1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands with limited liability on 18 September 2000.

During the year, the registered office of the Company has been changed to Century Yard, Cricket Square, Hutchins Drive, George Town, Grand Cayman, Cayman Islands, British West Indies.

The principal activity of the Company consists of investment holding. The principal activities of the Company's subsidiaries are set out in note 15 to the financial statements. During the year, the Group diversified into the business of the manufacture and sale of optic fibre cable and digital fibre cable products; and the trading of electrical appliances. Other than the foregoing, there were no significant changes in the nature of the subsidiaries' principal activities during the year.

The directors consider Landmark Worldwide Holdings Limited, a company incorporated in the British Virgin Islands, to be the Company's ultimate holding company at the balance sheet date.

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

The following recently issued and revised SSAPs are effective for the first time for the current year's financial statements:

*	SSAP 2.109 (Revised):	Events after the balance sheet date
*	SSAP 2.118 (Revised):	Revenue
*	SSAP 2.126:	Segment reporting
*	SSAP 2.128:	Provisions, contingent liabilities and contingent assets
*	SSAP 2.129:	Intangible assets
*	SSAP 2.130:	Business combinations
*	SSAP 2.131:	Impairment of assets
*	SSAP 2.132:	Consolidated financial statements and accounting for investments in subsidiaries

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

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 2.109 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 12 to the financial statements.

SSAP 2.118 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 2.109 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of this SSAP has resulted in a prior year adjustment, further details of which are included in note 11, 15 and 25 to the financial statements.

SSAP 2.126 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 2.128 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. SSAP 2.128 has had no major impact on these financial statements.

SSAP 2.129 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. SSAP 2.129 has had no major impact on these financial statements.

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

SSAP 2.130 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the balance sheet. It requires that goodwill is amortised to the profit and loss account over its estimated useful life. The provisions of this new accounting standard has been adopted in the accounting of acquisition of a subsidiary during the year.

SSAP 2.131 prescribes the recognition and measurement criteria for impairments of assets. SSAP 2.131 has had no major impact on these financial statements.

SSAP 2.132 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements. SSAP 2.132 has had no major impact on the preparation of these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of presentation and consolidation

The consolidated financial statements for the year ended 31 December 2001 include the financial statements of the Company and its subsidiaries. The results of a subsidiary acquired during the year are consolidated from the effective date of acquisition.

The consolidated financial statements for the year ended 31 December 2000 have been prepared using the merger basis of accounting as a result of a Group reorganisation completed on 7 December 2000 in preparation for the listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On this basis, the Company has been treated as the holding company of its subsidiaries throughout the period from 1 January 2000, rather than from the date of their acquisition of the subsidiaries. Accordingly, the consolidated results and cash flows of the Group for the year ended 31 December 2000 include the results and cash flows of the Company and its subsidiaries with effect from 1 January 2000 or since their respective dates of incorporation, where this is a shorter period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation and consolidation (continued)

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

All significant intercompany transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

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

Subsidiaries

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

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

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition. Goodwill arising during the year from acquisition of a subsidiary, in the amount of HK$76,000, is written off to the profit and loss account in view of the immateriality of the amount involved.

Negative goodwill

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

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 January 2001, to remain credited to the capital reserve.

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the fixed asset.

Changes in the values of fixed assets are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset, less any estimated residual value, over the following estimated useful lives:

Leasehold land and buildings	– Over the lease terms
Leasehold improvements	– Over the lease terms or 5 years, whichever is shorter
Plant and machinery	– 10 – 12 years
Furniture, fixtures and office equipment	– 5 – 10 years
Motor vehicles	– 5 – 10 years

Estimated residual values are determined as 10% of the original purchase cost of each individual underlying asset.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Impairment of assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Inventories

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

Related parties

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

Deferred tax

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

Research and development costs

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs (continued)

Deferred development costs are amortised using the straight-line basis over the estimated commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

During each of the financial years ended 31 December 2000 and 2001, all research and development costs incurred were not significant to the Group and had been charged to the profit and loss account in the years when they were incurred.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Dividends

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

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

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The Company also recognised the proposed final dividends of subsidiaries, which were declared and approved after the balance sheet date, as income in its profit and loss account for the year. The revised accounting treatments for dividends resulting from the adoption of SSAP 2.109 (Revised) and SSAP 2.118 (Revised), have given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in notes 11, 12 and 25 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries denominated in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve

Retirement benefits scheme

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

Apart from the foregoing, the Group's subsidiaries in the PRC are required to participate in the employee retirement scheme operated by the relevant local government bureau in the PRC and to make contributions for its eligible employees. The contributions to be borne by the Group are calculated at a certain percentage of the salaries and wages for those eligible employees.

The employer's pension costs charged to the profit and loss account for the year are set out in note 7 to the financial statements.

4. SEGMENT INFORMATION

SSAP 2.126 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

(a) the electronic products segment is a supplier of resistors and other electronic components mainly for use in the manufacture of various electrical and electronic household appliance products;

(b) the electrical accessories segment produces accessories for electrical appliance products;

(c) the ironware products segment is a supplier of metallic casings and other ironware parts for electrical and electronic appliances;

(d) the optic fibre cable and digital fibre cable products is a supplier of optic fibre and digital fibre products, the essential components of telecommunication equipment and electrical appliances; and

(e) the electrical appliances segment engages in trading of electrical appliances.

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

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

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2001 and 2000:

Group	Electronic products		Electrical accessories		Ironware products		Trading of electrical appliances		Optic fibre and digital fibre products		Corporate and others		Eliminations		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:																
Sales to external customers	**20,542**	69,159	**62,814**	120,761	**90,677**	167,391	**24,092**	–	**15,060**	–	**2,799**	–	**–**	–	**215,984**	357,311
Intersegment sales	**8,886**	1,996	**8,970**	6,989	**7,017**	5,784	**–**	–	**–**	–	**–**	–	**(24,873)**	(14,769)	**–**	–
Total	**29,428**	71,155	**71,784**	127,750	**97,694**	173,175	**24,092**	–	**15,060**	–	**2,799**	–	**(24,873)**	(14,769)	**215,984**	357,311
Segment results	**3,536**	17,389	**25,049**	30,951	**14,245**	35,976	**147**	–	**729**	–	**(9,897)**	(7,049)	**2,153**	3,025	**35,962**	80,292
Unallocated income															**2,655**	1,362
Profit from operating activities															**38,617**	81,654
Finance costs															**(4,054)**	(3,046)
Share of results of an associate															**240**	(413)
Profit before tax															**34,803**	78,195
Tax															**(4,411)**	(15,547)
Profit before minority interests															**30,392**	62,648
Minority interests															**(306)**	10
Net profit from ordinary activities attributable to shareholders															**30,086**	62,658

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group	Electronic products		Electrical accessories		Ironware products		Trading of electrical appliances		Optic fibre and digital fibre products		Corporate and others		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	43,682	64,562	115,161	137,198	113,404	138,239	183,355	–	49,967	–	3,577	3,009	(166,777)	(50,428)	342,369	292,580
Interests in an associate	–	–	–	–	–	–	–	–	–	–	2,434	1,912	–	–	2,434	1,912
Total assets															344,803	294,492
Segment liabilities	26,008	9,563	78,660	62,431	78,292	55,501	71,818	–	16,573	–	2,818	4,605	(166,777)	(50,428)	107,392	81,672
Unallocated liabilities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	54,727	47,383
Total liabilities															162,119	129,055
Other segment information:																
Depreciation	992	961	2,922	2,128	2,248	1,979	5	–	948	–	125	231	–	–	7,240	5,299
Deficit on revaluation	–	–	–	–	–	–	–	–	–	–	150	2,251	–	–	150	2,251
Other non-cash expenses	–	442	504	486	80	893	–	–	124	–	13	–	–	–	721	1,821
Capital expenditure																
Additions	173	1,812	9,634	12,590	24,107	12,054	–	–	3,126	–	156	95	–	–	37,196	26,551
Arising on acquisition of a subsidiary	–	–	–	–	–	–	–	–	29,181	–	–	–	–	–	29,181	–
	173	1,812	9,634	12,590	24,107	12,054	–	–	32,307	–	156	95	–	–	66,377	26,551

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2000 and 2001:

Group	Hong Kong		Elsewhere in the PRC		Southeast Asian Countries		Australia		Others		Eliminations		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:														
Sales to external customers	**9,054**	2,285	**182,590**	229,617	**218**	121,148	**24,092**	–	**30**	4,261	**–**	–	**215,984**	357,311
Segment results	**(3,694)**	611	**39,337**	44,314	**2**	34,178	**315**	–	**2**	1,189	**–**	–	**35,962**	80,292
Other segment information:														
Capital expenditure														
Additions	**156**	95	**37,040**	26,456	**–**	–	**–**	–	**–**	–	**–**	–	**37, 196**	26,551
Arising on acquisition of a subsidiary	**–**	–	**29,181**	–	**–**	–	**–**	–	**–**	–	**–**	–	**29,181**	–
	156	95	**66,221**	26,456	**–**	–	**–**	–	**–**	–	**–**	–	**66,377**	26,551

5. TURNOVER

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

6. RELATED PARTIES TRANSACTIONS

The Group had the following transactions with related parties during the year in addition to those disclosed elsewhere in the financial statements:

(i) During the year and as at the balance sheet date, the Group made an advance to an associate, further details of which are set out in note 16 to the financial statements.

(ii) During the year, certain of the Group's land and buildings in the PRC were disposed to a minority shareholder of a subsidiary at a consideration of HK$11,170,000. The directors considered that the consideration approximated to the open market value of the land and buildings at the date of disposal. Further details of which are included in note 26(d) to the financial statements.

(iii) As at the balance sheet date, certain of the Group's banking facilities were secured by a corporate guarantee executed by a minority shareholder of a subsidiary of the Company. Further details are set out in note 23 to the financial statements.

Certain securities against the Group's borrowings incepted prior to the listing of the Company's shares on the Stock Exchange remained outstanding as at 31 December 2000, which comprised mainly of legal charges on certain properties owned by two directors; joint and several guarantees executed by two directors; a personal guarantee executed by a director of a subsidiary of the Company; and the pledge of a director's fixed deposit. They were fully released during the interim of the year.

(iv) During the year ended 31 December 2000, the Group received management fees and services income in the amounts of HK$194,000 and HK$349,000 from a related company in which two directors of the Company also held directorships. These transactions ceased from 1 November 2000 onwards.

7. PROFIT FROM OPERATING ACTIVITIES

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

	2001 HK$'000	2000 HK$'000
Cost of inventories sold	**157,439**	251,689
Staff costs		
Salaries and wages (excluding directors' emoluments)	**13,549**	13,633
Pension contributions (excluding directors' emoluments)	**55**	12
Less: Amount included in research and development costs	**(339)**	(109)
	13,265	13,536
Auditors' remuneration	**800**	900
Depreciation	**7,240**	5,299
Research and development costs	**2,320**	1,673
Write off of goodwill on acquisition of a subsidiary*	**76**	–
Deficit on revaluation of fixed assets*	**150**	2,251
Provision for bad and doubtful debts	**584**	1,821
Loss/(gain) on disposal of fixed assets	**280**	(23)
Interest income	**(1,676)**	(625)

* These amount are included in "Other operating expenses" on the face of the profit and loss account.

8. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**240**	–
	240	–
Other emoluments paid and payable to executive directors:		
Basic salaries, housing, other allowances and benefits in kind	**4,200**	1,285
Pension scheme contributions	**231**	5
	4,431	1,290
	4,671	1,290

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2001	2000
Nil – HK$1,000,000	**7**	8
HK$1,000,001 – HK$1,500,000	**1**	–
	8	8

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

8. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES (continued)

Five highest paid employees

The five highest paid individuals for the current year were all directors (2000: three directors), details of whose remuneration are set out above. The remuneration of the remaining two non-director, highest paid individuals for the year ended 31 December 2000 was analysed as follows:

	Group
	2000
	HK$'000
Basic salaries, housing, other allowances and benefits in kind	668
Pension scheme contributions	2
	670

The remuneration paid to each of the non-director, highest paid individuals (two persons in total) for the year ended 31 December 2000 fell within the band of nil to HK$1,000,000.

During the year, 2,000,000 share options were granted to a non-director employee in respect of his services to the Group, further details of which are included in the disclosures set out under the heading "Share option scheme" in the Report of the Directors. No value is included in the above remuneration in respect of the share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted.

9. FINANCE COSTS

	2001	2000
	HK$'000	HK$'000
Interest expenses on bank loans wholly repayable within five years	**4,054**	3,046

10. TAX

	2001 HK$'000	2000 HK$'000
Current year provision:		
People's Republic of China:		
Hong Kong	**3**	–
Elsewhere	**4,408**	15,547
	4,411	15,547

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax was made for the year ended 31 December 2000 as the Group had not generated any assessable profits arising from its operations in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax applicable in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Under the relevant laws and regulations in the People's Republic of China (the "PRC"), a newly acquired subsidiary of the Company operating in the PRC is exempted from income tax for two years from its first profit making year and is eligible for a 50% reduction in income tax for the following three years. During the year, the subsidiary was in its first profit making year and accordingly its profits were exempted from income tax.

As at the balance sheet date, there were no material timing differences which would give rise to a deferred tax asset or liability (2000: Nil).

11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2001 is HK$25,289,000 (period from 18 September 2000 (date of incorporation) to 31 December 2000: net loss of HK$3,100,000 as adjusted).

The comparative amount for 2000 has been restated by a prior year adjustment resulting in a net debit of HK$27,500,000 to the Company's net profit for that year, and a net credit of the same amount to the amount due from a subsidiary in the Company's balance sheet. The prior year adjustment reversed dividends from a subsidiary which were declared and approved by the subsidiary after the prior year's balance sheet date, but which were recognised by the Company as revenue in its financial statements for that year. This change in accounting policy has arisen from the adoption of revisions to SSAP 2.118, as further detailed in note 2 to the financial statements.

11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS (continued)

As no dividends were declared by the subsidiaries to the Company for the current year, the effect of this change in accounting policy on the Company's net profit for the current year was only to increase the net profit by HK$27,500,000 to HK$25,289,000, representing the effect of the prior year adjustment of HK$27,500,000.

12. DIVIDENDS

	2001	2000
	HK$'000	HK$'000
Interim	**–**	37,000
Proposed final	**–**	24,000
Adjustment to 2000 final dividend	**160**	–
	160	61,000

The directors resolved not to pay a final dividend to shareholders for the year ended 31 December 2001.

The adjustment to 2000 final dividend of HK$160,000 represents a portion of the 2000 final dividend declared on shares issued pursuant to the exercise, subsequent to the approval of the Company's audited financial statements for the preceding year ended 31 December 2000, of options to subscribe for shares in the Company. These shares were also entitled to the dividend for the period concerned.

The interim dividend for the year ended 31 December 2000 was proposed and paid by Tong Da Holdings (BVI) Limited ("Tong Da (BVI)") to its then existing shareholders. Tong Da (BVI) was the then holding company of the Group companies prior to the completion on 7 December 2000 of a Group reorganisation in preparation of the listing of the Company's shares on the Stock Exchange.

During the year, the Group adopted the revised SSAP 2.109 "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment was made to reclassify the proposed final dividend for the year ended 31 December 2000 of HK$24,000,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31 December 2000, by HK$24,000,000.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit attributable to shareholders for the year of HK$30,086,000 (2000: HK$62,658,000), and the weighted average of 3,013,095,890 ordinary shares (2000: 2,270,547,950 ordinary shares as adjusted) in issue during the year.

The weighted average number of shares used to calculate the earnings per share for the year ended 31 December 2000 includes the pro forma issued share capital of the Company, comprising 999,999 shares issued nil paid and 1 share issued fully paid at par on incorporation of the Company and 1,000,000 shares issued for the acquisition of the entire issued share capital of Tong Da (BVI), the capitalisation issue of 223,000,000 shares, and the 75,000,000 shares issued upon the listing of the Company's shares on the Stock Exchange on 22 December 2000. Both the calculation of this weighted average number of shares for the year ended 31 December 2000 and that for the current year ended 31 December 2001 has taken into account the sub-division of all the existing issued shares of the Company during the year on 30 October 2001 in the proportion of 10 new shares for each of the then existing share in the Company.

The calculation of diluted earnings per share for the year ended 31 December 2001 was based on the net profit attributable to shareholders for the year of HK$30,086,000 and on 3,013,096,035 ordinary shares, being the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive potential ordinary shares outstanding during the year.

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

Weighted average number of ordinary shares used in calculating basic earnings per share	3,013,095,890
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of options outstanding during the year	145
Weighted average number of ordinary shares used in calculating diluted earnings per share	3,013,096,035

The diluted earnings per share for the year ended 31 December 2000 has not been shown as there were then no potential dilutive ordinary shares in existence during that year.

14. FIXED ASSETS

Group	Leasehold land and buildings in Hong Kong HK$'000	Leasehold land and buildings elsewhere in the PRC HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:								
At beginning of year	2,000	54,981	327	42,905	2,628	4,118	1,425	108,384
Additions	–	3,563	–	12,266	405	742	20,220	37,196
Acquisition of subsidiaries	–	11,109	–	17,799	101	172	–	29,181
Disposals	–	(11,960)	–	(891)	(5)	–	–	(12,856)
Deficit arising on revaluation	(200)	–	–	–	–	–	–	(200)
At 31 December 2001	1,800	57,693	327	72,079	3,129	5,032	21,645	161,705
Accumulated depreciation:								
At beginning of year	–	5,655	310	10,887	1,149	2,252	–	20,253
Provided for the year	50	1,951	17	4,347	337	538	–	7,240
Written back on disposal	–	(851)	–	(555)	–	–	–	(1,406)
Written back on revaluation	(50)	–	–	–	–	–	–	(50)
At 31 December 2001	–	6,755	327	14,679	1,486	2,790	–	26,037
Net book value:								
At 31 December 2001	1,800	50,938	–	57,400	1,643	2,242	21,645	135,668
At 31 December 2000	2,000	49,326	17	32,018	1,479	1,866	1,425	88,131

An analysis of the cost or valuation of the fixed assets of the Group is as follows:

At cost	–	57,693	327	72,079	3,129	5,032	21,645	159,905
At 31 December 2001 valuation	1,800	–	–	–	–	–	–	1,800
At 31 December 2001	1,800	57,693	327	72,079	3,129	5,032	21,645	161,705

14. FIXED ASSETS (continued)

All the Group's leasehold land and buildings are held under medium term leases.

The Group's leasehold land and buildings situated in Hong Kong were pledged as security against banking facilities granted to the Group (note 23).

The Group's leasehold land and buildings situated in Hong Kong were revalued at the balance sheet date by CS Surveyors Limited, a firm of independent professional valuers, at an open market value of HK$1,800,000 based on their existing use. A deficit of HK$150,000 arising therefrom has been charged to the profit and loss account (note 7).

In respect of the Group's leasehold land and buildings situated elsewhere in the PRC, the Group is in the process of applying for the transfer of the Certificates for the Use of State-owned Land (the "New Certificates"). Except for the payment of certain nominal fees required to obtain the New Certificates, the Group has fully settled the charges required to obtain the land use right of the land and the full rights to the buildings, including the land requisition charge, agricultural land occupation tax, land use fee, ancillary facilities charge and deed tax. As confirmed by legal opinions issued by the Group's PRC lawyers, all of the sale and purchase agreements relating to the purchases of these leasehold land and buildings are legally valid under the laws of PRC and the Group has the entitlement to obtain the real estate titles from the relevant PRC authority. The directors expect to reflect the results of revaluation for the PRC leasehold land and buildings in the Group's financial statements when the relevant New Certificates are obtained and any current uncertainties as to title are removed.

Had all of the Group's leasehold land and buildings situated in Hong Kong been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$4,133,000 (2000: HK$4,251,000).

15. INVESTMENTS IN SUBSIDIARIES

Company

	2001 **HK$'000**	2000 HK$'000
Unlisted investments, at cost	**79,379**	79,379

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

The amount due from a subsidiary in the prior year was adjusted for the effect of a prior year adjustment of HK$27,500,000 in respect of dividends declared and approved by a subsidiary subsequent to the prior year's balance sheet date, as further explained in note 11 to the financial statements.

15. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tong Da Holdings (BVI) Limited	British Virgin Islands (the "BVI")	Ordinary US$10,000	100	–	Investment holding
Tong Da General Holdings (H.K.) Limited	Hong Kong	Ordinary HK$880,000	–	100	Investment holding and raw material sourcing
Ever Target Limited	Hong Kong	Ordinary HK$4	–	100	Investment holding and raw material sourcing
Tongda Group International Limited	Hong Kong	Ordinary HK$2	–	100	Investment holding
Tongda Optical Fiber Technology Limited	Hong Kong	Ordinary HK$100,000	–	86.67	Investment holding
Tongda Electrics Company Limited, Shishi *(Note 1)*	People's Republic of China (the "PRC")	Registered RMB5,813,685	–	100	Manufacture and sale of accessories for electrical appliance
Tong Da Metals Company Limited, Shishi City, Fujian *(Note 2)*	PRC	Registered RMB8,023,560	–	100	Manufacture and sale of ironware products

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tongda Electronic Company Limited, Shishi City *(Note 3)*	PRC	Registered RMB10,000,000	–	100	Manufacture and sale of resistors and other electronic products
Xiamen Optic Conduct Cable Company Limited *(Note 4)*	PRC	Registered RMB45,741,029	–	75	Manufacture and sale of optic fibre cable and digital fibre cable products
Tongda (Shenzhen) Company Limited	Hong Kong	Ordinary HK$10,000	–	100	Manufacture and sale of ironware products in the PRC, currently dormant
Tongda Overseas Company Limited	BVI	Ordinary US$1	–	100	Trading of electrical appliance products in the PRC
Laitverne Management Limited	BVI	Ordinary US$1	–	100	Provision of marketing services in the PRC
Taxdeal Properties Limited	BVI	Ordinary US$1	–	100	Provision of technical support services in the PRC
Tabcombe Consultants Limited	BVI	Ordinary US$1	–	100	Provision of quality control services in the PRC

15. INVESTMENTS IN SUBSIDIARIES (continued)

Notes:

1. Tongda Electrics Company Limited, Shishi is a wholly foreign-owned enterprise ("WOFE") with an operating period of 15 years commencing 12 February 1993. The registered capital was fully paid in 1997.

2. Tong Da Metals Company Limited, Shishi City, Fujian is a WOFE with an operating period of 15 years commencing 29 October 1992. The registered capital was fully paid in 1998.

3. Tongda Electronic Company Limited, Shishi City is a WOFE with an operating period of 30 years commencing 20 December 1998. The registered capital was fully paid in 1997.

4. Xiamen Optic Conduct Cable Company Limited is a Sino-foreign joint venture company with an operating period of 15 years commencing from 10 November 1993. During the year, the registered capital was increased from US$3,500,000 to US$5,500,000 and was fully paid before the balance sheet date.

All subsidiaries operate principally in their places of incorporation unless otherwise specified under "Principal activities".

16. INTEREST IN AN ASSOCIATE

	Group	
	2001	2000
	HK$'000	HK$'000
Share of net liabilities	**(168)**	(408)
Due from an associate	**2,602**	2,320
	2,434	1,912

16. INTEREST IN AN ASSOCIATE (continued)

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation	Percentage of ownership interest attributable to the Group	Principal activities
Meijitsu Tongda (HK) Company Limited	Incorporated	Hong Kong	50	Manufacture and sale of screen printing products in the PRC

The balance due from an associate is unsecured, interest-free and has no fixed terms of repayment.

The directors of the Company do not intend to demand settlement of the amount due until the associate has funds available, surplus to those necessary to provide adequate working capital for financing its operatings. Accordingly, the amount is classified as a long term receivable.

17. INVENTORIES

	Group	
	2001	2000
	HK$'000	HK$'000
Raw materials	**17,957**	11,741
Work in progress	**3,522**	2,077
Finished goods	**8,990**	6,923
	30,469	20,741

Included in the above balance are inventories in the amount of HK$1,194,000 (2000: Nil) which are carried at their net realisable value as at the balance sheet date.

18. TRADE AND BILLS RECEIVABLE

	Group	
	2001	2000
	HK$'000	HK$'000
Trade receivables	**92,795**	88,632
Bills receivable	**13,673**	3,237
	106,468	91,869

The aged analysis of the Group's trade and bills receivable as at 31 December 2001 is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Within 3 months	**84,810**	80,963
4 to 6 months	**14,496**	6,547
7 to 9 months	**4,062**	3,861
10 to 12 months	**1,220**	1,351
More than 1 year	**4,461**	1,958
	109,049	94,680
Provisions for bad and doubtful debts	**(2,581)**	(2,811)
	106,468	91,869

It is the general policy of the Group to allow a credit period of two to three months. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain a good relationship.

19. CASH AND CASH EQUIVALENTS

	Group	
	2001	2000
	HK$'000	HK$'000
Cash and bank balances	**41,159**	15,536
Time deposits	**21,237**	61,400
	62,396	76,936

20. TRADE AND BILLS PAYABLE

	Group	
	2001	2000
	HK$'000	HK$'000
Trade payables	**27,988**	18,071
Bills payable	**1,713**	2,791
	29,701	20,862

The aged analysis of the Group's trade and bills payable as at 31 December 2001 is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Within 3 months	**24,223**	14,150
4 to 6 months	**3,812**	4,560
7 to 9 months	**351**	–
10 to 12 months	**119**	2,029
More than 1 year	**1,196**	123
	29,701	20,862

21. DUE TO A MINORITY SHAREHOLDER

The amount due to a minority shareholder is unsecured, interest-free and has no fixed terms of repayment.

22. INTEREST-BEARING BANK BORROWINGS

	Group	
	2001	2000
	HK$'000	HK$'000
Bank loans, secured:		
Amount repayable within one year	**54,727**	47,383

23. BANKING FACILITIES

As at 31 December 2001, the Group's banking facilities were secured by the following:

(i) a legal charge on a leasehold property situated in Hong Kong owned by the Group;

(ii) cross-guarantees amongst certain subsidiaries of the Company to the extent of approximately HK$48 million (2000: HK$47 million);

(iii) corporate guarantees to the extent of HK$18 million (2000: Nil) in aggregate executed by the Company in respect of banking facilities utilised by certain subsidiaries of the Company; and

(iv) corporate guarantee to the extent of approximately HK$19 million executed by a minority shareholder of a subsidiary of the Company.

24. SHARE CAPITAL

	2001	2000
	HK$'000	HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each (2000: 2,000,000,000 ordinary shares of HK$0.10 each)	**200,000**	200,000
Issued and fully paid:		
3,020,000,000 ordinary shares of HK$0.01 each (2000: 300,000,000 ordinary shares of HK$0.10 each)	**30,200**	30,000

24. SHARE CAPITAL (continued)

The following changes in the Company's authorised and issued share capital took place during the year:

(i) Options to subscribe for 2,000,000 ordinary shares in the Company were granted during the year on 25 April 2001. On 7 May 2001, all of these share options were exercised and resulted in the issue and allotment of 2,000,000 new ordinary shares in the Company.

(ii) On 30 October 2001, each of the then existing issued and unissued shares of HK$0.10 each in the Company was sub-divided into 10 shares (the "Sub-dividend shares") of HK$0.01 each. Immediately upon the share sub-division becoming effective and on the basis of 302,000,000 shares then in issue, a total of 3,020,000,000 Sub-divided shares were created pursuant to the share sub-division with each of which ranking pari passu with one another in all respect regarding the shareholders' rights attached thereto.

Share options

The Company operates a Share Option Scheme (the "Scheme") which was adopted by the Company on 7 December 2000. Further details of the Scheme are set out under the heading "Share Option Scheme" in the Report of the Directors on pages 19 to 20.

During the year, the Company granted a total of 2,000,000 share options under the Scheme at a nominal consideration of HK$1. The share options granted entitle the holders to subscribe for shares in the Company at any time during period from 26 April 2001 to 25 April 2011 at a subscription price of HK$0.80 per share. On 7 May 2001, all of these options granted were exercised and resulted in the issue and allotment of 2,000,000 new ordinary shares of HK$0.10 each in the Company. The excess of the subscription consideration received over the nominal value of the issued shares, in the amount of HK$1,400,000, was credited to the share premium account (note 25). In addition, all of the 2,000,000 ordinary shares of HK$0.10 each in the Company issued and allotted pursuant to the exercise of share options have been sub-divided into 20,000,000 ordinary shares of HK$0.01 each on 30 October 2001 following the Company's sub-division of its entire issued share capital as detailed above.

As all options granted since the Company's adoption of the Scheme have been exercised during the year, as at the balance sheet date and the date of this report, there are no outstanding options to subscribe for new shares in the Company.

25. RESERVES

	Share premium account HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Group					
At 1 January 2000	–	872	(962)	78,548	78,458
Premium arising from issue of shares	67,500	–	–	–	67,500
Capitalisation issue of shares	(22,300)	–	–	–	(22,300)
Share issue expenses	(13,959)	–	–	–	(13,959)
Arising on acquisition of additional equity interests in a subsidiary	–	121	(41)	–	80
Net profit attributable to shareholders for the year	–	–	–	62,658	62,658
Interim dividends – note 12	–	–	–	(37,000)	(37,000)
Proposed final dividends – note 12	–	–	–	(24,000)	(24,000)
At 31 December 2000 and 1 January 2001	31,241	993	(1,003)	80,206	111,437
Arising on exercise of options to subscribe for new shares in the Company – note 24	1,400	–	–	–	1,400
Net profit attributable to shareholders for the year	–	–	–	30,086	30,086
Adjustment to 2000 final dividends – note 12	–	–	–	(160)	(160)
At 31 December 2001	32,641	993	(1,003)	110,132	142,763

The reserves are retained as follows:

	Share premium account HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Company and subsidiaries	32,641	993	(1,003)	110,305	142,936
An associate	–	–	–	(173)	(173)
At 31 December 2001	32,641	993	(1,003)	110,132	142,763
Company and subsidiaries	31,241	993	(1,003)	80,619	111,850
An associate	–	–	–	(413)	(413)
At 31 December 2000	31,241	993	(1,003)	80,206	111,437

25. RESERVES (continued)

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
Company				
Arising on acquisition of Tong Da (BVI) and applied in payment of 1,000,000 shares allotted nil paid on incorporation	–	79,179	–	79,179
Premium arising from issue of shares	67,500	–	–	67,500
Capitalisation issue of shares	(22,300)	–	–	(22,300)
Share issue expenses	(13,959)	–	–	(13,959)
Net result for the year				
– as previously reported	–	–	24,400	24,400
– prior year adjustment – note 11	–	–	(27,500)	(27,500)
– as restated	–	–	(3,100)	(3,100)
Proposed final dividend – note 12	–	–	(24,000)	(24,000)
At 31 December 2000 and 1 January 2001				
– as previously reported	31,241	79,179	400	110,820
– prior year adjustment – note 11	–	–	(27,500)	(27,500)
– as restated	31,241	79,179	(27,100)	83,320
Arising on exercise of share options to acquire shares in the Company – note 24	1,400	–	–	1,400
Net profit for the year	–	–	25,289	25,289
Adjustment to 2000 final dividend – note 12	–	–	(160)	(160)
	32,641	79,179	(1,971)	109,849

25. RESERVES (continued)

The proposed final dividend account within the capital and reserves section of the balance sheet represents an appropriation from retained profits and therefore forms part of the total of such reserve until the dividends are declared and paid. In addition, any excess of the appropriation over the retailed profits reserve will be replenished by dividends declared to the Company by its subsidiaries when they are approved subsequent to the balance sheet date. The directors of the Company anticipate that the approval of such dividends from subsidiaries will be confirmed in due course.

(a) Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) As at 31 December 2001, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK$109,849,000, subject to the restrictions stated in note 25(a) above.

(c) The capital reserve of the Group represents principally the excess fair values ascribed to the net underlying assets of certain subsidiaries acquired prior to the Group reorganisation completed on 7 December 2000 in preparation of the listing of the Company's shares, over the purchase consideration paid in respect therefor.

The contributed surplus of the Company arose as a result of the Group reorganisation completed on 7 December 2000 in preparation of the listing of the Company's shares, and represents the excess of the combined net assets of the subsidiaries then acquired by the Company, over the nominal value of the share capital of the Company issued in exchange therefor.

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK$'000	2000 HK$'000
Profit from operating activities	38,617	81,654
Depreciation	7,240	5,299
Provision for bad and doubtful debts	584	1,821
Reversal of provisions for bad and doubtful debts	(890)	–
Interest income	(1,676)	(625)
Loss/(gain) on disposal of fixed assets	280	(23)
Write-off of goodwill	76	–
Deficit on revaluation of fixed assets	150	2,251
Decrease/(increase) in inventories	(7,393)	4,294
Increase in trade and bills receivable	(3,959)	(29,159)
Decrease/(increase) in prepayment, deposits and other receivables	21,842	(6,948)
Increase in an amount due from an associate	(282)	–
Increase/(decrease) in trade and bills payable	6,837	(18,176)
Increase in accrued liabilities and other payables	5,970	7,356
Net cash inflow from operating activities	67,396	47,744

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of subsidiaries

	2001 HK$'000	2000 HK$'000
Net assets acquired:		
Fixed assets	29,181	–
Cash and bank balances	2,795	–
Inventories	2,335	–
Trade receivable	10,334	–
Prepayments, deposits and other receivable	14,307	–
Trade payable	(2,002)	–
Accrued liabilities and other payables	(251)	–
Due to a minority shareholder	(25,211)	–
Interest-bearing bank borrowings	(9,346)	–
Minority interest	(5,536)	–
	16,606	–
Goodwill on acquisition	76	–
	16,682	–
Satisfied by:		
Cash	5,512	–
Set-off against amount due to a minority shareholder	11,170	–
	16,682	–

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) **Acquisition of subsidiaries** (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2001	2000
	HK$'000	HK$'000
Cash consideration	**5,512**	–
Cash and bank balances acquired	**(2,795)**	–
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**2,717**	–

On 27 June 2001, the Company acquired through a 86.67% owned subsidiary an 75% indirect interest in Xiamen Optic Conduct Cable Company Limited ("Xiamen Optic") at a consideration of HK$16,682,000. Xiamen Optic is engaged in the manufacture and sales of optic fibre cable and digital fibre cable products.

For the year ended 31 December 2001, Xiamen Optic made a post-acquisition contribution of HK$15 million to the Group's turnover and HK$702,000 to the consolidated profit after tax and before minority interests.

For the year ended 31 December 2001, Xiamen Optic contributed HK$3,264,000 and HK$ 8,937,000 to the Group's net operating cash flows and cash flows for investing activities, respectively, paid HK$309,000 in respect of the cash flows for net returns on investments and servicing of finance and gave rise to financing cash outflows of HK$6,316,000, but had no significant impact in respect of the Group's cash flows for the payment of tax.

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Analysis of changes in financing

	Share capital and share premium account HK$'000	Advance from directors HK$'000	Amount due to a minority shareholder HK$'000	Bank loans HK$'000	Minority interests HK$'000
At 1 January 2000	200	464	–	32,196	1,083
Net cash inflow/(outflow) from financing	61,041	(464)	–	15,187	–
Share of net loss of a subsidiary	–	–	–	–	(10)
Reversed on acquisition of additional equity interests in a subsidiary	–	–	–	–	(1,073)
At 31 December 2000 and 1 January 2001	61,241	–	–	47,383	–
Net cash inflow/(outflow) from financing	1,600	–	(18,560)	(2,002)	3,879
Arising on acquisition of subsidiaries	–	–	25,211	9,346	5,536
Minority's share in profit for the current year	–	–	–	–	306
At 31 December 2001	62,841	–	6,651	54,727	9,721

(d) Major non-cash transactions

A portion of the purchase consideration payable by the Group for the acquisition of subsidiaries during the year, in the amount of HK$11,170,000, was settled by offsetting against a consideration of the same and receivable by the Group for the disposal subsequent to the acquisition of fixed assets to the same party during the year.

27. CONTINGENT LIABILITIES

At the balance sheet date, the Company had contingent liabilities in respect of corporate guarantees given to banks in connection with facilities granted to certain subsidiaries and an associate to the extent of HK$18 million (2000: Nil). As at 31 December 2001, the bank facilities as mentioned above were utilised to the extent of approximately HK$8 million.

Save as disclosed above, neither the Group nor the Company had any significant contingent liabilities at the balance sheet dates.

28. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its use of land under operating lease arrangements which are negotiated for a lease term of 50 years. At 31 December 2001, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Within one year	**138**	–
In the second to fifth years, inclusive	**565**	–
After five years	**9,689**	–
	10,392	–

29. COMMITMENTS

In addition to the Company lease commitments set out in note 28 above, the Group had the following capital commitments contracted but not provided for at the balance sheet date:

	Group	
	2001	2000
	HK$'000	HK$'000
(i) Additions to construction in progress and other fixed assets	**18,633**	10,093
(ii) Procurement of land use rights for a PRC land for 50 years	**1,495**	1,680
	20,128	11,773

30. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation. These include financial statement amounts in relation to the proposed final dividends for the year ended 31 December 2000 for which a prior year adjustment has been made upon the adoption of the revised SSAP 2.109, as further explained in note 2 to the financial statements.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 April 2002.