

# Contents

Corporate Information	2
Financial Highlights	3
Chairman's Statement	4
Report of the Directors	8
Report of the Auditors	15
Consolidated Profit and Loss Account	16
Consolidated Statement of Recognised Gains and Losses	17
Consolidated Balance Sheet	18
Balance Sheet	20
Consolidated Cash Flow Statement	21
Notes on the Accounts	25
Details of Principal Subsidiaries	58
Five Year Summary	61
Notice of Annual General Meeting	62

### EXECUTIVE DIRECTORS

George Bloch *Chairman*  
Cheung Tsang-Kay, Stan PhD,  
Hon LLD, Hon DBA, JP  
*Managing Director*  
Chang Dong-Song  
Robert Dorfman  
Thong Yeung-Sum, Michael FCCA, AHKSA

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Denis Campbell Bray CMG, CVO, JP  
Tsao Kwang-Yung, Peter CBE, CPM

### SECRETARY

Thong Yeung-Sum, Michael FCCA, AHKSA

### PRINCIPAL BANKERS

Bank of America, N.A.  
International Bank of Asia Limited

### AUDITORS

KPMG

### SOLICITORS

Stephenson Harwood & Lo  
Richards Butler  
Susan Liang & Co.

### PRINCIPAL OFFICE

3110, 31/F  
Tower Two, Lippo Centre  
89 Queensway  
Hong Kong

### REGISTERED OFFICE

Clarendon House, Church Street  
Hamilton HM 11  
Bermuda

### PRINCIPAL REGISTRARS

Butterfield Corporate Services Limited  
Rosebank Centre  
14 Bermudiana Road  
Pembroke  
Bermuda

### HONG KONG SHARE REGISTRARS

Tengis Limited  
4th Floor, Hutchison House  
10 Harcourt Road  
Hong Kong

### COMPANY'S WEBSITE

<http://www.heraldgroup.com.hk>

## Financial Highlights

	<b>Year ended 31 March 2002 HK\$'000</b>	Year ended 31 March 2001 HK\$'000
Turnover	<b>867,062</b>	953,884
(Loss)/profit attributable to shareholders	<b>(32,416)</b>	8,673
Dividends paid and proposed	<b>6,226</b>	6,252
(Loss)/earnings per share		
– Basic	<b>(5.19 cents)</b>	1.39 cents
Dividends paid and proposed, per share	<b>1 cent</b>	1 cent
	<b>As at 31 March 2002 HK\$'000</b>	As at 31 March 2001 HK\$'000
Net tangible assets	<b>420,849</b>	458,243
Net tangible assets per share	<b>67.44 cents</b>	73.30 cents
Total assets	<b>557,292</b>	601,466
Number of issued and fully paid shares	<b>624,010,763 shares</b>	625,200,763 shares

## Chairman's Statement

I am pleased to present my review of the results and operations of the Herald Group (the "Group") for the year ended 31 March 2002.

### RESULTS

The Group's turnover ("Turnover") for the year ended 31 March 2002 amounted to HK\$867 million, representing a 9.1% decrease as compared to a turnover of HK\$954 million in the last financial year. Following the adoption of the new Statement of Standard Accounting Practice ("SSAP") 31 on Impairment of assets, the Group assessed the recoverable amount of its land and buildings at the end of the fiscal year and recognised impairment losses of HK\$31.9 million. In addition, the Group also had deficits on revaluation of its investment properties amounting to HK\$5 million. After the said impairment losses and revaluation deficits, the Group had a net loss attributable to shareholders ("Net Loss") amounting to HK\$32.4 million as compared to a net profit attributable to shareholders of HK\$8.7 million in the previous year. Discounting the impact of the said losses relating to properties, the Group had a net profit of HK\$4.5 million which represents a decrease of 48% from last year's net profit. The loss per share for the year was 5.19 cents as compared to last year's earnings per share of 1.39 cents.

The year under review was very challenging for the Group. In early 2001 the world economy was clouded with uncertainties. The weak retail market in the United States was further hampered by the September terrorist attack and the Afghanistan war. The market conditions for information storage products had a rapid and unfavourable change since early 2001 due to the slowdown of overall information technology spending. Other than the toy and gift division which had a 5.4% increase in sales, the computer head division, the timepiece division and the houseware division all had significant declines in sales. Though the results for the year were negatively affected by the said losses relating to properties of the Group, the toy and gift division, the computer head division and the houseware division were all profitable in the year ended 31 March 2002.

### REVIEW OF OPERATIONS

#### Toy and Gift Division

In the first three quarters of the year under review, the turnover of the toy and gift division was flat as compared with the same period in the previous year. During this period, the division also saw a decline in its gross profit margins due to our lower pricing policy to secure more sales orders. In the last quarter the division performed very well mainly due to sales of action figure toys related to the movie "Star Wars : Episode II – Attack of the Clones", a very popular movie released in mid-May 2002.

#### Computer Head Division

The turnover of the computer head division for the year under review decreased by 11.6% from the level of the previous year. The overall market condition for the information storage market was very weak. To remain competitive, the division slashed prices of its products and, as a result, the gross profit margins decreased by 4% point from 15% to 11%. While the business of thin-film computer heads remains steady, we saw a very rapid decline in the

sales of ferrite computer heads in the second-half of the fiscal year under review. The division took steps to streamline its manufacturing operations, resulting in a reduction of 47% of the total work force from 1,700 at the beginning of the fiscal year to approximately 900 at 31 March 2002. With lower factory and administrative costs, the division recovered in the second-half year the losses it suffered in the first half of the year.

To cope with the decline in our computer head business, Herald Datanetics Limited has been working on the development of several new products which require similar expertise and technology know-how as building computer heads. These new products include card reader heads, drum lens for fibre optics and firmware for a fingerprint recognition module. By the end of the fiscal year, pilot productions had been made for the card reader heads and drum lens. However, at this time it is difficult to determine the impact of these new products on the future business of the division.

In November 2001, the Group acquired all the remaining shares of Herald Datanetics Limited ("HDL") from connected parties of the Company for a total consideration of approximately HK\$7.8 million. Following the acquisition, the Group has full control of HDL which has then become its wholly owned subsidiary. The details of this connected party transaction are disclosed in the Directors' Report of the Company.

### **Houseware Division**

The market condition for cookware products remained soft in the year ended 31 March 2002. The overall sales of aluminium cookware produced by the division reduced by 31%. Due to the continuous weakness of the Japanese economy, the sales of aluminium cookware to Japan reduced by 43%. As a result, the Group's joint-venture factories in Shanghai and Zhuhai both operated below their production capacity during the year under review. To reduce costs for the cookware products, the division succeeded in replacing aluminium circles imported to Mainland China with cheaper products that are of equal quality manufactured domestically in the PRC. In addition, the success in the introduction of new product lines in stainless steel cookware made up for the above-mentioned loss in sales of aluminium cookware. Furthermore, both the turnover and net profit for the year ended 31 March 2002 for Pilot Housewares, the division's UK operation, were higher than the levels in the prior year due to the addition of aluminium cookware product lines sourced from European manufacturers.

### **Timepiece Division**

The turnover of the timepiece division decreased by 31% as compared to the level of the previous year. The operating loss for the year was widened to HK\$15.7 million from last year's loss of HK\$0.6 million. This was largely due to the losses made by the division's two subsidiaries in Europe which have both seen decreases in turnover. The turnover of our subsidiaries in France and Germany decreased by 72% and 48% respectively over the year. At the end of the fiscal year, the Group closed down the French operation.

### FINANCIAL POSITION

The Group has maintained its sound financial position. At the end of the financial year, the Group had a strong balance sheet with a healthy liquidity position. As at 31 March 2002, the Group had total assets of HK\$557 million (2001: HK\$601 million) which were financed by current liabilities of HK\$112 million (2001: HK\$111 million), non-current liabilities of HK\$6 million (2001: HK\$4 million), minority interests of HK\$18 million (2001: HK\$28 million) and shareholders' equity of HK\$421 million (2001: HK\$458 million).

At 31 March 2002 the Group's cash balances aggregated to HK\$131 million representing an increase of HK\$40 million over the comparable figure in last year's balance sheet. The increase in the Group's cash balances was largely due to lower inventories and the positive cash inflows from operation after non-cash items such as depreciation charges of fixed assets, impairment losses of land and buildings and deficits on revaluation of investment properties.

As in the previous year, the Group's borrowings were maintained at a low level of HK\$3 million (2001: HK\$1 million). None of the Group's assets are charged to secure the Group's banking facilities. Furthermore, the Group has no long-term borrowings. The Group's gearing ratio, which is calculated based on the Group's total borrowings and the shareholders' equity, was 0.008 (2001: 0.003). As at 31 March 2002, the working capital ratio, an indicator of a company's liquidity represented by a ratio between the current assets over the current liabilities, was 3.25 compared to 3.21 last year. The quick ratio, another ratio that gauges the short-term liquidity of a company measured by trade debtors and cash at bank and in hand over the current liabilities, improved to 2.1 from 1.55.

### CONTINGENT LIABILITIES

As at 31 March 2002, the Group did not have any significant contingent liabilities.

### FOREIGN EXCHANGE EXPOSURE

During the year under review, approximately 28% of the Group's turnover is denominated in sterling and euro. From time to time, the Group enters forward foreign exchange contracts to hedge its foreign exchange exposure.

### PROSPECTS AND GENERAL OUTLOOK

The Directors remain very cautious about the overall prospects for our business in the new financial year. The toy industry in 2002 will be more stable as the major toy companies in the USA have returned to profitability in 2001. Though market conditions still remain severely competitive, the Directors anticipate that the toy and gift division will perform well with a similar level of sales in the new fiscal year as in the previous year.

As approximately two thirds of the sales of both the houseware division and the timepiece division are derived from the UK market, they will benefit from the current strong sterling. With lower administrative overheads, both divisions now require a lower level of sales to be profitable. The closure of the French operation will also help the management to have a more positive outlook for the overall timepiece operation.

The computer head division is facing a more difficult year as compared to the previous year. In May 2002, it lost a major customer who changed its procurement policy to purchase solely from a competing vendor due to a rapid decline in demand of its ferrite head tape systems. On the positive side, another major customer has identified Herald Datanetics as its sole manufacturing partner and it is anticipated that business with this customer will grow substantially towards the end of 2002. The Directors also have a positive outlook in the medium term for this division in view of the newly developed products mentioned earlier.

Despite the adverse economic environment and market conditions, the management has confidence that the Group shall weather the market downturn and return to a reasonable level of profitability.

### **DIVIDENDS**

Last year, the Company paid an interim dividend of HK1 cent per share and did not pay any final dividend. This year, the Company did not pay any interim dividend as the world economy was volatile following the terrorist attacks in the USA in September 2001 and the war in Afghanistan. In view of better consumer confidence in the Group's major markets together with the Group's strong financial position, the Directors believe that it is in the best interests of the shareholders that the Company resume the declaration of dividends to its shareholders. The Directors will recommend a final dividend of HK1 cent per share at the forthcoming Annual General Meeting to be held on 18 September 2002. A cash dividend of HK1 cent would represent an annual return of 4.5% on the Company's average price of HK22 cents in the year ended 31 March 2002.

The total dividend per share for the year under review will amount to HK1 cent per share (2001: HK1 cent). The total amount of final dividend payment of HK\$6,226,000 was based on the total number of shares in issue as at 15 July 2002 being the latest practicable date prior to the announcement of the results. Dividends will be payable on 26 September 2002 to shareholders registered in the Register of Members on 18 September 2002.

### **APPRECIATION**

On behalf of the board of directors and shareholders. I should like to extend my sincere thanks to all the Group's employees for their efforts and hard work under some very difficult market conditions.

**George BLOCH**

*Chairman*

Hong Kong, 16 July 2002

## Report of the Directors

The directors submit herewith their annual report together with the audited accounts for the year ended 31 March 2002.

### PRINCIPAL ACTIVITIES

The principal activity of the company is investment holding. The activities of the principal subsidiaries are set out on pages 58 to 60.

### MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the group's total	
	Sales	Purchases
The largest customer	32%	
Five largest customers in aggregate	57%	
The largest supplier		5%
Five largest suppliers in aggregate		20%

At no time during the year, have the directors, their associates or any shareholder of the company (which to the knowledge of the directors owns more than 5 per cent of the company's share capital) had any interest (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules")) in these major customers and suppliers.

### PRINCIPAL SUBSIDIARIES

Particulars of the company's principal subsidiaries at 31 March 2002 are set out on pages 58 to 60.

### ACCOUNTS

The results of the group for the year ended 31 March 2002 and the state of the company's and the group's affairs at that date are set out in the accounts on pages 16 to 57.

No interim dividend was paid during the year (2001: HK 1 cent per share). The directors now recommend the payment of a final dividend of HK 1 cent per share in respect of the year ended 31 March 2002 (2001: Nil).



### **FIXED ASSETS**

Movements in fixed assets during the year are set out in note 12 on the accounts.

### **BANK LOANS AND OVERDRAFTS**

Particulars of bank loans and overdrafts of the group as at 31 March 2002 are set out in note 18 on the accounts.

### **CHARITABLE DONATIONS**

Donations made by the group during the year amounted to HK\$128,000 (2001: HK\$40,000).

### **SHARE CAPITAL**

Movements in share capital during the year are set out in note 22 on the accounts.

The company repurchased and then cancelled 1,190,000 (2001: 10,260,000) of its own shares during the year. The directors consider that the repurchase of shares will benefit shareholders by enhancing the earnings per share of the company.

Except as disclosed above, neither the company nor any of its subsidiaries purchased, redeemed or sold any of the company's listed securities during the financial year.

### **DIRECTORS**

The directors during the financial year were:

#### *Executive directors*

G Bloch  
D S Chang  
S T K Cheung  
R Dorfman  
M Y S Thong

#### *Non-executive directors*

D C Bray  
H M G Forsgate (deceased on 20 October 2001)  
P K Y Tsao

In accordance with bye-law 87 of the company's bye-laws, D S Chang and P K Y Tsao retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

### DIRECTORS AND SENIOR MANAGEMENT

**George BLOCH**, aged 81, has been the Chairman of the company since its incorporation in 1992. He is a graduate of the College of Technology in Northampton, England. He went to Shanghai in 1939 and worked for a large engineering firm. He established his business in Japan in 1949 and moved to Hong Kong in 1955. In 1969, Mr Bloch, together with Mr Chang Dong-Song founded Herald Metal and Plastic Works Limited (“HMPL”), the initial company of the group. Mr Bloch is a Past District Governor of Lions International in Hong Kong and is Vice-Chairman of the Liver Foundation and was for several years Chairman of the Eye Bank. He is a leading collector of both western and Chinese art and his collection has been exhibited internationally. He has been honoured by the French Government and made a “Chevalier de l’Ordre des Arts et des Lettres” and also has a major decoration from the Government of Austria. In May 2000 he received the “Chevalier de la Couronne” from the Belgian Government in recognition of his contribution to the arts.

**CHEUNG Tsang-Kay, Stan**, PhD, Hon LLD, Hon DBA, JP, aged 58, has been the Managing Director of the company since its incorporation. Dr Cheung’s community services in the past included Urban Council member, Broadcasting Authority member, The Hong Kong Polytechnic University Council member and Vice-Chairman of Occupational Safety & Health Council, etc. He is currently a member of The Chinese People’s Political Consultative Conference, Shanghai Municipal Committee. Also, he is the Honorary Trustee and Adjunct Professor at Shanghai Jiao Tung University, Trustee of Fudan University and Director of Soong Ching Ling Foundation of Shanghai. Dr Cheung joined the group in 1975 and is a director of the principal companies of the group.

**CHANG Dong-Song**, aged 81, the father of Dr Cheung, has been an Executive Director of the company since 1992. Mr Chang was a co-founder of HMPL and since 1969 has played a principal role in the development of the group’s manufacturing activities. He is now a director of some of the group’s companies. He was a member of the Toys Advisory Council of the Hong Kong Trade Development Council. Mr Chang is also a member of The Chinese People’s Political Consultative Conference, Jiangsu Changshu Committee.

**Robert DORFMAN**, aged 47, is the step-son of Mr Bloch. He joined the group in 1983 and has been an executive director of the company since 1992. Mr Dorfman is a past Chairman of The Americas Area Committee of The Hong Kong General Chamber of Commerce and is Chairman of the Vision 2047 Foundation. Mr Dorfman is immediate past Chairman of the Young Presidents’ Organisation’s Asia-Pacific Regional Board and serves as a Director on its International Board. Mr Dorfman is a director of some of the group’s companies.

**THONG Yeung-Sum, Michael**, FCCA, AHKSA, aged 52, obtained a degree in Social Science at the University of Hong Kong. He is a member of the Hong Kong Society of Accountants and the Chartered Association of Certified Accountants. Before joining the group in 1976, he worked for three years with the Hong Kong office of a leading international accounting firm. Mr Thong has been an Executive Director of the company since 1992 and now serves as finance director and company secretary of the principal companies of the group.

**Denis Campbell BRAY**, CMG, CVO, JP, aged 76, has served as a Non-Executive Director of the company since 1992. Mr Bray joined the Hong Kong Government in 1950. In 1971, he was appointed District Commissioner, New Territories. He also served as Hong Kong Commissioner in London from 1977 to 1980 and as Secretary of Home Affairs and an ex-officio member of the Executive and Legislative Councils. From 1985 to 1992, Mr Bray was Executive Director of The Community Chest of Hong Kong. He is Chairman of the charity Christian Action. He is also a director of The Hong Kong Philharmonic Orchestra.

**Hugh Moss Gerald FORSGATE**, CBE, JP, served as a Non-Executive Director of the company since 1992. Mr Forsgate joined Hong Kong and Kowloon Wharf & Godown Company Limited in 1947 and served as a Director and General Manager from 1959 to 1979. He was appointed to the Urban Council in 1965 and acted as its Chairman from 1986 to 1991. He was also Chairman of the Kowloon-Canton Railway Corporation. Mr Forsgate was the Chairman of Eralda Industries Limited and an adviser to the Jardine Pacific Group. He also served as a Non-Executive Director in several other listed companies in Hong Kong and was a member of the HK Port and Maritime Board. In addition, he was the President of Hong Kong Rugby Union and Hong Kong Football Club. Mr Forsgate passed away on 20 October 2001 at the age of 82. He enjoyed high esteem in the business community and was a wise and experienced counsellor to many. His memory will always be treasured in our group.

**TSAO Kwang-Yung, Peter**, CBE, CPM, aged 68, has served as a Non-Executive Director of the company since 1992. Mr Tsao joined the Hong Kong Government in 1955. He has served in key positions within the Department of Trade and Industry and led the Hong Kong delegation in numerous rounds of trade negotiations with the EU and the United States. In 1983, Mr Tsao became Director of Information Services and was involved in the negotiations with China over the future of Hong Kong. He later served as Secretary for Administrative Services and Information and retired in 1992 from the post of Secretary of Home Affairs. Mr Tsao now serves as a non-executive director in several other listed companies in Hong Kong.

**Gershon DORFMAN**, aged 46, step-son of Mr Bloch, received his primary and secondary education in Hong Kong, Japan and Switzerland. He then obtained a degree in Business Administration from the University of Washington. Before joining the group in 1983 he spent six years with a leading local watch manufacturing company. He is the Managing Director of Herald Datanetics Limited and a director of some of the group's companies.

## Report of the Directors

### DIRECTORS' INTERESTS IN SHARES

The directors who held office at 31 March 2002 had the following beneficial interests in the issued share capital of the company (within the meaning of the Securities (Disclosure of Interests) Ordinance) at that date as recorded in the register of directors' share interests:

	Number of shares				Total
	Personal interests	Family interests	Corporate interests	Other interests (Note)	
Herald Holdings Limited (Shares of US\$0.01 each)					
G Bloch	150,000	8,091,500	1,250,000	–	9,491,500
D S Chang	10,040,000	21,654,879	–	–	31,694,879
S T K Cheung	35,542,808	–	–	75,498,356	111,041,164
R Dorfman	40,470,000	–	–	–	40,470,000
M Y S Thong	10,233,308	–	–	–	10,233,308

*Note:* Dr S T K Cheung is the beneficiary of a family trust which owned 75,498,356 shares in the company at 31 March 2002.

Apart from the foregoing, at no time during the year was the company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

### SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The company has been notified of the following interests in the company's issued shares at 31 March 2002 amounting to 10 per cent or more of the shares in issue:

	Shares held	Percentage of total issued shares
Goldfinch Investments Limited ("GIL")	69,728,356	11.17%
HSBC International Trustee Limited ("HIT")	75,698,356	12.13%
HSBC Holdings B.V. ("HHBV")	75,698,356	12.13%
HSBC Holdings plc ("HH")	75,698,356	12.13%
HSBC Finance (Netherlands) ("HFN")	75,698,356	12.13%
HSBC Investment Bank Holdings B.V. ("HIB")	75,698,356	12.13%

GIL is a company owned by a family trust which owned an aggregate of 75,498,356 shares in the company at 31 March 2002 as noted under "Directors' interests in shares", comprising 69,728,356 shares held by GIL and 5,770,000 shares held by the trust itself. HIT, the trustee for the trust, was deemed to be interested in the 75,498,356 shares held by the trust. HHBV, HH, HFN and HIB were all deemed to be interested in these shares due to their direct or indirect holdings in the shares of HIT. In addition, HIT, HHBV, HH, HFN and HIB had a further interest of 200,000 shares in the company at 31 March 2002.

### **DIRECTORS' INTERESTS IN CONTRACTS**

On 23 November 2001, the company announced that Herald (Hong Kong) Limited, a wholly owned subsidiary of the company, had entered into an agreement for the purchase of 111,000 shares in a subsidiary, Herald Datanetics Limited ("HDL"), at HK\$70 per share. This acquisition was a connected transaction and was announced in the newspaper in accordance with the Listing Rules. The total consideration was HK\$7,770,000, of which HK\$3,762,500 was paid to three directors of the company, HK\$1,750,000 was paid to two directors of the company's subsidiaries, and the remaining HK\$2,257,500 was paid to associates of two directors of the company. The vendors guaranteed that the audited net tangible asset value per share of HDL as at 31 March 2002 ("NAV") will not be less than HK\$70.

No contract of significance, to which the company or any of its subsidiaries was a party and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

### **DIRECTORS' SERVICE CONTRACTS**

No director has an unexpired service contract which is not determinable by the company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The non-executive directors were re-appointed by the board of directors for a term of two years commencing on 1 April 2001. They are subject to the retirement from office by rotation in accordance with the bye-law of the company. Their remuneration is determined by the board of directors annually.

### **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

The company has complied throughout the year with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules.

### **AUDIT COMMITTEE**

The audit committee comprises two independent non-executive directors and reports to the board of directors. The audit committee meets with group's senior management and external auditors regularly to review the effectiveness of the internal control systems and the interim and annual reports of the group.

### **EMPLOYEES**

At 31 March 2002, the number of employees of the group was approximately 190 in Hong Kong, 4,080 in the People's Republic of China and 110 in Europe. The group ensures that its employees' remuneration packages are competitive. Employees are rewarded based on their performance and experience and the prevailing industry practice.

### **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the company's bye-laws or the Companies Act 1981 of Bermuda (as amended).

### **FIVE YEAR SUMMARY**

A summary of the results and of the assets and liabilities of the group for the last five financial years is set out on page 61 of the annual report.

### **AUDITORS**

A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

**THONG Yeung-Sum, Michael**

*Director*

Hong Kong, 16 July 2002



Auditors' report to the shareholders of **Herald Holdings Limited**  
(Incorporated in Bermuda with limited liability)

We have audited the accounts on pages 16 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### **BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### **OPINION**

In our opinion, the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 March 2002 and of the group's loss and cash flows for the year then ended and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

### **KPMG**

*Certified Public Accountants*  
Hong Kong, 16 July 2002

## Consolidated Profit and Loss Account

For the year ended 31 March 2002

	<i>Note</i>	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
<b>Turnover</b>	2 & 11	<b>867,062</b>	953,884
Cost of sales		<u><b>(688,259)</b></u>	<u>(738,815)</u>
		<b>178,803</b>	215,069
Other revenue	3	<b>5,288</b>	8,885
Other net income/(loss)	3	<b>4,976</b>	(5,552)
Selling expenses		<b>(24,082)</b>	(28,594)
Administrative expenses		<b>(155,670)</b>	(173,161)
Impairment loss on fixed assets	12(d)	<b>(31,894)</b>	–
Deficits on revaluation of investment properties	12(c)	<u><b>(5,009)</b></u>	<u>–</u>
(Loss)/profit from operations		<b>(27,588)</b>	16,647
Finance cost	4	<b>(660)</b>	(1,315)
Share of profit of a jointly controlled entity		<u><b>343</b></u>	<u>531</u>
<b>(Loss)/profit from ordinary activities before taxation</b>	4	<b>(27,905)</b>	15,863
Taxation	6	<u><b>(2,635)</b></u>	<u>(2,257)</u>
<b>(Loss)/profit from ordinary activities after taxation</b>		<b>(30,540)</b>	13,606
Minority interests		<u><b>(1,876)</b></u>	<u>(4,933)</u>
<b>(Loss)/profit attributable to shareholders</b>	7 & 23	<u><b>(32,416)</b></u>	<u>8,673</u>
<b>Dividends attributable to the year</b>	8		
Interim dividend declared during the year		–	6,252
Final dividend proposed after the balance sheet date		<u><b>6,226</b></u>	<u>–</u>
		<u><b>6,226</b></u>	<u>6,252</u>
<b>(Loss)/earnings per share:</b>	9		
Basic		<u><b>(5.19 cents)</b></u>	<u>1.39 cents</u>

The notes on pages 25 to 57 form part of these accounts.



## Consolidated Statement of Recognised Gains and Losses

For the year ended 31 March 2002

	<i>Note</i>	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Exchange difference on translation of the accounts of foreign entities	23	<u>(1,444)</u>	<u>(3,525)</u>
<b>Net losses not recognised in the profit and loss account</b>		<b>(1,444)</b>	<b>(3,525)</b>
Net (loss)/profit for the year		<u><b>(32,416)</b></u>	<u>8,673</u>
<b>Total recognised gains and losses</b>		<u><b>(33,860)</b></u>	<u>5,148</u>
Prior period adjustments against the following reserves arising from the change in accounting policy in respect of goodwill ( <i>note 10(ii)</i> ):			
– retained profits	23		<u>(184,854)</u>
– contributed surplus	23		<u>190,739</u>
– capital reserves	23		<u>(5,885)</u>
Opening balance adjustment against retained profits arising from the change in accounting policy in respect of long service payments ( <i>note 10(iii)</i> )	23	<u><b>(3,328)</b></u>	

The notes on pages 25 to 57 form part of these accounts.

# Consolidated Balance Sheet

At 31 March 2002

	<i>Note</i>	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000 restated
<b>Non-current assets</b>			
Fixed assets			
– Investment properties		<b>13,528</b>	–
– Other property, plant and equipment		<b>170,988</b>	237,232
		<hr/>	<hr/>
	12	<b>184,516</b>	237,232
Interest in a jointly controlled entity	14	<b>1,759</b>	1,548
Other non-current financial assets	15	<b>6,046</b>	5,358
		<hr/>	<hr/>
		<b>192,321</b>	244,138
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	16	<b>112,659</b>	159,520
Trade and other receivables	17	<b>121,231</b>	105,960
Tax recoverable	6	–	1,084
Cash and cash equivalents		<b>131,081</b>	90,764
		<hr/>	<hr/>
		<b>364,971</b>	357,328
		<hr/>	<hr/>
<b>Current liabilities</b>			
Bank loans and overdrafts	18	<b>3,345</b>	1,360
Trade and other payables	19	<b>106,812</b>	110,109
Taxation	6	<b>2,249</b>	–
		<hr/>	<hr/>
		<b>112,406</b>	111,469
		<hr/>	<hr/>
<b>Net current assets</b>		<b>252,565</b>	245,859
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>444,886</b>	489,997
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Deferred taxation	20	<b>(844)</b>	(1,072)
Provision for long service payments	21	<b>(5,340)</b>	(2,510)
		<hr/>	<hr/>
		<b>(6,184)</b>	(3,582)
		<hr/>	<hr/>
<b>Minority interests</b>		<b>(17,853)</b>	(28,172)
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>420,849</b>	458,243
		<hr/>	<hr/>

## Consolidated Balance Sheet

At 31 March 2002

	<i>Note</i>	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000 restated
<b>CAPITAL AND RESERVES</b>			
<b>Share capital</b>	22	<b>48,673</b>	48,766
<b>Reserves</b>	23	<b>372,176</b>	409,477
		<b><u>420,849</u></b>	<b><u>458,243</u></b>

Approved and authorised for issue by the board of directors on 16 July 2002.

**CHEUNG Tsang-Kay, Stan**  
*Director*

**THONG Yeung-Sum, Michael**  
*Director*

The notes on pages 25 to 57 form part of these accounts.

## Balance Sheet

At 31 March 2002

	<i>Note</i>	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	13	<u>327,365</u>	<u>327,365</u>
<b>Current assets</b>			
Amounts due from subsidiaries		<b>14,169</b>	14,769
Trade and other receivables	17	<b>124</b>	111
Tax recoverable	6	<b>70</b>	–
Cash and cash equivalents		<u>157</u>	<u>156</u>
		<u><b>14,520</b></u>	<u>15,036</u>
<b>Current liabilities</b>			
Amount due to a subsidiary		<b>26,985</b>	27,429
Trade and other payables	19	<b>751</b>	710
Taxation	6	<u>–</u>	<u>3</u>
		<u><b>27,736</b></u>	<u>28,142</u>
<b>Net current liabilities</b>		<u><b>(13,216)</b></u>	<u>(13,106)</u>
<b>NET ASSETS</b>		<u><b>314,149</b></u>	<u>314,259</u>
<b>CAPITAL AND RESERVES</b>			
<b>Share capital</b>	22	<b>48,673</b>	48,766
<b>Reserves</b>	23	<u><b>265,476</b></u>	<u>265,493</u>
		<u><b>314,149</b></u>	<u>314,259</u>

Approved and authorised for issue by the board of directors on 16 July 2002.

**CHEUNG Tsang-Kay, Stan**  
*Director*

**THONG Yeung-Sum, Michael**  
*Director*

The notes on pages 25 to 57 form part of these accounts.

## Consolidated Cash Flow Statement

For the year ended 31 March 2002

		2002		2001	
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Net cash inflow/(outflow) from operating activities</b>	(a)		<b>59,042</b>		(10,600)
<b>Returns on investments and servicing of finance</b>					
Interest paid		(660)		(1,315)	
Interest received		1,341		3,945	
Dividend income from investments		23		56	
Dividend income from a jointly controlled entity		-		223	
Dividends paid		-		(25,008)	
Dividends paid to minority interests		(2,087)		(1,045)	
			<b>(1,383)</b>		(23,144)
<b>Net cash outflow from returns on investments and servicing of finance</b>					
<b>Taxation</b>					
Hong Kong profits tax refunded/(paid)		519		(2,891)	
Overseas tax refunded/(paid)		36		(2,531)	
			<b>555</b>		(5,422)
<b>Tax refunded/(paid)</b>					
<b>Investing activities</b>					
Proceeds from disposal of other non-current financial assets		-		1,275	
Payment for purchase of fixed assets		(12,269)		(17,163)	
Proceeds from sale of fixed assets		281		1,244	
Acquisition of additional shares in subsidiary		(7,770)		(3,266)	
			<b>(19,758)</b>		(17,910)
<b>Net cash outflow from investing activities</b>					
<b>Net cash inflow/(outflow) before financing carried forward</b>					
			<b>38,456</b>		(57,076)

## Consolidated Cash Flow Statement

For the year ended 31 March 2002

	Note	2002		2001	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Net cash inflow/(outflow) before financing brought forward</b>			<b>38,456</b>		(57,076)
<b>Financing</b>					
Repayment of bank loans	(b)	-		(1,580)	
Repurchase of shares	(b)	<b>(206)</b>		<b>(5,059)</b>	
<b>Net cash outflow from financing</b>			<b>(206)</b>		<b>(6,639)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>			<b>38,250</b>		<b>(63,715)</b>
<b>Effect of foreign exchange rates</b>			<b>82</b>		<b>(2,144)</b>
<b>Cash and cash equivalents at 1 April</b>			<b>90,333</b>		<b>156,192</b>
<b>Cash and cash equivalents at 31 March</b>	(c)		<b>128,665</b>		<b>90,333</b>

The notes on pages 25 to 57 form part of these accounts.

## Notes to the Consolidated Cash Flow Statement

For the year ended 31 March 2002

**(a) Reconciliation of (loss)/profit from operations to net cash inflow/(outflow) from operating activities**

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
(Loss)/profit from operations	<b>(27,588)</b>	16,647
Loss on disposal of fixed assets	<b>97</b>	141
Interest income	<b>(1,341)</b>	(3,945)
Depreciation	<b>27,756</b>	27,298
Impairment loss on fixed assets	<b>31,894</b>	–
Deficits on revaluation of investment properties	<b>5,009</b>	–
Dividend income from investments	<b>(23)</b>	(56)
Net realised and unrealised (gains)/losses on other securities	<b>(688)</b>	886
Increase/(decrease) in net amount due to a jointly controlled entity	<b>46</b>	(177)
Decrease/(increase) in inventories	<b>46,861</b>	(36,242)
Increase in trade and other receivables	<b>(15,271)</b>	(6,564)
Decrease in trade and other payables	<b>(3,297)</b>	(8,578)
Decrease in provision for long service payments	<b>(498)</b>	(290)
Movement in minority interests	<b>(2,338)</b>	407
Effect of foreign exchange	<b>(1,577)</b>	(127)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	<b>59,042</b>	(10,600)
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>Bank loans</b>	<b>Share capital (including premium)</b>
	HK\$'000	HK\$'000
Balance at 1 April 2000	2,509	81,524
Repayment of bank loans	(1,580)	–
Repurchase of shares	–	(5,059)
	<hr/>	<hr/>
Balance at 31 March 2001	<b>929</b>	<b>76,465</b>
	<hr/> <hr/>	<hr/> <hr/>
Balance at 1 April 2001	929	76,465
Repurchase of shares	–	(206)
	<hr/>	<hr/>
<b>Balance at 31 March 2002</b>	<b>929</b>	<b>76,259</b>
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Consolidated Cash Flow Statement

For the year ended 31 March 2002

**(c) Analysis of the balance of cash and cash equivalents as shown in the consolidated balance sheet**

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Cash at bank and in hand	<b>131,081</b>	90,764
Bank overdrafts	<b>(2,416)</b>	(431)
	<b><u>128,665</u></b>	<u>90,333</u>

The notes on pages 25 to 57 form part of these accounts.



**1 SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The company was incorporated in Bermuda on 17 August 1992 as an exempt company under the Companies Act, 1981 of Bermuda (as amended).

Although not required to do so under the bye-laws of the company, these accounts are prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the group is set out below.

**(b) Basis of preparation of the accounts**

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

**(c) Subsidiaries**

A subsidiary is a company in which the group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated accounts, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## Notes on the Accounts

For the year ended 31 March 2002

### 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (c) Subsidiaries (Continued)

In the company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the company, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.

#### (d) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the group or company and other parties, where the contractual arrangement establishes that the group or company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the group's share of the jointly controlled entity's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case it is stated at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise. The consolidated accounts reflects the group's share of the post-acquisition results of the jointly controlled entities for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e).

Unrealised profits and losses resulting from transactions between the group and jointly controlled entities are eliminated to the extent of the group's interest in jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit and loss account.

In the company's balance sheet, its investments in jointly controlled entities are stated at cost less impairment losses (see note 1(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(e) Goodwill**

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the group's share of the fair value of the identifiable assets and liabilities acquired. Positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(j)).

Negative goodwill arising on acquisitions of controlled subsidiaries and jointly controlled entities represents the excess of the group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

In respect of any negative goodwill not yet recognised in the consolidated profit and loss account:

- for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and
- for jointly controlled entities, such negative goodwill is included in the carrying amount of the interests in jointly controlled entities.

On disposal of a controlled subsidiary or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

# Notes on the Accounts

For the year ended 31 March 2002

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Investments in securities

The group's policies for investments in securities other than investments in subsidiaries and jointly controlled entities are as follows:

- (i) Investment securities are stated in the balance sheet at cost less any provisions for diminution in value.
- (ii) Other investments are stated in the balance sheet at fair value. Changes in fair values are recognised in the profit and loss account as they arise.
- (iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

### (g) Fixed assets

- (i) Fixed assets are carried in the balance sheets on the following bases:
  - investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers; and
  - land and buildings held for own use, plant, machinery and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(i)) and impairment losses (see note 1(j)).
- (ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:
  - when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties, immediately prior to the revaluation; and
  - when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the profit and loss account.
- (iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(g) Fixed assets** (Continued)

- (iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year.

**(h) Leased assets**

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

- (i) Assets held for use in operating leases

Where the group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the group's depreciation policies, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). Revenue arising from operating leases is recognised in accordance with the group's revenue recognition policies, as set out in note 1(o)(iv).

- (ii) Operating lease charges

Where the group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made.

# Notes on the Accounts

For the year ended 31 March 2002

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Depreciation

- (i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.
- (ii) Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives on a straight-line basis at the following annual rates:

Leasehold land	Over the remaining terms of the leases
Buildings	4 – 5%
Plant, machinery, furniture, fixtures and office equipment	9 – 20%
Moulds	20 – 50%
Motor vehicles	10 – 25%

### (j) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets (other than investment properties carried at revalued amounts);
- investments in subsidiaries and jointly controlled entity; and
- positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

- (i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).



**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(j) Impairment of assets** (Continued)

## (ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

**(k) Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**(l) Cash equivalents**

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

# Notes on the Accounts

For the year ended 31 March 2002

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

### (n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company or group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (o) Revenue recognition

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

#### (i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

#### (ii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.



**1 SIGNIFICANT ACCOUNTING POLICIES** (Continued)**(o) Revenue recognition** (Continued)

## (iii) Dividends

- Dividend income from unlisted investments other than jointly controlled entities is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

## (iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable.

**(p) Translation of foreign currencies**

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

The results and balance sheet items of foreign enterprises are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of the profit and loss on disposal.

**(q) Retirement costs**

The regular cost of providing benefits in respect of the group's defined contribution retirement schemes is charged to the profit and loss account at the rates as specified in the scheme when incurred.

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss account when incurred.

# Notes on the Accounts

For the year ended 31 March 2002

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Related parties

For the purposes of these accounts, parties are considered to be related to the group if the group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

### (s) Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the group's internal financial reporting, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, result, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and fixed assets. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

### 2 TURNOVER

The principal activity of the company is investment holding. The principal activities of the group are the manufacture, sale and distribution of toy and gift products, computer heads, housewares, clocks, watches and electronic products. The activities of the principal subsidiaries are set out on pages 58 to 60.

Turnover represents the net invoiced sales to customers less returns. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Toy and gift products	<b>424,084</b>	402,518
Computer heads	<b>183,806</b>	207,988
Housewares	<b>121,921</b>	137,379
Timepieces	<b>134,169</b>	195,675
Others	<b>3,082</b>	10,324
	<b>867,062</b>	953,884
	<b>867,062</b>	953,884

### 3 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<b>Other revenue</b>		
Interest income	<b>1,341</b>	3,945
Rental income	<b>2,216</b>	2,329
Dividend income from listed investments	<b>23</b>	56
Others	<b>1,708</b>	2,555
	<b>5,288</b>	8,885
	<b>5,288</b>	8,885

#### **Other net income/(loss)**

Loss on disposal of fixed assets	<b>(97)</b>	(141)
Net exchange gain/(loss)	<b>587</b>	(3,595)
Provision for diminution in value of investments	-	(7,800)
Write back on provision for diminution in value of investments	<b>687</b>	-
Write back on provision for bad debts	<b>1,464</b>	-
Cash distribution from investment previously written off	<b>296</b>	2,236
Others	<b>2,039</b>	3,748
	<b>4,976</b>	(5,552)
	<b>4,976</b>	(5,552)

## Notes on the Accounts

For the year ended 31 March 2002

### 4 (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit from ordinary activities before taxation is arrived at after charging/  
(crediting):

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<b>(a) Finance cost:</b>		
Interest on bank advances and other borrowings repayable within five years	<b>660</b>	1,315
<b>(b) Other items:</b>		
Cost of inventories	<b>688,259</b>	738,815
Staff costs (including retirement cost of HK\$5,940,000 (2001: HK\$6,231,000))	<b>160,955</b>	169,154
Depreciation		
– assets held for use under operating leases	<b>1,474</b>	1,984
– other assets	<b>26,282</b>	25,314
Auditors' remuneration		
– current year	<b>2,777</b>	2,251
– underprovision in previous year	<b>11</b>	10
Operating lease charges		
– land and buildings	<b>5,218</b>	6,645
– other assets	<b>1,828</b>	969
Net unrealised and realised (gains)/losses on other securities	<b>(688)</b>	886

**5 DIRECTORS' AND EMPLOYEES' EMOLUMENTS**

**(a) Directors' remuneration**

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<b>Executive directors</b>		
Salaries and allowances	<b>16,700</b>	17,225
Pension scheme contributions	<b>1,411</b>	1,323
	<b>18,111</b>	18,548
<b>Non-executive directors</b>		
Fees	<b>465</b>	540
	<b>18,576</b>	19,088

The remuneration of the directors is within the following bands:

	<b>Number of directors</b>	
	<b>2002</b>	2001
HK\$Nil to HK\$1,000,000	<b>3</b>	3
HK\$2,500,001 to HK\$3,000,000	<b>1</b>	1
HK\$3,500,001 to HK\$4,000,000	<b>4</b>	2
HK\$4,000,001 to HK\$4,500,000	<b>-</b>	2

## Notes on the Accounts

For the year ended 31 March 2002

### 5 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

#### (b) Employees' emoluments

During the year ended 31 March 2002, the five highest paid individuals comprised four directors (2001: four directors), details of whose emoluments are set out in note 5(a). The aggregate of the emoluments in respect of the remaining individual in 2002 (2001: one) is as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and allowances	3,276	3,385
Pension scheme contributions	302	302
	<u>3,578</u>	<u>3,687</u>

### 6 TAXATION

#### (a) Taxation in the consolidated profit and loss account represents:

	2002 HK\$'000	2001 HK\$'000
Provision for Hong Kong Profits Tax for the year	3,303	2,171
Overprovision in respect of prior year	(489)	(1,556)
Overseas taxation at applicable rates	(36)	1,072
Deferred taxation ( <i>note 20</i> )	(229)	430
	<u>2,549</u>	<u>2,117</u>
Share of a jointly controlled entity's taxation	86	140
Taxation charge	<u>2,635</u>	<u>2,257</u>

The provision for Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profits for the year ended 31 March 2002. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

### 6 TAXATION (Continued)

#### (b) Taxation in the consolidated balance sheet represents:

	2002 HK\$'000	2001 HK\$'000
Provision for Hong Kong Profits Tax for the year	3,303	2,171
Provisional profits tax paid	(1,831)	(4,031)
Tax recoverable in respect of prior year	-	(1)
Overseas taxation	777	777
	2,249	(1,084)
	2,249	(1,084)

#### (c) Taxation in the company's balance sheet represents:

	2002 HK\$'000	2001 HK\$'000
Provision for Hong Kong Profits Tax at 16% (2001: 16%) on the estimated assessable profits for the year	19	50
Provisional profits tax paid	(89)	(47)
	(70)	3
	(70)	3

### 7 (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The (loss)/profit attributable to shareholders includes a profit of HK\$96,000 (2001: HK\$494,000) which has been dealt with in the accounts of the company.

### 8 DIVIDENDS

#### (a) Dividends attributable to the year

	2002 HK\$'000	2001 HK\$'000
Interim dividend declared and paid of Nil cent per share (2001: HK1 cent per share)	-	6,252
Final dividend proposed after the balance sheet date of HK1 cent per share (2001: Nil)	6,226	-
	6,226	6,252
	6,226	6,252

The interim dividend has been charged to the contributed surplus (*note 23*).

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

## Notes on the Accounts

For the year ended 31 March 2002

### 8 DIVIDENDS (Continued)

#### (b) Dividends attributable to the previous financial year, approved and paid during the year

	2002 HK\$'000	2001 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of Nil per share (2001: HK3 cents per share)	<u>–</u>	<u>18,756</u>

### 9 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the net loss for the year attributable to ordinary shareholders of HK\$32,416,000 (2001: net profit of HK\$8,673,000), and on 624,934,000 (2001: 625,826,000) ordinary shares, being the weighted average number of ordinary shares outstanding during the year.

There were no dilutive potential ordinary shares in existence during the years ended 31 March 2002 and 2001.

### 10 CHANGES IN ACCOUNTING POLICIES

#### (i) Dividends

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1 April 2001, in order to comply with Statement of Standard Accounting Practice 9 (revised) issued by the Hong Kong Society of Accountants ("HKSA"), the group recognises dividends proposed or declared as a liability in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends). Consequently, dividend income from subsidiaries and jointly controlled entities is recognised as income in the company's profit and loss account in the accounting period in which they are declared.

There is no impact on the group's (loss)/profit attributable to shareholders for the periods presented as a result of the new accounting policy. The new accounting policy has been adopted retrospectively, with the opening balance of contributed surplus and the comparative information adjusted for the amounts relating to prior periods.



**10 CHANGES IN ACCOUNTING POLICIES** (Continued)**(ii) Goodwill**

With effect from 1 April 2001, the group changed the accounting policy on goodwill arising from the acquisition of subsidiaries or jointly controlled entities. In prior years, positive or negative goodwill arising on acquisition of subsidiaries was eliminated against reserves or was credited to a capital reserve respectively. In order to comply with Statement of Standard Accounting Practice 30 issued by the HKSA, the group adopted a new accounting policy for goodwill as set out in note 1(e).

There is no impact from the new accounting policy on the group's (loss)/profit attributable to shareholders for the year and the net assets as at year end for the periods presented. The new accounting policy has been adopted retrospectively, with the opening balances of contributed surplus, retained profits and capital reserve and the comparative information adjusted for the amounts relating to prior periods.

**(iii) Provision for long service payments**

Prior to 1 April 2001, a general provision for long service payments for employees had been made based on directors' assessments. With effect from 1 April 2001, the group has adopted the accounting policy as set out in note 1(n) in order to comply with Statement of Standard Accounting Practice 28 ("SSAP 28") issued by the HKSA. Provision for long service payments at 1 April 2001 is estimated at HK\$5,838,000 based on the best estimate of the long service payments that are required to be made to employees in respect of their service to date, less any amounts that would be expected to be met out of the group's defined contribution retirement schemes and mandatory provident fund contributions. The effect of adopting SSAP 28 has been adjusted to the opening balance of retained earnings for the year. No restatement of other comparative information has been made.

## Notes on the Accounts

For the year ended 31 March 2002

### 11 SEGMENT REPORTING

Segment information is presented in respect of the group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the group's internal financial reporting.

#### Business segments

The group comprises the following main business segments:

- Toy and gift products: The manufacture, sale and distribution of toy and gift products.  
 Computer heads : The manufacture and sale of computer heads, as well as research and development activities in this area.  
 Housewares : The manufacture, sale and distribution of housewares.  
 Timepieces : The manufacture, sale and distribution of clocks, watches and electronic products.  
 Others : The leasing of properties to generate rental income and the marketing activities

	2002						Consolidated HK\$'000
	Toy and gift products	Computer heads	Housewares	Timepieces	Others	Inter-segment elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue from external customers	424,084	183,806	121,921	134,169	3,082	-	867,062
Other revenue from external customers	1,186	330	978	462	2,332	-	5,288
Inter-segment revenue	-	-	-	-	4,447	(4,447)	-
<b>Total</b>	<b>425,270</b>	<b>184,136</b>	<b>122,899</b>	<b>134,631</b>	<b>9,861</b>	<b>(4,447)</b>	<b>872,350</b>
Segment result	11,561	2,705	3,167	(14,957)	(22,694)	-	(20,218)
Inter-segment transactions	(2,103)	(1,507)	(115)	(722)	4,447	-	-
Contribution from operations	9,458	1,198	3,052	(15,679)	(18,247)	-	(20,218)
Unallocated operating income and expenses	-	-	-	-	-	-	(7,370)
Loss from operations	-	-	-	-	-	-	(27,588)
Finance cost	-	-	-	-	-	-	(660)
Share of profit of a jointly controlled entity	-	-	343	-	-	-	343
Taxation	-	-	-	-	-	-	(2,635)
Minority interests	-	-	-	-	-	-	(1,876)
Loss attributable to shareholders	-	-	-	-	-	-	<b>(32,416)</b>

**11 SEGMENT REPORTING (Continued)**

**Business segments (Continued)**

	2001						
	<b>Toy and gift products</b>	<b>Computer heads</b>	<b>Housewares</b>	<b>Timepieces</b>	<b>Inter-segment elimination</b>		<b>Consolidated</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from							
external customers	402,518	207,988	137,379	195,675	10,324	-	953,884
Other revenue from							
external customers	3,140	391	1,745	783	2,826	-	8,885
Inter-segment revenue	-	-	-	-	5,403	(5,403)	-
<b>Total</b>	<b>405,658</b>	<b>208,379</b>	<b>139,124</b>	<b>196,458</b>	<b>18,553</b>	<b>(5,403)</b>	<b>962,769</b>
Segment result	15,404	8,883	8,414	(133)	(1,287)		31,281
Inter-segment transactions	(1,988)	(2,268)	(673)	(474)	5,403		-
Contribution from operations	13,416	6,615	7,741	(607)	4,116		31,281
Unallocated operating income and expenses							(14,634)
Profit from operations							16,647
Finance cost							(1,315)
Share of profit of a jointly controlled entity	-	-	531	-	-		531
Taxation							(2,257)
Minority interests							(4,933)
Profit attributable to shareholders							<b>8,673</b>

## Notes on the Accounts

For the year ended 31 March 2002

### 11 SEGMENT REPORTING (Continued)

#### Business segments (Continued)

	2002						
	Toy and gift products	Computer heads	Housewares	Timepieces	Others	Inter-segment elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation for the year	9,643	9,534	3,367	2,238	2,974		27,756
Impairment loss for the year	4,190	-	2,172	827	24,705		31,894
Significant non-cash expenses (other than depreciation and amortisation)	2,711	-	-	711	1,587		5,009
Segment assets	282,036	102,895	94,104	49,318	31,716	(20,241)	539,828
Interest in a jointly controlled entity	-	-	1,759	-	-		1,759
Unallocated assets							15,705
Total assets							557,292
Segment liabilities	71,963	14,742	31,637	11,736	1,122	(20,241)	110,959
Unallocated liabilities							7,631
Total liabilities							118,590
Capital expenditure incurred during the year	6,189	3,124	707	2,039	210	-	12,269
	2001						
	Toy and gift products	Computer heads	Housewares	Timepieces	Others	Inter-segment elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation for the year	9,223	9,208	3,193	2,401	3,273		27,298
Impairment loss for the year	-	-	-	-	-		-
Significant non-cash expenses (other than depreciation and amortisation)	-	-	-	-	-		-
Segment assets	250,290	145,616	79,598	72,486	57,272	(23,434)	581,828
Interest in a jointly controlled entity	-	-	1,548	-	-		1,548
Unallocated assets							18,090
Total assets							601,466
Segment liabilities	37,718	49,528	30,828	15,724	879	(23,434)	111,243
Unallocated liabilities							3,808
Total liabilities							115,051
Capital expenditure incurred during the year	5,485	7,845	1,543	1,489	798	-	17,160

**11 SEGMENT REPORTING (Continued)**
**Geographical segments**

The group's business is managed on a worldwide basis, but participates mainly in three principal economic environments. North America is a major market for the toy and gift division, the computer head division and the houseware division. Europe is a major market for the timepiece division and the houseware division and to a lesser extent the toy and gift division and the computer head division. In Asia, the group's manufacturing activities are carried out in the People's Republic of China ("the PRC") and a major customer for the computer head division is in Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	2002								
	Asia			Europe		North America		Others	Total
	Hong Kong	The PRC	Others	United Kingdom		Others	Others	Others	Total
				Kingdom	Others				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue from external customers	33,323	15,306	116,848	262,669	66,402	353,830	18,684	867,062	
Contribution to (loss)/profit from operations	(8,302)	(12,326)	204	(3,312)	(14,279)	9,504	923	(27,588)	
Segment assets	254,823	214,127	-	81,858	6,179	305	-	557,292	
Capital expenditure incurred during the year	8,309	1,789	-	2,146	-	25	-	12,269	
	2001								
	Asia			Europe		North America		Others	Total
	Hong Kong	The PRC	Others	United Kingdom		Others	Others	Others	Total
				Kingdom	Others				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	52,860	4,027	66,327	261,471	136,143	402,204	30,852	953,884	
Contribution to (loss)/profit from operations	3,262	1,332	1,684	2,994	(435)	7,443	367	16,647	
Segment assets	221,560	265,413	-	83,168	27,485	3,840	-	601,466	
Capital expenditure incurred during the year	7,135	8,130	-	1,895	-	-	-	17,160	

## Notes on the Accounts

For the year ended 31 March 2002

### 12 FIXED ASSETS

#### (a) The group

	Land and buildings HK\$'000	Plant, machinery, furniture, fixtures and office equipment HK\$'000	Moulds HK\$'000	Motor vehicles HK\$'000	Sub-total HK\$'000	Investment properties HK\$'000	Total HK\$'000
<b>Cost:</b>							
At 1 April 2001	224,057	228,652	26,787	15,654	495,150	-	495,150
Exchange differences	33	44	-	8	85	-	85
Additions	871	9,646	1,405	347	12,269	-	12,269
Disposals	(240)	(1,536)	-	(131)	(1,907)	-	(1,907)
Reclassification (note (e))	(24,736)	-	-	-	(24,736)	18,537	(6,199)
Deficits on revaluation	-	-	-	-	-	(5,009)	(5,009)
<b>At 31 March 2002</b>	<b>199,985</b>	<b>236,806</b>	<b>28,192</b>	<b>15,878</b>	<b>480,861</b>	<b>13,528</b>	<b>494,389</b>
<b>Accumulated depreciation:</b>							
At 1 April 2001	59,017	162,870	24,675	11,356	257,918	-	257,918
Exchange differences	5	25	-	3	33	-	33
Charge for the year	8,660	16,502	1,512	1,082	27,756	-	27,756
Impairment loss	31,894	-	-	-	31,894	-	31,894
Written back on disposal	(72)	(1,345)	-	(112)	(1,529)	-	(1,529)
Reclassification (note (e))	(6,199)	-	-	-	(6,199)	-	(6,199)
<b>At 31 March 2002</b>	<b>93,305</b>	<b>178,052</b>	<b>26,187</b>	<b>12,329</b>	<b>309,873</b>	<b>-</b>	<b>309,873</b>
<b>Net book value:</b>							
<b>At 31 March 2002</b>	<b>106,680</b>	<b>58,754</b>	<b>2,005</b>	<b>3,549</b>	<b>170,988</b>	<b>13,528</b>	<b>184,516</b>
At 31 March 2001	165,040	65,782	2,112	4,298	237,232	-	237,232

## 12 FIXED ASSETS (Continued)

## (b) Net book value of land and buildings comprises:

	The group			
	Investment properties		Land and buildings	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Freehold outside				
Hong Kong	–	–	<b>5,354</b>	5,403
Medium term leases				
– in Hong Kong	<b>12,278</b>	–	<b>31,094</b>	62,535
– outside Hong Kong	<b>1,250</b>	–	<b>69,842</b>	95,110
Short term leases outside				
Hong Kong	–	–	<b>390</b>	1,992
	<b>13,528</b>	–	<b>106,680</b>	165,040

- (c) Investment properties of the group located in Hong Kong were revalued at 31 March 2002 by an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited who have among their staff Fellows of the Hong Kong Institute of Surveyors on an open market basis assuming sale with vacant possession by reference to comparable market transactions.

Investment properties of the group located in the PRC were revalued at 31 March 2002 by an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited who have among their staff Fellows of the Hong Kong Institute of Surveyors, on an investment approach by taking into account of current rent passing receivable from the existing tenancy agreements and the reversionary potential of the property interests.

The revaluation deficits of HK\$5,009,000 have been charged to the profit and loss account.

- (d) During the year, the directors have performed an assessment of the recoverable amount of the group's leasehold land and buildings held for own use. Based on this assessment, the carrying amount of leasehold land and buildings held for own use was written down by HK\$31,894,000. The estimated recoverable amount of the property was based on the estimated market value of the property.
- (e) At 31 March 2002, certain land and buildings of the group with a net book value of HK\$18,537,000 (total costs of HK\$24,736,000 and accumulated depreciation of HK\$6,199,000) have been reclassified to investment properties as at that date.
- (f) The gross amounts of investment properties of the group held for use in operating leases were HK\$13,528,000 (2001: Nil). The gross amount of fixed assets other than investment properties of the group held for use in operating leases at 31 March 2002 was HK\$3,959,000 (2001: HK\$14,822,000) and the related accumulated depreciation and impairment loss was HK\$1,395,000 (2001: HK\$2,449,000) and HK\$1,332,000 (2001: Nil) respectively.

## Notes on the Accounts

For the year ended 31 March 2002

### 13 INVESTMENTS IN SUBSIDIARIES

	<b>The company</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost, net of dividend received from subsidiary from pre-acquisition profits	<b>327,365</b>	327,365

Details of the company's principal subsidiaries at 31 March 2002 are set out on pages 58 to 60.

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the group accounts.

### 14 INTEREST IN A JOINTLY CONTROLLED ENTITY

	<b>The group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>1,803</b>	1,546
Amount due (to)/from a jointly controlled entity	<b>(44)</b>	2
	<b>1,759</b>	1,548

Details of the group's jointly controlled entity are as follows:

<b>Name of company</b>	<b>Principal activity</b>	<b>Place of incorporation and operation</b>	<b>Effective percentage of equity held by company subsidiaries</b>	
Ningbo Herald Metal Products Company Limited	Manufacture of housewares	The People's Republic of China	-	40



### 15 OTHER NON-CURRENT FINANCIAL ASSETS

	<b>The group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<b>Investment securities</b>		
Unlisted debt securities, at cost	<u>2,120</u>	<u>2,120</u>
<b>Other investments</b>		
Listed equity shares, at fair value		
– in Hong Kong	<b>28</b>	23
– outside Hong Kong	<b>3,898</b>	3,215
	<u>3,926</u>	<u>3,238</u>
	<u>6,046</u>	<u>5,358</u>
Market value of listed investments	<u>3,926</u>	<u>3,238</u>

### 16 INVENTORIES

	<b>The group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>52,779</b>	65,420
Work in progress	<b>19,570</b>	29,599
Finished goods	<b>40,310</b>	64,501
	<u>112,659</u>	<u>159,520</u>

The amount of inventories (included above) carried at net realisable value is HK\$10,744,000 (2001: HK\$10,259,000).

## Notes on the Accounts

For the year ended 31 March 2002

### 17 TRADE AND OTHER RECEIVABLES

	The group		The company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trade debtors and bills receivable	<b>104,428</b>	81,888	-	-
Other receivables	<b>16,803</b>	24,072	<b>124</b>	111
	<b>121,231</b>	105,960	<b>124</b>	111

All of the trade and other receivables are expected to be recovered within one year.

Included in trade and other receivables are trade debtors and bills receivable (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	The group	
	2002 HK\$'000	2001 HK\$'000
<i>By date of invoice</i>		
Within 1 month	<b>71,411</b>	63,503
2 – 3 months	<b>24,053</b>	13,839
Over 3 months	<b>8,964</b>	4,546
	<b>104,428</b>	81,888

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

### 18 BANK LOANS AND OVERDRAFTS

All bank loans and overdrafts are unsecured and repayable on demand or within one year.

### 19 TRADE AND OTHER PAYABLES

	<b>The group</b>		<b>The company</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Trade creditors and bills payable	<b>48,855</b>	60,935	-	-
Accruals and other payables	<b>57,957</b>	49,174	<b>751</b>	710
	<b>106,812</b>	110,109	<b>751</b>	710

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis:

	<b>The group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<i>By date of invoice</i>		
On demand or within 1 month	<b>34,048</b>	54,171
2 – 3 months	<b>13,660</b>	4,877
Over 3 months	<b>1,147</b>	1,887
	<b>48,855</b>	60,935

### 20 DEFERRED TAXATION

**(a) Movements in deferred taxation of the group comprise:**

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Balance at 1 April	<b>1,072</b>	687
Transfer (to)/from the profit and loss account ( <i>note 6</i> )	<b>(229)</b>	430
Exchange difference	<b>1</b>	(45)
<b>Balance at 31 March</b>	<b>844</b>	1,072

## Notes on the Accounts

For the year ended 31 March 2002

### 20 DEFERRED TAXATION (Continued)

(b) Major components of deferred taxation of the group are set out below:

	2002		2001	
	Provided HK\$'000	Potential assets unrecognised HK\$'000	Provided HK\$'000	Potential assets unrecognised HK\$'000
Depreciation allowances in excess of related depreciation	1,403	-	1,504	-
Future benefit of tax losses	-	(5,490)	-	(5,154)
Other timing differences	(560)	(306)	(387)	-
Exchange difference	1	-	(45)	-
	<u>844</u>	<u>(5,796)</u>	<u>1,072</u>	<u>(5,154)</u>

### 21 PROVISION FOR LONG SERVICE PAYMENTS

	HK\$'000
Balance at 1 April 2001	
- as previously stated	2,510
- change in accounting policy recognised in retained earnings (note 10(iii))	<u>3,328</u>
- as restated	5,838
Payments made during the year	(863)
Charge for the year	<u>365</u>
<b>Balance at 31 March 2002</b>	<b><u>5,340</u></b>

According to Part VB of the Employment Ordinance ("the Ordinance"), the group is liable to make long service payments to the employees who have completed the required number of years of service on termination of their employment and where the termination of employment meets the required circumstances as specified in the Ordinance.

At 31 March 2002, a provision has been made by the group based on the best estimate of the long service payments that are required to be made to employees in respect of their service to date, less any amounts that would be expected to be met out of the group's defined contribution retirement schemes and mandatory provident fund contributions.

### 22 SHARE CAPITAL

	2002		2001	
	Number of shares (Thousand)	Amount HK\$'000	Number of shares (Thousand)	Amount HK\$'000
<b>Authorised:</b>				
Ordinary shares of US\$0.01 each	<u>1,000,000</u>	<u>78,000</u>	<u>1,000,000</u>	<u>78,000</u>
<b>Issued and fully paid:</b>				
Shares of US\$0.01 each				
At 1 April	625,201	48,766	635,461	49,566
Shares repurchased and cancelled	<u>(1,190)</u>	<u>(93)</u>	<u>(10,260)</u>	<u>(800)</u>
<b>At 31 March</b>	<u><b>624,011</b></u>	<u><b>48,673</b></u>	<u>625,201</u>	<u>48,766</u>

During the year, the company repurchased a total of 1,190,000 (2001: 10,260,000) of its shares on The Stock Exchange of Hong Kong Limited, all of which were then cancelled. The premium paid on repurchase was charged against share premium in accordance with the Companies Act 1981 of Bermuda (as amended). Details of the shares repurchased are as follows:

Month of repurchase	Number of shares (Thousand)	Price per share		Aggregate price HK\$'000
		Highest HK\$	Lowest HK\$	
December 2001	400	0.174	0.174	70
January 2002	690	0.172	0.170	119
February 2002	<u>100</u>	0.172	0.172	<u>17</u>
	<u>1,190</u>			<u>206</u>

## Notes on the Accounts

For the year ended 31 March 2002

### 23 RESERVES

#### (a) The group

	Share premium	Capital reserve <i>(Note i)</i>	Contributed surplus <i>(Note ii)</i>	Exchange fluctuation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2000						
- as previously reported	31,958	5,885	87,205	(5,636)	295,428	414,840
- prior period adjustments in respect of:						
- dividend proposed <i>(note 10(i))</i>	-	-	18,756	-	-	18,756
- goodwill <i>(note 10(ii))</i>	-	(5,885)	190,739	-	(184,854)	-
- as restated	31,958	-	296,700	(5,636)	110,574	433,596
Dividend approved in respect of the previous year <i>(note 8(b))</i>	-	-	(18,756)	-	-	(18,756)
Exchange difference on consolidation	-	-	-	(3,525)	-	(3,525)
Premium paid on repurchase of shares	(4,259)	-	-	-	-	(4,259)
Profit for the year	-	-	-	-	8,673	8,673
Dividend declared in respect of the current year <i>(note 8(a))</i>	-	-	(6,252)	-	-	(6,252)
At 31 March 2001	27,699	-	271,692	(9,161)	119,247	409,477
At 1 April 2001						
- as previously reported	27,699	-	271,692	(9,161)	119,247	409,477
- opening balance adjustment in respect of long service payments <i>(note 10(iii))</i>	-	-	-	-	(3,328)	(3,328)
- as restated	27,699	-	271,692	(9,161)	115,919	406,149
Exchange difference on consolidation	-	-	-	(1,444)	-	(1,444)
Premium paid on repurchase of shares	(113)	-	-	-	-	(113)
Loss for the year	-	-	-	-	(32,416)	(32,416)
At 31 March 2002	27,586	-	271,692	(10,605)	83,503	372,176

## 23 RESERVES (Continued)

## (b) The company

	Share premium	Contributed surplus <i>(Note ii)</i>	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2000				
– as previously reported	31,958	224,257	19,295	275,510
– prior period adjustment in respect of dividend proposed <i>(note 10(i))</i>	–	18,756	–	18,756
	<hr/>	<hr/>	<hr/>	<hr/>
– as restated	31,958	243,013	19,295	294,266
Dividend approved in respect of previous year <i>(note 8(b))</i>	–	(18,756)	–	(18,756)
Premium paid on repurchase of shares	(4,259)	–	–	(4,259)
Profit for the year	–	–	494	494
Dividend declared in respect of the current year <i>(note 8(a))</i>	–	(6,252)	–	(6,252)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	<u>27,699</u>	<u>218,005</u>	<u>19,789</u>	<u>265,493</u>
At 1 April 2001	27,699	218,005	19,789	265,493
Premium paid on repurchase of shares	(113)	–	–	(113)
Profit for the year	–	–	96	96
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2002</b>	<b><u>27,586</u></b>	<b><u>218,005</u></b>	<b><u>19,885</u></b>	<b><u>265,476</u></b>

## Notes on the Accounts

For the year ended 31 March 2002

### 23 RESERVES (Continued)

Notes:

#### (i) Capital reserve

The capital reserve represented the excess of the group's share of the fair value of the separable net assets of subsidiaries or associates acquired over the cost of investments in these companies.

#### (ii) Contributed surplus

The contributed surplus represents the excess value of the consolidated net tangible assets represented by the shares of the former holding of the group, Herald (Hong Kong) Limited, acquired by the company over the nominal value of the shares issued by the company in exchange pursuant to a Scheme of Arrangement in 1992, less dividends. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to shareholders.

(iii) At 31 March 2002, the aggregate amount of reserves available for distribution to shareholders of the company was HK\$237,890,000 (2001: HK\$237,794,000).

### 24 CONTINGENT LIABILITIES

At 31 March 2002, there were contingent liabilities in respect of the following:

	The company	
	2002	2001
	HK\$'000	HK\$'000
Guarantees issued in respect of facilities granted by banks to subsidiaries	<u>39,248</u>	<u>45,148</u>

### 25 COMMITMENTS

At 31 March 2002, the total lease payments of the group under non-cancellable operating leases are payable as follows:

	2002		2001	
	Land and buildings	Others	Land and buildings	Others
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	7,039	1,011	5,064	384
After 1 year but within 5 years	9,720	1,110	3,867	904
After 5 years	16,379	22	2,935	11
	<u>33,138</u>	<u>2,143</u>	<u>11,866</u>	<u>1,299</u>



**26 PENSION SCHEMES**

The principal subsidiaries of the company have defined contribution pension schemes for their qualifying employees. The assets of the schemes are held separately under provident funds managed by independent fund managers or insurance companies. Pursuant to the rules of the schemes, the employers are required to make contributions to the schemes calculated at 5% of employees' basic salaries on a monthly basis. One of these schemes also requires the employer's contributions to be increased to 10% after the employees' length of service exceeds five years. The employees are entitled to 100% of the employers' contributions and the accrued income after completion of 10 years' service, and at an increasing scale rate between 50% and 90% after completion of five to nine years' service.

The total retirement scheme cost charged to the profit and loss account for the year was HK\$5,940,000 (2001: HK\$6,231,000). Where there are employees who leave the schemes prior to vesting fully in the contributions, in accordance with the rules of the schemes, the forfeited employers' contributions shall be used to reduce the future contributions of the employers. At 31 March 2002, the total amount of forfeited contributions which are available to reduce the contributions payable in future years was HK\$221,000 (2001: HK\$120,000).

**27 RELATED PARTY TRANSACTIONS**

On 23 November 2001, the company announced that Herald (Hong Kong) Limited, a wholly owned subsidiary of the company, had entered into an agreement for the purchase of 111,000 shares in a subsidiary, Herald Datanetics Limited ("HDL"), at HK\$70 per share. This acquisition was a connected transaction and was announced in the newspaper in accordance with the Listing Rules. The total consideration was HK\$7,770,000 of which HK\$3,762,500 was paid to three directors of the company, HK\$1,750,000 was paid to two directors of the company's subsidiaries, and the remaining HK\$2,257,500 was paid to associates of two directors of the company. The vendors guaranteed that the audited net tangible asset value per share of HDL as at 31 March 2002 ("NAV") will not be less than HK\$70.

**28 COMPARATIVE FIGURES**

Certain comparative figures have been adjusted as a result of changes in accounting policies for dividends, goodwill and provision for long service payments, details of which are set out in note 10. The provision for long service payments as at 31 March 2001 has been reclassified from current liabilities to non-current liabilities in order to better reflect the nature of the provision.

## Details of Principal Subsidiaries

Name of company	Principal activities	Place/country of incorporation	Place/country of operation	Particulars of issued and fully paid shares/equity	Percentage of issued shares/equity held by company	Percentage of issued shares/equity held by subsidiaries
Herald Group Limited	Investment holding	The British Virgin Islands	Hong Kong	1 share of US\$ 1 each	100	-
Herald (Hong Kong) Limited	Investment holding	Hong Kong	Hong Kong	10,000 shares of HK\$0.15 each	-	100
Herald China Investments Limited	Investment holding	Hong Kong	Hong Kong	1,000,000 shares of HK\$1 each	-	100
Herald Investments (China) Company Limited*®	Investment holding	The People's Republic of China	The People's Republic of China	Equity of US\$11,500,000	-	100
Herald Metal and Plastic Works Limited	Manufacture of toys	Hong Kong	Hong Kong	100 ordinary shares of HK\$10 each	-	100
				1,953,000 deferred shares of HK\$10 each	-	100
Dongguan Herald Metal and Plastic Company Limited*®	Manufacture of toys	The People's Republic of China	The People's Republic of China	Equity of HK\$35,400,000	-	100
Shenzhen Herald Metal and Plastic Company Limited**	Manufacture of toys	The People's Republic of China	The People's Republic of China	Equity of HK\$23,500,000	-	60
Herald Datanetics Limited	Manufacture of computer heads	Hong Kong	Hong Kong	1,128,000 shares of HK\$10 each	-	100
Cyber Network Limited	Trading of computer heads	Hong Kong	Hong Kong	2 shares of HK\$1 each	-	100
Zhuhai Herald Datanetics Limited**	Manufacture of computer heads	The People's Republic of China	The People's Republic of China	Equity of HK\$38,000,000	-	75

## Details of Principal Subsidiaries

Name of company	Principal activities	Place/country of incorporation	Place/country of operation	Particulars of issued and fully paid shares/equity	Percentage of issued shares/equity held by company	Percentage of issued shares/equity held by subsidiaries
Herald Engineering Services Inc.*	Engineering service	United States	United States	75,000 shares of US\$0.4 each	-	100
Herald Houseware Limited	Trading of housewares	Hong Kong	Hong Kong	5,000,000 shares of HK\$1 each	-	100
Herald Metal Products Company Limited**	Manufacture of housewares	The People's Republic of China	The People's Republic of China	Equity of US\$1,650,000	-	51
Zhuhai Herald Houseware Limited**	Manufacture of housewares	The People's Republic of China	The People's Republic of China	Equity of HK\$30,000,000	-	80
Pilot Housewares (U.K.) Limited*	Sales and distribution of housewares	England	England	800,000 shares of £1 each	-	100
Taipan Herald Limited	Trading of watches	Hong Kong	Hong Kong	5,000,000 shares of HK\$1 each	-	100
Zeon Limited	Sales and distribution of clocks, watches and electronic products	England	England	433,750 ordinary shares of £1 each	-	100
				1,250,000 12.5% cumulative redeemable preference shares of £1 each	-	100
				165,417 preferred shares of £1 each	-	100
Zeon Far East Limited	Trading of clocks and watches	Hong Kong	Hong Kong	2 shares of HK\$1 each	-	100

## Details of Principal Subsidiaries

Name of company	Principal activities	Place/country of incorporation	Place/country of operation	Particulars of issued and fully paid shares/equity	Percentage of issued shares/equity held by company	Percentage of issued shares/equity held by subsidiaries
Zeon GmbH*	Sales and distribution of clocks, watches and electronic products	Germany	Germany	500,000 shares of Euro 0.511	-	100
Zeon S.A.*	Sales and distribution of clocks, watches and electronic products	France	France	10,000 shares of Euro 15.245	-	100
Herald Electronics Limited	Trading of clocks and watches	Hong Kong	Hong Kong	1,000,000 shares of HK\$1 each	-	100
Shanghai Herald Electronics Company Limited**	Manufacture of clocks and watches	The People's Republic of China	The People's Republic of China	Equity of RMB3,200,000	-	75
Herald Marketing Limited	Marketing	Hong Kong	Hong Kong	3,000,000 shares of HK\$1 each	-	100
Jonell Limited	Property investment	Hong Kong	Hong Kong	2 shares of HK\$10 each	-	100
Premium Account Limited *	Property investment	The British Virgin Islands	The People's Republic of China	2 shares of US\$1 each	-	100

\* Companies not audited by KPMG, which constitute 9.5% (2001: 7.6%) of the consolidated turnover for the year ended 31 March 2002.

# Equity joint ventures registered under the laws of the People's Republic of China as Sino-foreign Joint Venture Enterprises.

@ Wholly-Owned Foreign Investment Enterprise registered under the laws of the People's Republic of China.

## Five Year Summary

	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
<b>Results</b>					
Turnover	<u>867,062</u>	<u>953,884</u>	<u>947,486</u>	<u>905,930</u>	<u>1,038,820</u>
(Loss)/profit from ordinary activities before taxation	<u>(27,905)</u>	15,863	44,004	29,719	(12,254)
Taxation	<u>(2,635)</u>	(2,257)	1,548	(5,448)	(7,107)
Minority interests	<u>(1,876)</u>	(4,933)	(6,185)	(1,789)	24,426
(Loss)/profit attributable to shareholders	<u>(32,416)</u>	<u>8,673</u>	<u>39,367</u>	<u>22,482</u>	<u>5,065</u>
<b>Assets and liabilities</b>					
Fixed assets	<b>184,516</b>	237,232	250,051	268,083	257,224
Interest in a jointly controlled entity/ associates	<b>1,759</b>	1,548	1,204	1,064	3,856
Other non-current financial assets	<b>6,046</b>	5,358	7,519	3,163	2,485
Current assets	<b>364,971</b>	357,328	382,127	368,822	352,639
Current liabilities	<u>(112,406)</u>	<u>(111,469)</u>	<u>(127,109)</u>	<u>(136,343)</u>	<u>(120,131)</u>
Total assets less current liabilities	<b>444,886</b>	489,997	513,792	504,789	496,073
Non-current liabilities	<b>(6,184)</b>	(3,582)	(3,487)	(2,250)	(1,000)
Minority interests	<u>(17,853)</u>	<u>(28,172)</u>	<u>(27,143)</u>	<u>(33,759)</u>	<u>(33,972)</u>
<b>NET ASSETS</b>	<u><b>420,849</b></u>	<u>458,243</u>	<u>483,162</u>	<u>468,780</u>	<u>461,101</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	<b>48,673</b>	48,766	49,566	50,707	50,976
Reserves	<u>372,176</u>	<u>409,477</u>	<u>433,596</u>	<u>418,073</u>	<u>410,125</u>
	<u><b>420,849</b></u>	<u>458,243</u>	<u>483,162</u>	<u>468,780</u>	<u>461,101</u>

As a result of changes in accounting policies for dividends, goodwill and provision for long service payments, figures for the years from 1998 to 2001 have been adjusted for comparison purposes.

## Notice of Annual General Meeting

**NOTICE IS HEREBY** given that the Annual General Meeting of Shareholders of the Company will be held at the Chater Room II, Function Room Level (B1), The Ritz-Carlton Hotel Hong Kong, 3 Connaught Road Central, Hong Kong on Wednesday, 18 September 2002 at 3.45 p.m. for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 March 2002.
2. To re-elect Directors.
3. To appoint Auditors and to authorize the Board of Directors to fix their remuneration.
4. To declare a final dividend

By Order of the Board  
**THONG Yeung Sum, Michael**  
*Secretary*

Hong Kong, 16 July 2002

*Notes:*

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him at the meeting. A proxy need not be a member of the Company.
2. To be valid, the form of proxy must be deposited at the principal office of the Company in Hong Kong at 3110, 31/F., Tower Two, Lippo Centre, 89 Queensway, Hong Kong together with any power of attorney or other authority, if any, under which it is signed or certified copy of that power or authority, not less than 48 hours before the time for holding of the meeting or any adjournment thereof.