,697)	(134,043,697)
Balance at 31st March, 2001	326,385,008	—	—	—	29,510,207	—	(128,373,627)	227,521,588

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition, less dividends distributed from pre-reorganisation reserves of the subsidiaries. Under The Companies Act 1981 of Bermuda, the contributed surplus of the Company is available for distribution to shareholders.

The articles of incorporation of Intech Machines Company, Limited ("IML") provide that 10% of its annual net income be set aside as a legal reserve until an amount which is equal to its paid up capital is reached. An amount of HK\$754,337 (2000: HK\$752,908) was transferred from profit for the year to legal reserves for the year ended 31st March, 2001. In accordance with statutory requirements in the People's Republic of China, a subsidiary registered in the People's Republic of China transferred an aggregate amount of HK\$29,888 (2000: HK\$79,441) from retained profits to legal reserves during the year. These legal reserves are not considered to be distributable.

At 31st March, 2001, the Group's retained profits include an aggregate amount of HK\$31,324,160 (2000: HK\$24,901,014) which was capitalised as share capital by IML. Subsequent to 31st March, 2001, IML declared a scrip dividend for the year ended 31st December, 2000, the amount attributable to the Group is HK\$6,392,649 (2000: HK\$6,423,146).

Notes to the Financial Statements

For the year ended 31st March, 2001

29. BORROWINGS

	THE GROUP	
	2001 HK\$	2000 HK\$
Borrowings comprise the following:		
Bank overdrafts	816,666	442,884
Trust receipt loans	9,624,211	274,114
Other bank loans	96,566,332	53,230,196
Other loan	14,449,500	—
	121,456,709	53,947,194
Secured	47,646,770	29,597,340
Unsecured	73,809,939	24,349,854
	121,456,709	53,947,194
The borrowings are repayable within a period:		
Not exceeding one year or on demand	76,980,257	25,046,633
More than one year but not exceeding two years	6,348,290	1,775,332
More than two years but not exceeding five years	16,069,150	7,322,717
More than five years	22,059,012	19,802,512
Total	121,456,709	53,947,194
Amount due within one year classified as current liabilities	(76,980,257)	(25,046,633)
Balance due after one year	44,476,452	28,900,561

Notes to the Financial Statements

For the year ended 31st March, 2001

30. DEFERRED TAXATION

	THE GROUP	
	2001 HK\$	2000 HK\$
Balance at beginning of the year	(376,317)	1,277,087
Movement in the income statement for the year (note 7)	1,663,220	(1,653,404)
Balance at end of the year	1,286,903	(376,317)
Represented by:		
Deferred taxation asset included in current assets	(752,097)	(1,640,917)
Deferred taxation liability included in non-current liabilities	2,039,000	1,264,600
	1,286,903	(376,317)

The major components of the provision for deferred taxation and the total potential deferred taxation liability (asset) unprovided are as follows:

	Recognised deferred taxation asset		Provided deferred taxation liability		Total potential liability (asset) unprovided	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
THE GROUP						
Tax effect of timing differences due to:						
Excess of tax allowances over depreciation	—	—	2,188,700	2,821,800	2,620,510	1,704
Estimated tax losses	—	—	—	(1,317,000)	(8,187,631)	(1,961,100)
Revaluation surplus on properties	—	—	—	—	6,500,000	6,500,000
Others	(752,097)	(1,640,917)	(149,700)	(240,200)	—	—
	(752,097)	(1,640,917)	2,039,000	1,264,600	932,879	4,540,604

Notes to the Financial Statements

For the year ended 31st March, 2001

30. DEFERRED TAXATION (continued)

The components of the net unrecognised deferred taxation (credit) charge for the year are as follows:

	THE GROUP	
	2001 HK\$	2000 HK\$
Tax effect of timing differences due to:		
Excess of depreciation over tax allowances	2,618,806	(1,462,874)
Tax losses (arising) utilised	(6,226,531)	237,264
Revaluation on surplus on properties	—	(3,000,000)
	<u>(3,607,725)</u>	<u>(4,225,610)</u>

The Group's properties in the People's Republic of China are held as office and factory premises. In the opinion of the Company's directors, the Group does not have any intention to dispose of these properties in the foreseeable future. Accordingly, no deferred taxation has been provided on the revaluation surplus of these properties.

The surplus arising on revaluation of the Group's properties in Hong Kong does not constitute a timing difference for taxation purposes as any profits realised on their subsequent disposal would not be subjected to taxation.

THE COMPANY

The Company did not have any significant unprovided deferred taxation at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st March, 2001

31. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	THE GROUP	
	2001 HK\$	2000 HK\$
The repayment schedule of obligations under hire purchase contracts is as follows:		
Within one year	524,602	192,059
Between one to two years	399,997	—
Between two to five years	33,342	—
	<hr/>	<hr/>
	957,941	192,059
Amount due within one year classified as current liabilities	(524,602)	(192,059)
	<hr/>	<hr/>
Amount due after one year	433,339	—
	<hr/>	<hr/>

Notes to the Financial Statements

For the year ended 31st March, 2001

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

	2001 HK\$	2000 HK\$
(Loss) profit before taxation	(189,212,868)	29,710,227
Share of results of associates	2,089,276	734,901
Interest income	(2,762,581)	(6,930,592)
Interest expense	4,077,719	4,147,157
Dividend income	(177,596)	—
Depreciation and amortisation	18,981,234	13,440,413
Amortisation of intangible assets	25,772	219,424
Loss on disposal of property, plant and equipment	634,133	2,367,664
Loss on deemed disposal/de-registration of a subsidiary	99,939	75,294
Loss on disposal/liquidation of subsidiaries	22,335,636	—
Gain on partial disposal of a subsidiary	(5,271,145)	—
Goodwill of a subsidiary and an associate written off	12,123,962	—
Provision for impairment loss of investment securities	128,100,013	617,955
Increase in other investments	(14,252,108)	(2,378,400)
Decrease in non current receivable	234,000	—
Increase in inventories	(8,808,681)	(9,924,049)
Increase in amounts due from customers for contract work	(500,384)	(7,489,715)
(Increase) decrease in loans receivable	(14,682,786)	16,044,254
(Increase) decrease in debtors, deposits and prepayments	(24,316,920)	115,891,567
Increase (decrease) in creditors, bills payable and accrued charges	34,993,869	(41,078,858)
Decrease in amounts due to customers for contract work	(1,140,968)	(6,053,654)
Effect of foreign exchange rate changes	554,112	—
Net cash (outflow) inflow from operating activities	(36,876,372)	109,393,588

Notes to the Financial Statements

For the year ended 31st March, 2001

33. DISPOSAL/LIQUIDATION OF SUBSIDIARIES

	2001 HK\$	2000 HK\$
NET ASSETS DISPOSED		
Property, plant and equipment	40,435,978	—
Debtors, deposits and prepayments	2,624,815	—
Bank balances and cash	1,553,893	—
Creditors and accrued charges	(14,562,726)	—
Minority interests	(477,561)	—
	<u>29,574,399</u>	<u>—</u>
Loss on disposal/liquidation	(22,335,636)	—
Total consideration	<u>7,238,763</u>	<u>—</u>
Satisfied by:		
Listed equity shares received	18,200,000	—
Cash consideration paid and payable to purchaser	(10,961,237)	—
	<u>7,238,763</u>	<u>—</u>
Net cash outflow arising on disposal		
Cash consideration	(10,961,237)	—
Less: Unpaid cash consideration at balance sheet date	1,969,750	—
	<u>(8,991,487)</u>	<u>—</u>
Cash consideration paid	(8,991,487)	—
Bank balances and cash disposed of	(1,553,893)	—
	<u>(10,545,380)</u>	<u>—</u>

During the year, these disposed/liquidated subsidiaries contributed HK\$16 million to the Group's net operating cash outflow.

The subsidiary disposed of during the year contributed approximately HK\$33,000 (2000: Nil) to the Group's turnover and approximately HK\$16 million (2000: Nil) to the Group's loss from operations.

Notes to the Financial Statements

For the year ended 31st March, 2001

34. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$	Borrowings HK\$	Obligations under hire purchase contracts HK\$	Minority interests HK\$
Balance at 1st April, 1999	178,108,750	67,913,379	519,756	56,647,607
New borrowings	—	27,949,200	243,290	—
Repurchase of shares	(381,457)	—	—	—
Repayment of borrowings	—	(42,358,269)	(570,987)	—
Minority interests' share of profit for the year	—	—	—	1,056,954
Issue of new shares	157,498,399	—	—	—
Expenses in relation to issue of shares	(1,377,532)	—	—	—
Capital contributed by minority shareholders of subsidiaries	—	—	—	2,000
Balance at 31st March, 2000	333,848,160	53,504,310	192,059	57,706,561
Currency realignment	—	103,200	—	—
New borrowings	—	139,495,450	1,200,000	—
Repurchase of shares	(4,334,072)	—	—	—
Repayment of borrowings	—	(72,462,917)	(434,118)	—
Minority interests' share of profit for the year	—	—	—	5,276,060
Dividends paid to minority shareholder of a subsidiary	—	—	—	(1,360,000)
Issue of new shares for purchase of investment securities	48,000,000	—	—	—
Minority interests' share of translation reserve	—	—	—	11,439
Effect of partial disposal of a subsidiary	—	—	—	8,361,837
Effect of deemed disposal of a subsidiary	—	—	—	69,025
Capital contributed by minority shareholders of subsidiaries	—	—	—	1,283,831
Liquidation of a subsidiary	—	—	—	(477,561)
Balance at 31st March, 2001	377,514,088	120,640,043	957,941	70,871,192

Notes to the Financial Statements

For the year ended 31st March, 2001

35. MAJOR NON-CASH TRANSACTIONS

During the year, the Group acquired a 6% interest in HK Sky-e.com Limited for HK\$48,000,000 which was satisfied by issuing 300,000,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.16 per share.

36. COMMITMENTS

	THE GROUP	
	2001	2000
	HK\$	HK\$
Capital expenditure contracted for but not provided in the financial statements in respect of:		
— land and buildings (Note)	6,919,000	12,097,073
— technical knowhow	145,700	173,900
— plant and equipment	4,124,000	—
	<u>11,188,700</u>	<u>12,270,973</u>

Note:

Subsequent to the balance sheet date, the contract with the contractor for the construction of properties was terminated and accordingly, the capital commitment has been released.

At the balance sheet date, the annual commitments of the Group under operating leases payable within the next year in respect of rented premises are as follows:

	2001	2000
	HK\$	HK\$
Leases which expire:		
Within one year	384,065	995,856
In the second to fifth year inclusive	300,000	244,903
Over five years	234,000	234,000
	<u>918,065</u>	<u>1,474,759</u>

THE COMPANY

The Company did not have any significant capital or operating lease commitments at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st March, 2001

37. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Extent of banking facilities utilised by subsidiaries and guaranteed by the Company	—	—	26,602,851	15,214,473

38. PLEDGE OF ASSETS

The Group has pledged its land and buildings in Taiwan and the United Kingdom with an aggregate net book value of approximately HK\$87 million (2000: HK\$47 million), plant and machinery of approximately HK\$nil (2000: HK\$0.4 million) and bank deposits of approximately HK\$4.1 million (2000: HK\$3.4 million) to secure general banking facilities granted to the Group.

39. RETIREMENT BENEFIT SCHEMES

The employees of IML have participated in the Central Pension Scheme operated by the Taiwan government. IML is required to contribute a certain percentage of the relevant part of the payroll to the Central Pension Scheme to fund the benefits. The only obligation of the Group with respect to the Central Pension Scheme is their required contributions under the Central Pension Scheme.

Certain other companies in the Group operate defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees or insurance policy. The retirement benefit scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. At the balance sheet date, there were no forfeited contributions which are available to reduce the contributions payable in future years.

In addition, certain other companies in the Group operate funded defined benefit pension scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees or insurance policy. The pension cost is assessed in accordance with the advice of HSBC Life (International) Limited using the projected unit credit method. The latest actuarial assessment of the scheme was at 1st April, 1999. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. It was assumed that the investment return would be 9% per annum and that salary increases would average 8% per annum. At the date of the latest actuarial valuation the market value of the assets of the scheme was HK\$13,254,000, and the actuarial value of the assets was sufficient to cover 101% and 84% of the vested liability and past service liability respectively, after allowing for expected future increases in earnings.

In December 2000, certain other companies in the Group had also joined the Mandatory Provident Fund Scheme ("MPF Scheme") under the rules and regulations of the Mandatory Provident Fund Authority in Hong Kong. All the contributions under the defined contribution retirement benefit schemes were transferred to the MPF Scheme.

Notes to the Financial Statements

For the year ended 31st March, 2001

40. POST BALANCE SHEET EVENTS

- (a) On 30th May, 2001, the Company entered into a sale and purchase agreement with an independent third party to acquire the entire issued share capital of a wholly-owned subsidiary of that independent third party for a consideration of HK\$64.5 million which will be satisfied by the transfer of certain listed securities held by the Group at an agreed value of HK\$4,500,000, the allotment and issue of 500 million shares in the Company of HK\$0.01 per share at the issue price of HK\$0.06 per share and the issue of convertible notes of HK\$30,000,000 by the Company. This acquisition was completed on 24th July, 2001.
- (b) On 14th June, 2001, the Group entered into an agreement with an independent third party for the sale of 20 ordinary shares of SCL, representing 20% of the issued share capital of SCL, for a consideration of HK\$40 million which was satisfied by the issue of 40,000,000 listed equity shares of HK\$1 each in that independent third party.
- (c) On 29th June, 2001, the Company entered into a conditional sale and purchase agreement with an independent third party to acquire 51% of the entire issued share capital of Function Hope Limited for a consideration of HK\$80 million which will be satisfied by the issue of a 10-year loan note with principal amount of HK\$80 million.