

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

1. GENERAL

The Company is an exempted company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Sapphire Profits Limited, a company incorporated in the British Virgin Islands.

The Company acts as an investment holding company. The principal activities of the subsidiaries are the manufacture of and trading in electronic products, conductive silicon rubber keypads and printed circuit boards.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention as modified for the revaluation of land and buildings.

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

Basis of consolidation

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

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

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company, directly or indirectly, controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries included in the Company's balance sheet are stated at cost, as reduced by any decline in the value of the subsidiary that is other than temporary. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a business/subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a business/subsidiary over the purchase consideration is credited to reserves.

On disposal of a business/subsidiary, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the business/subsidiary.

Revenue recognition

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

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

Property, plant and equipment

Property, plant and equipment other than construction in progress is stated at cost or valuation less depreciation or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement 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 asset.

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Construction in progress is carried at cost. Cost includes all development expenditure and other direct costs incurred during the construction period. No depreciation is provided on construction in progress until the construction is completed and the relevant assets have been put into commercial use.

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

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

The carrying value of land use rights is amortised on a straight line basis over the relevant term of the land use right or, where shorter, the term of the company to which the land use rights are granted.

Depreciation and amortisation are provided to write off the cost of other items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the term of the leases
Buildings	5%
Leasehold improvements	25%
Plant, machinery and moulds	12.5%
Furniture, fixtures and office equipment	25%
Motor vehicles	25%

Assets held under hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents 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.

Finance leases and hire purchase contracts

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

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

Research and development costs

Expenditure incurred on projects to develop new products, including the costs of acquiring the rights to the relevant technical know-how, will be capitalised only when the project is 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 will be of commercial value. Expenditure on research and development which does not meet these criteria is expensed when incurred.

Taxation

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

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

Retirement benefits cost

The pension costs charged in the income statement represent the amount of contributions payable in respect of the current year to the Group's defined contribution scheme.

Cash equivalents

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 advances.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

3. TURNOVER AND CONTRIBUTIONS TO PROFIT FROM OPERATIONS

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

An analysis of the Group's turnover and contribution to profit from operations for the year ended 31 December 2000 by product category and turnover by geographical market are as follows:

	Turnover		Profit (loss) from operations	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Electronic calculators	237,487	249,176	2,064	4,351
Electronic organisers	102,527	123,132	4,072	8,587
Conductive silicon rubber keypads	49,328	56,658	9,769	12,310
Printed circuit boards	70,225	37,271	(5,995)	(2,230)
	<u>459,567</u>	<u>466,237</u>	<u>9,910</u>	<u>23,018</u>
Turnover by geographical market:				
Japan (Note 1)	76,130	73,449		
Hong Kong (Note 2)	93,972	98,853		
Europe	38,518	39,273		
Mainland China	81,860	64,309		
America	91,078	100,919		
Other Asian countries	38,753	56,498		
Others	39,256	32,936		
	<u>459,567</u>	<u>466,237</u>		

Notes

- The directors believe that a substantial portion of the Group's sales attributable to the Japanese market was subsequently resold to the Europe and America markets.
- The directors believe that a portion of the Group's sales attributable to the Hong Kong market was subsequently resold to other markets.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

4. OTHER REVENUE

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Other revenue includes:		
Interest income	803	829
Surplus on revaluation of leasehold land and buildings	641	-
Net rental income	<u>234</u>	<u>184</u>

5. PROFIT FROM OPERATIONS

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Current year	650	650
Overprovision in prior year	-	(37)
Deficit on revaluation of leasehold land and buildings	-	1,808
Exchange gain, net	185	950
Loss on disposal of property, plant and equipment	509	208
Provision for obsolete and slowing moving inventories	5,793	1,488
Research and development costs	2,987	1,595
Depreciation and amortisation on:		
- owned assets	25,698	19,433
- assets held under finance leases and hire purchase contracts	<u>2,257</u>	<u>1,879</u>
	27,955	21,312
<i>Less:</i> amount capitalised in moulds	<u>(544)</u>	<u>(527)</u>
	<u>27,411</u>	<u>20,785</u>
Operating lease rentals in respect of rented premises	463	1,120
<i>Less:</i> amount capitalised in moulds	<u>(162)</u>	<u>(189)</u>
	<u>301</u>	<u>931</u>
Staff costs	60,050	61,353
<i>Less:</i> amount capitalised in moulds	<u>(923)</u>	<u>(2,091)</u>
	<u>59,127</u>	<u>59,262</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

6. FINANCE COSTS

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Interest on:		
– bank borrowings wholly repayable within five years	5,730	3,479
– obligations under finance leases and hire purchase contracts	615	803
	<u>6,345</u>	<u>4,282</u>

7. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

Directors' emoluments

The directors' emoluments are analysed as follows:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Fees:		
Executive	–	–
Independent non-executive	360	360
	<u>360</u>	<u>360</u>
Other emoluments paid to executive directors:		
Salaries and other benefits	5,351	4,316
Retirement benefits scheme contributions	228	192
	<u>5,579</u>	<u>4,508</u>
Total directors' emoluments	<u>5,939</u>	<u>4,868</u>

The emoluments of the directors were within the following bands:

	2000 Number of directors	1999 Number of directors
Nil to HK\$1,000,000	7	7
HK\$1,000,001 to HK\$1,500,000	2	1
	<u>9</u>	<u>8</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

7. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES *(continued)*

Highest paid employees

The five highest paid employees of the Group for the year included five (1999: five) executive directors, details of whose emoluments are set out above. The emoluments of the five highest paid employees are as follows:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Salaries and other benefits	4,670	4,615
Retirement benefits scheme contributions	<u>198</u>	<u>213</u>
	<u>4,868</u>	<u>4,828</u>

Their emoluments were within the following bands:

	2000 Number of employees	1999 Number of employees
Nil to HK\$1,000,000	3	4
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>1</u>
	<u>5</u>	<u>5</u>

During the year, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No directors have waived any emoluments during the year.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

8. TAXATION

	2000 HK\$'000	1999 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
– current year	380	1,210
– overprovision in prior year	(232)	(1,057)
Taxation in Mainland China	<u>3,075</u>	<u>2,130</u>
	3,223	2,283
Deferred taxation (<i>note 18</i>)	<u>(400)</u>	<u>600</u>
	<u><u>2,823</u></u>	<u><u>2,883</u></u>

Hong Kong Profits Tax is calculated at 16% (1999: 16%) of the estimated assessable profit for the year.

Details of the deferred taxation is set out in note 18.

9. PROFIT FOR THE YEAR

Of the Group's profit of HK\$1,698,000 (1999: HK\$15,596,000), a loss of HK\$1,509,000 (1999: HK\$432,000) has been dealt with in the financial statements of the Company.

10. EARNINGS PER SHARE

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

	2000 HK\$'000	1999 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>1,698</u>	<u>15,596</u>
	2000	1999
Weighted average number of ordinary shares for the purposes of basic earnings per share	481,808,219	448,356,164
Effect of dilutive potential ordinary shares:		
Options	<u>404,712</u>	<u>–</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><u>482,212,931</u></u>	<u><u>448,356,164</u></u>

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FOR THE YEAR ENDED 31 DECEMBER 2000

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant, machinery and moulds HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP							
COST AND VALUATION							
At 1 January 2000	148,570	1,823	121,119	7,514	5,850	24,294	309,170
Additions	1,943	-	11,354	1,308	-	3,188	17,793
Disposals	-	-	(1,573)	(39)	-	-	(1,612)
Reclassifications	26,741	-	741	-	-	(27,482)	-
Surplus arising on revaluation	6,096	-	-	-	-	-	6,096
At 31 December 2000	<u>183,350</u>	<u>1,823</u>	<u>131,641</u>	<u>8,783</u>	<u>5,850</u>	<u>-</u>	<u>331,447</u>
COMPRISING:							
At cost	-	1,823	131,641	8,783	5,850	-	148,097
At valuation - 2000	<u>183,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,350</u>
	<u>183,350</u>	<u>1,823</u>	<u>131,641</u>	<u>8,783</u>	<u>5,850</u>	<u>-</u>	<u>331,447</u>
DEPRECIATION							
At 1 January 2000	-	959	37,808	4,957	3,699	-	47,423
Provided for the year	8,212	665	16,603	1,468	1,007	-	27,955
Eliminated on disposal	-	-	(1,065)	(27)	-	-	(1,092)
Eliminated on revaluation	<u>(8,212)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,212)</u>
At 31 December 2000	<u>-</u>	<u>1,624</u>	<u>53,346</u>	<u>6,398</u>	<u>4,706</u>	<u>-</u>	<u>66,074</u>
NET BOOK VALUE							
At 31 December 2000	<u>183,350</u>	<u>199</u>	<u>78,295</u>	<u>2,385</u>	<u>1,144</u>	<u>-</u>	<u>265,373</u>
At 31 December 1999	<u>148,570</u>	<u>864</u>	<u>83,311</u>	<u>2,557</u>	<u>2,151</u>	<u>24,294</u>	<u>261,747</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

11. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The net book value of the Group's property interests shown above comprises:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Properties situated in Hong Kong held under medium term leases	5,550	5,130
Properties situated in Mainland China held under long leases	<u>177,800</u>	<u>167,734</u>
	<u><u>183,350</u></u>	<u><u>172,864</u></u>

The land and buildings were valued at 31 December 2000 by Chesterton Petty Limited, an independent firm of professional property valuers, on an open market value basis. The surplus arising on revaluation of land and buildings, which has been credited to the asset revaluation reserve and the income statement amounted to approximately HK\$13,667,000 and HK\$641,000, respectively.

If land and buildings had not been revalued, they would have been included on a historical cost basis at HK\$144,466,000 (1999: HK\$121,325,000).

At 31 December 2000, the net book value of the property, plant and equipment held under finance leases and hire purchase contracts was approximately HK\$10,960,000 (1999: HK\$13,217,000).

12. INVESTMENTS IN SUBSIDIARIES

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Unlisted shares, at cost	103,710	103,710
Amounts due from subsidiaries	<u>97,278</u>	<u>59,307</u>
	<u><u>200,988</u></u>	<u><u>163,017</u></u>

Details of the Company's subsidiaries at 31 December 2000 are set out in note 31.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

13. INVENTORIES

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Raw materials	72,442	65,517
Work in progress	7,958	12,125
Finished goods	20,742	24,075
	<u>101,142</u>	<u>101,717</u>
Inventories carried at net realisable value	<u>624</u>	<u>222</u>

14. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

An aged analysis of trade receivables is as follows:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Not yet due or overdue within 30 days	54,483	44,010
Overdue for 31-60 days	6,743	15,035
Overdue for 61-90 days	6,045	5,261
Overdue for more than 90 days	8,829	8,578
	<u>76,100</u>	<u>72,884</u>
Other receivables	3,422	3,107
	<u>79,522</u>	<u>75,991</u>

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FOR THE YEAR ENDED 31 DECEMBER 2000

15. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	THE GROUP	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Not yet due or overdue within 30 days	47,689	42,502
Overdue for 31-60 days	12,332	9,424
Overdue for 61-90 days	6,345	5,172
Overdue for more than 90 days	6,469	10,169
	<u>72,835</u>	<u>67,267</u>
Other payables	51,266	50,332
	<u>124,101</u>	<u>117,599</u>

16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	THE GROUP	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
The maturity of obligations under finance leases and hire purchase contracts is as follows:		
Within one year	3,094	4,384
Between one to two years	871	3,035
Between two to five years	-	922
	<u>3,965</u>	<u>8,341</u>
Less: Amount due within one year included in current liabilities	(3,094)	(4,384)
Amount due after one year	<u>871</u>	<u>3,957</u>

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17. BANK BORROWINGS

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Bank overdrafts	546	1,208
Bank loans	40,187	47,198
Trust receipts loans	979	13,143
	<u>41,712</u>	<u>61,549</u>
Secured	40,187	55,406
Unsecured	1,525	6,143
	<u>41,712</u>	<u>61,549</u>
The terms of repayment of the bank borrowings are analysed as follows:		
Within one year	29,562	42,333
Between one to two years	9,346	6,535
Between two to five years	2,804	12,364
More than five years	-	317
	<u>41,712</u>	<u>61,549</u>
Less: Amount due within one year included in current liabilities	<u>(29,562)</u>	<u>(42,333)</u>
Amount due after one year	<u>12,150</u>	<u>19,216</u>

18. DEFERRED TAXATION

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Balance at the beginning of the year	666	66
Movement in the year (note 8)	<u>(400)</u>	<u>600</u>
Balance at the end of the year	<u>266</u>	<u>666</u>

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18. DEFERRED TAXATION *(continued)*

At the balance sheet date, the major components of the deferred taxation liability provided are as follows:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	666	666
Taxation losses	(400)	-
	<u>266</u>	<u>666</u>

The Group and the Company did not have any material unprovided deferred taxation at the balance sheet date or during the year.

19. SHARE CAPITAL

	2000		1999	
	Number of shares	Number of shares	2000 HK\$'000	1999 HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning of the year	450,000,000	400,000,000	45,000	40,000
Issue of shares	<u>90,000,000</u>	<u>50,000,000</u>	<u>9,000</u>	<u>5,000</u>
At end of the year	<u>540,000,000</u>	<u>450,000,000</u>	<u>54,000</u>	<u>45,000</u>

During 1999, the Company issued and allotted 50,000,000 shares of HK\$0.10 each at HK\$0.70 per share for acquisition of a subsidiary and credited as fully paid. The new shares rank *pari passu* with the then existing shares in issue in all respects.

On 25 August 2000, arrangements were made for a private placement to independent private investors of 90,000,000 new ordinary shares of HK\$0.10 each in the Company at a price of HK\$0.45 per share representing a discount of approximately 25% to the closing market price of the Company's shares on 25 August 2000. The proceeds were used to finance the Company's business expansion and for general working capital purposes. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 28 June 2000 and rank *pari passu* with the then existing shares in issue in all respects.

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19. SHARE CAPITAL *(continued)*

Share option scheme

Under the terms of the Share Option Scheme which became effective on 14 February 1998, the board of directors of the Company may offer to any director and full-time employees of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time.

During the year, options were granted under the scheme to subscribe for 12,210,000 ordinary shares of the Company at any time between 24 July 2000 and 23 July 2003 at an exercise price of HK\$0.528 per share.

No consideration was received by the Company for the options granted during the year.

A summary of the movements in share options granted under the share option scheme during the year is as follows:

Name	Capacity	Date of grant	Exercisable period			Balance at
			24.7.2000 to 23.7.2003	24.7.2001 to 23.7.2003	24.7.2002 to 23.7.2003	
Mr. Tong Shek Lun	Director	24.7.2000	612,800	459,600	459,600	1,532,000
Mr. Li Ka Fai, Fred	Director	24.7.2000	440,000	330,000	330,000	1,100,000
Ms. Ko Lai King, Kinny	Director	24.7.2000	305,600	229,200	229,200	764,000
Ms. Chung Wai Yu, Regina	Director	24.7.2000	371,200	278,400	278,400	928,000
Mr. Tam Lung Shor	Director	24.7.2000	278,400	208,800	208,800	696,000
Mr. Wu Yong Yei	Director	24.7.2000	340,000	255,000	255,000	850,000
Others	Employees	24.7.2000	2,465,600	1,907,200	1,967,200	6,340,000
			<u>4,813,600</u>	<u>3,668,200</u>	<u>3,728,200</u>	<u>12,210,000</u>

No options under the scheme were exercised during the year.

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FOR THE YEAR ENDED 31 DECEMBER 2000

20. RESERVES

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
SHARE PREMIUM				
At beginning of the year	49,310	19,310	49,310	19,310
Arising on issue of shares	30,338	30,000	30,338	30,000
At end of the year	79,648	49,310	79,648	49,310
CAPITAL RESERVE				
At beginning of the year	35,597	12,519	-	-
Capitalisation of retained profit of a subsidiary	-	23,078	-	-
At end of the year	35,597	35,597	-	-
SPECIAL RESERVE				
At beginning and end of the year	19,487	19,487	-	-
CONTRIBUTED SURPLUS				
At beginning and end of the year	-	-	68,510	68,510
STATUTORY RESERVE				
At beginning of the year	5,421	3,880	-	-
Transfer from retained profits	825	1,541	-	-
At end of the year	6,246	5,421	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

20. RESERVES *(continued)*

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
ASSET REVALUATION RESERVE				
At beginning of the year	32,136	22,751	-	-
Surplus arising on revaluation of land and buildings	13,667	9,385	-	-
Share of reserve by minority interests	(936)	-	-	-
	<u>44,867</u>	<u>32,136</u>	<u>-</u>	<u>-</u>
At end of the year				
EXCHANGE RESERVE				
At beginning and end of the year	(1,847)	(1,847)	-	-
GOODWILL RESERVE				
At beginning of the year	(31,539)	-	-	-
Arising from acquisition of a subsidiary	-	(31,539)	-	-
	<u>(31,539)</u>	<u>(31,539)</u>	<u>-</u>	<u>-</u>
At end of the year				
RETAINED PROFITS (DEFICIT)				
At beginning of the year	90,352	99,375	121	553
Profit (loss) for the year	1,698	15,596	(1,509)	(432)
Capitalisation of retained profits	-	(23,078)	-	-
Transfer to special reserve	(825)	(1,541)	-	-
	<u>91,225</u>	<u>90,352</u>	<u>(1,388)</u>	<u>121</u>
At end of the year				
TOTAL RESERVES	243,684	198,917	146,770	117,941

The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company's subsidiaries in exchange for the nominal value of the issued share capital of other subsidiaries pursuant to the Group's reorganisation.

The capital reserve of the Group represents the reserve arising from the acquisition of a further interest in the share capital of a subsidiary at nil consideration pursuant to the Group's reorganisation and capitalisation of retained profits of a subsidiary.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

20. RESERVES *(continued)*

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition pursuant to the Group's reorganisation.

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

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

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Contributed surplus	68,510	68,510
(Deficit) retained profits	<u>(1,388)</u>	<u>121</u>
	<u>67,122</u>	<u>68,631</u>

21. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Profit before taxation	3,565	18,736
Interest income	(803)	(829)
Interest expense	6,345	4,282
Depreciation and amortisation	27,411	20,785
Loss on disposal of property, plant and equipment	509	208
(Surplus) deficit arising on revaluation of land and buildings	(641)	1,808
Decrease (increase) in inventories	575	(13,657)
Increase in trade and other receivables	(3,531)	(3,742)
Decrease (increase) in bills receivable	75	(557)
Increase in trade and other payables	<u>6,502</u>	<u>7,568</u>
Net cash inflow from operating activities	<u>40,007</u>	<u>34,602</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

22. PURCHASE OF SUBSIDIARIES

In the prior year, the Group acquired 85% of the issued share capital of Jet Master Limited, which held 100% interest in Dongguan Tai Shan Electronics Co., Ltd, (東莞泰山電子有限公司) for a consideration of HK\$56,100,000. This acquisition was accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition was HK\$31,539,000.

	2000 HK\$'000	1999 HK\$'000
Net assets acquired		
Property, plant and equipment	-	27,566
Inventories	-	4,993
Trade and other receivables	-	9,177
Bank balances and cash	-	5,265
Trade and other payables	-	(18,105)
Minority interests	-	(4,335)
	<u>-</u>	<u>-</u>
	-	24,561
Goodwill	-	31,539
	<u>-</u>	<u>-</u>
	-	56,100
	<u>-</u>	<u>-</u>
Satisfied by		
Shares allotted	-	35,000
Cash	-	21,100
	<u>-</u>	<u>-</u>
	-	56,100
	<u>-</u>	<u>-</u>
Net cash outflow arising on acquisition:		
	2000	1999
	HK\$'000	HK\$'000
Cash consideration	-	21,100
Bank balances and cash acquired	-	(5,265)
	<u>-</u>	<u>-</u>
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	-	15,835
	<u>-</u>	<u>-</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

22. PURCHASE OF SUBSIDIARIES *(continued)*

The subsidiaries acquired in 1999 contributed HK\$386,000 to the Group's net operating cash flows, paid HK\$913,000 in respect of the net returns on investments and servicing of finance, utilised HK\$4,683,000 for investing activities and raised HK\$2,804,000 in respect of financing activities.

The subsidiaries acquired in 1999 contributed HK\$37,271,000 to the Group's turnover and had an operating loss of HK\$2,292,000.

23. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
SHARE CAPITAL AND PREMIUM		
At beginning of the year	94,310	59,310
Issue of shares	40,500	35,000
Expenses incurred for issue of shares	(1,162)	-
At end of the year	<u>133,648</u>	<u>94,310</u>
BANK LOANS		
At beginning of the year	45,200	5,615
New loans during the year	4,673	45,186
Repayment during the year	(9,686)	(5,601)
At end of the year	<u>40,187</u>	<u>45,200</u>
OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS		
At beginning of the year	8,341	6,302
Inception of new leases/contracts	-	6,784
Repayment during the year	(4,376)	(4,745)
At end of the year	<u>3,965</u>	<u>8,341</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

24. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Bank balances and cash	46,131	11,592
Trust receipts and import loans	(979)	(13,143)
Bank overdrafts	(546)	(1,208)
Bank loans	-	(1,998)
	<u>44,606</u>	<u>(4,757)</u>

25. MAJOR NON-CASH TRANSACTIONS

In the previous year, the Group entered into finance lease and hire purchases arrangements in respect of assets with a total capital value at the inception of the leases of HK\$6,784,000.

Part of the consideration for the purchase of subsidiaries during 1999 was comprised of shares issued by the Company. Further details of the acquisition are set out note 22 above.

26. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution retirement benefits scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustees.

The retirement benefits scheme contributions charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the amounts of the forfeited contributions will be used to reduce future contributions payable by the Group.

During the year, the retirement benefits scheme contribution, net of forfeited contribution of approximately HK\$75,000 (1999: nil) are HK\$534,000 (1999: HK\$480,000).

As at 31 December 2000 and 1999, there were no forfeited contributions available to offset future employers' contributions to the scheme. Commencing from 1 December 2000, the Group was required to contribute to the Mandatory Provident Fund based on applicable rates of monthly salaries in accordance with the regulations.

27. CONTINGENT LIABILITIES

The Company has given guarantees to banks in respect of general banking facilities granted to certain subsidiaries. The extent of such facilities utilised by the subsidiaries at 31 December 2000 amounted to HK\$1,525,000 (1999: HK\$61,549,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

28. CAPITAL COMMITMENTS

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Contracted for but not provided in the financial statements		
- Properties under construction	-	3,878
- Capital contribution to a subsidiary	-	3,068
- Plant and equipment	<u>320</u>	<u>-</u>
	<u>320</u>	<u>6,946</u>

The Company did not have any capital commitment.

29. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group was committed to pay the following amounts in the following year in respect of rented premises under non-cancellable operating leases which expire:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Within one year	146	42
In the second to fifth year inclusive	<u>96</u>	<u>565</u>
	<u>242</u>	<u>607</u>

The Company did not have any operating lease commitment.

30. PLEDGE OF ASSETS

At 31 December 2000, the Group has pledged the following assets to banks to secure general banking facilities granted.

	2000 HK\$'000	1999 HK\$'000
Land and buildings	173,595	118,930
Bank deposits	<u>-</u>	<u>3,211</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

31. SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2000 are as follows:

Name of Company	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Chun Yip Moulding Co. Limited	Hong Kong	HK\$20,000 (share capital)	100%	Inactive
Dong Guan Humen Taida Electric Co., Ltd. 東莞虎門泰達電子有限公司	PRC	HK\$65,752,494 (registered capital)	100%	Manufacture of electronic calculators, electronic organisers and related products
Dragon Spirit Enterprise Limited	British Virgin Islands	US\$100 (share capital)	100%	Investment holding
Dongguan Shatian Tehsheng Silicon Rubber Products Co., Ltd. 東莞沙田德盛硅橡膠製品有限公司	PRC	HK\$38,000,000 (registered capital)	100%	Manufacture of silicon rubber products
Dongguan Tai Shan Electronics Co., Ltd. 東莞泰山電子有限公司	PRC	HK\$18,600,000 (registered capital)	85%	Manufacture of printed circuit boards
Habermann Limited	British Virgin Islands	US\$2 (share capital)	100%	Investment holding
Hong Shing Industrial Limited	Hong Kong	HK\$10,000 (share capital)	100%	Trading in electronic calculators, electronic organisers and other household products

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

31. SUBSIDIARIES *(continued)*

Name of Company	Place of incorporation or registration/operation	Nominal value of issued and fully paid ordinary share capital/registered capital	Attributable equity interest held by the Group	Principal activities
Jet Master Limited	British Virgin Islands	US\$100 (share capital)	85%	Investment holding
Joyham Jade Limited	British Virgin Islands	US\$2 (share capital)	100%	Investment holding
Karce Co. Limited	Hong Kong	HK\$10,000 (share capital)	100%	Trading in electronic calculators, electronic organisers and related products
Redditch Enterprises Limited	British Virgin Islands	US\$10,000 (share capital)	100%	Investment holding
Sabic Electronic Limited	British Virgin Islands	US\$2 (share capital)	100%	Investment holding and trading in electronic calculators
Sunmaster Co., Limited	Hong Kong	HK\$2 (share capital)	100%	Provision of administrative and management services
T & S Industrial Company Limited	Hong Kong	HK\$200,000 (share capital)	100%	Trading in electronic products, manufacture of electronic components and provision of purchasing agency services
Tachibana Limited	British Virgin Islands	US\$100 (share capital)	100%	Investment holding

Only Redditch Enterprises Limited is directly held by the Company.

None of the companies comprising the Group had any debt securities outstanding at 31 December 2000 or at any time during the year.