

## 1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The Group was principally involved in the design, manufacture and sale of toys, motors and electrical household appliances. There were no significant changes in the principal activities of the Group during the year.

The Company is a subsidiary of Resplendent Global Limited ("Resplendent Global"), a company incorporated in the British Virgin Islands. The directors consider Padora Global Inc., a company also incorporated in the British Virgin Islands, to be the Company's ultimate holding company.

## 2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following recently-issued and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") and related Interpretations are effective for the first time in the preparation of the current year's financial statements.

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretation which have had a significant effect on the financial statements are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 11 to the financial statements.

# Notes to Financial Statements

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## 2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The principal impact of this SSAP on the preparation of these financial statements is that all future minimum operating lease receivables and lease payments under non-cancellable operating leases are disclosed in the note 27 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 30 prescribes the treatment for business combinations, including the determination of the date of acquisition and the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. The required new additional disclosures are included in note 15 to the financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain fixed assets and short term investments as further explained below.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

### Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of the net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in reserves, is included as part of the Group's interests in associates.

### Goodwill

Goodwill arising on acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 April 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goodwill (continued)

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

### Negative goodwill

Negative goodwill arising on acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 April 2001, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

#### Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 fixed asset, the expenditure is capitalised as an additional cost of the asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Medium term leasehold land in Hong Kong	Over the remaining lease terms
Medium term leasehold buildings in Hong Kong	4%
Medium term leasehold land and buildings outside Hong Kong	Over the remaining lease terms
Moulds, tools, and plant and machinery	10% to 20%
Furniture, equipment and motor vehicles	10% to 25%

Construction in progress represents the costs incurred in connection with the construction of fixed assets less any impairment losses. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

Changes in the values of fixed assets resulting from revaluations are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. A subsequent revaluation increase is recognised as income to the extent that it reverses a revaluation deficit of the same asset previously charged to the profit and loss account.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fixed assets and depreciation (continued)

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal or retirement of a fixed asset that has previously been revalued, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

### Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

### Short term investments

Investments in listed equity securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Equity-linked notes are unlisted debt securities with a residual maturity within one year, whose return is linked to the share price performance of a certain reference Hong Kong or overseas listed equity. The Group purchases such equity-linked notes at a discount and receives the full nominal amount of the notes (the "Nominal Value") at the maturity date, provided that the closing price of the particular reference equity on the maturity date is above the Nominal Value. If the closing price of the reference equity on the maturity date is at or below the Nominal Value, the Group is obliged to redeem the equity-linked notes in exchange for shares in the underlying reference equity.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Short term investments (continued)

Due to the uncertain nature of the possible returns on the equity-linked notes, the probability that the Group will receive a return is normally uncertain until the maturity date. Therefore, revenue on equity-linked notes is normally not recognised until maturity and equity-linked notes are stated at cost. Where a decrease in the market price of the particular reference equity indicates that the cost of the equity-linked notes is impaired, provision is made for any portion of the carrying value of the notes not expected to be recoverable. The net gains or losses so arising are credited or charged to the profit and loss account for the period in which they arise.

### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

### Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and the Group's share of net assets of overseas associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

### Staff retirement schemes

The Group continues to operate a defined contribution scheme (the "Scheme") for its employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. When an employee leaves the Scheme before his/her interest in the employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Staff retirement schemes (continued)

Apart from the Scheme, the Group also joined the Mandatory Provident Fund ("MPF") on 1 December 2000. Certain employees who were members of the Scheme had elected to move to the MPF. Accordingly, their share of the underlying assets of the Scheme was transferred to the MPF. Contributions to the MPF are made based on rates applicable to the respective employees' relevant income from the Group and are charged to the profit and loss account as they become payable in accordance with government regulations. The Group's mandatory contributions are fully and immediately vested in favour of the employees.

The employees of the Group's subsidiaries in the People's Republic of China (the "PRC") are members of the state-sponsored retirement scheme operated by the government of the PRC.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (c) rental income, on an accrual basis; and
- (d) dividend, when the shareholders' right to receive payment has been established.

### Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Dividends (continued)

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised), have given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in note 11 to the financial statements.

### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### Cash equivalents

For the purpose of the consolidated cash flow statement, 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. For the purpose of balance sheet classification, cash and bank balances and time deposits with original maturity of less than three months when acquired represent assets which are not restricted as to use.

## 4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the toys and related products segment consisted of manufacture and sale of toys and related products;
- (b) the motors segment consisted of manufacture and sale of motors; and
- (c) the electrical household appliances segment consisted of manufacture and sale of electrical household appliances.

# Notes to Financial Statements

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## 4. SEGMENT INFORMATION (continued)

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to the third parties at the then prevailing market prices.

### (a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

Group	Toys and related products		Motors		Electrical household appliances		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	562,473	628,828	174,903	134,952	48,428	47,781	-	-	785,804	811,561
Inter-segment sales	-	-	5,773	13,171	-	-	(5,773)	(13,171)	-	-
Other revenue	2,119	2,902	1,475	1,523	537	12	-	-	4,131	4,437
Total	564,592	631,730	182,151	149,646	48,965	47,793	(5,773)	(13,171)	789,935	815,998
Segment results	81,030	73,246	42,346	32,501	1,442	1,730	-	-	124,818	107,477
Interest, dividend income and unallocated gains									4,665	7,907
Unallocated expenses									(8,268)	(9,527)
Profit from operating activities									121,215	105,857
Finance costs									(1,365)	(2,194)
Profit after finance costs									119,850	103,663
Share of profits less losses of associates									(1,336)	(3,000)
Profit before tax									118,514	100,663
Tax									(9,309)	(6,904)
Profit before minority interests									109,205	93,759
Minority interests									(11,171)	(9,067)
Net profit from ordinary activities attributable to shareholders									98,034	84,692

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## 4. SEGMENT INFORMATION (continued)

### (a) Business segments (continued)

Group	Toys and related products		Motors		Electrical household appliances		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	409,671	378,013	125,379	106,499	42,705	47,870	(20,464)	(21,016)	557,291	511,366
Unallocated assets									44,586	59,892
Total assets									601,877	571,258
Segment liabilities	52,097	63,931	23,236	30,354	19,654	10,519	(20,464)	(21,016)	74,523	83,788
Unallocated liabilities									23,431	50,227
Total liabilities									97,954	134,015
Other segment information:										
Depreciation and amortisation	23,834	21,766	6,122	4,567	2,502	2,094	-	-	32,458	28,427
Unallocated amounts									1,295	1,306
									33,753	29,733
Capital expenditure	30,900	59,742	14,217	19,598	2,388	1,386	-	-	47,505	80,726
Deficits/(surpluses) on revaluation of leasehold land and buildings	2,340	-	-	-	-	-	-	-	2,340	-
Unallocated amounts									(108)	235
									2,232	235
Deficits/(surpluses) on revaluation recognised directly in equity	2,599	(2,318)	813	(3,582)	1,238	584	-	-	4,650	(5,316)

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## 4. SEGMENT INFORMATION (continued)

### (b) Geographical segments

The following tables present revenue, results and certain asset and expenditure information for the Group's geographical segments.

Group	United States		Europe		Asia		Others		Eliminations		Consolidated	
	Of America											
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	<u>385,036</u>	<u>432,911</u>	<u>134,791</u>	<u>136,902</u>	<u>206,125</u>	<u>182,730</u>	<u>59,852</u>	<u>59,018</u>	<u>-</u>	<u>-</u>	<u>785,804</u>	<u>811,561</u>
Segment results	<u>55,238</u>	<u>49,541</u>	<u>15,628</u>	<u>13,653</u>	<u>46,712</u>	<u>37,924</u>	<u>7,240</u>	<u>6,359</u>	<u>-</u>	<u>-</u>	<u>124,818</u>	<u>107,477</u>

	Hong Kong		Elsewhere in PRC		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:								
Segment assets	<u>252,023</u>	<u>209,958</u>	<u>349,854</u>	<u>361,300</u>	<u>-</u>	<u>-</u>	<u>601,877</u>	<u>571,258</u>
Capital expenditure	<u>4,816</u>	<u>27,029</u>	<u>42,689</u>	<u>53,697</u>	<u>-</u>	<u>-</u>	<u>47,505</u>	<u>80,726</u>

## 5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts but excluding intra-Group transactions. Revenue from the following activities has been included in turnover:

	2002	2001
	HK\$'000	HK\$'000
Manufacture and sale of toys and related products	<u>562,473</u>	<u>628,828</u>
Manufacture and sale of motors	<u>174,903</u>	<u>134,952</u>
Manufacture and sale of electrical household appliances	<u>48,428</u>	<u>47,781</u>
	<u>785,804</u>	<u>811,561</u>

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## 6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2002 HK\$'000	2001 HK\$'000
Auditors' remuneration	850	850
Depreciation	26,876	23,912
Amortisation of deferred development costs*	6,877	5,821
Goodwill amortised for the year**	400	–
Negative goodwill recognised as income during the year***	(338)	–
Net unrealised holding losses on short term investments	524	917
Minimum lease payments under operating lease in respect of land and buildings	2,636	2,574
Loss/(gain) on disposal of fixed assets	(5)	38
Staff costs (including directors' remuneration – note 7):		
Wages and salaries	90,986	86,211
Pension contributions	1,276	1,067
	<u>92,262</u>	<u>87,278</u>
Deficit on revaluation of leasehold land and buildings	2,232	235
Gain on disposal of short term investments	(244)	(691)
Exchange losses/(gains), net	2,389	(204)
Rental income, net of outgoings of HK\$246,000 (2001: HK\$135,000)	(1,618)	(1,701)
Interest income	<u>(2,876)</u>	<u>(6,333)</u>

The Group did not have any material forfeited contributions to reduce its contributions to the pension scheme in future years.

\* The amortisation of deferred development costs for the year is included in "Cost of sales" on the face of the consolidated profit and loss account.

\*\* The amortisation of goodwill for the year is included in "Administrative expenses" on the face of the consolidated profit and loss account.

\*\*\* The movements in negative goodwill recognised in the profit and loss account for the year are included in "Administrative expenses" on the face of the consolidated profit and loss account.

# Notes to Financial Statements

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## 7. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Executive directors:		
Fees	–	–
Salaries, allowances and benefits in kind	6,109	5,579
Pension contributions	238	209
	<u>6,347</u>	<u>5,788</u>
Non-executive directors:		
Fees	100	100
	<u>6,447</u>	<u>5,888</u>

The remuneration of directors fell within the following bands:

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	4	3
HK\$1,500,001 – HK\$2,000,000	3	3
	<u>7</u>	<u>6</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2001: Nil).

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## 7. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS (continued)

The six highest paid individuals during the year included three (2001: Four) directors, details of whose remuneration are set out above. The details of the emoluments of the remaining three (2001: Two) non-director, highest paid employees are set out below:

	2002 HK\$'000	2001 HK\$'000
Salaries, allowances and benefits in kind	3,051	1,810
Pension contributions	69	53
	<u>3,120</u>	<u>1,863</u>

The emoluments of each of the three (2001: Two) non-director, highest paid employees fell within the HK\$1,000,001–HK\$1,500,000 (2001: Nil–HK\$1,000,000) band.

## 8. FINANCE COSTS

	2002 HK\$'000	Group 2001 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	<u>1,365</u>	<u>2,194</u>

# Notes to Financial Statements

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## 9. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable overseas have been calculated at the applicable rates of tax prevailing in the countries in which the subsidiaries operated during the year.

No provision for tax has been made for the associates because they had no assessable profits for the year (2001: Nil).

	Group	
	2002	2001
	HK\$'000	HK\$'000
Group:		
Current year provision:		
Hong Kong	5,650	6,300
Overseas	905	604
Overprovision in prior years	(950)	–
Deferred tax (note 22)	3,704	–
	<u>9,309</u>	<u>6,904</u>
Tax charge for the year	<u>9,309</u>	<u>6,904</u>

## 10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$40,588,000 (2001: HK\$39,860,000).

## 11. DIVIDENDS

	2002	2001
	HK\$'000	HK\$'000
Interim – HK3 cents (2001: HK2.5 cents) per ordinary share	11,374	9,476
Proposed final – HK7 cents (2001: HK7 cents) per ordinary share	27,798	26,531
	<u>39,172</u>	<u>36,007</u>

The directors recommend the payment of a final dividend of HK7 cents per share in respect of the year ended 31 March 2002 to shareholders whose names appear on the register of members on 20 August 2002. The proposed final dividend for the year is based on the number of shares in issue as at the reporting date, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.



# Notes to Financial Statements

31 March 2002

## 11. DIVIDENDS (continued)

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 March 2001 of HK\$26,531,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31 March 2001, by HK\$26,531,000.

The effect of this change in accounting policy as at 31 March 2002, is that the current year's proposed final dividend of HK\$27,798,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

## 12. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$98,034,000 (2001: HK\$84,692,000) and the weighted average of 379,048,493 (2001: 377,715,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$98,034,000 (2001: HK\$84,692,000) and 392,319,933 (2001: 388,326,782) ordinary shares, being the weighted average number of shares outstanding during the year, adjusted for the effects of the dilutive potential ordinary shares outstanding during the year.

A reconciliation of the weighted average number of shares used in calculating basic and diluted earnings per share is as follows:

	2002	2001
Weighted average number of ordinary shares used in calculating basic earnings per share	379,048,493	377,715,000
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year	13,271,440	10,611,782
Weighted average number of ordinary shares used in calculating diluted earnings per share	392,319,933	388,326,782

# Notes to Financial Statements

31 March 2002

## 13. FIXED ASSETS

### Group

	Medium term leasehold land and buildings HK\$'000	Construction in progress HK\$'000	Moulds, tools, and plant and machinery HK\$'000	Furniture, equipment and motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:					
At beginning of year	152,520	13,739	148,245	49,095	363,599
Additions	3,332	11,657	19,828	6,158	40,975
Disposals	–	–	(165)	(27)	(192)
Deficit on revaluation	(12,961)	–	–	–	(12,961)
Transfers	629	(629)	–	–	–
<b>At 31 March 2002</b>	<b>143,520</b>	<b>24,767</b>	<b>167,908</b>	<b>55,226</b>	<b>391,421</b>
Accumulated depreciation:					
At beginning of year	–	–	73,922	29,667	103,589
Provided during the year	6,079	–	15,326	5,471	26,876
Disposals	–	–	(91)	(5)	(96)
Write-back on revaluation	(6,079)	–	–	–	(6,079)
<b>At 31 March 2002</b>	<b>–</b>	<b>–</b>	<b>89,157</b>	<b>35,133</b>	<b>124,290</b>
Net book value:					
<b>At 31 March 2002</b>	<b>143,520</b>	<b>24,767</b>	<b>78,751</b>	<b>20,093</b>	<b>267,131</b>
At 31 March 2001	152,520	13,739	74,323	19,428	260,010
An analysis of cost or valuation:					
At cost	–	24,767	167,908	55,226	247,901
At 2002 valuation	143,520	–	–	–	143,520
	<b>143,520</b>	<b>24,767</b>	<b>167,908</b>	<b>55,226</b>	<b>391,421</b>

# Notes to Financial Statements

31 March 2002

## 13. FIXED ASSETS (continued)

An analysis of the valuation of the leasehold land and buildings of the Group at the balance sheet date is as follows:

	2002 HK\$'000	2001 HK\$'000
Hong Kong	25,720	28,720
Outside Hong Kong	117,800	123,800
Total valuation	143,520	152,520

As at 31 March 2002, the Group's leasehold land and buildings were revalued on an open market value, their existing use basis by RHL Appraisal Ltd., an independent firm of professional valuers, at HK\$143,520,000. Revaluation deficits of HK\$4,650,000 and HK\$2,232,000, resulting from the above valuations, have been debited to the asset revaluation reserve and charged to the profit and loss account, respectively.

Had the Group's leasehold land and buildings stated at valuation been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK\$103,108,000 (2001: HK\$103,478,000).

## 14. INTERESTS IN SUBSIDIARIES

	2002 HK\$'000	Company 2001 HK\$'000
Unlisted shares, at cost	104,950	104,950
Due from subsidiaries	140,433	132,213
Due to a subsidiary	(5,548)	–
	239,835	237,163

The balances with the subsidiaries are unsecured, interest-free and are not repayable within the next twelve months from the balance sheet date.

# Notes to Financial Statements

31 March 2002

## 14. INTERESTS IN SUBSIDIARIES (continued)

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

Name	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
<b>Directly held</b>				
Kin Yat Industrial Holdings Limited	British Virgin Islands	Ordinary US\$3,000	100%	Investment holding
<b>Indirectly held</b>				
Kin Yat (HK) Holdings Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$6,000,000	100%	Investment holding, property holding and machinery leasing
Evertop (Oversea) Industrial Company Limited	British Virgin Islands/PRC	Ordinary US\$100	100%	Manufacture of toys
Kin Yat Industrial Company Limited	Hong Kong	Ordinary HK\$3,200,000	100%	Trading of toys and moulds, and sourcing of materials
Unicon Investments Limited	Hong Kong	Ordinary HK\$10,000	100%	Property holding
Newway Electrical Industries Limited ("Newway")	Hong Kong	Ordinary HK\$3,000,000	100% (Note)	Trading of electrical household appliances
Shenzhen Newway Electrical Industries Co., Ltd. ("Shenzhen Newway")	PRC	HK\$10,000,000	100% (Note)	Manufacture of electrical household appliances

# Notes to Financial Statements

31 March 2002

## 14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Equity interest attributable to the Company	Principal activities
<b>Indirectly held (continued)</b>				
Penta Blesses Enterprises Limited	Hong Kong	Ordinary HK\$1,000,000	100%	Investment holding, and manufacture and trading of toys
Kin Chak Science & Technology (Shenzhen) Co., Ltd.	PRC	HK\$50,000,000	100%	Property holding
World Talent Enterprise Limited	Hong Kong	Ordinary HK\$1,000,000	100%	Trading of toys
Shixing Talent Woods Ltd.	PRC	RMB2,500,000	100%	Manufacture and trading of toys
Shixing Turbo Toys Industry Co., Ltd.	PRC	US\$4,000,000	100%	Property holding
Standard Motor Co., Ltd. ("Standard Motor")	Hong Kong	Ordinary HK\$40,000,000	70%	Manufacture and trading of motors
Shixing Standard Motor Co., Ltd.	PRC	US\$4,000,000	70%	Property holding
Turbo Tec Company Limited	Hong Kong	Ordinary HK\$10,000	100%	Trading of toys

**Note:** Subject to the payment of a fixed sum of HK\$34,965 per month to the joint venture party, Newway is entitled to all of the profits and bears all of the losses of Shenzhen Newway.

# Notes to Financial Statements

31 March 2002

## 15. INTERESTS IN ASSOCIATES

	2002 HK\$'000	Group 2001 HK\$'000
Share of net assets	536	1,702
Negative goodwill on acquisition (Note)	(2,695)	–
	<u>(2,159)</u>	<u>1,702</u>
Loan to an associate	18,228	15,360
Due from associates	154	424
	<u>16,223</u>	<u>17,486</u>

Note:

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amounts of the negative goodwill recognised in the consolidated balance sheet, arising from the acquisition of associates, are as follows:

	Group HK\$'000
Cost:	
Acquisition of interests in associates during the year and at 31 March 2002	(3,033)
Recognition as income:	
Recognised as income during the year and at 31 March 2002	<u>(338)</u>
Net book value:	
At 31 March 2002	<u>(2,695)</u>

The loan to an associate, which was granted in proportion to the Group's shareholding in this associate, is unsecured, interest-free and has no fixed terms of repayment. The amounts due from associates are unsecured, interest-free and are repayable in accordance with normal trading terms.

# Notes to Financial Statements

31 March 2002

## 15. INTERESTS IN ASSOCIATES (continued)

Particulars of the Group's associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Group	Principal activities
Yuen Hing Loong Carton Packing Factory Limited*	Corporate	Hong Kong	Ordinary HK\$1,000,000	35%	Investment holding
Guangdong Shixing Yuen Hing Lung Packing Factory Ltd.*	Corporate	PRC	HK\$1,331,000	35%	Manufacture and trading of wooden cartons
Success Mode Industries Limited ("Success Mode")	Corporate	Hong Kong/ PRC	Ordinary HK\$1,000,000	49%	Manufacture and trading of metallic parts
Full Summit Development Limited** ("Full Summit")	Corporate	Hong Kong	HK\$10,000	50%	Investment holding
Concord Modern Technology Limited *** ("Concord")	Corporate	Hong Kong	Ordinary HK\$15,000,000	50%	Investment holding and machinery leasing
Concord Modern International Technology Limited ***	Corporate	Hong Kong	Ordinary HK\$10,000	50%	Manufacture and distribution of recordable compact disc

\* Liquidated during the year.

\*\* Incorporated during the year.

\*\*\* The Group's shareholdings increased from 33.34% to 50% during the year.

# Notes to Financial Statements

31 March 2002

## 16. DEFERRED DEVELOPMENT COSTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Cost:		
At beginning of year	28,508	22,256
Additions	6,530	6,252
Retirements	(11,248)	–
	<u>23,790</u>	<u>28,508</u>
At balance sheet date		
Accumulated amortisation:		
At beginning of year	21,161	15,340
Provided during the year	6,877	5,821
Retirements	(11,248)	–
	<u>16,790</u>	<u>21,161</u>
At balance sheet date		
Net book value:		
At balance sheet date	<u>7,000</u>	<u>7,347</u>
At beginning of year	<u>7,347</u>	<u>6,916</u>

## 17. INVENTORIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Raw materials	55,652	67,457
Work in progress	9,189	10,957
Finished goods	<u>27,825</u>	<u>42,442</u>
	<u>92,666</u>	<u>120,856</u>



# Notes to Financial Statements

31 March 2002

## 18. ACCOUNTS RECEIVABLE

The ageing of the Group's accounts receivable is analysed as follows:

	2002 HK\$'000	2001 HK\$'000
0 – 30 days	29,714	31,416
31 – 60 days	6,808	10,884
61 – 90 days	9,864	2,803
Over 90 days	6,105	4,127
	<u>52,491</u>	<u>49,230</u>

Trading terms with customers are largely on credit, except for new customers where cash on sale or payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well-established customers, for whom the credit terms are extended to 90 days.

## 19. SHORT TERM INVESTMENTS

	Group 2002 HK\$'000	2001 HK\$'000
Hong Kong listed equity investments	4,932	8,513
Equity-linked notes	–	8,838
	<u>4,932</u>	<u>17,351</u>

## 20. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES

	Group 2002 HK\$'000	2001 HK\$'000
0 – 30 days	31,114	36,951
31 – 60 days	10,571	15,806
61 – 90 days	4,971	6,967
Over 90 days	6,907	6,052
	<u>53,563</u>	<u>65,776</u>
Accounts payable	53,563	65,776
Accrued liabilities and other payables	<u>22,176</u>	<u>19,206</u>
	<u>75,739</u>	<u>84,982</u>

# Notes to Financial Statements

31 March 2002

## 21. INTEREST-BEARING BANK BORROWINGS

	2002 HK\$'000	Group 2001 HK\$'000
Secured		
Bank overdrafts	–	1,573
Trust receipt loans	–	2,075
Bank loans	–	10,900
	<u>–</u>	<u>14,548</u>
Unsecured		
Bank overdrafts	–	3,263
Bank loans	700	14,800
	<u>700</u>	<u>18,063</u>
Total bank borrowings	<u>700</u>	<u>32,611</u>
Bank borrowings repayable:		
Within one year	200	25,244
In the second year	200	6,867
In the third to fifth years, inclusive	300	500
	<u>700</u>	<u>32,611</u>
Portion classified as current liabilities	<u>(200)</u>	<u>(25,244)</u>
Non-current portion	<u>500</u>	<u>7,367</u>

The Group's banking facilities were secured by corporate guarantees given by the Company and certain subsidiaries of the Company.

In prior year, the above secured bank borrowings were secured by personal guarantees given by a director of the Company and certain minority shareholders of a subsidiary.

# Notes to Financial Statements

31 March 2002

## 22. DEFERRED TAX

	Group	
	2002 HK\$'000	2001 HK\$'000
At beginning of the year	2,793	2,793
Charge for the year (note 9)	3,704	–
At balance sheet date	6,497	2,793

The principal components of the Group's deferred tax liabilities/(assets) provided and not provided for at the balance sheet date were as follows:

	Provided		Not provided	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Accelerated depreciation allowances	6,864	3,287	152	1,966
Tax losses carried forward	(367)	(494)	–	(1,336)
	6,497	2,793	152	630

The revaluation of the Group's leasehold land and buildings does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

Deferred tax has not been provided for the Company as there were no timing differences at the balance sheet date (2001:Nil).

## 23. SHARE CAPITAL

### Shares

	Company	
	2002 HK\$'000	2001 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
379,120,000 (2001: 379,020,000) ordinary shares of HK\$0.10 each	37,912	37,902

# Notes to Financial Statements

31 March 2002

## 23. SHARE CAPITAL (continued)

The subscription rights attaching to 100,000 share options were exercised during the year at the subscription price of HK\$0.3032 per share, resulting in the issue of 100,000 shares of HK\$0.10 each for a total cash consideration of approximately HK\$30,000.

### Share options

The Company operates a share option scheme (the "Scheme"), further details of which are also set out under the heading "Share option scheme" in the Report of Directors.

At the beginning of the year, there were 19,210,000 and 9,650,000 share options outstanding under the Scheme, which entitled the holders to subscribe for shares of the Company at any time during periods ranging from 7 July 1997 to 7 April 2007 and from 6 November 1998 to 5 November 2008, at exercise prices of HK\$0.87 per share and HK\$0.3032 per share, respectively.

A total of 100,000 share options were exercised during the year at an exercise price of HK\$0.3032, and 300,000 share options with an exercise price of HK\$0.3032 lapsed and were cancelled during the year.

At the balance sheet date, the Company had 19,210,000 and 9,250,000 share options outstanding under the Scheme at exercise prices of HK\$0.87 per share and HK\$0.3032 per share, respectively. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 28,460,000 additional shares of HK\$0.10 each and proceeds, of approximately HK\$19,517,000.

Subsequent to the balance sheet date, 13,210,000 and 4,790,000 share options were exercised at prices of HK\$0.87 per share and HK\$0.3032 per share, respectively.

# Notes to Financial Statements

31 March 2002

## 24. RESERVES

### Group

	Share premium HK\$'000	Asset revaluation reserve HK\$'000	Capital reserve on consolidation HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2000	87,686	54,044	1,599	6,150	154,180	303,659
Goodwill on acquisition of associates	-	-	-	-	(2,327)	(2,327)
Issue of shares	624	-	-	-	-	624
Revaluation surplus	-	5,316	-	-	-	5,316
Revaluation surplus shared by minority shareholders of a subsidiary	-	(1,075)	-	-	-	(1,075)
Net profit for the year	-	-	-	-	84,692	84,692
Interim dividend	-	-	-	-	(9,476)	(9,476)
Proposed final dividend	-	-	-	-	(26,531)	(26,531)
At 31 March 2001 and at beginning of year	88,310	58,285	1,599	6,150	200,538	354,882
Issue of shares	20	-	-	-	-	20
Revaluation deficit	-	(4,650)	-	-	-	(4,650)
Revaluation deficit shared by minority shareholders of a subsidiary	-	244	-	-	-	244
Net profit for the year	-	-	-	-	98,034	98,034
Interim dividend	-	-	-	-	(11,374)	(11,374)
Proposed final dividend	-	-	-	-	(27,798)	(27,798)
<b>At 31 March 2002</b>	<b>88,330</b>	<b>53,879</b>	<b>1,599</b>	<b>6,150</b>	<b>259,400</b>	<b>409,358</b>
The reserves are retained as follows:						
Company and subsidiaries	88,330	53,879	1,599	6,150	264,187	414,145
Associates	-	-	-	-	(4,787)	(4,787)
<b>At 31 March 2002</b>	<b>88,330</b>	<b>53,879</b>	<b>1,599</b>	<b>6,150</b>	<b>259,400</b>	<b>409,358</b>
Company and subsidiaries	88,310	58,285	1,599	6,150	203,989	358,333
Associates	-	-	-	-	(3,451)	(3,451)
At 31 March 2001	88,310	58,285	1,599	6,150	200,538	354,882

# Notes to Financial Statements

31 March 2002

## 24. RESERVES (continued)

### Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2000	87,686	104,750	14,942	207,378
Issue of shares	624	–	–	624
Net profit for the year	–	–	39,860	39,860
Interim dividend	–	–	(9,476)	(9,476)
Proposed final dividend	–	–	(26,531)	(26,531)
At 31 March 2001 and at beginning of year	88,310	104,750	18,795	211,855
Issue of shares	20	–	–	20
Net profit for the year	–	–	40,588	40,588
Interim dividend	–	–	(11,374)	(11,374)
Proposed final dividend	–	–	(27,798)	(27,798)
<b>At 31 March 2002</b>	<b>88,330</b>	<b>104,750</b>	<b>20,211</b>	<b>213,291</b>

The contributed surplus of the Group represents the difference between the nominal value of the shares of the aggregate share capital of the subsidiaries acquired pursuant to the Group reorganisation on 7 April 1998, over the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the same reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda, the Company's contributed surplus is available for cash distribution and/or distribution in specie under certain circumstances prescribed by section 54 thereof.

# Notes to Financial Statements

31 March 2002

## 25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2002 HK\$'000	2001 HK\$'000
Profit from operating activities	121,215	105,857
Interest income	(2,876)	(6,333)
Depreciation	26,876	23,912
Loss/(gain) on disposal of fixed assets	(5)	38
Amortisation of deferred development costs	6,877	5,821
Goodwill amortisation	400	–
Negative goodwill recognised as income	(338)	–
Revaluation deficit of leasehold land and buildings	2,232	235
Net unrealised holding losses on short term investments	524	917
Gain on disposal of short term investments	(244)	(691)
Decrease/(increase) in inventories	28,190	(35,619)
Increase in accounts receivable	(3,261)	(12,661)
Increase in prepayments, deposits and other receivables	(1,006)	(2,519)
Decrease in amounts due from associates	270	244
Increase/(decrease) in accounts payable, accrued liabilities and other payables	(9,243)	20,938
Net cash inflow from operating activities	<u>169,611</u>	<u>100,139</u>

### (b) Analysis of changes in financing during the year

	Issued capital and share premium HK\$'000	Bank borrowings HK\$'000	Minority interests HK\$'000
At 1 April 2000	125,371	18,501	7,626
Share of revaluation surplus	–	–	1,075
Share of net profit	–	–	9,067
Net cash inflow from financing	<u>841</u>	<u>7,199</u>	<u>160</u>
At 31 March 2001 and at beginning of year	126,212	25,700	17,928
Share of revaluation deficit	–	–	(244)
Share of net profit	–	–	11,171
Net cash inflow/(outflow) from financing	<u>30</u>	<u>(25,000)</u>	<u>–</u>
At 31 March 2002	<u>126,242</u>	<u>700</u>	<u>28,855</u>

# Notes to Financial Statements

31 March 2002

## 25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

### (c) Major non-cash transactions

During the year, the Group acquired an additional 16.66% equity interest in Concord, an associate of the Group, and its shareholder loan of HK\$7,680,000 at a consideration of HK\$4,812,000. The consideration was offset against the acquired shareholder loan arising from the acquisition of Concord.

## 26. RELATED PARTY AND CONNECTED TRANSACTIONS

The Group had the following transactions with related and connected parties during the year:

	Note	2002 HK\$'000	2001 HK\$'000
Purchases of raw materials from Success Mode	(i)	<u>575</u>	<u>3,361</u>

Note:

- (i) The directors consider that the purchases of raw materials from Success Mode, an associate of the Group, were made according to prices and conditions similar to those offered by non-related suppliers of the Group.

At the balance sheet date, the corporate guarantee of HK\$15,000,000 (2001: Nil) was given by the Group in respect of banking facilities granted to Full Summit, an associate of the Group, in proportion to its shareholding.

As detailed in note 15, the Group granted a loan of HK\$18,228,000 (2001: HK\$15,360,000) to an associate in proportion to its shareholding in this associate. This loan is unsecured, interest-free and has no fixed terms of repayment.

As detailed in note 21, certain bank borrowings of the Group were secured by personal guarantees given by certain minority shareholders of a subsidiary. In prior year, certain bank borrowings of the Group were secured by personal guarantees given by a director of the Company and certain minority shareholders of a subsidiary.



# Notes to Financial Statements

31 March 2002

## 27. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

At 31 March 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2002 HK\$'000	2001 HK\$'000
Within one year	371	1,864
In the second to fifth years, inclusive	97	468
	<u>468</u>	<u>2,332</u>

### (b) As lessee

At 31 March 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2002 HK\$'000	2001 HK\$'000
Within one year	1,412	2,577
In the second to fifth years, inclusive	1,697	2,491
After five years	158	337
	<u>3,267</u>	<u>5,405</u>

The Company did not have any operating lease arrangements at the balance sheet date (2001: Nil).

## 28. COMMITMENTS

- (i) At the balance sheet date, the Group had contracted capital commitments in respect of its wholly-owned investments in the PRC amounting to HK\$20,644,000 (2001: HK\$20,644,000).

- (ii) Capital commitments

At the balance sheet date, the Group had contracted for capital commitments in respect of property, plant and equipment of HK\$8,882,000 (2001: HK\$9,146,000).

The Group did not have any significant authorised, but not contracted for, capital commitments as at the balance sheet date (2001: Nil).

The Company did not have any other significant commitments at the balance sheet date (2001: Nil).

# Notes to Financial Statements

31 March 2002

## 29. CONTINGENT LIABILITIES

At the balance sheet date, the Company had provided guarantees of HK\$97,000,000 (2001: HK\$115,500,000) and HK\$15,000,000 (2001: Nil) in respect of banking facilities granted to certain subsidiaries and an associate, of which HK\$700,000 (2001: HK\$32,611,000) and HK\$470,000 (2001: Nil) had been utilised as at the balance sheet date, respectively.

## 30. POST BALANCE SHEET EVENTS

On 17 April 2002, Cavetto Investments Limited, a wholly-owned subsidiary of the Group, entered into an agreement with Yim Tit Shing, Hui Yui Shing, Lee Kwai Wing and Kanspar (BVI) Corp. (collectively the "Vendors"), the existing shareholders of Standard Motor, to acquire from them 20% share capital of Standard Motor, a subsidiary of the Group, at a consideration of HK\$30,000,000. Standard Motor and its subsidiaries are engaged in the manufacture and trading of motor and property holding.

The Vendors severally warranted that the audited consolidated profit after tax and before extraordinary items of Standard Motor and its subsidiaries for each of the years ended 31 March 2002 and 31 March 2003 will not be less than HK\$36,000,000.

This agreement was completed upon the approval by the independent shareholders of the Company on 29 May 2002. The purchase consideration for the acquisition, of HK\$30,000,000, was in form of cash and was paid on the completion date.

Details of the preliminary financial information of goodwill arising from the acquisition are laid down in the circular of the Company dated 9 May 2002.

## 31. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs, the supporting notes for operating lease commitments, the segment information and the accounting treatment of goodwill or negative goodwill on acquisition have been revised and presented to comply with the new requirements. Accordingly, a prior year adjustment and certain comparative amounts have been revised to conform with the current year's presentation.

## 32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 July 2002.