

Notes to the Financial Statements

For the year ended 31st March, 2003

1. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

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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 (“HKSA”) which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change of the format of presentation of the cash flow statement and the introduction of the statement of changes in equity but has had no material effect on the results for the current or prior accounting periods.

Foreign currencies

The revisions to SSAP 11 “Foreign currency translation” have eliminated the choice of translating the income statements of subsidiaries operating outside Hong Kong at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest received, which was previously presented under a separate heading, is classified as investing cash flows. In addition, the amounts presented for cash and cash equivalents have been amended to exclude money market funds held for investment purposes. The comparative figures shown in the cash flow statement have been restated to conform with the current year’s presentation.

Employee benefits

In the current period, the Group has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

Notes to the Financial Statements

For the year ended 31st March, 2003

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable SSAPs and Interpretations issued by the HKSA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the financial statements is historical cost, as modified by the revaluation of certain property, plant and equipment and investments in securities.

A summary of the significant accounting policies adopted by the Group is set out below.

(a) Basis of consolidation

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

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

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

(b) Goodwill/negative goodwill

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill/negative goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves. Goodwill will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill will be credited to the income statement at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions on or after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet. On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Notes to the Financial Statements

For the year ended 31st March, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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(b) Goodwill/negative goodwill (continued)

Negative goodwill arising on acquisitions on or after 1st 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.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the year in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

(c) Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements

For the year ended 31st March, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation and any identified impairment losses.

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, on a straight line basis, as follows:

Category of assets	Estimated useful lives
Leasehold land	Over the remaining term of the relevant lease
Buildings	25 to 40 years or over the remaining term of the relevant lease, whichever is shorter
Other assets	4 to 10 years

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

Certain of the Group's machinery and equipment were carried at valuation less depreciation. Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 "Property, Plant and Equipment" issued by the HKSA from the requirement to make regular revaluations of the Group's machinery and equipment, which had been carried at revalued amounts prior to 30th September, 1995, accordingly no further revaluation of such machinery and equipment is carried out. The revaluation increase arising on the revaluation of these assets in previous years was credited to the asset revaluation reserve. On the subsequent sale or retirement of a revalued asset, the attributable revaluation increase is transferred to retained profits.

(e) Properties for development

Properties for development are stated at cost less any identified impairment loss.

(f) Properties for sale

Properties for sale are stated at the lower of cost and net realisable value.

Notes to the Financial Statements

For the year ended 31st March, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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(g) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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.

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

(h) Investments in debt securities

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

Investments in debt securities held for short term purposes are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

(i) Inventories

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

(j) 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 assets and liabilities of the subsidiaries operating outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Notes to the Financial Statements

For the year ended 31st March, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Operating leases

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

(l) 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 asset will crystallise in the foreseeable future.

(m) Revenue recognition

Revenue is recognised on the following bases when it is probable that the economic benefits associated with the transactions will flow to the Group and these benefits can be measured reliably:

(i) *Sale of properties*

Revenue from the sale of properties is recognised on the execution of a binding sales agreement.

(ii) *Rental income*

Rental income is recognised on a straight line basis over the relevant lease term.

(iii) *Interest income*

Interest income from money market funds, debt securities and bank deposits is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(n) Retirement benefit costs

Payments to the retirement benefit schemes are charged as an expense as they fall due.

Notes to the Financial Statements

For the year ended 31st March, 2003

3. TURNOVER AND SEGMENT INFORMATION

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The principal activities of the Group are property development and investment.

The following is an analysis of the turnover and contribution to profit of the Group:

	Turnover		Contribution to profit before taxation	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property development and investment				
Sale of completed properties	312	627	(7)	77
Property letting	3,004	1,631	2,113	1,032
Disposal of land	–	–	–	(2,855)
	3,316	2,258		
Segment results			2,106	(1,746)
Other activities			14,605	19,292
Less: Unallocated administrative and other expenses			(14,223)	(17,040)
			2,488	506

Notes:

- (i) The Group's property development and investment activities were carried out in the Mainland China (the "PRC").
- (ii) Other activities comprise mainly of treasury activities, including investments in debt securities and money market funds operating in the United States of America, European countries and Hong Kong and the placement of bank deposits in Hong Kong.
- (iii) No depreciation or amortisation and other non-cash expenses are included in segment results.

Notes to the Financial Statements

For the year ended 31st March, 2003

3. TURNOVER AND SEGMENT INFORMATION (continued)

The following is an analysis of the assets and liabilities of the Group by geographical location:

	Assets		Liabilities	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC				
Property development and investment	151,560	150,253	4,704	7,181
Hong Kong and other jurisdictions				
Other activities (note (i))	594,079	595,124	–	–
	745,639	745,377	4,704	7,181
Unallocated assets/liabilities	108,486	106,974	30,802	29,032
	854,125	852,351	35,506	36,213

Notes:

- (i) The assets employed in other activities comprise debt securities, money market funds and bank deposits as follows:

	2003	2002
	HK\$'000	HK\$'000
Debt securities and money market funds operating in:		
United States of America	360,843	358,129
European countries	214,425	234,095
Hong Kong	15,736	–
	591,004	592,224
Bank deposits placed in Hong Kong	3,075	2,900
	594,079	595,124

- (ii) Substantially all of the property, plant and equipment of the Group acquired in the year are located in Hong Kong. These additions are not attributable to any specific activities.

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For the year ended 31st March, 2003

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4. OTHER OPERATING INCOME

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Interest income from		
– investment in money market funds	8,384	13,054
– debt securities	4,846	986
– bank deposits	136	5,436
	13,366	19,476
Realised gain on disposal of debt securities	550	–
Other income	21	19
	13,937	19,495

5. LOSS ON DISPOSAL OF LAND

In the year ended 31st March, 2002, a portion of the land in the PRC held by the Group for development was resumed by the local municipal government for the development of a highway project. The disposal, after deducting the compensation receivable by the Group, had given rise to a loss of HK\$2,855,000.

6. PROFIT BEFORE TAXATION

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	350	350
Depreciation and amortisation	3,053	4,104
Staff costs including directors' emoluments (<i>Note</i>)	6,426	6,663
Operating lease rentals in respect of land and buildings	430	600
Loss on disposal/write-offs of property, plant and equipment	197	52
Rental income less outgoings of HK\$891,000 (2002: HK\$599,000)	(2,113)	(1,032)

Note: Included in staff costs are contributions paid or payable under the Group's retirement benefit schemes amounting to HK\$118,000 (2002: HK\$119,000) in respect of the year.

Notes to the Financial Statements

For the year ended 31st March, 2003

7. TAXATION

No provision for Hong Kong Profits Tax and overseas taxation has been made in the financial statements for either of the years presented as the Group has no assessable profits for these years.

Details of the potential deferred taxation not provided for are set out in note 23.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Profit attributable to shareholders for the purposes of basic and diluted earnings per share	2,488	506
	Number of shares	
	'000	'000
Number of ordinary shares for the purpose of basic earnings per share	1,664,643	1,664,643
Effect of dilutive potential ordinary shares – share options	20,168	12,413
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,684,811	1,677,056

9. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Directors' fees	200	200
Basic salaries, allowances and benefits-in-kind	6,497	6,583
Contributions to provident fund scheme	90	88
Total emoluments	6,787	6,871

Notes to the Financial Statements

For the year ended 31st March, 2003

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9. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES (continued)

(a) Directors (continued)

The directors' fees of HK\$200,000 (2002: HK\$200,000) disclosed above were payable to independent non-executive directors.

During the year, the land and building of the Group with a rental value of HK\$1,680,000 (2002: HK\$1,800,000) were provided as accommodation to certain directors of the Company which has been included in the basic salaries, allowances and benefits-in-kind disclosed above.

The emoluments of the directors were within the following bands:

	2003	2002
	Number of Directors	Number of Directors
HK\$		
Nil – 1,000,000	2	2
1,000,001 – 1,500,000	1	1
1,500,001 – 2,000,000	–	–
2,000,001 – 2,500,000	1	1
2,500,001 – 3,000,000	1	1
	5	5

(b) Senior employees

Of the five individuals with the highest emoluments in the Group, three (2002: three) are directors of the Company, whose emoluments have been included above. The emoluments of the remaining two (2002: two) individuals, whose emoluments are individually below HK\$1,000,000, are as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Basic salaries, allowances and benefits-in-kind	559	559
Contributions to provident fund scheme	28	28
	587	587

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For the year ended 31st March, 2003

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Machinery, moulds and equipment <i>HK\$'000</i>	Furniture, fixtures and leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST OR VALUATION					
At 1st April, 2002	86,685	32,952	8,551	5,164	133,352
Additions	–	–	–	1,836	1,836
Disposals/write-offs	–	(32,863)	–	(950)	(33,813)
At 31st March, 2003	86,685	89	8,551	6,050	101,375
Comprising:					
At cost	86,685	89	8,551	6,050	101,375
At 1987 professional valuation	–	–	–	–	–
	86,685	89	8,551	6,050	101,375
DEPRECIATION					
At 1st April, 2002	4,836	32,701	2,664	2,079	42,280
Provided for the year	1,379	251	690	733	3,053
Eliminated on disposals/ write-offs	–	(32,863)	–	(193)	(33,056)
At 31st March, 2003	6,215	89	3,354	2,619	12,277
NET BOOK VALUES					
At 31st March, 2003	80,470	–	5,197	3,431	89,098
At 31st March, 2002	81,849	251	5,887	3,085	91,072

Notes to the Financial Statements

For the year ended 31st March, 2003

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10. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of the Group's land and buildings is analysed as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Land and buildings in Hong Kong on:		
Long lease	75,315	76,374
Medium-term leases	5,155	5,475
	80,470	81,849

11. PROPERTIES FOR DEVELOPMENT

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Land use rights in the PRC on long lease:		
At cost	32,341	32,341
Less: Impairment loss recognised	(11,763)	(11,763)
	20,578	20,578

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	261,810	261,810
Amounts due from subsidiaries less allowances	407,647	408,844
	669,457	670,654

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For the year ended 31st March, 2003

12. INTERESTS IN SUBSIDIARIES (continued)

The following list contains only the particulars of the subsidiaries at 31st March, 2003 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. All subsidiaries are wholly owned subsidiaries and, unless otherwise specified, are operating in their place of incorporation/establishment. None of the subsidiaries had any loan capital outstanding at 31st March, 2003 or at any time during the year.

Name of company	Place of incorporation/ establishment	Paid up issued share capital/ registered capital	Principal activities
<i>Direct subsidiary:</i>			
Termbray Electronics (B.V.I.) Limited (i)	British Virgin Islands	100 ordinary shares of US\$1 each	Investment holding
<i>Indirect subsidiary:</i>			
Bow Yuen Industries Limited (ii)	Hong Kong	28,000 ordinary shares of HK\$1 each	Investment holding
Cong Hua White Swan Bow Yuen Real Estate Development Company Limited (iii)	PRC	Registered capital of US\$12,000,000	Property development
Ever Success Properties Limited (ii)	Hong Kong	100 ordinary shares of HK\$1 each	Investment holding
Termbray (China) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	Investment holding
Termbray (Fujian) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	Property holding
Termbray (Guangzhou) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	Property holding

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12. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment	Paid up issued share capital/ registered capital	Principal activities
Termbray Electronics Company Limited	Hong Kong	2 ordinary shares of HK\$100 each and 10,000 non-voting deferred shares of HK\$100 each	Investment holding and treasury activities
Zhongshan Ever Success Properties Limited (iv)	PRC	Registered capital of RMB1,500,000	Property development

- (i) Operating in Hong Kong
- (ii) Operating in the PRC
- (iii) A sino-foreign cooperative joint venture established in the PRC
- (iv) A limited liability company established in the PRC

13. INSTALMENTS RECEIVABLE

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Instalments receivable from property purchasers	1,025	1,145
<i>Less:</i> Amounts due within one year included in trade and other receivables	(573)	(411)
	452	734

14. INVENTORIES

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	191	191

The raw materials are stated at net realisable value.

Notes to the Financial Statements

For the year ended 31st March, 2003

15. TRADE AND OTHER RECEIVABLES

Rentals receivable and proceeds from sales of properties are payable in accordance with the terms of the relevant agreements.

The following is an aged analysis of trade and other receivables at the balance sheet date:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
0-90 days	3,528	2,101
Over 90 days	1,348	275
	4,876	2,376

16. INVESTMENTS IN DEBT SECURITIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Unlisted debt securities	204,733	62,074

17. INVESTMENTS IN MONEY MARKET FUNDS

The amount represents the Group's investments in money market funds which are managed by international financial institutions and are redeemable on demand.

18. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an analysis of trade and other payables and accrued charges at the balance sheet date:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Trade and other payables, aged over 90 days	3,848	4,448
Accrued charges	4,382	6,381
	8,230	10,829

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19. PROVISIONS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Provisions for warranty and undertakings		
At beginning of the year	13,727	16,000
Utilised during the year	(6,391)	(2,273)
At end of the year	7,336	13,727

The provision represents management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under the warranties and undertakings given in connection with the disposal of subsidiaries in prior years. The timing of payment for such costs and expenses is dependent upon finalisation of certain matters requiring the approval of the PRC local authorities, therefore it is not practicable to estimate with certainty the timing of payment at this stage.

20. SHARE CAPITAL

	2003 & 2002	
	Number of shares '000	Nominal value HK\$'000
THE GROUP AND THE COMPANY		
Ordinary shares of HK\$0.08 each		
Authorised	2,800,000	224,000
Issued and fully paid	1,664,643	133,171

Notes to the Financial Statements

For the year ended 31st March, 2003

20. SHARE CAPITAL (continued)

(a) Ordinary shares

There was no change in the share capital of the Company for either of the years presented.

(b) Share options

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 22nd August, 2001, the Company adopted a new share option scheme to replace the scheme adopted in 1991 which was terminated on that same date.

Under the new share option scheme, the Company granted options on 31st August, 2001 to its directors to subscribe for a total of 60,000,000 ordinary shares in the Company at the subscription price of HK\$0.261 per share exercisable during the period from 1st October, 2001 to 30th September, 2006. The consideration for the options granted amounted to HK\$2, which was recognised in the income statement when received. These options remained outstanding at 31st March, 2002 and 2003.

Other than as disclosed above, no credit or charge is recognised in the financial statements in respect of the value of options granted and no options to subscribe for shares in the Company were granted, exercised, lapsed or cancelled during either of the years presented.

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21. RESERVES

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	Share premium <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Negative goodwill <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
At 1st April, 2001	132,550	(510)	6,601	–	541,872	680,513
Arising from translation of financial statements of subsidiaries	–	54	–	–	–	54
Net profit for the year	–	–	–	–	506	506
Unclaimed dividends written back	–	–	–	–	1,478	1,478
At 31st March, 2002	132,550	(456)	6,601	–	543,856	682,551
Arising from translation of financial statements of subsidiaries	–	(7)	–	–	–	(7)
Net profit for the year	–	–	–	–	2,488	2,488
At 31st March, 2003	132,550	(463)	6,601	–	546,344	685,032
THE COMPANY						
At 1st April, 2001	132,550	–	–	191,810	126,029	450,389
Net profit for the year	–	–	–	–	5,967	5,967
Unclaimed dividends written back	–	–	–	–	1,478	1,478
At 31st March, 2002	132,550	–	–	191,810	133,474	457,834
Net loss for the year	–	–	–	–	(1,156)	(1,156)
At 31st March, 2003	132,550	–	–	191,810	132,318	456,678

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21. RESERVES (continued)

Notes:

- (a) The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal amount of the Company's shares issued as consideration for the acquisition at the time of the group reorganisation implemented prior to the listing of the Company's shares in 1991.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.
- (b) In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contributed surplus	191,810	191,810
Retained profits	132,318	133,474
	324,128	325,284

The directors do not recommend the payment of a dividend in respect of the year (2002: Nil).

22. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured and interest free with no fixed repayment terms. Repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current liabilities.

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23. DEFERRED TAXATION

At the balance sheet date, the major components of unprovided deferred tax liabilities (assets) are as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	538	445
Unutilised tax losses	(16,389)	(14,319)
	(15,851)	(13,874)

The deferred tax asset has not been recognised in the financial statements as it is not certain that the tax losses will be utilised in the foreseeable future.

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

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Tax effect of timing differences because of:		
Difference between tax allowances and depreciation	93	1,047
Tax losses arising	(2,070)	207
	(1,977)	1,254

24. PROJECT COMMITMENTS

At the balance sheet date, the Group had contracted project commitments in respect of property development expenditure and purchase of land use rights in the PRC amounting to an aggregate of HK\$65,347,000 (2002: HK\$65,347,000) not provided for in the financial statements.

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25. OPERATING LEASE COMMITMENTS

The Group as lessor

At the balance sheet date, the Group's properties held for sale with an aggregate carrying value of HK\$51,389,000 (2002: HK\$43,938,000) were let out under operating leases. All of the properties leased out have committed tenants for the next one to eight years without termination options.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	1,907	1,590
In the second to fifth years inclusive	5,814	5,558
Over five years	5,034	6,423
	12,755	13,571

The Group as lessee

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

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	270	450

Operating lease payments represent rentals payable by the Group for office premises and warehouses. Lease is negotiated and rentals are fixed on an annual basis.

Notes to the Financial Statements

For the year ended 31st March, 2003

26. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

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Details of assets pledged and contingent liabilities outstanding at the balance sheet date are as follows:

- (a) Bank deposits of HK\$465,000 (2002: HK\$465,000) were pledged to secure the credit facilities granted to the Group.
- (b) Guarantees were issued to banks by a subsidiary in respect of mortgage loans granted to property purchasers amounted to approximately HK\$2,852,000 (2002: HK\$8,652,000) and, in this connection, the Group's bank deposits of HK\$4,340,000 (2002: HK\$5,701,000) were pledged to the banks as security.
- (c) In prior year, certain former subsidiaries purchased production materials amounted to approximately HK\$12,000,000 from an outside supplier for their printed circuit board manufacture activities. The production materials acquired were subsequently found to be defective and settlement of the purchases was therefore withheld by the former subsidiaries. A legal action for settlement of the purchases together with interest was taken by the supplier against these former subsidiaries. On the other hand, the said former subsidiaries instituted a legal action against the supplier claiming damages arising from the materials delivered by the supplier. In 1999, the said former subsidiaries were disposed of to outside parties. In connection with the disposal, the Group has undertaken to indemnify the purchasers the losses, if any, arising from the legal action taken by the supplier against the former subsidiaries. While the outcome of these proceedings cannot be estimated with certainty at this stage, based on legal advice obtained, the directors are of the opinion that the outcome of these cases would not have a material adverse impact on the financial position of the Group.
- (d) In connection with the disposal in 1999 of the subsidiaries engaged in the business of manufacture and sale of printed circuit boards, the Group has given warranties and undertakings to the purchaser as specified in the agreement for the disposal of these subsidiaries. During the year ended 31st March 2001, the Group received notification from the purchaser raising claims against the Group arising from the warranties and undertakings. It is the intention of the management to contest the claims vigorously. No legal proceedings have yet been instituted against the Group for these claims. Based upon legal advice obtained, management is of the opinion that such claims, if materialised, would not result in any material liabilities to the Group in excess of the amounts already provided for in the financial statements.

Notes to the Financial Statements

For the year ended 31st March, 2003

27. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with Panda Investment Company Limited (“Panda Investment”), in which the Company’s directors, Mr. Lee Lap and Madam Leung Lai Ping, have controlling interests:

- (a) Pursuant to the tenancy agreements entered into between Panda Investment and a wholly-owned subsidiary, Termbray Electronics Company Limited (“Termbray Electronics”), Termbray Electronics leased certain office premises and warehouses from Panda Investment during the year at the agreed rental of HK\$430,000 (2002: HK\$600,000).
- (b) At 31st March, 2003, the Group had an amount of approximately HK\$16,264,000 (2002: HK\$8,078,000) due to Panda Investment which is unsecured, interest free with no fixed repayment terms.

28. ULTIMATE HOLDING COMPANY

The directors consider the Company’s ultimate holding company to be Lee & Leung (B.V.I.) Limited, a company incorporated in the British Virgin Islands.