1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 26 July 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2000, the Company became the holding company of the companies now comprising the Group (as detailed in note 15 to the financial statements) on 18 September 2000. This was accomplished by the Company acquiring the entire issued share capital of i-System Investment Company Limited ("i-System") in consideration and in exchange for the allotment and issue of a total of 1,000,000 shares of HK$0.10 each in the Company credited as fully paid to the former shareholders of i-System.

During the year, the Group was involved in the following principal activities:

– design and manufacture of production lines and production equipment

– distribution of brand name production equipment

– design and manufacture of consumer products

– provision of sub-contracting services

In the opinion of the directors, the ultimate holding company is Mind Seekers Investment Limited, a company incorporated in the British Virgin Islands (the "BVI").

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for 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"

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(continued)*

- 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 adopting those SSAPs and Interpretations 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 revised SSAP is detailed in note 12 to the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 21 and 26 to the financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(continued)*

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 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

3. BASIS OF PREPARATION AND 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 (the "Companies Ordinance"). They have been prepared under the historical cost convention, except for the periodic revaluation of investment property and leasehold land and buildings as further explained below.

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 the 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 have been eliminated on consolidation.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

The comparative consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group reorganisation as mentioned above. On this basis, the Company has been treated as the holding company of its subsidiaries prior to the date of their acquisition pursuant to the Group reorganisation on 18 September 2000. Accordingly, the consolidated results and cash flows of the Group for the year ended 31 March 2001 include the results and cash flows of the Company and its subsidiaries with effect from 1 April 2000, or since their respective dates of incorporation/establishment, where this is a shorter period, as if the existing Group structure had been in existence throughout the year ended 31 March 2001.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results, state of affairs and cash flows of the Group as a whole.

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:

– 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;

– from the rendering of sub-contracting services, based on the stage of completion of the contract, provided that the revenues and the costs incurred can be measured reliably. The stage of completion of a contract is established by reference to the physical completion of a particular phase of the contract. Foreseeable losses on contracts in progress are recognised in full when identified;

– rental income, on a time proportion basis over the lease terms; and

– interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

3. BASIS OF PREPARATION AND 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.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of 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 investment properties and construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The original 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 the 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 that asset.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation *(continued)*

Changes in the values of fixed assets, other than investment properties, 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. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated to write off the cost or valuation of each asset over its estimated useful life. Except for the leasehold land and buildings which are depreciated on a straight-line basis, all of the fixed assets are depreciated on a reducing balance basis. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2% to 4.5%
Machinery and equipment	9% to 25%
Furniture, fixtures and leasehold improvements	18% to 25%
Motor vehicles	25%

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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

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.

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 manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Retirement Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Retirement Scheme. The Retirement Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Retirement Scheme. The assets of the Retirement Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Retirement Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Retirement Scheme.

Pursuant to the relevant regulations of the government of the People's Republic of China excluding Hong Kong (the "PRC"), a subsidiary of the Group operating in the PRC participates in a retirement funds scheme managed by a local social security bureau. The contributions made to the scheme are 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. The obligation of the Group with respect to the PRC retirement funds scheme is to pay these ongoing required contributions.

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 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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounts receivable

Accounts receivable, which generally have 30 to 90 days' credit terms, are recognised and carried at original invoiced amounts less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

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.

In previous year, 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 treatment for dividends resulting from the adoption of SSAP 9 (Revised) has 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 12 to the financial statements.

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 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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 two 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 production lines and production equipment segment consists of the design, manufacture and sales of production lines and production equipment;

(b) the brand name production equipment segment consists of trading and distribution of brand name production equipment;

(c) the consumer products segment consists of the design, manufacture and sales of consumer products; and

(d) the sub-contracting services segment consists of the provision of sub-contracting services.

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.

4. SEGMENT INFORMATION *(continued)*

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

(a) Business segments

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

Group

	Production lines and production equipment		Brand name production equipment		Consumer products		Sub-contracting services		Elimination		Consolidated	
	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	**245,223**	343,624	**58,506**	89,681	**143,867**	30,415	**46,870**	45,400	**–**	–	**494,466**	509,120
Other revenue – external	**69**	65	**–**	–	**–**	–	**–**	–	**–**	–	**69**	65
Total	**245,292**	343,689	**58,506**	89,681	**143,867**	30,415	**46,870**	45,400	**–**	–	**494,535**	509,185
Segment results	**23,318**	56,476	**8,682**	13,624	**(243)**	696	**1,773**	9,099	**–**	–	**33,530**	79,895
Interest and unallocated income											**3,411**	3,085
Unallocated expenses											**(1,585)**	(716)
Profit from operating activities											**35,356**	82,264
Finance costs											**(1,586)**	(1,219)
Profit before tax											**33,770**	81,045
Tax											**(6,718)**	(12,329)
Net profit from ordinary activities attributable to shareholders											**27,052**	68,716

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group

	Production lines and production equipment		Brand name production equipment		Consumer products		Sub-contracting services		Elimination		Consolidated	
	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 assets	**229,515**	186,379	**56,669**	44,954	**27,550**	10,144	**60,778**	35,534	**–**	–	**374,512**	277,011
Unallocated assets											**35,211**	58,605
Bank overdrafts included in segment assets	**–**	–	**–**	–	**4,977**	1,704	**–**	–	**–**	–	**4,977**	1,704
Total assets											**414,700**	337,320
Segment liabilities	**56,406**	36,404	**21,728**	21,948	**25,640**	10,295	**1,951**	–	**–**	–	**105,725**	68,647
Unallocated liabilities											**54,190**	31,461
Bank overdrafts included in segment assets	**–**	–	**–**	–	**4,977**	1,704	**–**	–	**–**	–	**4,977**	1,704
Total liabilities											**164,892**	101,812
Other segment information:												
Depreciation	**7,365**	5,664	**–**	–	**2,509**	1,172	**6,906**	5,189	**–**	–	**16,780**	12,025
Capital expenditure	**84,999**	17,163	**–**	–	**9,161**	1,285	**25,904**	5,691	**–**	–	**120,064**	24,139
Deficit on revaluation of leasehold land and buildings	**5**	–	**–**	–	**–**	–	**–**	–	**–**	–	**5**	–
Deficit on revaluation of investment property	**250**	–	**–**	–	**–**	–	**–**	–	**–**	–	**250**	–
Provision for doubtful debts	**3,885**	2,256	**–**	–	**–**	–	**244**	–	**–**	–	**4,129**	2,256
Provision for slow-moving inventories	**–**	4,056	**–**	–	**1,198**	1,247	**–**	–	**–**	–	**1,198**	5,303
Loss on write off of fixed assets	**1,975**	–	**–**	–	**205**	–	**570**	–	**–**	–	**2,750**	–
Loss on write off of temporary factory structures	**11,709**	–	**–**	–	**–**	–	**–**	–	**–**	–	**11,709**	–

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

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

Group

	Hong Kong		PRC		United Kingdom		Others		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	**95,075**	100,339	**284,694**	400,027	**91,439**	–	**23,258**	8,754	**494,466**	509,120
Segment results	**9,607**	13,191	**24,117**	66,504	**(154)**	–	**(40)**	200	**33,530**	79,895

	Hong Kong		PRC		United Kingdom		Others		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*
Other segment information:										
Segment assets	**83,235**	127,061	**326,488**	208,555	**–**	–	**–**	–	**409,723**	335,616
Bank overdraft included in segment assets	**4,977**	1,704	**–**	–	**–**	–	**–**	–	**4,977**	1,704
									414,700	337,320
Capital expenditure	**221**	965	**119,843**	23,174	**–**	–	**–**	–	**120,064**	24,139

5. TURNOVER

Turnover represents the net invoiced value of the services provided and the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-Group transactions have been eliminated on consolidation.

Revenue from the following activities has been included as turnover:

	2002	2001
	HK$'000	*HK$'000*
Sales of goods	**447,596**	463,720
Provision of sub-contracting services	**46,870**	45,400
	494,466	509,120

6. PROFIT FROM OPERATING ACTIVITIES

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

	2002	2001
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**379,580**	366,785
Auditors' remuneration	**980**	1,771
Depreciation	**16,780**	12,025
Minimum lease payments under operating leases:		
Land and buildings	**5,949**	747
Machineries	**290**	–
Staff costs (excluding directors' remuneration – note 7)		
Wages and salaries	**46,260**	37,039
Pension contributions	**466**	173
	46,726	37,212
Less: Amount included in research and development costs	**(1,079)**	(3,994)
	45,647	33,218
Research and development costs	**2,789**	4,415
Deficit on revaluation of investment property	**250**	–
Deficit on revaluation of leasehold land and buildings	**5**	–
Provision for doubtful debts	**4,129**	2,256
Provision for slow-moving inventories	**1,198**	5,303
Loss/(gain) on disposal of fixed assets	**(28)**	100
Loss on write off of fixed assets	**2,750**	–
Loss on write off of temporary factory structures*	**11,709**	–
Exchange losses, net	**502**	372
Interest income	**(2,297)**	(2,545)
Gross and net rental income	**(84)**	(84)

* Amount represents expenditure during the year in relation to temporary factory structures in the PRC for which the Group does not have legal title.

As at 31 March 2002, the Group had no forfeited contribution available to offset its employers' contributions to the pension scheme in future years (2001: Nil).

7. DIRECTORS' REMUNERATION

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Fees		
Executive	**–**	–
Independent non-executive	**360**	–
Other emoluments		
Executive:		
Salaries, allowances and benefits in kind	**3,511**	3,073
Pension contributions	**84**	–
Independent non-executive:		
Salaries, allowances and benefits in kind	**–**	–
	3,955	3,073

The remuneration for the year of each of the directors fell within the nil - HK$1,000,000 band.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2001: five) directors, details of whose remuneration are out in note 7 above. The details of the remuneration of the remaining one (2001: Nil) non-director, highest paid employee is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**585**	–
Pension contributions	**12**	–
	597	–

The remuneration for the year of the non-director, highest paid employee fell within the nil - HK$1,000,000 band.

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

9. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**1,398**	567
Interest on other loans	**–**	280
Interest on finance leases	**188**	372
	1,586	1,219

10. TAX

	Group	
	2002	2001
	HK$'000	*HK$'000*
Group:		
Hong Kong	**805**	3,157
Elsewhere	**5,908**	8,575
Underprovision in prior year	**5**	–
Deferred – note 22	**–**	597
Tax charge for the year	**6,718**	12,329

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 elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

In accordance with the relevant approval documents issued by the PRC tax authorities, a subsidiary of the Group operating in the PRC is exempted from PRC corporate income tax for the first two profitable calendar years of operation and thereafter is eligible for a 50% relief from PRC corporate income tax for the following three years. The standard PRC corporate income tax rate applicable to the subsidiary is 33%.

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 March 2002 was HK$131,000 (Period from 26 July 2000 (date of incorporation) to 31 March 2001: net profit of HK$15,829,000).

12. DIVIDENDS

	2002	2001
	HK$'000	*HK$'000*
Special dividend	**–**	16,000
Interim dividend – Nil (2001: 1 cent) per ordinary share	**–**	3,120
Proposed final dividend – Nil (2001: 4 cents) per ordinary share	**–**	12,480
	–	31,600

In the prior year, the special dividend was paid by the subsidiary of the Company, Sun East Electronic Equipment Company Limited, to its then shareholders prior to the Group reorganisation as set out in note 1 to the financial statements.

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$12,480,000, 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$12,480,000.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK$27,052,000 (2001: HK$68,716,000) and the weighted average of 312,000,000 shares (2001: 270,542,466 shares) in issue during the year.

No diluted earnings per share for both current and prior years has been calculated as no diluting events existed during these years.

14. FIXED ASSETS

Group

	Investment property HK$'000	Leasehold land and buildings HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and leasehold improve-ments HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:							
At 1 April 2001	1,500	53,610	56,271	8,742	4,983	6,512	131,618
Additions	–	38,973	32,462	29,679	235	18,715	120,064
Transfers	–	926	–	5,586	–	(6,512)	–
Disposals	–	–	(33)	–	–	–	(33)
Write off	–	(2,278)	(40)	(1,524)	–	–	(3,842)
Deficit on revaluation	(250)	(2,321)	–	–	–	–	(2,571)
At 31 March 2002	1,250	88,910	88,660	42,483	5,218	18,715	245,236
Accumulated depreciation:							
At 1 April 2001	–	–	24,650	3,761	2,511	–	30,922
Provided during the year	–	2,490	10,242	3,714	334	–	16,780
Disposals	–	–	(28)	–	–	–	(28)
Write off	–	(302)	–	(790)	–	–	(1,092)
Written back on revaluation	–	(2,188)	–	–	–	–	(2,188)
At 31 March 2002	–	–	34,864	6,685	2,845	–	44,394
Net book value:							
At 31 March 2002	1,250	88,910	53,796	35,798	2,373	18,715	200,842
At 31 March 2001	1,500	53,610	31,621	4,981	2,472	6,512	100,696
Analysis of cost or valuation:							
At cost	–	–	88,660	42,483	5,218	18,715	155,076
At valuation	1,250	88,910	–	–	–	–	90,160
	1,250	88,910	88,660	42,483	5,218	18,715	245,236

14. FIXED ASSETS *(continued)*

The revaluation of leasehold land and buildings situated in Hong Kong and the PRC of HK$3,910,000 (2001: HK$4,130,000) and HK$85,000,000 (2001: HK$49,480,000), respectively, were carried out by Castores Magi Surveyors Limited ("Castores"), an independent firm of professional qualified valuers, on an open market existing use basis and depreciated replacement cost basis, respectively, on 31 March 2002. The deficit of HK$128,000 (2001: surplus of HK$4,730,000) and HK$5,000 (2001: Nil) so arising has been debited to the asset revaluation reserve and charged to the profit and loss account, respectively. The Group's investment property was revalued on 31 March 2002 on the open market existing use basis by Castores at HK$1,250,000 (2001: HK$1,500,000). The deficit of HK$250,000 (2001: Nil) so arising has been charged to the profit and loss account.

Had the Group's revalued leasehold land and buildings been stated at cost less accumulated depreciation, the Group's total leasehold land and buildings would have been included in the financial statements at approximately HK$83,137,000 (2001: HK$48,880,000).

The net book values of the fixed assets of the Group held under finance leases included in the total amounts of motor vehicles and machinery and equipment were as follows:

	2002	2001
	HK$'000	*HK$'000*
Motor vehicles	**145**	182
Machinery and equipment	**13,380**	644

The Group's investment property was situated in Hong Kong and was held under a medium term lease.

The Group's leasehold land and buildings were held under medium term leases and are further analysed as follows:

	2002	2001
	HK$'000	*HK$'000*
Hong Kong	**3,910**	4,130
Elsewhere	**85,000**	49,480
	88,910	53,610

14. FIXED ASSETS *(continued)*

The Group's investment property and leasehold land and buildings, with net book values of HK$1,250,000 and HK$1,800,000, respectively, as at 31 March 2002, were pledged to the Group's bankers to secure banking facilities granted to the Group, as detailed in note 20 to the financial statements.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	*HK$'000*
Unlisted shares, at cost	**115,668**	115,668
Due from subsidiaries	**48,405**	36,704
	164,073	152,372

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	**Place of incorporation/ establishment and operations**	**Nominal value of issued ordinary/ registered capital**	**Attributable equity interest**	**Principal activities**
i-System Investment Company Limited	BVI	US$2,000	100%	Investment holding
Sun East Electronic Equipment Company Limited	Hong Kong	HK$5,000,000	100%	Trading of machinery
Fulvan Manufacturing Limited	BVI/PRC	US$10	100%	Manufacture of machinery

15. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary/ registered capital	Attributable equity interest	Principal activities
Dystia Investments Inc.	BVI/PRC	US$10	100%	Provision of research and development and quality control services
Sherarson Intervest Company Ltd.	BVI/PRC	US$10	100%	Provision of quality control services
Pipersville Company Limited	BVI/PRC	US$10	100%	Provision of research and development services
Pro-Tech Industries Corp.	BVI/PRC	US$10	100%	Manufacture and trading of consumer electronic products
Rightrade Corporation	BVI	US$10	100%	Holding of trademarks and patent rights
Frontier Precision System Co., Limited*	Hong Kong	HK$10,000	100%	Dormant
Suneast Electronics Development (Shenzhen) Co., Ltd.	PRC	HK$45,000,000	100%	Manufacture and trading of machinery

Except for i-System, all of the above subsidiaries are indirectly held by the Company.

* Incorporated during the year.

16. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**31,876**	30,621
Work in progress	**8,482**	15,516
Finished goods	**25,131**	9,986
	65,489	56,123
Less: Provision for slow-moving inventories	**(7,652)**	(6,454)
	57,837	49,669

As at 31 March 2002, no inventories were stated at net realisable value (2001: Nil).

17. ACCOUNTS RECEIVABLE

As at 31 March 2002, the aged analysis of the accounts receivable as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within 90 days	**58,395**	63,054
91 to 120 days	**3,714**	6,187
Over 120 days	**29,884**	16,267
	91,993	85,508
Less: Provision for doubtful debts	**(11,413)**	(7,200)
	80,580	78,308

The normal credit period granted by the Group to customers ranges from 30 days to 90 days.

18. ACCOUNTS AND BILLS PAYABLE

As at 31 March 2002, the aged analysis of the accounts and bills payable as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within 90 days	**48,214**	31,809
91 to 120 days	**8,524**	1,117
Over 120 days	**11,363**	5,023
	68,101	37,949

19. INTEREST-BEARING BANK BORROWINGS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Bank overdrafts, secured - note 20	**4,977**	1,704
Bank loans:		
Secured – note 20	**14,950**	–
Unsecured	**–**	4,673
Trust receipt loans	**–**	2,897
	19,927	9,274

20. CREDIT FACILITIES

The Group's secured bank borrowings as at 31 March 2002 are secured by:

(i) first legal charges on certain of the Group's leasehold land and buildings and its investment property located in Hong Kong with net book values of approximately HK$1,800,000 and HK$1,250,000, respectively;

(ii) a second legal charge on a property located in Hong Kong of a related company; and

(iii) a third legal charge on a property located in Hong Kong of a director.

21. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles, machinery and equipment for both its production line and equipment and consumer products businesses. These leases are classified as finance leases and have remaining lease terms ranging from 1 to 3 years.

At 31 March 2002, the total future minimum lease payments under finance leases and their present values, were as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**5,857**	449	**5,311**	393
In the second year	**3,905**	153	**3,767**	124
In the third to fifth years, inclusive	**1,169**	–	**1,152**	–
Total minimum finance lease payments	**10,931**	602	**10,230**	517
Future finance charges	**(701)**	(85)		
Total net finance lease payables	**10,230**	517		
Portion classified as current liabilities	**(5,311)**	(393)		
Long term portion	**4,919**	124		

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

22. DEFERRED TAX

	Group	
	2002	2001
	HK$'000	*HK$'000*
At 1 April	**3,098**	2,501
Charge for the year – note 10	**–**	597
At 31 March	**3,098**	3,098

As at 31 March 2002, the principal component of the Group's provision for deferred tax is accelerated depreciation allowances of HK$2,791,000 (2001: HK$3,098,000).

As at 31 March 2002, the Group and the Company did not have any significant unprovided deferred tax liabilities (2001: Nil).

23. SHARE CAPITAL

	2002	2001
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
312,000,000 ordinary shares of HK$0.10 each	**31,200**	31,200

Share options

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

No share options have been granted or agreed to be granted under the Scheme up to the date of approval of these financial statements.

24. RESERVES

	Share premium account HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve and enterprise expansion funds HK$'000	Retained profits HK$'000	Total HK$'000
Group							
At 1 April 2000	–	4,800	–	(117)	–	95,316	99,999
Issue of shares	84,240	–	–	–	–	–	84,240
Share issue expenses	(11,034)	–	–	–	–	–	(11,034)
Capitalisation issue of shares	(23,200)	–	–	–	–	–	(23,200)
Translation differences arising on consolidation	–	–	–	(23)	–	–	(23)
Revaluation surplus	–	–	4,730	–	–	–	4,730
Net profit for the year	–	–	–	–	–	68,716	68,716
Special 2001 dividend	–	–	–	–	–	(16,000)	(16,000)
Interim 2001 dividend	–	–	–	–	–	(3,120)	(3,120)
Proposed final 2001 dividend	–	–	–	–	–	(12,480)	(12,480)
At 31 March 2001 and 1 April 2001	50,006	4,800	4,730	(140)	–	132,432	191,828
Revaluation deficit	–	–	(128)	–	–	–	(128)
Net profit for the year	–	–	–	–	–	27,052	27,052
Translation differences arising on consolidation	–	–	–	(144)	–	–	(144)
Transfer to legal reserve	–	–	–	–	510	(510)	–
At 31 March 2002	50,006	4,800	4,602	(284)	510	158,974	218,608

In accordance with PRC relevant laws and regulations, the Group's subsidiary in the PRC is required to transfer part of its profits after tax to the reserve and enterprise expansion funds, which are non-distributable, before profit distributions are made.

24. RESERVES *(continued)*

	Share premium account	Contributed surplus	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Company				
Arising on acquisition of i-System	–	115,568	–	115,568
Applied in payment of 1,000,000 shares allotted nil paid on incorporation	–	(100)	–	(100)
Issue of shares	84,240	–	–	84,240
Share issue expenses	(11,034)	–	–	(11,034)
Capitalisation issue of shares	(23,200)	–	–	(23,200)
Net profit for the period	–	–	15,829	15,829
Interim 2001 dividend	–	–	(3,120)	(3,120)
Proposed final 2001 dividend	–	–	(12,480)	(12,480)
At 31 March 2001 and 1 April 2001	50,006	115,468	229	165,703
Net loss for the year	–	–	(131)	(131)
At 31 March 2002	50,006	115,468	98	165,572

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation, as set out in note 1 to the financial statements, over the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus of the Company represents the excess of the then combined net asset value 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 contributed surplus of the Company is distributable to shareholders under certain circumstances.

25. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002	2001
	HK$'000	*HK$'000*
Profit from operating activities	**35,356**	82,264
Interest income	**(2,297)**	(2,545)
Depreciation	**16,780**	12,025
Deficit on revaluation of investment property	**250**	–
Deficit on revaluation of leasehold land and buildings	**5**	–
Loss/(gain) on disposal of fixed assets	**(28)**	100
Provision for slow-moving inventories	**1,198**	5,303
Provision for doubtful debts	**4,129**	2,256
Loss on write off of fixed assets	**2,750**	–
Increase in inventories	**(9,366)**	(15,447)
Increase in accounts receivable	**(6,401)**	(31,378)
Increase in prepayments, deposits and other receivables	**(493)**	(3,320)
Increase in accounts and bills payable	**30,152**	12,674
Increase in accruals and other payables	**9,823**	954
Net cash inflow from operating activities	**81,858**	62,886

25. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the years

	Issued capital and share premium account	Bank loans	Loan from a related party	Finance lease obligations
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2000	200	935	12,617	761
Cash inflow/(outflow) from financing activities, net	81,006	3,738	(12,617)	(1,050)
Inception of finance lease contracts	–	–	–	806
Balance at 31 March 2001 and 1 April 2001	81,206	4,673	–	517
Cash inflow/(outflow) from financing activities, net	–	10,277	–	(4,008)
Inception of finance lease contracts	–	–	–	13,721
At 31 March 2002	81,206	14,950	–	10,230

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$13,721,000 (2001: HK$806,000).

26. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property (note 14 to the financial statements) under an operating lease arrangement, with the lease negotiated for a term of 2 years. The terms of the lease generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within one year	**56**	84
In the second to fifth years, inclusive	**–**	56
	56	140

(b) As lessee

The Group leases certain of its factory premises under operating lease arrangements. Leases for these assets are negotiated for terms ranging from 2 to 10 years.

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
		(Restated)
Within one year	**4,860**	4,845
In the second to fifth years, inclusive	**18,281**	18,305
After five years	**19,903**	24,159
	43,044	47,309

26. OPERATING LEASE ARRANGEMENTS *(continued)*

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above, have been restated to accord with the current year's presentation.

The Company did not have any significant operating lease arrangements at the balance sheet date.

27. COMMITMENTS

In addition to the operating lease commitments detailed in note 26(b) above, the Group had the following commitments at the balance sheet date:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Capital commitments in respect of building construction contracted, but not provided for	**4,854**	6,414

The Company did not have any significant commitments at the balance sheet date.

28. CONTINGENT LIABILITIES

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bills discounted with recourse	**–**	1,869	**–**	–
Guarantees of banking facilities granted to subsidiaries	**–**	–	**86,000**	85,600

At the balance sheet date, credit facilities supported by guarantees provided by the Company to its subsidiaries were utilised to the extent of approximately HK$6 million (2001: Nil).

29. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the Group had transactions with related parties during the year as follows:

	2002	2001
	HK$'000	*HK$'000*
Interest paid to a related party	**–**	280

The interest paid to a related party related to a loan granted. The loan bore interest with reference to the bank's interest rate and was fully repaid in the prior year.

30. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 July 2002.