

NOTES TO FINANCIAL STATEMENTS

31 December 2000

1. CORPORATE INFORMATION

During the year, the Group was engaged in the following principal activities:

- manufacture and sale of telephone cords and accessories, power cords, adaptors and electronic products
- manufacture and sale of printed circuit boards
- manufacture and sale of high precision components for computers
- freight forwarding and delivery services

In the opinion of the directors, Shougang Concord Grand (Group) Limited, which is publicly listed in Hong Kong, is the Company's controlling shareholder. Shougang Concord Grand (Group) Limited is a subsidiary of Shougang Concord International Enterprises Company Limited, which is also publicly listed in Hong Kong.

2. 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 investment properties, as further explained below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31 December 2000. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances have been eliminated on consolidation.

Goodwill arising on consolidation

Goodwill arising on consolidation represents the excess of purchase consideration paid for subsidiaries, associates or jointly controlled entities over the fair values ascribed to the net underlying assets acquired at the date of acquisition and is eliminated against reserves in the year of acquisition.

Impairment in the value of goodwill previously taken to reserves is charged to the profit and loss account when such impairment arises. On disposal of subsidiaries, associates or jointly controlled entities, the relevant portion of attributable goodwill eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

A subsidiary is a company, other than an associate or a jointly-controlled entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital/registered capital, or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Jointly controlled entities

A jointly controlled entity is a joint venture which involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The jointly controlled entity operates in the same way as other enterprises, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

The Group's share of the post-acquisition results and reserves of jointly controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values other than those considered to be temporary in nature deemed necessary by the directors.

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 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 provisions for diminutions in values other than those considered to be temporary in nature deemed necessary by the directors.

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost less accumulated depreciation.

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 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 fixed asset, the expenditure is capitalised as an additional cost of that asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation (Continued)

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the 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.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the proceeds on disposal and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are not determined using discounted cash flows. Reductions of recoverable amounts are charged to the profit and loss account, except to the extent that they reverse previous revaluation surpluses in respect of the same items, when they are charged to the revaluation reserve.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life, after taking into account its estimated residual value. The principal annual rates used for this purpose are as follows:

| | |
|-----------------------------------|--|
| Leasehold land | Over the terms of the lease or 50 years, whichever is shorter |
| Buildings | 2% – 4% |
| Leasehold improvements | 4% – 20% |
| Machinery, moulds and tools | 4% – 20% |
| Equipment, furniture and fixtures | 15% – 20% |
| Motor vehicles | 25% – 33- ¹ / ₃ % |

Construction in progress

Construction in progress represents machinery under installation and is stated at cost and is not depreciated. Cost comprises direct costs of purchase and installation incurred during the period of installation. Construction in progress is reclassified to the appropriate category of fixed assets when it is completed and ready for commercial use.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties with unexpired lease terms of more than 20 years are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investment

Long term investment is an investment in an unlisted equity security intended to be held on a long term basis. Long term investment is stated at cost less any provision for impairment in value, other than temporary impairment, deemed necessary by the directors.

Any impairment in value of security is charged to the profit and loss account in the period in which the impairment arises.

Golf club membership

Golf club membership is stated at cost less provision for any diminution in value deemed necessary by the directors.

Intangible assets

The costs incurred for obtaining export approvals for exporting telephone cords and adaptor products to certain countries are deferred and amortised on a straight-line basis over the estimated useful lives of not exceeding eight years of the products in the relevant export markets.

Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

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 and which are not restricted as to use.

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;
- (b) service income, when the services are rendered;
- (c) rental income, on a time proportion basis over the period of the lease; and
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective rate of interest applicable.

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, associates and jointly controlled entities are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. All resulting translation differences are dealt with in the exchange fluctuation reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Retirement benefits scheme

The Group has operated a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees 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 Scheme. The assets of the 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 Scheme.

Prior to the Scheme being effective, the Group operated a defined contributions pension scheme for those employees who were eligible to participate in the scheme. This scheme operated in a similar way to the Scheme, except that when an employee left the scheme prior to his/her interest in the Group's employer contributions vesting fully, depending on the scheme arrangements, the relevant amount of forfeited contributions were either applied to increase the benefits to other employees under the scheme, or to reduce the ongoing contributions payable by the Group. With effect from 1 December 2000, this scheme was terminated.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

3. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts; gross rental income received and receivable, and the invoiced value of services rendered during the year.

The Group's revenue for the year arose from the following activities:

| | Group | |
|-----------------------------|-----------------|----------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 |
| Sale of goods | 633,332 | 691,520 |
| Rendering of services | 47,984 | 57,471 |
| Gross rental income | 5,288 | 5,435 |
| | <hr/> | <hr/> |
| Turnover | 686,604 | 754,426 |
| Interest income | 3,108 | 3,427 |
| Proceeds from scrap sales | 5,979 | 6,624 |
| Moulding and tooling income | 1,474 | 634 |
| Other revenue | 6,392 | 3,568 |
| | <hr/> | <hr/> |
| Total revenue for the year | 703,557 | 768,679 |
| | <hr/> | <hr/> |

NOTES TO FINANCIAL STATEMENTS

31 December 2000

4. PROFIT FROM OPERATING ACTIVITIES

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

| | Group | |
|---|-----------------|----------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 |
| Depreciation: | | |
| Owned fixed assets | 43,794 | 42,896 |
| Leased fixed assets | 701 | 5,036 |
| | 44,495 | 47,932 |
| Auditors' remuneration | 1,680 | 1,671 |
| Amortisation of intangible assets | 3,375 | 2,590 |
| Intangible assets written off | 297 | 200 |
| Operating lease rentals in respect of land and buildings | 11,050 | 9,992 |
| Staff costs (including directors' remuneration – note 6): | | |
| Wages and salaries | 110,115 | 112,644 |
| Pension contributions, net | 5,100 | 4,208 |
| Total staff costs | 115,215 | 116,852 |
| Revaluation deficit of investment properties | 2,029 | 2,500 |
| Loss/(gain) on disposal of fixed assets | (2) | 1,045 |
| Write-off of a golf club membership | – | 108 |
| Specific provisions against doubtful debts | 1,645 | 19,301 |
| Exchange gains, net | (1,232) | (3,720) |
| Rental income, net of outgoings | (4,913) | (5,106) |
| Interest income | (3,108) | (3,427) |

5. FINANCE COSTS

| | Group | |
|---------------------------------------|-----------------|----------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 |
| Interest on bank loans and overdrafts | | |
| wholly repayable within five years | 6,343 | 6,356 |
| Interest on finance leases | 216 | 1,318 |
| | 6,559 | 7,674 |

NOTES TO FINANCIAL STATEMENTS

31 December 2000

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Section 161 of the Companies Ordinance is as follows:

| | Group | |
|-------------------------------|---------------------|--------------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 |
| Fees | 90 | 80 |
| Salaries and other emoluments | 3,233 | 3,071 |
| Pension contributions | 149 | 143 |
| Performance-related bonuses | 300 | 175 |
| | <u>3,772</u> | <u>3,469</u> |

Included in the directors' fees was fees of HK\$30,000 (1999: HK\$20,000) received by independent non-executive directors.

The remuneration of the directors fell within the following bands:

| | Number of directors | |
|-------------------------------|----------------------------|----------|
| | 2000 | 1999 |
| Nil – HK\$1,000,000 | 10 | 7 |
| HK\$1,500,001 – HK\$2,000,000 | 1 | 2 |
| HK\$2,000,001 – HK\$2,500,000 | 1 | – |
| | <u>1</u> | <u>–</u> |

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

No value is included in directors' remuneration in respect of 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.

Further details of the options granted to the directors during the year are set out in the section "Directors' rights to acquire shares" in the Report of the Directors on page 15 and in note 26 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (1999: two) executive directors, whose remuneration is disclosed in note 6 above. The details of the remuneration of the remaining three (1999: three) highest paid, non-director employees are set out below:

| | Group | |
|-------------------------------|---------------------|--------------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 |
| Salaries and other emoluments | 5,583 | 3,650 |
| Pension contributions | 122 | 72 |
| | <u>5,705</u> | <u>3,722</u> |

The remuneration of the highest paid, non-director employees fell within the following bands:

| | Number of employees | |
|-------------------------------|----------------------------|---|
| Nil – HK\$1,000,000 | 2 | 2 |
| HK\$1,500,001 – HK\$2,000,000 | – | 1 |
| HK\$4,000,001 – HK\$4,500,000 | 1 | – |

8. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

| | 2000 | 1999 |
|----------------------------------|-------------------|----------------|
| | HK\$'000 | HK\$'000 |
| Group: | | |
| Hong Kong: | | |
| Overprovision in prior years | 2,510 | 14 |
| Provision for the year | (174) | (770) |
| Elsewhere: | | |
| Provision for the year | (2,240) | (307) |
| Deferred tax – note 25 | 431 | (837) |
| | <u>527</u> | <u>(1,900)</u> |
| Tax credit/(charge) for the year | | |

NOTES TO FINANCIAL STATEMENTS

31 December 2000

9. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$625,000 (1999: HK\$4,748,000).

The Group's share of aggregate profits less losses retained by its jointly controlled entities for the year amounted to HK\$18,063,000 (1999: HK\$30,675,000).

10. EARNINGS PER SHARE

The calculation of the basic loss per share is based on the net loss attributable to shareholders for the year of HK\$22,785,000 (1999: profit of HK\$26,138,000) and on the weighted average number of 797,989,170 (1999: 796,296,294) ordinary shares in issue during the year.

The calculation of the diluted loss per share is based on the net loss attributable to shareholders for the year of HK\$22,785,000. The weighted average number of ordinary shares used in the calculation is 797,989,170 ordinary shares in issue during the year, as used in the basic loss per share calculation; and the weighted average of 567,446 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year. No diluted earnings per share was presented for 1999 as the Company did not have any dilutive potential ordinary shares.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

11. FIXED ASSETS

Group

| | Investment properties | Land and buildings | Leasehold improvements | Machinery, moulds and tools | Equipment, furniture and fixtures | Motor vehicles | Construction in progress | Total |
|----------------------------|--------------------------|-----------------------|---------------------------|-----------------------------------|---|-------------------|-----------------------------|----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Cost or valuation: | | | | | | | | |
| At beginning of year | 28,500 | 90,449 | 43,719 | 314,100 | 106,944 | 13,018 | 205 | 596,935 |
| Exchange adjustments | - | - | (260) | (3,321) | (406) | (8) | - | (3,995) |
| Additions | - | 3,268 | 634 | 15,679 | 4,310 | 1,008 | - | 24,899 |
| Disposals | - | - | - | (1,862) | (114) | (1,071) | - | (3,047) |
| Reclassifications | 7,545 | (7,545) | - | 205 | - | - | (205) | - |
| Deficit on revaluation | (2,501) | - | - | - | - | - | - | (2,501) |
| At 31 December 2000 | 33,544 | 86,172 | 44,093 | 324,801 | 110,734 | 12,947 | - | 612,291 |
| At cost | - | 86,172 | 44,093 | 324,801 | 110,734 | 12,947 | - | 578,747 |
| At 2000 valuation | 33,544 | - | - | - | - | - | - | 33,544 |
| | <u>33,544</u> | <u>86,172</u> | <u>44,093</u> | <u>324,801</u> | <u>110,734</u> | <u>12,947</u> | <u>-</u> | <u>612,291</u> |
| Accumulated depreciation: | | | | | | | | |
| At beginning of year | - | 19,399 | 18,318 | 215,773 | 65,698 | 8,923 | - | 328,111 |
| Exchange adjustments | - | - | (130) | (2,330) | (249) | (1) | - | (2,710) |
| Provided during the year | - | 2,838 | 2,321 | 27,468 | 10,216 | 1,652 | - | 44,495 |
| Disposals | - | - | - | (1,772) | (98) | (1,041) | - | (2,911) |
| Reclassifications | 472 | (472) | - | - | - | - | - | - |
| Write-back on revaluation | (472) | - | - | - | - | - | - | (472) |
| At 31 December 2000 | - | 21,765 | 20,509 | 239,139 | 75,567 | 9,533 | - | 366,513 |
| Net book value: | | | | | | | | |
| At 31 December 2000 | 33,544 | 64,407 | 23,584 | 85,662 | 35,167 | 3,414 | - | 245,778 |
| At 31 December 1999 | 28,500 | 71,050 | 25,401 | 98,327 | 41,246 | 4,095 | 205 | 268,824 |

NOTES TO FINANCIAL STATEMENTS

31 December 2000

11. FIXED ASSETS (Continued)

Company

| | Buildings improvements <i>HK\$'000</i> | Leasehold improvements <i>HK\$'000</i> | Machinery, moulds and tools <i>HK\$'000</i> | Equipment, furniture and fixtures <i>HK\$'000</i> | Motor vehicles <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|----------------------------|---|--|--|--|--------------------------------------|--------------------------|
| Cost: | | | | | | |
| At beginning of year | 23,379 | 18,328 | 59,958 | 18,738 | 1,662 | 122,065 |
| Disposals | - | - | (905) | (553) | (948) | (2,406) |
| At 31 December 2000 | 23,379 | 18,328 | 59,053 | 18,185 | 714 | 119,659 |
| Accumulated depreciation: | | | | | | |
| At beginning of year | 9,092 | 9,826 | 59,958 | 18,738 | 1,662 | 99,276 |
| Provided during the year | 935 | 821 | - | - | - | 1,756 |
| Disposals | - | - | (905) | (553) | (948) | (2,406) |
| At 31 December 2000 | 10,027 | 10,647 | 59,053 | 18,185 | 714 | 98,626 |
| Net book value: | | | | | | |
| At 31 December 2000 | 13,352 | 7,681 | - | - | - | 21,033 |
| At 31 December 1999 | 14,287 | 8,502 | - | - | - | 22,789 |

The Group's land and buildings included above are held under the following lease terms:

| | Hong Kong <i>HK\$'000</i> | Elsewhere <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--------------------|------------------------------|------------------------------|--------------------------|
| At cost: | | | |
| Long term leases | 3,826 | 1,741 | 5,567 |
| Medium term leases | 3,500 | 77,105 | 80,605 |
| | <u>7,326</u> | <u>78,846</u> | <u>86,172</u> |

Particulars of the investment properties held by the Group as at 31 December 2000 are as follows:

| Location | Use | Group interest | Category of lease |
|---|-------------------------------|-------------------|----------------------|
| No.4 Tai Yip Street Kwun Tong Hong Kong | Industrial and warehousing | 100% | Medium lease |

NOTES TO FINANCIAL STATEMENTS

31 December 2000

11. FIXED ASSETS (Continued)

| Location | Use | Group interest | Category of lease |
|---|-------------|----------------|-------------------|
| Flat A6 on 14th Floor Car Parking Space No. L61 Hipway Tower No.303, Hip Wo Street Kowloon | Residential | 100% | Long lease |
| Flat D on 6th Floor, Block C Chongyip Centre No. 423-425 Queen's Road West Hong Kong | Residential | 100% | Long lease |
| Flat G on 6th Floor Flat C on 6th-7th Floors Flat B on 19th-23rd Floors Flat B on 25th-26th Floors Sheung Fu Court Peace Plaza Changping, Dongguan Guangdong Mainland China | Residential | 100% | Long lease |
| Flat A-I, K-L on 11th Floor Flat B, D, E, H on 15th Floor Ping On Court Peace Plaza Changping, Dongguan Guangdong Mainland China | Residential | 100% | Long lease |

The investment properties were revalued at 31 December 2000 by K. T. Liu Surveyors Limited, an independent professional valuer, on an open market value based on their existing use.

The net book value of the Group's fixed assets included assets held under finance leases of HK\$1,568,000 (1999: HK\$21,032,000). The Company had no assets held under finance leases at the balance sheet date.

Certain of the above leasehold land and buildings and investment properties held by the Group with an aggregate carrying value of HK\$27,033,000 (1999: HK\$28,103,000) at the balance sheet date were pledged to secure banking facilities granted to the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

12. INTANGIBLE ASSETS

| | Group |
|----------------------------|-----------------|
| | <i>HK\$'000</i> |
| Cost: | |
| At beginning of year | 21,234 |
| Additions | 1,796 |
| Written off | (462) |
| | 22,568 |
| At 31 December 2000 | 22,568 |
| Accumulated amortisation: | |
| At beginning of year | 10,438 |
| Provided during the year | 3,375 |
| Written off | (165) |
| | 13,648 |
| At 31 December 2000 | 13,648 |
| Net book value: | |
| At 31 December 2000 | 8,920 |
| At 31 December 1999 | 10,796 |

13. INTERESTS IN SUBSIDIARIES

| | Company | |
|--------------------------|-----------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Unlisted shares, at cost | 26,744 | 26,744 |
| Due from subsidiaries | 460,872 | 1,165,622 |
| Due to subsidiaries | (18,244) | (699,054) |
| | 469,372 | 493,312 |

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

Particulars of the principal subsidiaries are set out in note 29 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

14. INTERESTS IN JOINTLY CONTROLLED ENTITIES

| | Group | |
|---|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 |
| Share of net assets | 98,155 | 114,398 |
| Due from/(to) jointly controlled entities | 7,911 | (2,334) |
| | 106,066 | 112,064 |

The balances with the jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the jointly controlled entities, both of which are held indirectly through subsidiaries, are as follows:

| Name | Business structure | Place of incorporation/ registration | Class of shares held | Percentage of equity attributable to the Group | | Principal activities |
|--|--------------------|--------------------------------------|----------------------|--|------|----------------------|
| | | | | 2000 | 1999 | |
| Hoperise Industrial Limited ("Hoperise") | Corporate | Hong Kong | Ordinary | 50 | 50 | Copper wire drawing |
| Shou Jia Information Technology Limited | Corporate | Hong Kong | Ordinary | 50 | 50 | Dormant |

Summary extracts of the consolidated financial statements of Hoperise are as follows:

Operating results for the years ended 31 December 2000 and 1999:

| | Year ended 31 December 2000 HK\$'000 | Year ended 31 December 1999 HK\$'000 |
|---|---|---|
| Turnover | 425,865 | 360,004 |
| Operating profit before tax | 36,125 | 50,622 |
| Tax | - | - |
| Net profit attributable to shareholders | 36,125 | 50,622 |

NOTES TO FINANCIAL STATEMENTS

31 December 2000

14. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Financial position as at 31 December 2000 and 31 December 1999:

| | 2000 <i>HK\$'000</i> | 1999 <i>HK\$'000</i> |
|-----------------------|--------------------------------|-------------------------|
| Fixed assets | 95,566 | 86,734 |
| Current assets | 218,246 | 186,312 |
| Current liabilities | (121,502) | (97,487) |
| Long term liabilities | - | (6,088) |
| | <hr/> | <hr/> |
| Shareholders' equity | 192,310 | 169,471 |
| | <hr/> <hr/> | <hr/> <hr/> |

15. LONG TERM INVESTMENT

| | Group | |
|---|--------------------------------|-------------------------|
| | 2000 <i>HK\$'000</i> | 1999 <i>HK\$'000</i> |
| Unlisted equity investment, at cost | 35,841 | 33,220 |
| Less: Provision for impairment in value | (28,384) | (28,384) |
| | <hr/> | <hr/> |
| | 7,457 | 4,836 |
| | <hr/> <hr/> | <hr/> <hr/> |

The Group's unlisted equity investment at the balance sheet date represents a 40% equity interest in the registered capital of Tianjin Printronics Circuit Corporation, which is a Sino-foreign equity joint venture established in Mainland China.

16. INVENTORIES

| | Group | |
|------------------|--------------------------------|-------------------------|
| | 2000 <i>HK\$'000</i> | 1999 <i>HK\$'000</i> |
| Raw materials | 77,510 | 81,557 |
| Work in progress | 18,521 | 20,295 |
| Finished goods | 22,833 | 17,231 |
| | <hr/> | <hr/> |
| | 118,864 | 119,083 |
| | <hr/> <hr/> | <hr/> <hr/> |

The carrying amount of inventories included in the above that are carried at net realisable value was HK\$7,162,000 (1999: HK\$68,000) at the balance sheet date.

As at 31 December 2000, the carrying amount of inventories of the Group pledged as security for banking facilities amounted to HK\$51,707,000 (1999: HK\$44,167,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2000

17. TRADE AND BILLS RECEIVABLES

The aged analysis of trade and bills receivables is as follows:

| | Group | | | |
|--------------|---------------------|------------|---------------------|------------|
| | 2000 | | 1999 | |
| | Balance HK\$'000 | % | Balance HK\$'000 | % |
| 0-90 days | 124,267 | 79 | 123,847 | 80 |
| 91-180 days | 18,629 | 12 | 21,498 | 14 |
| 181-365 days | 12,005 | 8 | 5,346 | 3 |
| 1-2 years | 1,286 | 1 | 4,128 | 3 |
| Over 2 years | 803 | - | 493 | - |
| | <u>156,990</u> | <u>100</u> | <u>155,312</u> | <u>100</u> |

Trading terms with customers are principally on credit, except for new customers, when cash on delivery is normally required. Invoices are normally payable within 60 days of issuance, except for certain well established customers, when the terms are extended to 90 days. Each customer has a designated credit limit.

18. OTHER RECEIVABLES

| | Group | | Company | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 |
| Prepayments and other receivables | 9,673 | 9,044 | 261 | 778 |
| Due from related companies | 2,080 | 3,602 | 24 | 24 |
| Due from subsidiaries | - | - | 44,142 | - |
| | <u>11,753</u> | <u>12,646</u> | <u>44,427</u> | <u>802</u> |

The balances with the related companies are unsecured, interest-free, have no fixed terms of repayment and represent normal trade receivable balances.

The balances with the subsidiaries are unsecured, interest-free and are repayable within one year.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

19. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|------------------------|------------------|------------------|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 |
| Cash and bank balances | 66,606 | 49,695 | 7,877 | 4,235 |
| Time deposits | 32,104 | 46,334 | 29,728 | 46,334 |
| | <u>98,710</u> | <u>96,029</u> | <u>37,605</u> | <u>50,569</u> |

20. TRADE AND BILLS PAYABLES

The aged analysis of trade and bills payables is as follows:

| | Group | | | |
|--------------|---------------------|------------|---------------------|------------|
| | 2000 | | 1999 | |
| | Balance HK\$'000 | % | Balance HK\$'000 | % |
| 0-90 days | 50,944 | 91 | 70,914 | 94 |
| 91-180 days | 4,232 | 8 | 2,751 | 4 |
| 181-365 days | 640 | 1 | 216 | - |
| 1-2 years | 107 | - | 1,251 | 2 |
| Over 2 years | 307 | - | 311 | - |
| | <u>56,230</u> | <u>100</u> | <u>75,443</u> | <u>100</u> |

21. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 |
| Accruals and other liabilities | 40,890 | 40,266 | 894 | 775 |
| Due to related companies | 47 | 3,935 | 47 | 46 |
| Due to jointly controlled entities | - | - | 3,775 | 2,002 |
| | <u>40,937</u> | <u>44,201</u> | <u>4,716</u> | <u>2,823</u> |

The balances with the related companies and jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | Notes | Group | | Company | |
|---|-------|------------------|------------------|------------------|------------------|
| | | 2000 HK\$'000 | 1999 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 |
| Current portion of bank loans | 23 | 64,435 | 66,286 | 56,870 | 53,430 |
| Current portion of finance lease payables | 24 | 486 | 4,957 | - | 126 |
| | | <u>64,921</u> | <u>71,243</u> | <u>56,870</u> | <u>53,556</u> |

23. INTEREST-BEARING BANK BORROWINGS

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 |
| Secured: | | | | |
| Bank loans | 12,728 | 23,620 | 12,728 | 12,728 |
| Trust receipt loans | 51,707 | 44,167 | 44,142 | 40,702 |
| | <u>64,435</u> | <u>67,787</u> | <u>56,870</u> | <u>53,430</u> |
| Portion due within one year classified as current liabilities – note 22 | <u>64,435</u> | <u>66,286</u> | <u>56,870</u> | <u>53,430</u> |
| Long term portion | <u>-</u> | <u>1,501</u> | <u>-</u> | <u>-</u> |
| Bank loans are repayable within a period of: | | | | |
| Not exceeding one year | 64,435 | 66,286 | 56,870 | 53,430 |
| More than one year, but not exceeding two years | - | 240 | - | - |
| More than two years, but not exceeding five years | - | 876 | - | - |
| Beyond five years | - | 385 | - | - |
| | <u>64,435</u> | <u>67,787</u> | <u>56,870</u> | <u>53,430</u> |

Certain of the above bank facilities were secured by the Group's leasehold land and buildings and investment properties with an aggregate carrying value of HK\$27,033,000 (1999: HK\$28,103,000) and the Group's inventories with a carrying amount of HK\$51,707,000 (1999: HK\$44,167,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2000

24. FINANCE LEASE PAYABLES

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 |
| Obligations in respect of finance leases | 486 | 5,449 | - | 126 |
| Portion due within one year classified as current liabilities – note 22 | <u>486</u> | <u>4,957</u> | <u>-</u> | <u>126</u> |
| Long term portion | <u>-</u> | <u>492</u> | <u>-</u> | <u>-</u> |

| | Group | | Company | |
|---|-------------------|---------------------|------------------|-------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 |
| Finance leases are repayable within a period of: | | | | |
| Not exceeding one year | 486 | 4,957 | - | 126 |
| More than one year, but not exceeding two years | <u>-</u> | <u>492</u> | <u>-</u> | <u>-</u> |
| | <u><u>486</u></u> | <u><u>5,449</u></u> | <u><u>-</u></u> | <u><u>126</u></u> |

25. DEFERRED TAX

| | Group | |
|---------------------------------------|-------------------|-------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 |
| Balance at beginning of year | 664 | (129) |
| Charge/(credit) for the year – note 8 | (431) | 837 |
| Exchange adjustments | <u>-</u> | <u>(44)</u> |
| Balance at end of year | <u><u>233</u></u> | <u><u>664</u></u> |

NOTES TO FINANCIAL STATEMENTS

31 December 2000

25. DEFERRED TAX (Continued)

The principal components of the Group's provision for deferred tax and amounts not provided for are as follows:

| | Provided | | Not provided | |
|-------------------------------------|------------------|------------------|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 |
| Accelerated depreciation allowances | 233 | 664 | 9,060 | 9,454 |
| Tax losses | - | - | (17,108) | (15,606) |
| | <u>233</u> | <u>664</u> | <u>(8,048)</u> | <u>(6,152)</u> |

No provision for deferred tax has been made in respect of accelerated depreciation allowances as the directors consider that a liability is not expected to crystallise in the foreseeable future.

The revaluation of Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

The Company had no significant unprovided deferred tax liabilities as at the balance sheet date.

26. SHARE CAPITAL

Shares

| | Company | |
|---|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 |
| Authorised: 2,000,000,000 ordinary shares of HK\$0.25 each | <u>500,000</u> | <u>500,000</u> |
| Issued and fully paid: 798,323,280 (1999: 796,273,280) ordinary shares of HK\$0.25 each | <u>199,581</u> | <u>199,068</u> |

During the year, 2,050,000 new shares of HK\$0.25 each were issued upon the exercise of 2,050,000 share options at a subscription price of HK\$0.418 per share, for a total cash consideration, before expenses, of HK\$857,000.

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

On 30 June 1998, the Company adopted a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The maximum number of shares issued upon exercise of options granted under the Scheme may not exceed 10% of the share capital of the Company in issue from time to time (excluding the shares issued upon exercise of options granted pursuant to the Scheme). The Scheme will remain in force for a period of 10 years from 23 December 1998 to 22 December 2008.

In January 2000, a total of 18,000,000 share options were granted to the Group's employees (including certain executive directors of the Company) under the Scheme. Each of the option holders paid HK\$1.00 to the Company as consideration for the options granted to them. The share options entitle the option holders to exercise and convert the options into the Company's ordinary shares of HK\$0.25 each at an exercise price of HK\$0.418 per share during the period from 3 January 2000 or the date of acceptance of offer (whichever is later) to 31 December 2001.

A total of 2,050,000 share options were exercised and 2,350,000 share options lapsed during the year.

As at 31 December 2000, the Company had 13,600,000 outstanding share options. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 13,600,000 additional ordinary shares of HK\$0.25 each and gross cash proceeds, before the related issue expenses, of approximately HK\$5,685,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

27. RESERVES

Group

| | Share premium account <i>HK\$'000</i> | Capital redemption reserve <i>HK\$'000</i> | Reserve funds - note <i>HK\$'000</i> | Exchange fluctuation reserve <i>HK\$'000</i> | Retained profits <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|---|---|---|--|--------------------------|
| At 1 January 1999 | 243,914 | 2,024 | 712 | (6,880) | 83,879 | 323,649 |
| Repurchase of shares | - | 60 | - | - | (53) | 7 |
| Exchange realignments | - | - | - | 1,216 | - | 1,216 |
| Net profit for the year | - | - | - | - | 26,138 | 26,138 |
| Transfer from retained profits | - | - | 2 | - | (2) | - |
| At 31 December 1999 and 1 January 2000 | 243,914 | 2,084 | 714 | (5,664) | 109,962 | 351,010 |
| Issue of shares | 344 | - | - | - | - | 344 |
| Exchange realignments | - | - | - | (2,400) | - | (2,400) |
| Net loss for the year | - | - | - | - | (22,785) | (22,785) |
| Impairment in value of goodwill previously eliminated directly against reserves at the time of acquisition, charged to profit and loss account | - | - | - | - | 25,599 | 25,599 |
| At 31 December 2000 | <u>244,258</u> | <u>2,084</u> | <u>714</u> | <u>(8,064)</u> | <u>112,776</u> | <u>351,768</u> |
| Reserves retained by: | | | | | | |
| Company and subsidiaries | 244,258 | 2,084 | 714 | (8,420) | 26,983 | 265,619 |
| Jointly controlled entities | - | - | - | 356 | 85,793 | 86,149 |
| | <u>244,258</u> | <u>2,084</u> | <u>714</u> | <u>(8,064)</u> | <u>112,776</u> | <u>351,768</u> |

Note: Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of a subsidiary of the Group established in Mainland China has been transferred to reserve funds which are restricted as to their use.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

27. RESERVES (Continued)

Company

| | Share premium account <i>HK\$'000</i> | Capital redemption reserve <i>HK\$'000</i> | Capital reserve <i>HK\$'000</i> | Retained profits <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|--|---|---------------------------------------|--|--------------------------|
| At 1 January 1999 | 243,914 | 2,024 | 53,690 | 6,857 | 306,485 |
| Repurchase of shares | - | 60 | - | (53) | 7 |
| Net profit for the year | - | - | - | 4,748 | 4,748 |
| At 31 December 1999 and 1 January 2000 | 243,914 | 2,084 | 53,690 | 11,552 | 311,240 |
| Issue of shares | 344 | - | - | - | 344 |
| Net profit for the year | - | - | - | 625 | 625 |
| At 31 December 2000 | <u>244,258</u> | <u>2,084</u> | <u>53,690</u> | <u>12,177</u> | <u>312,209</u> |

By a special resolution passed at an Extraordinary General Meeting and subsequently approved by the Supreme Court of Hong Kong in 1993, the share premium account of the Company was reduced by an amount of HK\$270,000,000. This amount was used to reduce the then Company accumulated losses of HK\$216,310,000 and the balance of HK\$53,690,000 was credited to the Company's capital reserve which is non-distributable.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

| | 2000 | 1999 |
|---|----------------------|----------------------|
| | HK\$'000 | HK\$'000 |
| Profit from operating activities | 23,174 | 8,017 |
| Interest income | (3,108) | (3,427) |
| Depreciation | 44,495 | 47,932 |
| Amortisation of intangible assets | 3,375 | 2,590 |
| Intangible assets written off | 297 | 200 |
| Loss/(gain) on disposal of fixed assets | (2) | 1,045 |
| Write-off of a golf club membership | - | 108 |
| Revaluation deficit of investment properties | 2,029 | 2,500 |
| Specific provisions against doubtful debts | 1,645 | 19,301 |
| Increase in trade and bills receivables | (3,323) | (38,793) |
| Decrease/(increase) in prepayments and other receivables | (629) | 6,603 |
| Decrease in inventories | 219 | 8,944 |
| Decrease/(increase) in amounts due from related companies | 1,522 | (2,285) |
| Decrease/(increase) in amounts due from jointly controlled entities | (10,245) | 13,512 |
| Decrease in trade and bills payables | (19,213) | (339) |
| Increase in accruals and other liabilities | 624 | 9,921 |
| Increase/(decrease) in amounts due to related companies | (3,888) | 2,924 |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | <u>36,972</u> | <u>78,753</u> |

NOTES TO FINANCIAL STATEMENTS

31 December 2000

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

| | Share capital (including share premium and capital redemption reserve) <i>HK\$'000</i> | Bank loans and finance lease payables <i>HK\$'000</i> | Minority interests <i>HK\$'000</i> |
|---|--|---|--|
| Balance at 1 January 1999 | 445,066 | 91,062 | 31,199 |
| Cash outflow from financing, net | – | (20,514) | – |
| Share of profits for the year | – | – | 2,980 |
| Dividend | – | – | (900) |
| | <u>445,066</u> | <u>70,548</u> | <u>33,279</u> |
| Balance at 31 December 1999 and 1 January 2000 | 445,066 | 70,548 | 33,279 |
| Issue of shares | 857 | – | – |
| Cash outflow from financing, net | – | (12,385) | – |
| Share of profits for the year | – | – | 6,499 |
| | <u>445,923</u> | <u>58,163</u> | <u>39,778</u> |

29. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the balance sheet date were as follows:

| Name | Place of incorporation/ registrations | Issued and fully paid share capital# | Percentage of equity attributable | | Principal activities |
|--|---|--|---|------|--|
| | | | to the Company 2000 | 1999 | |
| Aberdeen Industrial Company Limited | Samoa | US\$1 | 100* | 100* | Manufacture of telephone cords and accessories, power cords and adaptors |
| Aberdeen Investments Limited | Samoa | US\$1 | 100* | 100* | Property investment |

NOTES TO FINANCIAL STATEMENTS

31 December 2000

29. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registrations | Issued and fully paid share capital# | Percentage of equity attributable to the Company | | Principal activities |
|--|--|--------------------------------------|--|------|---|
| | | | 2000 | 1999 | |
| Artronic Productions (Australia) Pty Limited | Australia | A\$5 | 100* | 100* | Manufacture and marketing of printed circuit boards |
| Combuilt Services International (China) Limited | Hong Kong | HK\$2 | 100* | 100* | Freight forwarding and delivery services |
| Combuilt Services International Limited | Hong Kong | HK\$700,000 | 100* | 100* | Freight forwarding and delivery services |
| Dongguan Dongjiang Wire and Cable Company Limited@ | People's Republic of China | HK\$6,000,000 | 60* | 60* | Manufacture of telephone cables and wires |
| Dongguan Qiaozhi Santai Electrical Appliances Co. Ltd. ^ | People's Republic of China | Registered cwapital HK\$12,000,000 | 100* | 100* | Property holding |
| Dorup Limited | Hong Kong | HK\$2,000,000 | 60* | 60* | Manufacture of telephone cords and power cords |
| Far East PCB Limited | Hong Kong | HK\$2 | 100* | 100* | Manufacture of printed circuit boards |
| Feel Classic (HK) Limited | Hong Kong | HK\$2 | 100* | 100* | Property investment |
| Hop Cheong Holdings Limited | Cook Islands | US\$3,500 | 100 | 100 | Investment holding |
| Hop Cheong Technology Limited | Hong Kong | HK\$1,000,000 | 100* | 100* | Provision of management services |

NOTES TO FINANCIAL STATEMENTS

31 December 2000

29. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registrations | Issued and fully paid share capital# | Percentage of equity attributable | | Principal activities |
|---|--|--|---|------|--|
| | | | to the Company 2000 | 1999 | |
| Hop Cheong Technology (International) Limited | Hong Kong | HK\$2 | 100* | 100* | Marketing of high precision components for computers |
| Jetsbo Investment Limited | Hong Kong | HK\$10,000 | 100* | 100* | Property investment |
| Longbright Technology Limited | Hong Kong | HK\$10,000 | 100* | 100* | Manufacture of metal stampings |
| Printronic China Limited | Hong Kong | HK\$20 | 100* | 100* | Investment holding |
| Printronic Electronics Limited | Hong Kong | HK\$2 | 100* | 100* | Investment holding |
| Printronic Group Limited | Hong Kong | HK\$2 | 100 | 100 | Investment holding |
| Ready Shine Industrial Limited | Hong Kong | HK\$2 | 100 | 100 | Investment holding |
| Ready Sound Limited | Hong Kong | HK\$1,000,000 | 60* | 60* | Manufacture of tinsel wires |
| Regal Investments Limited | Samoa | US\$1 | 100* | 100* | Manufacture of high precision components for computers |
| San Tai Distribution Company Limited | Hong Kong | HK\$2 | 100 | 100 | Storage and devanning services |
| San Tai Industrial Enterprise Limited | Hong Kong | HK\$2 | 100* | 100* | Marketing and distribution of telephone cords and accessories, power cords and adaptors |

NOTES TO FINANCIAL STATEMENTS

31 December 2000

29. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

| Name | Place of incorporation/ registrations | Issued and fully paid share capital# | Percentage of equity attributable to the Company | | Principal activities |
|---|--|--------------------------------------|--|-------|---|
| | | | 2000 | 1999 | |
| Santai Corporate Services Limited | Hong Kong | HK\$2 | 100 | 100 | Provision of management services |
| Santai Manufacturing Limited | Hong Kong | HK\$10,000 | 100 | 100 | Trading of raw materials for the manufacture of telephone cords and power cords |
| SCT Electronics Limited | Hong Kong | HK\$2 | 100 | 100 | Marketing of electronic products |
| SCT International Limited | Hong Kong | HK\$2 | 100* | 100* | Marketing of raw materials for adaptors and electronic products |
| SCT Petroleum Company Limited | Hong Kong | HK\$2 | 100* | 100* | Trading of crude oil |
| Shanghai Printronics Circuit Corporation@ | People's Republic of China | Registered capital RMB56,436,419 | 64.8* | 64.8* | Manufacture of printed circuit boards |
| Worico Limited | Hong Kong | HK\$10,000 | 100* | 100* | Leasing of plant and machinery |

* Indirectly held through subsidiaries

All ordinary shares unless otherwise stated

@ Registered under the laws of People's Republic of China as a Sino-foreign cooperative joint venture

^ Registered under the laws of People's Republic of China as a wholly-owned foreign subsidiary

All the subsidiaries operate in Hong Kong except for Aberdeen Industrial Company Limited, Aberdeen Investments Limited, Dongguan Dongjiang Wire and Cable Company Limited, Dongguan Qiaozhi Santai Electrical Appliances Co. Ltd., Ready Sound Limited, Regal Investments Limited and Shanghai Printronics Circuit Corporation, which operate in Mainland China, and Artronic Productions (Australia) Pty Limited, which operates in Australia.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

29. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

30. COMMITMENTS

(a) At the balance sheet date, the Group had the following material capital commitments:

| | Group | |
|------------------------------------|-----------------|--------------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 |
| Contracted, but not provided for | <u>8,211</u> | <u>1,915</u> |
| Authorised, but not contracted for | <u>-</u> | <u>544</u> |

The Company had no material capital commitments at the balance sheet date.

(b) Annual commitments under non-cancellable operating leases in respect of land and buildings payable in the following year were as follows:

| | Group | | Company | |
|------------------------------|---------------------|--------------|-----------------|-----------|
| | 2000 | 1999 | 2000 | 1999 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Leases expiring within: | | | | |
| One year | 2,463 | 608 | - | 65 |
| Two to five years, inclusive | <u>5,543</u> | <u>7,066</u> | <u>-</u> | <u>-</u> |
| | <u>8,006</u> | <u>7,674</u> | <u>-</u> | <u>65</u> |

(c) The Group's share of capital commitments in a jointly controlled entity is as follows:

| | 2000 | 1999 |
|----------------------------------|-----------------|--------------|
| | HK\$'000 | HK\$'000 |
| Contracted, but not provided for | <u>1,678</u> | <u>2,211</u> |

NOTES TO FINANCIAL STATEMENTS

31 December 2000

31. CONTINGENT LIABILITIES

- (i) At the balance sheet date, the Group and the Company had the following material contingent liabilities:

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 |
| Discounted bills with recourse | 5,680 | 11,730 | - | - |
| Guarantees for banking facilities granted to subsidiaries or jointly controlled entities | 92,858 | 51,307 | 103,495 | 55,087 |
| Guarantees for finance lease contracts granted to subsidiaries or jointly controlled entities | 6,049 | 24,024 | 6,534 | 27,729 |
| | <u>104,587</u> | <u>87,061</u> | <u>110,029</u> | <u>82,816</u> |

- (ii) During the year, a claim for damages of approximately HK\$1,799,000 relating to defective products was lodged against a subsidiary of the Company. The Group's insurer is currently assessing the claim. No provision had been made at 31 December 2000 in respect of the claim as management believes that the claim is ultimately covered by the Group's insurance.

32. RELATED PARTY TRANSACTIONS

Details of balances with the related parties at the balance sheet date are set out in notes 13, 14, 18 and 21 to the financial statements.

During the year, the Group entered into the following related party transactions with its jointly controlled entities, and Shougang Concord International Enterprises Company Limited ("Shougang International"), the controlling shareholder of the Company, and Shougang International's subsidiaries, associates and controlling shareholder.

| | Notes | 2000 HK\$'000 | 1999 HK\$'000 |
|---|-------|------------------|------------------|
| Management fees paid to related companies | (i) | 960 | 960 |
| Management fees paid to the controlling shareholder | (ii) | 720 | 900 |
| Rental paid to related companies | (iii) | 1,249 | 1,408 |
| Sales to a jointly controlled entity | (iv) | 11,945 | 7,622 |
| Sales to related companies | (iv) | - | 2,670 |
| Utility expenses charged to a jointly controlled entity | (v) | 12,492 | 10,257 |
| Utility expenses charged to a related company | (v) | 483 | 359 |
| Loan interest received from a jointly controlled entity | (vi) | - | 750 |
| Purchases from a jointly controlled entity | (vii) | 27,433 | 23,651 |
| Purchases from related companies | (vii) | <u>4,169</u> | <u>2,043</u> |

NOTES TO FINANCIAL STATEMENTS

31 December 2000

32. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (i) Management fees of HK\$960,000 per annum were paid to Shougang Holding (Hong Kong) Limited for the provision of management services to the Group.
- (ii) Management fees of HK\$240,000 and HK\$480,000 per annum were paid to Shougang Concord Grand (Group) Limited and Shougang International, respectively, for the provision of management services to the Group.
- (iii) Rentals were determined by reference to the prevailing market rentals.
- (iv) Sales to a jointly controlled entity and related companies were made according to the published prices and conditions offered to the major customers of the Group, except that a longer credit period was normally granted.
- (v) Utility expenses charged to a jointly controlled entity and a related company related to the recharge of certain utility costs incurred by them. The recharge was based on the prevailing market rates or actual costs incurred.
- (vi) Loan interest received from a jointly controlled entity was charged to recover the cost of funds advanced at the rate of Hong Kong prime rate plus 2% per annum.
- (vii) Purchases from a jointly controlled entity and related companies were made according to the published prices and conditions offered by similar suppliers to the Group.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 19 April 2001.