

# Notes to the Financial Statements

For the year ended 31 March 2001

## 1. GENERAL

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture of and trading in cable and wire, copper rods and related products. Its associates are principally engaged in the manufacture of optical fibre cable, operate website and internet related businesses.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of leasehold properties and other investments.

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

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 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 intercompany transactions and balances within the Group have been eliminated on consolidation.

### Goodwill

Goodwill represents the excess of the purchase consideration over the Group's share of the fair value ascribed to the separable net assets of the subsidiary or associate at the date of acquisition and is written off directly to reserves in the year of acquisition. Negative goodwill, which represents the excess of the Group's share of the fair value ascribed to separable net assets of the subsidiary or associate at the date of acquisition over the purchase consideration, is credited to reserves.

On disposal of a subsidiary or an associate, the attributable amount of goodwill previously written off or credited to reserves at the time of acquisition is included in the determination of the profit or loss on disposal.

# Notes to the Financial Statements

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For the year ended 31 March 2001

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Revenue recognition

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

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

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

#### Property, plant and equipment

Property, plant and equipment, other than construction in progress and land and buildings, are stated at cost less depreciation. 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 proceed and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

# Notes to the Financial Statements

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For the year ended 31 March 2001

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Property, plant and equipment (continued)

Any surplus arising on revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an asset is charged to the income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Leasehold land is depreciated on a straight line basis over the term of the relevant lease and buildings are depreciated over the shorter of the term of the lease or fifty years using the straight line method.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Leasehold improvements	10%
Equipment, furniture and fixtures	20%
Plant and machinery	6.67% – 20%
Motor vehicles	20%

Construction in progress represents property, plant and equipment in the course of development for production purposes and is carried at cost. Cost includes direct costs of construction and professional fees capitalised. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

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

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

# Notes to the Financial Statements

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For the year ended 31 March 2001

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Subsidiaries**

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital/contributed 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 less any impairment loss recognised.

#### **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 Group's interests in associates are included in the consolidated balance sheet at the Group's share of net assets of the associates. The Group's share of post-acquisition results of the associates are included in the consolidated income statement.

#### **Investments in securities**

Listed securities are stated at fair value with unrealised gains and losses included in the income statement in the current period.

#### **Deferred expenditure**

Deferred expenditure represents the cost of acquiring safety certification for new products where the relevant products are clearly defined, the costs attributable to the acquisition of safety certification can be separately identified and measured reliably and their recoverability can be foreseen with reasonable assurance. In such cases, the expenditure is deferred and amortised on a straight line basis, over a period of five years from the date of commencement of commercial production.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

# Notes to the Financial Statements

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For the year ended 31 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 using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

#### **Leases and hire purchase contracts**

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

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

#### **Foreign currencies**

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than the Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

# Notes to the Financial Statements

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For the year ended 31 March 2001

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **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 the advance.

#### **Retirement benefits scheme**

The pension costs charged in the income statement represents the contributions payable in respect of the current year to the Mandatory Provident Fund scheme in Hong Kong and the central pension scheme in the People's Republic of China ("PRC") in accordance with the PRC Government regulations.

#### **Convertible bonds**

Convertible bonds are separately disclosed and regarded as liabilities unless conversion actually occurs. The finance cost recognised in the income statement in respect of the convertible bonds is calculated so as to produce a constant periodic rate of charge on the remaining balance of the convertible bonds for each accounting period.

The costs incurred in connection with the issue of convertible bonds are deferred and amortised on straight line basis over the lives of the convertible bonds from the date of issue of the bonds to their final redemption date. If any of the bonds are purchased and cancelled, redeemed or converted prior to the final redemption date, an appropriate portion of any remaining unamortised costs will be charged immediately to the income statement.

# Notes to the Financial Statements

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For the year ended 31 March 2001

## 3. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the amounts received and receivable for goods sold to outside customers, net of returns and discount, during the year.

The Group's turnover and profit from operations for the year ended 31 March 2001, analysed by product category, are as follows:

	Turnover		Profit (loss) from operations	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cables and wires	649,351	760,358	(2,812)	17,282
Copper rods	370,079	252,954	10,785	14,181
Connectors and terminals	42,358	30,662	5,000	1,985
	<u>1,061,788</u>	<u>1,043,974</u>	<u>12,973</u>	<u>33,448</u>
Investment (loss) income			(1,360)	3,512
Less: Unallocated corporate administrative expenses			(5,129)	(4,537)
			<u>6,484</u>	<u>32,423</u>

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For the year ended 31 March 2001

### 3. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

The Group's turnover for the year ended 31 March 2001, analysed by geographical market, is as follows:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Mainland China	<b>615,978</b>	511,880
North America	<b>175,006</b>	227,965
Europe	<b>123,506</b>	145,891
Hong Kong	<b>29,998</b>	65,852
Other Asian regions	<b>117,300</b>	92,386
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	<b>1,061,788</b>	1,043,974
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An analysis of profit from operations by geographical market has not been presented as the ratio of contribution from each market is substantially in line with the overall group ratio.



# Notes to the Financial Statements

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For the year ended 31 March 2001

## 4. PROFIT FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of deferred expenditure	1,485	1,891
Auditors' remuneration		
Current year	1,296	571
Underprovision in prior years	741	583
Depreciation		
Owned assets	31,503	27,603
Assets held under finance leases and hire purchase contracts	10,515	12,362
Operating lease rentals in respect of		
Rented premises	4,483	4,506
Equipment and machinery	–	42
Staff costs	81,906	87,642
and after crediting:		
Dividend income from listed securities	800	–

# Notes to the Financial Statements

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For the year ended 31 March 2001

### 5. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES

Particulars of the emoluments of the directors and the five highest paid employees for the year were as follows:

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Directors' fees:		
Executive directors	–	–
Independent non-executive directors	<b>385</b>	180
Other emoluments to executive directors:		
Salaries and other benefits	<b>8,902</b>	7,185
Performance related incentive payments	<b>1,650</b>	–
Retirement benefits scheme contribution	<b>6</b>	–
	<b>10,943</b>	<b>7,365</b>

Emoluments of the directors were within the following bands:

	<b>2001</b> <b>Number of directors</b>	2000 <b>Number of directors</b>
Nil – HK\$1,000,000	<b>8</b>	7
HK\$1,000,001 – HK\$1,500,000	<b>2</b>	1
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$6,000,001 – HK\$6,500,000	<b>1</b>	–

The five highest paid individuals of the Group include four (2000: five) executive directors of the Company. The emolument of the remaining highest paid individual for the year ended 31 March 2001 was as follows:

	HK\$'000
Salaries and other benefits	<b>829</b>

# Notes to the Financial Statements

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For the year ended 31 March 2001

## 6. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on bank borrowings wholly repayable within five years	18,508	25,964
Interest on finance leases and hire purchase contracts	3,272	5,782
Interest on convertible bonds	1,475	—
	<u>23,255</u>	<u>31,746</u>

## 7. TAXATION

	2001 HK\$'000	2000 HK\$'000
Hong Kong Profits Tax		
Current year	—	—
Overprovision in respect of prior years	(26)	(738)
Taxation in other jurisdictions		
Current year	64	7
Overprovision in respect of prior years	(40)	(1,713)
Deferred taxation (Note 22)	529	2,620
	<u>527</u>	<u>176</u>

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profit for the year.

Taxation in other jurisdictions, including Mainland China and overseas, is calculated at the rates applicable in the respective jurisdictions.

# Notes to the Financial Statements

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For the year ended 31 March 2001

### 7. TAXATION (CONTINUED)

Pursuant to the approvals obtained from the relevant PRC tax authorities, certain of the Group's PRC subsidiaries are entitled to exemptions from PRC enterprise income tax. Shanghai Chau's Electrical Co., Ltd. ("Shanghai Chau's") and Dongguan Hua Yi Brass Products Co., Ltd. ("Dongguan Hua Yi") are entitled to exemption from enterprise income tax for two years from their first profitable year of operation, followed by a 50% reduction for the next three years. Shanghai Chau's did not have any assessable profits since its registration and Dongguan Hua Yi is under tax exemption period.

Deferred taxation is provided on timing differences that are, in the opinion of the directors, expected to crystallise in the foreseeable future, after taking into consideration the Group's medium term financial plan and projection.

Details of deferred taxation are set out in note 22.

The amount of the unprovided deferred taxation charge (credit) for the year is as follows:

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Tax effect of timing differences because of:		
Difference between tax allowances and depreciation	<b>228</b>	(53)

### 8. (LOSS) PROFIT FOR THE YEAR

Of the Group's loss for the year of HK\$24,490,000 (2000: profit of HK\$715,000), a loss of HK\$468,875,000 (2000: a loss of HK\$1,316,000) has been dealt with in the financial statements of the Company.

# Notes to the Financial Statements

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For the year ended 31 March 2001

## 9. DIVIDENDS

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Interim dividend: Nil (2000: HK\$0.18 cent per ordinary share)	–	12,809
Dividend for convertible non-voting preference shares	–	1,833
	<u>–</u>	<u>14,642</u>

## 10. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
(Loss) profit for the year	<b>(24,490)</b>	715
Convertible non-voting preference shares dividend	–	(1,833)
Loss for the purposes of basic loss per share	<u><b>(24,490)</b></u>	<u>(1,118)</u>

	<b>2001</b> <b>Number of shares</b>	2000 <i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u><b>12,571,203,374</b></u>	<u>6,365,455,564</u>

As the exercise of potential dilutive ordinary shares would result in reduction in loss per share, there is no dilution for the year ended 31 March 2001.

As the Company's outstanding share options and convertible non-voting preference shares are anti-dilutive, there is no dilution in the loss per share for the year ended 31 March 2000.

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For the year ended 31 March 2001

### 11. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress outside Hong Kong HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Equipment, furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP							
COST OR VALUATION							
At 1 April 2000	223	248,700	8,381	42,283	317,696	17,586	634,869
Currency realignment	-	-	-	(1)	3	2	4
Additions	378	3,691	368	3,301	8,649	2,067	18,454
Reclassifications	(376)	175	-	-	201	-	-
Disposals	-	-	-	(180)	-	(2,776)	(2,956)
Adjustment on valuation	-	(9,966)	-	-	-	-	(9,966)
At 31 March 2001	225	242,600	8,749	45,403	326,549	16,879	640,405
Comprising:							
At cost	225	-	8,749	45,403	326,549	16,879	397,805
At valuation – 2001	-	242,600	-	-	-	-	242,600
	225	242,600	8,749	45,403	326,549	16,879	640,405
DEPRECIATION AND AMORTISATION							
At 1 April 2000	-	-	2,846	21,931	95,985	9,177	129,939
Provided for the year	-	10,102	605	4,177	25,369	1,765	42,018
Eliminated on disposals	-	-	-	(133)	-	(2,320)	(2,453)
Adjustment on valuation	-	(10,102)	-	-	-	-	(10,102)
At 31 March 2001	-	-	3,451	25,975	121,354	8,622	159,402
NET BOOK VALUES							
At 31 March 2001	225	242,600	5,298	19,428	205,195	8,257	481,003
At 31 March 2000	223	248,700	5,535	20,352	221,711	8,409	504,930

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For the year ended 31 March 2001

## 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The land and buildings of the Group were revalued on 31 March 2001 at their open market value on an existing use basis by Chung, Chan & Associates, Chartered Surveyors, as follows:

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Properties situated in Mainland China		
– held under medium term leases	<b>216,400</b>	221,500
– held under long leases	<b>10,800</b>	11,000
Properties situated in Hong Kong held under medium term leases	<b>15,400</b>	16,200
	<b>242,600</b>	248,700

Chung, Chan & Associates are not connected with the Group. The net surplus arising on revaluation of HK\$136,000 (2000: HK\$4,997,000) has been credited to the asset revaluation reserve.

If leasehold land and buildings had not been revalued, they would have been included on a historical cost basis at the following amounts:

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Cost	<b>244,431</b>	240,565
Accumulated depreciation	<b>(16,411)</b>	(11,098)
Net book value at 31 March	<b>228,020</b>	229,467

The net book value of property, plant and equipment of the Group includes an amount of HK\$91,488,000 (2000: HK\$120,312,000) in respect of assets held under finance leases and hire purchase contracts.

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For the year ended 31 March 2001

### 12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	151,667	151,667
Amounts due from subsidiaries	1,137,652	762,186
Less: Impairment losses recognised	(463,009)	—
	<u>826,310</u>	<u>913,853</u>

The following list contains only the particulars of the subsidiaries at 31 March 2001 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of company	Place of incorporation or registration/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Company	Principal activities
銀之潤國際貿易 (上海)有限公司 Asia Watch International Trading (Shanghai) Company Limited	PRC	US\$200,000	70%	International trading
Chau's Electrical (BVI) Company Limited	British Virgin Islands/PRC	US\$1	100%	Property holding
Chau's Electrical Company Limited	Hong Kong	HK\$1,000 ordinary HK\$500,000 non-voting deferred (Note 1)	100% —	Manufacture of and trading in cable and wire products



# Notes to the Financial Statements

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For the year ended 31 March 2001

## 12. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation or registration/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Company	Principal activities
Chau's Electrical International, Inc.	United States of America	US\$20,000	100%	Trading
Chau's Industrial Investments Limited	British Virgin Islands	US\$1,000	100%	Investment holding
Citigain Industrial Limited	Hong Kong	HK\$1,000	100%	Investment holding
Crown Earth Investments Limited	Hong Kong/ PRC	HK\$100	100%	Property holding
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd.	PRC	US\$9,850,000 (Note 2)	95%	Manufacture of and trading in copper products
東莞橋梓周氏電業有限公司 Dongguan Qiaozi Chau's Electrical Co., Ltd.	PRC	HK\$5,000,000 (Note 3)	75%	Manufacture of and trading in cable and wire products
Driston Services Limited	British Virgin Islands	US\$1	100%	Material procurement
Gosberton Assets Limited	British Virgin Islands	US\$1	100%	Holding of trademarks
Hua Yi Copper Products Company Limited	Hong Kong	HK\$100,000	100%	Manufacture of and trading in copper products

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### 12. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation or registration/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Company	Principal activities
Kadesh Resources Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Marketing
On Legend Limited	Hong Kong	HK\$1,000	100%	Provision of secretarial services
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd. #	PRC	US\$2,500,000	65%	Manufacture of and trading in cable and wire products
Solartech Investments Limited	British Virgin Islands	US\$1	100%	Investment holding
Stocko Electronics Asia Pacific Pte Ltd #	Singapore	S\$100,000	90.5%	Trading in wire harness and connectors
Todaiji Electronics (M) Sdn. Bhd. #	Malaysia	RM500,000	100%	Manufacture of wire harness and connectors
Wah Yeung Capital Resources Limited	British Virgin Islands	US\$1	100%	Investment holding
Yellowstone Assets Limited	British Virgin Islands	US\$1	100%	Investment holding

# The financial statements of these subsidiaries are not audited by member firms of Deloitte Touche Tohmatsu.

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For the year ended 31 March 2001

## 12. INTERESTS IN SUBSIDIARIES (CONTINUED)

Notes:

1. The deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding up.
2. Dongguan Hua Yi Brass Products Co., Ltd. ("Dongguan Hua Yi") is an equity joint venture with a registered capital of US\$9,850,000. Up to 31 March 2001, the Group has contributed US\$7,531,000 to the capital of Dongguan Hua Yi. It has been mutually agreed between the Group and the PRC joint venture partner to extend the investment period to 31 December 2002. As at 31 March 2001, no contribution was made by the PRC joint venture partner and accordingly no economic interest in Dongguan Hua Yi was attributable to the PRC joint venture partner.
3. Dongguan Qiaozi Chau's Electrical Co., Ltd. ("Qiaozi Chau's") was established by the Group with an independent Chinese party in the PRC. Under the management agreement with the Chinese party, the Group is responsible for all of the assets and liabilities of the joint venture and is entitled to the net profit derived from its operations after the payment of a fixed amount as management fee to the Chinese party each year. The Group therefore effectively has a 100% attributable economic interest in Qiaozi Chau's.
4. Except for Chau's Industrial Investments Limited, all the subsidiaries are indirectly held by the Company.

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

## 13. INTERESTS IN ASSOCIATES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	6,452	4,126
Amount due from an associate	5,000	5,000
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	<b>11,452</b>	<b>9,126</b>
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For the year ended 31 March 2001

### 13. INTERESTS IN ASSOCIATES (CONTINUED)

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

Name of company	Place of incorporation	Proportion of nominal value of issued capital indirectly held by the Company	Principal activities
Alexa International Limited	British Virgin Islands	40%	Investment holding
Cyber Top Technologies Limited	British Virgin Islands	19.9%	Provision of online home entertainment programs
HK128.com Limited	British Virgin Islands	30%	Provision of online news and stock information
Tonfu (Hong Kong) Holdings Limited	Hong Kong	47.5%	Manufacture of and trading in optical fibre cable and related products
Web Innovation Limited	Hong Kong	25%	Internet application services
北京亞索網絡技術有限公司	PRC	40%	Internet content provider
新會市聯盈網絡科技有限公司	PRC	35%	Business to business electronic commerce
深圳市和誠科技實業有限公司	PRC	30%	Design, production and distribution of computer hardwares and softwares

# Notes to the Financial Statements

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For the year ended 31 March 2001

## 14. INVESTMENTS IN SECURITIES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Listed securities in Hong Kong, at market value	<b>5,280</b>	7,440

## 15. OTHER ASSETS

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Deposits paid (Note 1)	<b>45,217</b>	8,700
Deferred expenditure (Note 2)	<b>2,007</b>	3,492
Club membership, at cost (Note 3)	<b>600</b>	600
	<b>47,824</b>	12,792

Notes:

- The deposits are mainly for the capital expenditure incurred in setting up the production facility of a new business operation.

# Notes to the Financial Statements

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For the year ended 31 March 2001

### 15. OTHER ASSETS (CONTINUED)

Notes: (continued)

2. Deferred expenditure

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
COST		
At beginning and end of the year	9,455	9,455
AMORTISATION		
At beginning of the year	5,963	4,072
Provided for the year	1,485	1,891
At end of the year	7,448	5,963
NET BOOK VALUE		
At end of the year	2,007	3,492

3. In the opinion of the directors, the club membership is worth at least its cost.

### 16. INVENTORIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Raw materials	80,142	125,823
Work in progress	4,694	3,452
Finished goods	78,671	53,244
	163,507	182,519
At cost	163,507	142,907
At net realisable value	–	39,612
	163,507	182,519

# Notes to the Financial Statements

(Cont'd)

For the year ended 31 March 2001

## 17. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the Group's debtors, deposits and prepayments were trade debtors of approximately HK\$180,193,000 (2000: HK\$217,230,000). The Group allows an average credit period of 45 days to its trade customers.

The aging analysis of trade debtors was as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within 30 days	80,242	80,493
31 – 60 days	36,870	33,171
61 – 90 days	18,684	32,793
Over 90 days	44,397	70,773
	<hr/>	<hr/>
	<b>180,193</b>	217,230
	<hr/>	<hr/>

## 18. CREDITORS AND ACCRUED CHARGES

Included in the Group's creditors and accrued charges were trade creditors of approximately HK\$48,347,000 (2000: HK\$84,854,000).

The aging analysis of trade creditors was as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within 30 days	24,201	34,344
31 – 60 days	16,734	25,069
61 – 90 days	4,339	18,399
Over 90 days	3,073	7,042
	<hr/>	<hr/>
	<b>48,347</b>	84,854
	<hr/>	<hr/>

# Notes to the Financial Statements

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For the year ended 31 March 2001

## 19. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
The maturity of obligations under finance leases and hire purchase contracts is as follows:		
Within one year	8,762	35,596
More than one year, but not exceeding two years	7,298	10,403
More than two years, but not exceeding five years	2,768	8,487
	<hr/>	<hr/>
	18,828	54,486
Less: Amount due within one year shown under current liabilities	(8,762)	(35,596)
	<hr/>	<hr/>
Amount due after one year	<u>10,066</u>	<u>18,890</u>



# Notes to the Financial Statements

(Cont'd)

For the year ended 31 March 2001

## 20. BANK BORROWINGS

Bank borrowings are analysed as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Bank overdrafts	–	13,850
Bank loans	90,520	79,946
Trust receipt loans	124,848	144,190
	<u>215,368</u>	<u>237,986</u>
Secured	90,520	49,346
Unsecured	124,848	188,640
	<u>215,368</u>	<u>237,986</u>

All the above bank borrowings are repayable on demand or within one year.

# Notes to the Financial Statements

## (Cont'd)

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For the year ended 31 March 2001

### 21. CONVERTIBLE BONDS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Principal amount of the convertible bonds	<u>65,000</u>	<u>—</u>

During the year, the Company issued convertible bonds ("Bonds") to two independent investors with principal amounts of HK\$32,500,000 each, totalling HK\$65,000,000. The Bonds are convertible into ordinary shares of HK\$0.01 each in the Company or shares in Tonfu (Hong Kong) Holdings Limited or its ultimate holding company which may be held by the Company ("Tonfu Shares"), in integral multiples of HK\$38,000, at any time commencing on the date of issue of the Bonds and ending on the second anniversary of the date of issue of the Bonds ("Maturity Date") as follows:

- (i) the entire outstanding principal amount of the Bonds are convertible into ordinary shares of HK\$0.01 each in the Company at an initial conversion price of HK\$0.038 per share (subject to adjustments) ("Conversion Price"); and
- (ii) instead of converting into the Company's shares, the holders of the Bonds may elect to convert up to HK\$23,750,000 out of the outstanding principal amount of the Bonds into Tonfu Shares at HK\$17.19 per Tonfu Share, provided that any Tonfu Shares to be transferred on such conversion will be no more than 25% of the Company's holding in Tonfu Shares from time to time;

The Bonds bear interest on the outstanding principal thereof from the date of issue of the Bonds at 5% per annum which will be payable monthly in arrears from the date of issue of the Bonds to the Maturity Date.

The outstanding principal amount of the Bonds may be repaid in full or in part by the Company prior to the Maturity Date. As soon as practicable but in any event by no later than the third business day after the date of each early repayment of the Bonds (other than payments made on Maturity Date), the Company will issue warrants ("Warrants") for the aggregate principal amount of the Bonds repaid in cash to the relevant holder of the Bonds which may be exercised at any time from the date of issue up to the later of (i) a date falling 12 months after the date of issue of the Warrants; and (ii) the Maturity Date.

# Notes to the Financial Statements

(Cont'd)

For the year ended 31 March 2001

## 21. CONVERTIBLE BONDS (CONTINUED)

The Warrants will be in units of HK\$38,000 and will confer rights on the holder to:

- (i) subscribe for ordinary shares of HK\$0.01 each in the Company at an initial subscription price of HK\$0.038 per share (subject to adjustments); and
- (ii) instead of exercising its right to subscribe for the Company's shares under the Warrants, elect for Tonfu Shares of up to an aggregate principal amount of HK\$23,750,000 at a price of HK\$17.19 per Tonfu Share, provided that any Tonfu Shares to be transferred to the holders of the Bonds on such exercise will be no more than 25% of the Company's holding in Tonfu Shares from time to time.

Unless previously repaid or converted, the Company shall repay to the holders of the Bonds the total sum of (i) the outstanding principal amount of the Bonds which has not been converted; and (ii) all unpaid and accrued interest due on such principal amount in September and October 2002 respectively.

## 22. DEFERRED TAXATION

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of the year	4,940	2,320
Charge for the year (Note 7)	529	2,620
	<hr/>	<hr/>
Balance at end of the year	<b>5,469</b>	4,940
	<hr/>	<hr/>

# Notes to the Financial Statements

(Cont'd)

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For the year ended 31 March 2001

## 22. DEFERRED TAXATION (CONTINUED)

At the balance sheet date, the deferred taxation liability, provided and unprovided, of the Group was as follows:

	Provided		Unprovided	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	<b>5,469</b>	4,940	<b>16,951</b>	16,723

Deferred taxation has not been provided on the revaluation surplus or deficit arising on the valuation of properties as profits or losses arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation surplus or deficit does not constitute a timing difference for tax purposes.

The Company did not have any significant deferred taxation for the year and at the balance sheet date.

# Notes to the Financial Statements

(Cont'd)

For the year ended 31 March 2001

## 23. SHARE CAPITAL

	<b>Authorised</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Ordinary shares *		
At beginning of the year	<b>200,000</b>	100,000
Increase during the year	<b>100,000</b>	100,000
	<hr/>	<hr/>
At end of the year	<b>300,000</b>	200,000
	<hr/>	<hr/>
Convertible non-voting preference shares of US\$100,000 each		
At beginning of the year	–	54,117
Cancelled upon conversion into ordinary shares	–	(54,117)
	<hr/>	<hr/>
At end of the year	–	–
	<hr/>	<hr/>
<b>TOTAL AUTHORISED SHARE CAPITAL</b>	<b>300,000</b>	200,000
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

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For the year ended 31 March 2001

## 23. SHARE CAPITAL (CONTINUED)

	Issued and fully paid	
	2001	2000
	HK\$'000	HK\$'000
Ordinary shares *		
At beginning of the year	92,184	59,115
Placements of new shares	12,400	20,300
Shares transactions	28,000	6,250
Converted from convertible non-voting preference shares	–	3,469
Exercise of share options	–	3,050
At end of the year	132,584	92,184
Convertible non-voting preference shares of US\$100,000 each		
At beginning of the year	–	54,117
Converted into ordinary shares	–	(54,117)
At end of the year	–	–
TOTAL ISSUED AND FULLY PAID CAPITAL	132,584	92,184

\* Prior to 11 January 2000, the ordinary shares in the Company carried a nominal value of HK\$0.10 each. As a result of the share subdivision effective on 11 January 2000, the shares in the Company now carry a nominal value of HK\$0.01 each.

# Notes to the Financial Statements

## (Cont'd)

For the year ended 31 March 2001

### 23. SHARE CAPITAL (CONTINUED)

The movements in the share capital of the Company for the year ended 31 March 2001 were as follows:

- (a) On 14 March 2000, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement to acquire from two independent third parties 100% of the issued share capital of Max Capital Investments Limited and Hauteen Group Limited and shareholders' loans to such companies for a total consideration of HK\$120,000,000. The consideration was to be satisfied by the allotment and issue of 600,000,000 new shares in the Company at an issue price of HK\$0.20 per share, which represents a discount of approximately 7.4% to the closing price of HK\$0.216 per share on 14 March 2000 and approximately 23.1% to the average closing price of HK\$0.26 per share for the five trading days up to and including 14 March 2000.

Max Capital Investments Limited and Hauteen Group Limited collectively hold 30% of the issued share capital of HK128.com Limited. HK128.com Limited is a company incorporated in November 1999 in the British Virgin Islands with limited liability. It owns and operates a financial services website known as "HK128.com" which focuses on providing continuous news and information on share prices and trends and developing electronic securities trading applications on internet. The acquisition was completed on 5 May 2000.

- (b) On 8 May 2000, Chau's Family 1996 Limited entered into an agreement to place and subscribe for new shares in the Company. Pursuant to the agreement, Chau's Family 1996 Limited agreed to place 1,240,000,000 ordinary shares of HK\$0.01 each in the Company to independent private and institutional investors at a price of HK\$0.071 per share and to subscribe for 1,240,000,000 new shares also at a price of HK\$0.071 per share. The price of HK\$0.071 per share represents a discount of approximately 7.79% to the closing price of HK\$0.077 per share on 8 May 2000 and a discount of approximately 14.87% to the average closing price of HK\$0.0834 per share for the ten trading days up to and including 8 May 2000.

# Notes to the Financial Statements

## (Cont'd)

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For the year ended 31 March 2001

### 23. SHARE CAPITAL (CONTINUED)

- (c) On 23 May 2000 and 2 June 2000, a wholly owned subsidiary of the Company entered into agreements with two independent third parties (the "Vendors") to acquire a total of approximately 19.9% of the issued share capital of Cyber Top Technologies Limited and approximately 19.9% of the shareholders' loan due from Cyber Top Technologies Limited to the Vendors for a total consideration of HK\$179,092,000. HK\$54,000,000 of the consideration was paid in cash on 23 May 2000 and HK\$125,092,000 of the consideration was satisfied by the allotment and issue of 2,200,000,000 new shares in the Company on 16 June 2000, at an issue price of HK\$0.05686 per share. The issue price of HK\$0.05686 per share represents a discount of approximately 5.2% to the closing price of HK\$0.06 per share on 2 June 2000 and a premium of approximately 0.5% to the average closing price of HK\$0.0566 per share for the seven trading days up to and including 2 June 2000.

Cyber Top Technologies Limited is the holding company of HK1186.com Limited. HK1186.com Limited is a company incorporated in January 2000 in Hong Kong. It is principally engaged in the provision of online home entertainment programs which involve VCD/DVD wholesaling and retailing.

- (d) Pursuant to an ordinary resolution passed at the Annual General Meeting of the Company held on 11 October 2000, authorised ordinary share capital of the Company was increased from HK\$200,000,000 of HK\$0.01 each to HK\$300,000,000 of HK\$0.01 each.

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



# Notes to the Financial Statements

(Cont'd)

For the year ended 31 March 2001

## 24. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme which was adopted on 26 November 1996, the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than 80% of the average of the closing prices of the ordinary shares quoted on the Stock Exchange for the five trading days immediately preceding the date of grant of the options or the nominal value of the ordinary shares, whichever is the higher.

The maximum number of ordinary shares in respect of which options may be granted under the share option scheme shall not exceed 10% of the issued ordinary share capital of the Company from time to time and the maximum number of ordinary shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of ordinary shares in respect of which options may be granted under the share option scheme.

A summary of the movements of outstanding options during the year and the number of options outstanding at 1 April 2000 and 31 March 2001 under the Company's share option scheme is as follows:

Date of grant	Exercisable period	Exercise price	Number of share options			
			Balance at 1.4.2000	Granted during the year	Cancelled during the year	Balance at 31.3.2001
		HK\$				
5 October 2000	5 April 2001 to 4 April 2003	0.015	–	948,000,000	(285,000,000)	663,000,000

# Notes to the Financial Statements

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For the year ended 31 March 2001

## 25. RESERVES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
SHARE PREMIUM				
At beginning of the year	675,741	350,925	675,741	350,925
Premium arising on issue of shares	280,968	324,816	280,968	324,816
At end of the year	956,709	675,741	956,709	675,741
CONTRIBUTED SURPLUS				
At beginning and end of the year	–	–	151,546	151,546
ASSET REVALUATION RESERVE				
At beginning of the year	24,235	19,238	–	–
Surplus arising on revaluation of leasehold land and buildings	136	4,997	–	–
At end of the year	24,371	24,235	–	–
(GOODWILL) CAPITAL RESERVE				
At beginning of the year	(156,229)	311	–	–
Goodwill on acquisition of associates	(383,719)	(156,540)	–	–
Released on deemed disposal of an associate	1,474	–	–	–
At end of the year	(538,474)	(156,229)	–	–
RESERVE FUND				
At beginning of the year	2,588	2,531	–	–
Transfer from retained profits	–	57	–	–
At end of the year	2,588	2,588	–	–

# Notes to the Financial Statements

(Cont'd)

For the year ended 31 March 2001

## 25. RESERVES (CONTINUED)

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
ENTERPRISE EXPANSION FUND				
At beginning of the year	1,886	1,829	–	–
Transfer from retained profits	–	57	–	–
At end of the year	1,886	1,886	–	–
EXCHANGE RESERVE				
At beginning of the year	(16,165)	(16,181)	–	–
Exchange difference on translation of overseas operations	(10)	16	–	–
At end of the year	(16,175)	(16,165)	–	–
RETAINED PROFITS				
At beginning of the year	207,558	221,599	(5,729)	10,229
(Loss) profit for the year	(24,490)	715	(468,875)	(1,316)
Transfer to other reserves	–	(114)	–	–
Dividends (Note 9)	–	(14,642)	–	(14,642)
At end of the year	183,068	207,558	(474,604)	(5,729)
TOTAL RESERVES	613,973	739,614	633,651	821,558

The retained profits of the Group include accumulated loss of HK\$6,184,000 (2000: Nil) attributable to the associates of the Group.

As stipulated by the relevant laws and regulations for foreign investment enterprises, the Group's subsidiaries in the PRC are required to maintain three statutory funds, being a reserve fund, an enterprise expansion fund and a staff welfare fund. Appropriations to such funds are made out of the net profit after taxation of the Group's subsidiaries in the PRC and the amounts and allocations are decided by their respective board of directors annually.

# Notes to the Financial Statements

## *(Cont'd)*

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For the year ended 31 March 2001

### 25. RESERVES (CONTINUED)

Appropriations to the staff welfare fund during the year are charged to the income statement as an expense as, in the opinion of the directors, a significant portion of the staff welfare fund will be used to pay welfare and other related expenses in respect of the Group's employees in the PRC.

The contributed surplus arising on group reorganisation of the Company represents the difference between the consolidated shareholders' funds of subsidiaries at the date on which the group reorganisation became effective and the nominal amount of the share capital of the Company issued under the group reorganisation in 1996.

In addition to the retained profits, under the Companies Act 1981 of Bermuda, contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

The Company did not have any reserves available for distribution as at 31 March 2001.

# Notes to the Financial Statements

(Cont'd)

For the year ended 31 March 2001

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

	2001 HK\$'000	2000 HK\$'000
(Loss) profit before taxation	(24,247)	677
Share of results of associates	6,184	–
Movements in value of investments in securities	2,160	(3,512)
Amortisation of deferred expenditure	1,485	1,891
Loss on deemed disposal of an associate	1,292	–
Gain on disposal of property, plant and equipment	–	(49)
Depreciation	42,018	39,965
Interest income	(12,876)	(11,122)
Interest expense	23,255	31,746
Decrease (increase) in inventories	19,012	(2,213)
Decrease (increase) in debtors, deposits and prepayments	35,156	(21,191)
Decrease in bills receivable	12,799	10,172
(Decrease) increase in creditors and accrued charges	(28,898)	28,428
Decrease in bills payable	–	(102)
Translation adjustment	(20)	14
Net cash inflow from operating activities	<u>77,320</u>	<u>74,704</u>

# Notes to the Financial Statements

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For the year ended 31 March 2001

## 27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	2001 HK\$'000	2000 HK\$'000
SHARE CAPITAL AND PREMIUM		
At beginning of the year	767,925	464,157
Proceeds from issue of shares	88,040	246,006
Shares transactions	245,092	66,250
Expenses incurred in connection with the issue of shares	(11,764)	(8,488)
At end of the year	<u>1,089,293</u>	<u>767,925</u>
MINORITY INTERESTS		
At beginning of the year	6,682	6,894
Capital contribution by minority shareholders	117	–
Share of results for the year	(284)	(214)
Share of exchange difference	(6)	2
At end of the year	<u>6,509</u>	<u>6,682</u>
CONVERTIBLE BONDS		
At beginning of the year	–	–
Issue of bonds	65,000	–
At end of the year	<u>65,000</u>	<u>–</u>
OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS		
At beginning of the year	54,486	69,550
Inception of new leases and contracts	2,880	14,963
Repayments during the year	(38,538)	(30,027)
At end of the year	<u>18,828</u>	<u>54,486</u>

# Notes to the Financial Statements

(Cont'd)

For the year ended 31 March 2001

## 27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR (CONTINUED)

	2001 HK\$'000	2000 HK\$'000
BANK LOANS		
At beginning of the year	79,946	94,437
New loans raised	41,174	110,321
Repayments during the year	(30,600)	(124,812)
	<hr/>	<hr/>
At end of the year	<u>90,520</u>	<u>79,946</u>
TRUST RECEIPT LOANS		
At beginning of the year	44,282	55,269
New loans raised	235,312	253,750
Repayments during the year	(187,215)	(264,737)
	<hr/>	<hr/>
At end of the year	<u>92,379</u>	<u>44,282</u>

## 28. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK\$'000	2000 HK\$'000
Bank balances and cash	222,183	280,723
Bank overdrafts	–	(13,850)
Trust receipt loans	(32,469)	(99,908)
	<hr/>	<hr/>
	<u>189,714</u>	<u>166,965</u>

# Notes to the Financial Statements

## (Cont'd)

For the year ended 31 March 2001

### 29. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2001, the Group entered into certain major non-cash transactions as follows:

- (a) the Group acquired 30% interest in HK128.com Limited for a consideration of HK\$120,000,000 which was satisfied by the issue of 600,000,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.20 per share,
- (b) the Group acquired 19.9% interest in Cyber Top Technologies Limited for a consideration of HK\$179,092,000 which was satisfied by the issue of 2,200,000,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.05686 per share and in cash of HK\$54,000,000, and
- (c) the Group entered into finance leases and hire purchase contracts in respect of assets with a total capital value at the inception of the leases and contracts of HK\$2,880,000.

During the year ended 31 March 2000, the Group entered into certain major non-cash transactions as follows:

- (d) the Group acquired a 47.5% interest in Tonfu (Hong Kong) Holdings Limited for a consideration of HK\$71,250,000 which was satisfied by the issue of 625,000,000 new shares of HK\$0.01 each in the Company at HK\$0.106 per share and a cash deposit of HK\$5,000,000,
- (e) the Group entered into finance leases and hire purchase contracts in respect of assets with a total capital value at the inception of the leases and contracts of HK\$14,963,000, and
- (f) 70 convertible non-voting preference shares of US\$100,000 each were converted into 346,903,851 new shares in the Company of HK\$0.01 each.



# Notes to the Financial Statements

(Cont'd)

For the year ended 31 March 2001

## 30. CAPITAL COMMITMENTS

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Plant and machinery	<b>3,960</b>	377
Construction in progress	<b>243</b>	–
Motor vehicles	–	1,486
	<b>4,203</b>	1,863
Capital expenditure for the next three years authorised but not contracted for in respect of plant and machinery	<b>60,000</b>	60,000

In addition, the Group was committed to invest approximately HK\$14,097,000 (2000: HK\$14,097,000) in the unpaid registered capital of a subsidiary.

The Company did not have any capital commitments as at 31 March 2001 and 2000.

# Notes to the Financial Statements

## (Cont'd)

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For the year ended 31 March 2001

### 31. LEASE COMMITMENTS

At the balance sheet date, the Group had the following outstanding commitments under non-cancellable operating leases payable within the next year.

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Operating leases in respect of rented premises which expire:		
Within one year	743	590
More than one year, but not exceeding five years	3,328	3,446
	<u>4,071</u>	<u>4,036</u>

The Company did not have any operating lease commitment as at 31 March 2001 and 2000.

### 32. RETIREMENT BENEFITS SCHEME

Prior to 1 December 2000, the Group did not operate any retirement benefit scheme for its directors and employees in Hong Kong. With effective from 1 December 2000, the Group has joined a Mandatory Provident Fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

Pursuant to the PRC Government regulations, the Group is required to contribute to a central pension scheme in respect of certain of the Group's employees in the PRC based on 16% to 30% of the salaries of those employees and there is no forfeited contributions under the central pension scheme.

# Notes to the Financial Statements

(Cont'd)

For the year ended 31 March 2001

## 32. RETIREMENT BENEFITS SCHEME (CONTINUED)

During the year, the Group made retirement benefits scheme contribution of HK\$1,393,000 (2000: HK\$662,000).

## 33. CONTINGENT LIABILITIES

The Company has issued guarantees to the extent of approximately HK\$244,320,000 (2000: HK\$369,210,000) to bankers to secure general banking facilities granted to certain subsidiaries, of which, approximately HK\$134,049,000 (2000: HK\$188,640,000) was utilised at 31 March 2001. In addition, the Company has issued guarantees to leasing companies in respect of hire purchase contracts and finance leases granted to certain subsidiaries with outstanding balance of approximately HK\$16,857,000 (2000: HK\$29,738,000) at 31 March 2001.

## 34. PLEDGE OF ASSETS

The Group has pledged certain of its assets with a net book value of HK\$139,194,000 (2000: HK\$133,004,000) at 31 March 2001 to secure general banking facilities granted to the Group. The net book value of these assets are analysed as follows:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Leasehold land and buildings	<b>111,720</b>	130,200
Plant and machinery	<b>11,262</b>	2,804
Fixed deposits	<b>4,024</b>	—
Trade debtors	<b>12,188</b>	—
	<hr/>	<hr/>
	<b>139,194</b>	133,004
	<hr/>	<hr/>

# Notes to the Financial Statements

## (Cont'd)

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For the year ended 31 March 2001

### 35. POST BALANCE SHEET EVENTS

- (a) On 23 May 2001, Chau's Family 1996 Limited entered into an agreement to place and subscribe for new shares in the Company. Pursuant to the agreement, Chau's Family 1996 Limited agreed to place 1,000,000,000 ordinary shares of HK\$0.01 each in the Company to independent private and institutional investors at a price of HK\$0.024 per share and to subscribe for 1,000,000,000 new shares also at a price of HK\$0.024 per share. The price of HK\$0.024 per share was equivalent to the closing price of HK\$0.024 per share on 23 May 2001 and a premium of approximately 34.83% to the average closing price of about HK\$0.0178 per share for the ten trading days up to and including 23 May 2001.
- (b) On 13 June 2001, Chau's Family 1996 Limited entered into an agreement to place and subscribe for new shares in the Company. Pursuant to the agreement, Chau's Family 1996 Limited agreed to place 1,600,000,000 ordinary shares of HK\$0.01 each in the Company to independent private and institutional investors at a price of HK\$0.021 per share and to subscribe for 1,600,000,000 new shares also at a price of HK\$0.021 per share. The price of HK\$0.021 per share was equivalent to the closing price of HK\$0.021 per share on 13 June 2001 and also equivalent to the average closing price of about HK\$0.021 per share for the ten trading days up to and including 13 June 2001.
- (c) On 4 July 2001, the Company entered into an agreement to place 3,100,000,000 new ordinary shares of HK\$0.01 each in the Company to independent private and institutional investors at a price of HK\$0.016 per share. The price of HK\$0.016 per share represents a premium of approximately 6.67% to the closing price of HK\$0.015 per share on 4 July 2001 and a discount of approximately 1.84% to the average closing price of HK\$0.0163 per share for the ten trading days up to and including 4 July 2001.