

Notes to the Financial Statements

For the year ended 31 March 2002

1. GENERAL

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture of and trading in cables and wires, copper rods and connectors and terminals. Its associates and jointly controlled entities are principally engaged in the manufacture of optical fibre cable and manufacture of food products.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements and are summarised as follows:

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for prior year have been amended so that they are presented on a consistent basis.

Goodwill

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 have been recognised retrospectively – resulting in decrease in both goodwill reserve and retained profits by HK\$468,104,000 at 1 April 2001.

Goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as further impairment losses are identified. Negative goodwill arising on acquisition prior to 1 April 2001 will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Goodwill arising on acquisitions after 1 April 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1 April 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Notes to the Financial Statements *(Continued)**For the year ended 31 March 2002***2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (CONTINUED)****Leases**

In accordance with SSAP 14 (Revised) "Leases", amendments were introduced to the basis of accounting for finance leases, and to the disclosures specified for the Group's leasing arrangements. Disclosures for the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions after 1 April 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented as a separate intangible asset.

Goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Goodwill (Continued)**

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill or goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions after 1 April 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented as a deduction from intangible assets.

Revenue recognition

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

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

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress and land and buildings, are stated at cost less depreciation, amortisation and accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Property, plant and equipment** *(Continued)*

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

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

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

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

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

Construction in progress represents property, plant and equipment in the course of development for production purposes and is carried at cost, less any identified impairment loss. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Property, plant and equipment (Continued)**

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

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

Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities plus the premium paid on acquisition in so far as it has not already been amortised less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Investments in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Deferred expenditure**

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Turnover**

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

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generally intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Leased assets

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

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Retirement benefits schemes**

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

Convertible bonds

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

4. SEGMENTAL INFORMATION**Business segments**

For management purposes, the Group is currently organised into three principal operating divisions – cables and wires, copper rods, and connectors and terminals. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

2002

	Cables and wires	Copper rods	Connectors and terminals	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER					
External sales	543,943	271,918	59,670	-	875,531
Inter-segment sales	7,802	127,890	1,262	(136,954)	-
Total sales	<u>551,745</u>	<u>399,808</u>	<u>60,932</u>	<u>(136,954)</u>	<u>875,531</u>
Inter-segment sales are charged at prevailing market rates.					
RESULT					
Segment result	<u>(4,539)</u>	<u>8,595</u>	<u>4,355</u>	-	8,411
Unallocated corporate expenses					<u>(5,706)</u>
Profit from operations					2,705
Finance costs					(18,130)
Share of results of associates					(3,426)
Share of result of a jointly controlled entity					(926)
Impairment loss recognised in respect of goodwill					(48,784)
Impairment losses recognised in respect of interest in an associate and a jointly controlled entity					(5,368)
Loss on dissolution of an associate					<u>(300)</u>
Loss before taxation					(74,229)
Taxation credit					620
Loss before minority interests					(73,609)
Minority interests					<u>(5,940)</u>
Loss for the year					<u>(79,549)</u>

Notes to the Financial Statements *(Continued)*

For the year ended 31 March 2002

4. SEGMENTAL INFORMATION (CONTINUED)**Business segments (Continued)**

	Cables and wires	Copper rods	Connectors and terminals	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
BALANCE SHEET				
Assets				
Segment assets	675,108	275,431	31,698	982,237
Goodwill				54,243
Interests in associates				2,800
Interest in a jointly controlled entity				70,404
Unallocated corporate assets				67,070
Consolidated total assets				<u>1,176,754</u>
Liabilities				
Segment liabilities	123,143	6,468	11,898	141,509
Unallocated corporate liabilities				261,021
Consolidated total liabilities				<u>402,530</u>

	Cables and wires	Copper rods	Connectors and terminals	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
OTHER INFORMATION				
Capital additions	13,639	252	4,280	18,171
Depreciation and amortisation	27,260	11,805	899	39,964
Impairment losses recognised in income statement				54,152
Other non-cash expenses	6,940	-	-	6,940

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

4. SEGMENTAL INFORMATION (CONTINUED)

Business segments (Continued)

2001

	Cables and wires	Copper rods	Connectors and terminals	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER					
External sales	649,351	370,079	42,358	–	1,061,788
Inter-segment sales	2,554	148,316	4,548	(155,418)	–
Total sales	<u>651,905</u>	<u>518,395</u>	<u>46,906</u>	<u>(155,418)</u>	<u>1,061,788</u>

Inter-segment sales are charged at prevailing market rates.

RESULT

Segment result	<u>(2,812)</u>	<u>10,785</u>	<u>5,000</u>	<u>–</u>	12,973
Unallocated corporate expenses					<u>(6,489)</u>
Profit from operations					6,484
Finance costs					(23,255)
Share of results of associates					(6,184)
Impairment loss recognised in respect of goodwill					(468,104)
Loss on deemed disposal of an associate					<u>(1,292)</u>
Loss before taxation					(492,351)
Taxation charge					<u>(527)</u>
Loss before minority interests					(492,878)
Minority interests					<u>284</u>
Loss for the year					<u>(492,594)</u>

Notes to the Financial Statements *(Continued)*

For the year ended 31 March 2002

4. SEGMENTAL INFORMATION (CONTINUED)**Business segments (Continued)**

	Cables and wires	Copper rods	Connectors and terminals	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
BALANCE SHEET				
Assets				
Segment assets	773,427	310,285	21,747	1,105,459
Interests in associates				11,452
Unallocated corporate assets				61,824
				<u>1,178,735</u>
Consolidated total assets				
Liabilities				
Segment liabilities	126,871	7,037	8,278	142,186
Unallocated corporate liabilities				283,483
				<u>425,669</u>
Consolidated total liabilities				
OTHER INFORMATION				
Capital additions	15,246	169	3,039	18,454
Depreciation and amortisation	31,811	11,222	470	43,503
Impairment losses recognised in income statement				468,104
Other non-cash expenses	32,966	–	–	32,966

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

4. SEGMENTAL INFORMATION (CONTINUED)**Geographical segments**

The Group's operations are located in Hong Kong, the PRC, North America, Europe and other Asian regions.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market	
	2002 HK\$'000	2001 <i>HK\$'000</i>
PRC	512,660	615,978
North America	177,217	175,006
Europe	55,867	123,506
Hong Kong	20,623	29,998
Other Asian regions	109,164	117,300
	875,531	1,061,788

An analysis of profit from operations by geographical market has not been presented as the ratio of contribution from each market is substantially in line with the overall group ratio.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property plant and equipment	
	2002 HK\$'000	2001 <i>HK\$'000</i>	2002 HK\$'000	2001 <i>HK\$'000</i>
PRC	743,405	707,167	11,714	12,220
Hong Kong	363,646	423,000	2,119	3,163
North America	38,005	26,821	58	32
Other Asian regions	31,698	21,747	4,280	3,039
	1,176,754	1,178,735	18,171	18,454

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

5. PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Current year	1,618	1,296
Underprovision in prior years	279	741
	1,897	2,037
Depreciation and amortisation		
Owned assets	35,624	31,503
Assets held under finance leases	3,070	10,515
Deferred expenditure included in general and administrative expenses	1,270	1,485
	39,964	43,503
Operating lease rentals in respect of rented premises	4,316	4,483
Staff costs including directors' emoluments	83,944	81,906
Research and development costs	2,180	-
Loss on disposal of property, plant and equipment	7,715	-
and after crediting:		
Dividend income from listed securities	560	800

6. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

	2002 HK\$'000	2001 HK\$'000
Directors' fees:		
Executive directors	-	-
Independent non-executive directors	360	385
Other emoluments to executive directors:		
Salaries and other benefits	8,550	8,902
Performance related incentive payments	950	1,650
Retirement benefits scheme contribution	37	6
	9,897	10,943

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

6. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

Emoluments of the directors were within the following bands:

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	6	8
HK\$1,000,001 – HK\$1,500,000	–	2
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$5,000,001 – HK\$5,500,000	1	–
HK\$6,000,001 – HK\$6,500,000	–	1
	<u> </u>	<u> </u>

The five highest paid individuals of the Group include four (2001: four) executive directors of the Company, details of whose emoluments are included above. The emolument of the remaining individual for the year ended 31 March 2002 was as follows:

	2002	2001
	HK\$'000	HK\$'000
Salaries and other benefits	845	829
	<u> </u>	<u> </u>

7. FINANCE COSTS

	2002	2001
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	14,700	18,508
Interest on finance leases	1,027	3,272
Interest on convertible bonds	2,403	1,475
	<u> </u>	<u> </u>
	18,130	23,255
	<u> </u>	<u> </u>

Notes to the Financial Statements *(Continued)*

For the year ended 31 March 2002

8. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF GOODWILL

The directors have cautiously reviewed the business of certain associates and a jointly controlled entity acquired in previous years and during the year which are engaged in internet-related business. Based on expected cash flows, the directors consider that the goodwill arising from acquisition of these investments has been impaired.

The current year amount represents the impairment loss on goodwill in respect of a jointly controlled entity and the prior year amount represents that of certain associates.

9. IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF INTEREST IN AN ASSOCIATE AND A JOINTLY CONTROLLED ENTITY

	2002 HK\$'000	2001 HK\$'000
Impairment losses recognised on:		
Interest in an associate	5,000	–
Interest in a jointly controlled entity	368	–
	<hr/> 5,368 <hr/>	<hr/> – <hr/>

As explained in note 8 above, the directors have considered that the carrying amount of these investments has been impaired and accordingly impairment loss has been recognised in the income statement.

10. TAXATION CREDIT (CHARGE)

	2002 HK\$'000	2001 HK\$'000
Hong Kong Profits Tax		
Current year	–	–
Overprovision in respect of prior years	5,656	26
Taxation in other jurisdictions		
Current year	(4,929)	(64)
Overprovision in respect of prior years	74	40
Deferred taxation (Note 25)	(181)	(529)
	<hr/> 620 <hr/>	<hr/> (527) <hr/>

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

10. TAXATION CREDIT (CHARGE) (CONTINUED)

No Hong Kong Profits Tax has been provided in the financial statements since there is no assessable profit for both years.

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

Pursuant to the approvals obtained from the relevant PRC tax authorities, certain of the Company's PRC subsidiaries are entitled to exemptions from PRC enterprise income tax. Shanghai Chau's Electrical Co., Ltd. ("Shanghai Chau's") and Dongguan Hua Yi Brass Products Co., Ltd. ("Dongguan Hua Yi") are entitled to exemption from enterprise income tax for two years from their first profitable year of operations, followed by a 50% reduction for the next three years. Both Shanghai Chau's and Dongguan Hua Yi are entitled to a 50% reduction in the enterprise income tax for the current year.

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

Details of deferred taxation are set out in note 25.

11. LOSS PER SHARE

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

	2002	2001
	HK\$'000	HK\$'000
Loss for the year and loss for the purposes of basic loss per share	<u>(79,549)</u>	<u>(492,594)</u>

Notes to the Financial Statements *(Continued)*

For the year ended 31 March 2002

11. LOSS PER SHARE (CONTINUED)

	Number of shares	
	2002	2001
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>17,435,422,553</u>	<u>12,571,203,374</u>

No diluted loss per share is presented as the exercise of the Company's outstanding share options and the conversion of the Company's outstanding convertible bonds would result in a reduction in loss per share for each of the two years ended 31 March 2002 and 2001.

The adjustment to comparative basic loss per share, arising from the changes in accounting policies shown in note 2 above, is as follows:

	Basic <i>HK cents</i>
Reconciliation of 2001 loss per share:	
Reported figure before adjustments	0.19
Adjustments arising from the adoption of SSAP 30	<u>3.73</u>
Restated	<u><u>3.92</u></u>

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

12. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress outside Hong Kong HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Equipment, furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP							
COST OR VALUATION							
At 1 April 2001	225	242,600	8,749	45,403	326,549	16,879	640,405
Currency realignment	-	-	(6)	(9)	1	(2)	(16)
Additions	630	-	2,270	8,456	5,115	1,700	18,171
Acquisition of subsidiaries	-	-	-	47	-	-	47
Disposals	-	-	-	(1,046)	(47,861)	(1,175)	(50,082)
Adjustment on valuation	-	(17,120)	-	-	-	-	(17,120)
	<u>855</u>	<u>225,480</u>	<u>11,013</u>	<u>52,851</u>	<u>283,804</u>	<u>17,402</u>	<u>591,405</u>
At 31 March 2002							
Comprising:							
At cost	855	-	11,013	52,851	283,804	17,402	365,925
At valuation – 2002	-	225,480	-	-	-	-	225,480
	<u>855</u>	<u>225,480</u>	<u>11,013</u>	<u>52,851</u>	<u>283,804</u>	<u>17,402</u>	<u>591,405</u>
DEPRECIATION AND AMORTISATION							
At 1 April 2001	-	-	3,451	25,975	121,354	8,622	159,402
Currency realignment	-	-	-	(5)	-	(2)	(7)
Provided for the year	-	9,935	783	4,817	21,537	1,622	38,694
Eliminated on disposals	-	-	-	(859)	(40,611)	(647)	(42,117)
Adjustment on valuation	-	(9,935)	-	-	-	-	(9,935)
	<u>-</u>	<u>-</u>	<u>4,234</u>	<u>29,928</u>	<u>102,280</u>	<u>9,595</u>	<u>146,037</u>
At 31 March 2002							
NET BOOK VALUES							
At 31 March 2002	<u>855</u>	<u>225,480</u>	<u>6,779</u>	<u>22,923</u>	<u>181,524</u>	<u>7,807</u>	<u>445,368</u>
At 31 March 2001	<u>225</u>	<u>242,600</u>	<u>5,298</u>	<u>19,428</u>	<u>205,195</u>	<u>8,257</u>	<u>481,003</u>

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The land and buildings of the Group were revalued on 31 March 2002 at their open market value on an existing use basis by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuers, as follows:

	2002 HK\$'000	2001 HK\$'000
Properties situated in the PRC		
– held under medium term leases	205,990	216,400
– held under long leases	11,800	10,800
Properties situated in Hong Kong held under medium term leases	7,690	15,400
	225,480	242,600

The net deficit arising on revaluation of HK\$7,185,000 has been debited to the asset revaluation reserve.

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

	2002 HK\$'000	2001 HK\$'000
Cost	244,431	244,431
Accumulated depreciation	(21,300)	(16,411)
Net book value at 31 March	223,131	228,020

The net book value of property, plant and equipment of the Group includes an amount of HK\$28,858,000 (2001: HK\$32,669,000) in respect of assets held under finance leases.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

13. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	151,667	151,667
Amounts due from subsidiaries	1,203,441	1,137,652
Less: Impairment losses recognised	(583,009)	(463,009)
	<u>772,099</u>	<u>826,310</u>

The amounts due from subsidiaries are unsecured and interest free. In the opinion of the directors, no repayment will be demanded within the next twelve months. Accordingly, the amounts are classified as non-current assets.

The Company made advances to certain subsidiaries which had held investments in associates engaging in internet-related business. Based on the expected cash flow of these subsidiaries, the directors consider that these advances cannot be recovered and have been impaired.

Notes to the Financial Statements *(Continued)*

For the year ended 31 March 2002

13. INTERESTS IN SUBSIDIARIES (CONTINUED)

The following list contains only the particulars of the subsidiaries at 31 March 2002 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of company	Place of incorporation or registration/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Company	Principal activities
Chau's Electrical (BVI) Company Limited	British Virgin Islands/ PRC	US\$1	100%	Property holding
Chau's Electrical Company Limited	Hong Kong	HK\$1,000 ordinary HK\$500,000 non-voting deferred (Note 1)	100% -	Manufacture of and trading in cable and wire products
Chau's Electrical International, Inc.	United States of America	US\$20,000	100%	Trading
Chau's Industrial Investments Limited	British Virgin Islands	US\$1,000	100%	Investment holding
Citigain Industrial Limited	Hong Kong	HK\$1,000	100%	Investment holding
Crown Earth Investments Limited	Hong Kong/PRC	HK\$100	100%	Property holding
東莞華藝銅業有限公司 Dongguan Hua Yi Brass Products Co., Ltd.	PRC	US\$9,850,000 (Note 2)	95%	Manufacture of and trading in copper products

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

13. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation or registration/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Company	Principal activities
東莞橋梓周氏電業有限公司 Dongguan Qiaozhi Chau's Electrical Co., Ltd.	PRC	HK\$5,000,000 (Note 3)	75%	Manufacture of and trading in cable and wire products
Gosberton Assets Limited	British Virgin Islands	US\$1	100%	Holding of trademarks
Hua Yi Copper Products Company Limited	Hong Kong	HK\$100,000	100%	Manufacture of and trading in copper products
上海周氏電業有限公司 Shanghai Chau's Electrical Co., Ltd. #	PRC	US\$2,500,000	65%	Manufacture of and trading in cable and wire products
Solartech Investments Limited	British Virgin Islands	US\$1	100%	Investment holding
Stocko Electronics Asia Pacific Pte Ltd #	Singapore	S\$100,000	90.5%	Trading in wire harness and connectors
Todaiji Electronics (M) Sdn. Bhd. #	Malaysia	RM500,000	100%	Manufacture of wire harness and connectors
Wah Yeung Capital Resources Limited	British Virgin Islands	US\$1	100%	Investment holding
Yellowstone Assets Limited	British Virgin Islands	US\$1	100%	Investment holding

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

Notes to the Financial Statements *(Continued)**For the year ended 31 March 2002***13. INTERESTS IN SUBSIDIARIES (CONTINUED)***Notes:*

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

None of the subsidiaries had issued any debt securities at the end of the year.

14. GOODWILL

THE GROUP
HK\$'000

COST

Arising on acquisition of subsidiaries during the year and
balance at 31 March 2002

54,243

The amortisation period adopted for goodwill ranges from five to ten years. As the subsidiaries has not yet commenced operation up to 31 March 2002, no amortisation was made in current year.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

15. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	2,800	6,452
Amount due from an associate	5,000	5,000
Less: Impairment losses recognised	(5,000)	–
	2,800	11,452

The amount due from the associate is unsecured and interest free. In the opinion of the directors, no repayment will be demanded within the next twelve months. Accordingly, the amount is classified as non-current asset.

The following list contains only the particulars of the associate at 31 March 2002 which principally affect the results of the year or form a substantial portion of the net assets or liabilities of the Group, as the directors are of the opinion that a full list of all the associates would be of excessive length.

Name of company	Place of incorporation	Proportion of nominal value of issued capital indirectly held by the Company	Principal activities
Tonfu (Hong Kong) Holdings Limited	Hong Kong	47.5%	Manufacture of and trading in optical fibre cable and related products

Notes to the Financial Statements *(Continued)*

For the year ended 31 March 2002

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
Share of net assets	20,367	-
Premium on acquisition	48,784	-
Amounts due from jointly controlled entities	50,405	-
	<hr/>	<hr/>
	119,556	-
Less: Impairment losses recognised	(49,152)	-
	<hr/>	<hr/>
	70,404	-
	<hr/> <hr/>	<hr/> <hr/>
		THE GROUP
		HK\$'000
Premium on acquisition		
Arising during the year		48,784
Less: Impairment loss recognised		(48,784)
		<hr/>
At end of the year		<hr/> <hr/>

The amount due from the jointly controlled entity is unsecured and interest free. In the opinion of the directors, no repayment will be demanded within the next twelve months. Accordingly, the amount is classified as non-current asset.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

16. INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

Particulars of the Group's jointly controlled entities as at 31 March 2002 are as follows:

Name of company	Place of incorporation	Proportion of registered capital indirectly held by the Company	Principal activities
東莞新寶精化有限公司 Dongguan Xin Bao Precision Chemical Co., Ltd.	PRC	55%	Manufacture of and trading in food products
常州柏濤樓宇智能有限公司 Changzhou Bo Tao Lou Yu Zhi Neng Co., Ltd.	PRC	40%	Manufacture and distribution of computer network parts and components

17. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Other investments:		
Listed securities in Hong Kong, at market value	5,040	5,280

18. OTHER ASSETS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Deposits paid for acquisition of investments	16,014	45,217
Deferred expenditure (Note 1)	737	2,007
Club membership, at cost (Note 2)	600	600
	17,351	47,824

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

18. OTHER ASSETS (CONTINUED)

Notes:

1. Deferred expenditure

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
COST		
At beginning and end of the year	9,455	9,455
AMORTISATION		
At beginning of the year	7,448	5,963
Provided for the year	1,270	1,485
At end of the year	8,718	7,448
NET BOOK VALUE		
At end of the year	737	2,007

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

19. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	86,269	80,142
Work in progress	4,152	4,694
Finished goods	69,994	78,671
	160,415	163,507

All inventories are stated at cost.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

20. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the Group's debtors, deposits and prepayments were trade debtors of HK\$182,956,000 (2001: HK\$180,193,000). The Group allows an average credit period of 45 days to its trade customers.

The aging analysis of trade debtors is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
Within 30 days	84,907	80,242
31 – 60 days	37,953	36,870
61 – 90 days	26,401	18,684
Over 90 days	33,695	44,397
	<hr/> 182,956 <hr/>	<hr/> 180,193 <hr/>

21. CREDITORS AND ACCRUED CHARGES

Included in the Group's creditors and accrued charges were trade creditors of HK\$69,697,000 (2001: HK\$48,347,000).

The aging analysis of trade creditors is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
Within 30 days	34,713	24,201
31 – 60 days	21,461	16,734
61 – 90 days	12,315	4,339
Over 90 days	1,208	3,073
	<hr/> 69,697 <hr/>	<hr/> 48,347 <hr/>

Notes to the Financial Statements *(Continued)*

For the year ended 31 March 2002

22. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum		Present value	
	lease payments		of minimum	
	2002	2001	2002	2001
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Amounts payable under finance leases				
Within one year	8,497	9,777	7,907	8,762
In the second to fifth year inclusive	5,692	10,620	4,837	10,066
	14,189	20,397	12,744	18,828
Less: Future finance charges	(1,445)	(1,569)	–	–
Present value of lease obligations	12,744	18,828	12,744	18,828
Less: Amount due within one year			(7,907)	(8,762)
Amount due after one year			4,837	10,066

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 4 years. For the year ended 31 March 2002, the average effective borrowing rate was 5.5%. Interest rates were fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

23. BANK BORROWINGS

	THE GROUP	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
Bank borrowings are analysed as follows:		
Bank loans	98,983	90,520
Trust receipt loans	123,621	124,848
	<u>222,604</u>	<u>215,368</u>
Secured	126,382	90,520
Unsecured	96,222	124,848
	<u>222,604</u>	<u>215,368</u>

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

24. CONVERTIBLE BONDS

	THE GROUP AND THE COMPANY	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
Principal amount of the convertible bonds	32,500	65,000
Less: Amount due within one year	(32,500)	–
Amount due after one year	<u>–</u>	<u>65,000</u>

Notes to the Financial Statements *(Continued)**For the year ended 31 March 2002***24. CONVERTIBLE BONDS (CONTINUED)**

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

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

24. CONVERTIBLE BONDS (CONTINUED)

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

During the year, the Company has repaid the principal amount of the Bonds amounted to HK\$32,500,000. In addition, the relevant bondholder has agreed to waive its rights on the issue of warrants and no warrant has been issued.

25. DEFERRED TAXATION

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Balance at beginning of the year	5,469	4,940
Charge for the year (Note 10)	181	529
Balance at end of the year	5,650	5,469

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

	Provided		Unprovided	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	5,650	5,469	13,519	16,951

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

25. DEFERRED TAXATION (CONTINUED)

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Tax effect of timing differences because of:		
Difference between tax allowances and depreciation	(3,432)	228

Deferred taxation has not been provided on the revaluation surplus or deficit arising on the revaluation of properties situated in Hong Kong as profits or losses arising on the disposal of these assets would not be subject to taxation. For properties situated in the PRC, the directors do not have any intention to dispose of in the foreseeable future. Accordingly, the revaluation surplus or deficit does not constitute a timing difference for tax purposes.

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

26. SHARE CAPITAL

	Number of shares		Share capital	
	2002	2001	2002	2001
	'000	'000	HK\$'000	HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised				
At beginning of the year	30,000,000	20,000,000	300,000	200,000
Increase during the year	–	10,000,000	–	100,000
At end of the year	30,000,000	30,000,000	300,000	300,000
Issued and fully paid				
At beginning of the year	13,258,400	9,218,400	132,584	92,184
Placements of new shares	5,700,000	1,240,000	57,000	12,400
Shares transactions	–	2,800,000	–	28,000
At end of the year	18,958,400	13,258,400	189,584	132,584

Notes to the Financial Statements (Continued)*For the year ended 31 March 2002***26. SHARE CAPITAL (CONTINUED)**

The movements in the share capital of the Company for the year ended 31 March 2002 were as follows:

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

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

Notes to the Financial Statements *(Continued)*

For the year ended 31 March 2002

26. SHARE CAPITAL (CONTINUED)**Share options**

At 31 March 2002, the following options to subscribe for shares of the Company were outstanding under the Company's share option scheme:

Date of grant	Exercisable period	Exercise price <i>HK\$</i>	Number of share options Balance at 31.3.2002
5 October 2000	5 April 2001 to 4 April 2003	0.015	563,000,000
13 August 2001	13 February 2002 to 12 February 2004	0.010	285,000,000
			848,000,000

27. RESERVES

	THE GROUP		THE COMPANY	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>(Restated)</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
SHARE PREMIUM				
At beginning of the year	956,709	675,741	956,709	675,741
Premium arising on issue of shares	44,761	280,968	44,761	280,968
At end of the year	1,001,470	956,709	1,001,470	956,709
CONTRIBUTED SURPLUS				
At beginning and at end of the year	-	-	151,546	151,546
ASSET REVALUATION RESERVE				
At beginning of the year	24,371	24,235	-	-
(Deficit) surplus arising on revaluation of leasehold land and buildings	(7,185)	136	-	-
Minority share of post-acquisition reserve	(3,530)	-	-	-
At end of the year	13,656	24,371	-	-

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

27. RESERVES (CONTINUED)

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000 (Restated)	2002 HK\$'000	2001 HK\$'000
GOODWILL RESERVE				
At beginning of the year	(70,370)	(156,229)	-	-
Goodwill arising on acquisition of associates	-	(383,719)	-	-
Released on deemed disposal of an associate	-	1,474	-	-
Retrospective recognition of impairment loss in respect of goodwill	-	468,104	-	-
At end of the year	(70,370)	(70,370)	-	-
RESERVE FUND				
At beginning and at end of the year	2,588	2,588	-	-
ENTERPRISE EXPANSION FUND				
At beginning and at end of the year	1,886	1,886	-	-
EXCHANGE RESERVE				
At beginning of the year	(16,175)	(16,165)	-	-
Exchange difference on translation of financial statements of overseas operations	(42)	(10)	-	-
At end of the year	(16,217)	(16,175)	-	-
ACCUMULATED LOSSES				
At beginning of the year	(285,036)	207,558	(474,604)	(5,729)
Loss for the year	(79,549)	(24,490)	(127,072)	(468,875)
Retrospective recognition of impairment loss in respect of goodwill	-	(468,104)	-	-
At end of the year	(364,585)	(285,036)	(601,676)	(474,604)
TOTAL RESERVES	568,428	613,973	551,340	633,651

Notes to the Financial Statements *(Continued)**For the year ended 31 March 2002***27. RESERVES (CONTINUED)**

The accumulated losses of the Group include losses of HK\$9,310,000 (2001: HK\$6,184,000) attributable to the associates of the Group and losses of HK\$926,000 (2001: Nil) attributable to its jointly controlled entities.

The goodwill reserve includes negative goodwill of HK\$468,000 arising from the acquisition of subsidiaries. There was no movement in negative goodwill for both years ended 31 March 2002 and 2001.

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

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

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

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

The Company did not have any reserves available for distribution as at 31 March 2002 and 2001.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

28. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	HK\$'000	HK\$'000
Loss before taxation	(74,229)	(492,351)
Share of results of associates	3,426	6,184
Share of result of a jointly controlled entity	926	–
Impairment loss recognised in respect of goodwill	48,784	468,104
Impairment losses recognised in respect of interest in an associate and a jointly controlled entity	5,368	–
Unrealised holding loss on investments in securities	240	2,160
Loss on dissolution of an associate	300	–
Loss on deemed disposal of an associate	–	1,292
Loss on disposal of property, plant and equipment	7,715	–
Depreciation and amortisation	39,964	43,503
Allowance for doubtful debts	6,940	7,769
Write-down of inventories	–	25,197
Interest income	(8,378)	(12,876)
Interest expenses	18,130	23,255
Decrease (increase) in inventories	3,872	(6,185)
(Increase) decrease in debtors, deposits and prepayments	(9,423)	35,156
Decrease in bills receivable	1,687	5,030
Increase (decrease) in creditors and accrued charges	5,106	(28,898)
Translation adjustment	(31)	(20)
	<hr/>	<hr/>
Net cash inflow from operating activities	50,397	77,320
	<hr/> <hr/>	<hr/> <hr/>

29. PURCHASE OF SUBSIDIARIES

During the year, the Group acquired subsidiaries engaging in the sole sales and distribution of optical record products in the PRC. These acquisitions have been accounted for by the acquisition method of accounting.

Notes to the Financial Statements *(Continued)*

For the year ended 31 March 2002

29. PURCHASE OF SUBSIDIARIES (CONTINUED)

	2002 HK\$'000	2001 HK\$'000
NET ASSETS ACQUIRED		
Property, plant and equipment	47	–
Inventories	780	–
Debtors, deposits and prepayments	2,699	–
Bank balances and cash	53	–
Creditors and accrued charges	(3,002)	–
Minority interests	(231)	–
	346	–
Goodwill	54,243	–
	54,589	–
SATISFIED BY		
Cash	54,589	–

Net cash outflow arising on acquisition:

	2002 HK\$'000	2001 HK\$'000
Cash consideration	54,589	–
Bank balances and cash acquired	(53)	–
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	54,536	–

The subsidiaries acquired during the year did not have any significant impact on the Group's cash flows or operating results for the year.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

30. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	2002 HK\$'000	2001 HK\$'000
SHARE CAPITAL AND PREMIUM		
At beginning of the year	1,089,293	767,925
Proceeds from issue of shares	107,200	88,040
Shares issued in consideration for acquisition of investments	-	245,092
Expenses incurred in connection with the issue of shares	(5,439)	(11,764)
At end of the year	<u>1,191,054</u>	<u>1,089,293</u>
MINORITY INTERESTS		
At beginning of the year	6,509	6,682
Capital contribution by minority shareholders	-	117
Share of results for the year	5,940	(284)
Share of assets revaluation reserve	3,530	-
Acquisition of subsidiaries	231	-
Share of exchange difference	2	(6)
At end of the year	<u>16,212</u>	<u>6,509</u>
CONVERTIBLE BONDS		
At beginning of the year	65,000	-
Issue of bonds	-	65,000
Repayment of bonds	(32,500)	-
At end of the year	<u>32,500</u>	<u>65,000</u>
OBLIGATIONS UNDER FINANCE LEASES		
At beginning of the year	18,828	54,486
Inception of new leases	2,792	2,880
Repayment during the year	(8,876)	(38,538)
At end of the year	<u>12,744</u>	<u>18,828</u>

Notes to the Financial Statements *(Continued)*

For the year ended 31 March 2002

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

	2002 HK\$'000	2001 <i>HK\$'000</i>
BANK LOANS		
At beginning of the year	90,520	79,946
New loans raised	128,098	41,174
Repayment during the year	(119,635)	(30,600)
	<hr/> 98,983 <hr/>	<hr/> 90,520 <hr/>
TRUST RECEIPT LOANS		
At beginning of the year	92,379	44,282
New loans raised	263,836	235,312
Repayments during the year	(281,652)	(187,215)
	<hr/> 74,563 <hr/>	<hr/> 92,379 <hr/>

31. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002 HK\$'000	2001 <i>HK\$'000</i>
Bank balances and cash	137,871	222,183
Trust receipt loans	(49,058)	(32,469)
	<hr/> 88,813 <hr/>	<hr/> 189,714 <hr/>

32. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases in respect of assets with a total capital value at the inception of the leases of HK\$2,792,000 (2001: HK\$2,880,000).

Notes to the Financial Statements (Continued)

For the year ended 31 March 2002

33. CAPITAL COMMITMENTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Plant and machinery	755	3,960
Construction in progress	-	243
	<u>755</u>	<u>4,203</u>
Capital expenditure for the next three years authorised but not contracted for in respect of plant and machinery	<u>60,000</u>	<u>60,000</u>

In addition, the Group was committed to invest HK\$31,962,000 (2001: Nil) for the acquisition of investments.

The Company did not have any capital commitment as at 31 March 2002 and 2001.

34. LEASE COMMITMENTS**The Group as lessee**

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of factory premises which fall due as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	3,655	3,758
In the second to fifth year inclusive	2,836	5,052
	<u>6,491</u>	<u>8,810</u>

Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

The Company did not have any operating lease commitment as at 31 March 2002 and 2001.

Notes to the Financial Statements *(Continued)*

For the year ended 31 March 2002

35. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees.

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

The retirement benefits cost charged to income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

During the year, the Group made retirement benefits scheme contribution of HK\$1,933,000 (2001: HK\$1,393,000).

36. CONTINGENT LIABILITIES

At 31 March 2002, the Company has issued guarantees to the extent of HK\$222,376,000 (2001: HK\$244,320,000) to bankers to secure general banking facilities granted to certain subsidiaries, of which, HK\$152,861,000 (2001: HK\$134,049,000) was utilised. In addition, the Company has issued guarantees to leasing companies in respect of finance leases granted to certain subsidiaries with outstanding balance of HK\$8,620,000 (2001: HK\$16,857,000).

37. PLEDGE OF ASSETS

At 31 March 2002, the Group has pledged certain of its assets with a net book value of HK\$212,233,000 (2001: HK\$139,194,000) to secure general banking facilities granted to the Group. The net book value of these assets are analysed as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Leasehold land and buildings	147,900	111,720
Plant and machinery	10,090	11,262
Fixed bank deposits	36,305	4,024
Trade debtors	17,938	12,188
	212,233	139,194