1. GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 January 2001 under the Companies Law (Revised) of the Cayman Islands. Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 September 2001, the Company became the holding company of the companies now comprising the Group. This was accomplished by the Company acquiring the entire issued share capital of E-Today Technology Limited ("E-Today"), the then holding company of the other subsidiaries, as set out in note 15 to the financial statements in consideration for the allotment and issue of the Company's shares, credited as fully paid, to the former shareholders of E-Today. Further details of the Group Reorganisation and the subsidiaries acquired pursuant thereto are set out in notes 15 and 23 to the financial statements and in the Company's prospectus dated 6 September 2001.

2. CORPORATE INFORMATION

The principal place of business of the Company is located at Unit 9, 32nd Floor, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 15 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

3. IMPACT OF REVISED AND NEW HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

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

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

3. IMPACT OF REVISED AND NEW HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

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

SSAP 2.109 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustments. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheet.

SSAP 2.118 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 2.109 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year.

SSAP 2.126 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 6 to the financial statements.

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

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

3. IMPACT OF REVISED AND NEW HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 2.130 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the balance sheet. It requires that goodwill is amortised to the profit and loss account over its estimated useful life. SSAP 2.130 has had no major impact on these financial statements.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of presentation and consolidation

The Group Reorganisation involved companies under common control. The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation completed on 2 September 2001. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented, rather than from the date of acquisition of the subsidiaries. Accordingly, the results of the Group for the years ended 31 December 2001 and 2000 include the results of the Company and its subsidiaries with effect from 1 January 2000 or since their respective dates of incorporation or establishment, where this is a shorter period. The comparative consolidated balance sheet as at 31 December 2000 has been prepared on the basis that the existing Group had been in place at that date.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation and consolidation (continued)

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

Comparative amounts have not been presented for the Company's balance sheet as the Company did not exist as at 31 December 2000.

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 buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

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

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.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme

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

The staff in the Company's subsidiaries operating in the People's Republic of China (the "PRC") are members of a retirement benefits scheme (the "PRC RB Scheme") operated by the local municipal government in Fujian Province, the PRC. The PRC subsidiaries are required to contribute 18% to 20% of their staff payroll to the PRC RB Scheme to fund the retirement benefits. The local municipal government in the PRC undertakes to assume the retirement benefits obligations of all existing and future retired staff of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the PRC RB Scheme is to meet the required contributions under the PRC RB Scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the PRC RB Scheme.

Research and development costs

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

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

Dividends

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends (continued)

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

In the previous year, the Company and its subsidiaries did not propose or pay any final dividends to shareholders. The revised accounting treatments for dividends resulting from the adoption of SSAP 2.109 (Revised) and SSAP 2.118 (Revised), have therefore not given rise to any prior year adjustments in either the Group's or the Company's financial statements.

Impairment of assets

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after 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.

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

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

Leasehold land and buildings	The shorter of the lease terms and 50 years
Plant and machinery	10 years
Leasehold improvements, furniture, office equipment and motor vehicles	5 years

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

Construction in progress, which represents leasehold buildings and plant under construction, is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and interest charges on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

All of the Group's fixed assets prior to the listing of the Company's shares on the Stock Exchange were stated at cost less accumulated depreciation. The financial effect involved in the remeasurement of certain of the Group's fixed assets on a valuation basis principally involving the incorporation of a surplus and deficit on revaluation in the amount of approximately HK$1,690,000 and HK$458,000, respectively, which is recognised in the fixed asset revaluation reserve and charged to the profit and loss account, respectively. Further details of the change in accounting policy for the remeasurement of the Group's fixed assets are set out in note 14 to the financial statements.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, ie, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. The capitalisation is based on the actual cost of the related borrowings. All other borrowing costs are recognised as expenses in the period in which they are incurred.

Subsidiaries

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value after allowances for obsolete or slow-moving items. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads based on a normal level of operating activities. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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.

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 the balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

6. SEGMENT INFORMATION

SSAP 2.126 was adopted during the year, as detailed in note 3 to the financial statements. Segment information is presented by way of two segment formats:

(i) on a primary segment reporting basis, by geographical segment; and

(ii) on a secondary segment reporting basis, by business segment.

The principal activity of the Group is the manufacture and sale of electronic products, which is managed according to the geographical location of customers.

Each of the Group's geographical segments, based on the location of customers, represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of other geographical segments. The Group's geographical segments are as follows:

(a) Hong Kong;

(b) India;

(c) Elsewhere in Asia; and

(d) Africa, Western Europe, the Middle East, North and South America, and Russia.

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

6. SEGMENT INFORMATION (continued)

(a) Geographical segments based on the location of customers

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments for the year ended 31 December 2001.

Group

	Hong Kong		India		Elsewhere in Asia		Africa, Western Europe, the Middle East, North and South America, and Russia		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:										
Sales to external customers	6,624	4,761	122,054	69,606	140,891	78,468	171,889	120,792	441,458	273,627
Segment results	1,049	437	16,153	9,182	19,526	10,538	27,194	17,139	63,922	37,296
Unallocated revenue									770	404
Unallocated expenses									(4,150)	(77)
Profit from operating activities									60,542	37,623
Finance costs									(796)	(536)
Profit before tax									59,746	37,087
Tax									(9,658)	(5,929)
Net profit from ordinary activities attributable to shareholders									50,088	31,158

6. SEGMENT INFORMATION (continued)

(a) Geographical segments based on the location of customers (continued)

Group

	Hong Kong		India		Elsewhere in Asia		Africa, Western Europe, the Middle East, North and South America, and Russia		Unallocated		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	2,770	1,513	55,001	26,997	63,586	28,018	72,745	43,278			194,102	99,806
Unallocated assets									48,997	30,967	48,997	30,967
Total assets	2,770	1,513	55,001	26,997	63,586	28,018	72,745	43,278	48,997	30,967	243,099	130,773
Segment liabilities	827	820	15,244	11,986	17,597	13,511	21,468	20,800			55,136	47,117
Unallocated liabilities									44,197	32,572	44,197	32,572
Total liabilities	827	820	15,244	11,986	17,597	13,511	21,468	20,800	44,197	32,572	99,333	79,689
Other segment information:												
Depreciation	68	41	1,260	595	1,455	672	1,775	1,034			4,558	2,342
Unallocated depreciation									155	159	155	159
	68	41	1,260	595	1,455	672	1,775	1,034	155	159	4,713	2,501
Capital expenditure	691	466	12,735	6,826	14,700	7,694	17,935	11,843			46,061	26,829
Unallocated capital expenditure									–	3,148	–	3,148
	691	466	12,735	6,826	14,700	7,694	17,935	11,843	–	3,148	46,061	29,977

6. SEGMENT INFORMATION (continued)

(b) Geographical segments based on the location of assets

	Hong Kong		Macau		Elsewhere in the PRC		Unallocated		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	6,773	5,722	45,250	23,261	142,079	70,823			194,102	99,806
Unallocated assets						–	48,997	30,967	48,997	30,967
	6,773	5,722	45,250	23,261	142,079	70,823	48,997	30,967	243,099	130,773
Capital expenditure	1,528	451	–	–	44,533	26,378			46,061	26,829
Unallocated capital expenditure							–	3,148	–	3,148
	1,528	451	–	–	44,533	26,378	–	3,148	46,061	29,977

(c) Business segments

All of the Group's revenue and assets are derived from the manufacture and sale of electronic products.

7. PROFIT FROM OPERATING ACTIVITIES

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

	2001	2000
	HK$'000	HK$'000
Cost of inventories sold	349,335	217,538
Depreciation	4,713	2,501
Minimum lease payments under operating leases on leasehold land and buildings	492	1,090
Staff costs (excluding directors' remuneration - note 8):		
Wages and salaries	31,663	20,596
Retirement benefits scheme contributions	4,822	2,990
Auditors' remuneration	1,200	1,000
Research and development costs	989	476
Revaluation deficit on leasehold land and buildings	458	–
Interest income	(567)	(375)

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

	Group	
	2001	2000
	HK$'000	HK$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	–	–
Basic salaries, housing benefits, other allowances and benefits in kind:		
Executive directors	2,137	1,580
Independent non-executive directors	–	–
Retirement benefits scheme contributions:		
Executive directors	68	4
Independent non-executive directors	–	–
	2,205	1,584

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

	Number of directors	
	2001	2000
Nil – HK$1,000,000	7	7

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

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

The five highest paid employees during the year included three (2000: three) directors, details of whose remuneration are disclosed above. The details of the remuneration of the remaining two (2000: two) non-director, highest paid employees, are as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	712	903
Retirement benefits scheme contributions	20	2
	732	905

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

9. FINANCE COSTS

	Group	
	2001	2000
	HK$'000	HK$'000
Interest on bank loans:		
Wholly repayable within five years	840	289
Repayable after five years	256	288
Interest on finance leases	13	–
	1,109	577
Less: Interest capitalised	(313)	(41)
	796	536

10. TAX

	Group 2001 HK$'000	Group 2000 HK$'000
Current year provision:		
Hong Kong	67	88
Macau	9,522	5,717
Elsewhere in the PRC	69	124
Tax charge for the year	9,658	5,929

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Macau Complementary Tax has been calculated at the rate of 15.75% (2000: 15.75%) on the estimated assessable profits of Congreve Assets Limited, a wholly-owned subsidiary of the Company, in respect of the year.

Three of the Company's subsidiaries operating in the PRC are Sole Foreign Investment Enterprises and are exempt from the income tax of the PRC for two years starting from the first profitable year of their operations, and are entitled to a 50% relief from the income tax of the PRC for the following three years. Upon expiry of the tax relief period, the subsidiaries will be subject to the income tax rate of 27%, being the preferential tax rate applicable to these subsidiaries operating in one of the open coastal areas of the PRC.

Taxes on the assessable profits of one of the Company's PRC subsidiaries had been calculated at the applicable rate of 27%. No provision for PRC income tax had been made for another of the Company's PRC subsidiaries as it was exempt from income tax for its first profitable year of operations, and no provision for the PRC income tax had been made for the third of the Company's PRC subsidiaries as it did not generate any assessable profits for the year.

No provision for deferred tax had been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the year (2000: Nil).

The revaluation of the Group's leasehold land and buildings does not constitute a timing difference and, consequently, there is no deferred tax arising thereon.

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the period from 29 January 2001 (date of incorporation) to 31 December 2001 was approximately HK$10,263,000.

12. DIVIDENDS

	2001 HK$'000	2000 HK$'000
Interim dividend	6,000	12,000
Proposed final dividend - HK2.0 cents per ordinary share	9,600	–
	15,600	12,000

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Group adopted the revised SSAP 2.109 "Events after the balance sheet date" as detailed in note 3 to the financial statements. The effect of this change in accounting policy as at 31 December 2001, is that the current year's proposed final dividend of HK$9,600,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

The interim dividends declared and paid for the years ended 31 December 2001 and 2000 were paid by a subsidiary of the Company to its then shareholders prior to the Group Reorganisation, as set out in note 1 to the financial statements.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the year of approximately HK$50,088,000 (2000: HK$31,158,000) and the pro forma weighted average of 395,835,617 (2000: 360,000,000) ordinary shares in issue during the year.

The weighted average number of shares used to calculate the earnings per share for the year ended 31 December 2000 includes the pro forma issued share capital of the Company, comprising 10,000,000 shares issued nil paid on incorporation of the Company and sub-divided, 10,000,000 shares issued for the acquisition of the entire issued share capital of E-Today and the capitalisation issue of 340,000,000 shares, as further detailed in note 23 to the financial statements. The weighted average number of shares used to calculate the earnings per share for the year ended 31 December 2001 includes the additional 120,000,000 shares issued upon the listing of the Company's shares on the Stock Exchange on 18 September 2001.

There were no potential dilutive ordinary shares in existence for the years ended 31 December 2001 and 2000 and, accordingly, no diluted earnings per share amounts have been presented for either of the two years.

14. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Total HK$'000
Cost or valuation:					
At 1 January 2001	26,547	395	22,464	1,693	51,099
Additions	78	20,512	22,862	2,609	46,061
Transfer	7,882	(14,430)	5,926	622	–
Revaluation	493	–	–	–	493
At 31 December 2001	35,000	6,477	51,252	4,924	97,653
Analysis of cost or valuation:					
At cost	–	6,477	51,252	4,924	62,653
At valuation	35,000	–	–	–	35,000
	35,000	6,477	51,252	4,924	97,653
Accumulated depreciation:					
At 1 January 2001	327	–	6,064	706	7,097
Provided during the year	412	–	3,709	592	4,713
Written back on revaluation	(739)	–	–	–	(739)
At 31 December 2001	–	–	9,773	1,298	11,071
Net book value:					
At 31 December 2001	35,000	6,477	41,479	3,626	86,582
At 31 December 2000	26,220	395	16,400	987	44,002

14. FIXED ASSETS (continued)

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

	2001 HK$'000	2000 HK$'000
Medium term leases in Hong Kong	7,000	7,612
A medium term lease elsewhere in the PRC	28,000	18,608
	35,000	26,220

At 31 December 2001, the Group's leasehold land and buildings in Hong Kong were revalued on an open market value, existing use basis, by DTZ Debenham Tie Leung Limited ("DTZ"), an independent firm of professional valuers, at HK$7,000,000. The resulting revaluation deficit of approximately HK$458,000 had been charged to the profit and loss account.

At 31 December 2001, the Group's leasehold land and buildings in the PRC were revalued on a depreciated replacement cost basis by DTZ, at HK$28,000,000. The resulting revaluation surplus of approximately HK$1,690,000 had been credited to the fixed asset revaluation reserve (note 24).

Had the Group's leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$33,768,000 (2000: HK$26,220,000).

Prior to its transfer to other categories of fixed assets, the carrying amount of construction in progress included capitalised interest of approximately HK$354,000 (2000: HK$41,000).

At 31 December 2001, the Group's leasehold land and buildings held in Hong Kong, with an aggregate net book value of approximately HK$7,000,000, were pledged to secure banking facilities granted to the Group (note 21).

The net book value of the Group's motor vehicle held under a finance lease included in the total amount of leasehold improvements, furniture, office equipment and motor vehicles at 31 December 2001 amounted to approximately HK$1,043,000 (2000: Nil).

15. INVESTMENTS IN SUBSIDIARIES

	Company 2001 HK$'000
Unlisted shares, at cost	81,159

The balances with subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ establishment/ and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
E-Today Technology Limited	British Virgin Islands ("BVI")	Ordinary US$600	100%	Investment holding
Indirectly held				
Cambuslea Services Limited	BVI/ PRC	Ordinary US$100	100%	Provision of quality control services
Congreve Assets Limited	BVI/ Macau	Ordinary US$100	100%	Distribution of electronic products
Dejamus Assets Limited	BVI/ PRC	Ordinary US$100	100%	Trademark holding and provision of marketing services

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment/ and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Deji Electronic Co., Ltd. Putian County, Fujian	PRC	HK$6,000,000	100%	Manufacture and sale of electronic products
Hazlite Services Limited	BVI/ PRC	Ordinary US$100	100%	Provision of technical support services
Putian Derong Electronic Co., Ltd. ("Putian Derong") *	PRC	–	100%	Manufacture and sale of electronic products
Putian Dexing Electronic Co., Ltd.	PRC	HK$38,880,000	100%	Manufacture and sale of electronic products
Tak Shun (Lam's) Company Limited ("Tak Shun HK")	Hong Kong	Ordinary HK$2 Non-voting Deferred # HK$10,000	100%	Investment holding and distribution of electronic products

* Putian Derong is a Sole Foreign Investment Enterprise established in the PRC for an operating period of fifty years commencing from its date of establishment on 29 April 2001. The registered capital of Putian Derong of HK$60,000,000 has not been paid up by the Group as at 31 December 2001.

\# The non-voting deferred shares carry no rights as to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus in a return of capital in a winding-up (other than the nominal amount paid up or credited as paid-up of the non-voting deferred shares, after a sum of HK$1,000,000,000 per ordinary share has been distributed to the holders of the ordinary shares of Tak Shun HK in such winding-up).

16. INVENTORIES

	Group	
	2001	2000
	HK$'000	HK$'000
Raw materials	30,490	16,050
Work in progress	9,797	6,911
Finished goods	19,576	9,258
	59,863	32,219

17. TRADE RECEIVABLES

The Group normally allows credit terms ranging from 30 to 90 days to established customers.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
1 – 30 days	35,712	22,476
31 – 60 days	15,106	5,832
61 – 90 days	996	970
	51,814	29,278

18. CASH AND CASH EQUIVALENTS

	Group		Company
	2001	2000	2001
	HK$'000	HK$'000	HK$'000
Cash and bank balances	13,135	23,355	22
Time deposits	28,617	–	–
Cash and cash equivalents	41,752	23,355	22

19. INTEREST-BEARING BANK LOANS

	Group	
	2001	2000
	HK$'000	HK$'000
Bank loans, secured and repayable:		
Within one year	14,333	12,765
In the second year	326	264
In the third to fifth years, inclusive	1,058	916
After five years	2,294	2,831
	18,011	16,776
Portion classified as current liabilities	(14,333)	(12,765)
Long term portion	3,678	4,011

20. FINANCE LEASE PAYABLES

The Group leases a motor vehicle for its general business purposes. The lease is classified as a finance lease and has a remaining lease term of four years.

At 31 December 2001, the total future minimum lease payments under the finance lease and their present values, were as follows:

	Group			
	Minimum lease payments 2001 HK$'000	Present value of minimum lease payments 2001 HK$'000	Minimum lease payments 2000 HK$'000	Present value of minimum lease payments 2000 HK$'000
Amounts payable:				
Within one year	301	289	–	–
In the second year	301	269	–	–
In the third to fifth years, inclusive	503	405	–	–
Total minimum finance lease payments	1,105	963	–	–
Future finance charges	(142)		–	
Total net finance lease payables	963		–	
Portion classified as current liabilities	(289)		–	
Long term portion	674		–	

21. BANKING FACILITIES

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

(i) first legal charges on the Group's leasehold land and buildings in Hong Kong (note 14); and

(ii) corporate guarantees given by the Company and certain subsidiaries of the Company.

22. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 60 days from its suppliers.

An aging analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
1 – 30 days	30,901	18,202
31 – 60 days	16,027	10,275
	46,928	28,477

23. SHARE CAPITAL

Shares

	2001
	HK$'000
Authorised:	
2,000,000,000 ordinary shares of HK$0.01 each	20,000
Issued and fully paid:	
480,000,000 ordinary shares of HK$0.01 each	4,800

23. SHARE CAPITAL (continued)

Shares (continued)

The following changes in the Company's authorised and issued share capital took place during the period from 29 January 2001 (date of incorporation) to 31 December 2001:

(i) On incorporation, the authorised share capital of the Company was HK$100,000 divided into 1,000,000 ordinary shares of HK$0.10 each, all of which were issued and allotted nil paid on that date.

(ii) On 2 September 2001, each of the then issued ordinary share in the share capital of the Company, having a par value of HK$0.10 each, was sub-divided into ten ordinary shares of HK$0.01 each, and the authorised share capital of the Company was increased to HK$200,000 by the creation of a further 10,000,000 ordinary shares of HK$0.01 each, ranking pari passu with the existing share capital of the Company.

(iii) On 2 September 2001, as part of the Group Reorganisation, the Company issued an aggregate of 10,000,000 ordinary shares of HK$0.01 each credited as fully paid in consideration for the acquisition of the entire issued share capital of E-Today. The excess of the fair value of the ordinary shares of E-Today, determined on the basis of its consolidated net assets at that date, over the nominal value of the Company's ordinary shares issued and credited as fully paid in exchange therefor, amounting to HK$80,959,000, was credited to the Company's share premium account as set out in note 24.

(iv) On 2 September 2001, an amount of HK$100,000, being a portion of the amount credited to the share premium account of the Company on the issue of ordinary shares in exchange for the ordinary shares of E-Today as set out in (iii) above, was applied to pay up, in full at par value, the 10,000,000 sub-divided ordinary shares issued and allotted nil paid on the date of incorporation.

(v) On 2 September 2001, the authorised share capital of the Company was increased from HK$200,000 to HK$20,000,000 by the creation of a further 1,980,000,000 ordinary shares of HK$0.01 each, ranking pari passu with the existing share capital of the Company.

23. SHARE CAPITAL (continued)

Shares (continued)

(vi) On 2 September 2001, a total of 340,000,000 ordinary shares of HK$0.01 each were allotted and issued as fully paid at par to the holders of the ordinary shares whose names appeared on the register of members of the Company at that date, in proportion to their respective shareholdings, by way of the capitalisation of the sum of HK$3,400,000 standing to the credit of the share premium account of the Company, conditional on the share premium account being credited as a result of the issue of new ordinary shares to the public on 18 September 2001 as detailed in (vii) below.

(vii) On 18 September 2001, a total of 120,000,000 ordinary shares of HK$0.01 each were issued at HK$0.50 each (the "New Issue") to the public for a total cash consideration, before the related issue expenses, of HK$60,000,000.

A summary of the above movements in the issued share capital of the Company is as follows:

	Notes	Number of shares issued '000	Share capital HK$'000
Shares allotted and issued nil paid on incorporation	(i)	1,000	–
Sub-division of each of the Company's shares into ten shares	(ii)	10,000	–
Shares issued as consideration for the acquisition of the entire issued share capital of E-Today pursuant to the Group Reorganisation	(iii)	10,000	100
Application of share premium to pay up nil paid shares issued on incorporation	(iv)	–	100
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public	(vi)	340,000	–
Pro forma issued share capital as at 31 December 2000		360,000	200
Capitalisation of the share premium account as set out above	(vi)	–	3,400
New Issue on public listing	(vii)	120,000	1,200
Share capital as at 31 December 2001		480,000	4,800

23. SHARE CAPITAL (continued)

Shares (continued)

On 20 March 2002, the Company proposed to grant two bonus shares for every one ordinary share of HK$0.01 each in the issued share capital of the Company held by the shareholders whose names appear on the register of members of the Company on 8 May 2002. Based on the issued share capital of the Company as at the date of this report, 960,000,000 additional ordinary shares of HK$0.01 each of the Company will be issued as bonus shares. The bonus shares will rank pari passu in all respects with the ordinary shares of the Company in issue on the date of allotment but shall not be entitled to the proposed final dividend for the year ended 31 December 2001.

The issue of the bonus shares is conditional upon: (i) the approval by the shareholders for the allotment and issue of bonus shares; and (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the bonus shares. Application will be made to the Listing Committee of the Stock Exchange in respect of such listing.

Share options

The Company operates a share option scheme (the "SO Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 26 to 27.

Up to 31 December 2001, no share options had been granted under the Scheme.

Warrants

Subsequent to the balance sheet date, on 20 March 2002, the Company proposed to grant one bonus warrant for every five ordinary shares of HK$0.01 each in the share capital of the Company, based on the enlarged share capital of the Company after the grant of the 960,000,000 bonus shares detailed above, to the shareholders whose names appear on the register of members of the Company on 8 May 2002. Based on the issued share capital of the Company as at the date of this report and the 960,000,000 bonus shares stated above, 288,000,000 bonus warrants will be issued.

Each of the bonus warrants will entitle the holder thereof to subscribe for one ordinary share of the Company at an initial subscription price of HK$0.40 per share, subject to adjustment, from the date of issue to 29 May 2004 (both dates inclusive). Any ordinary shares falling to be issued upon the exercise of the subscription rights attaching to the bonus warrants will rank pari passu in all respects with the existing fully-paid ordinary shares in issue of the Company on the relevant subscription date.

23. SHARE CAPITAL (continued)

Warrants (continued)

The exercise in full of the subscription rights attaching to the bonus warrants at the subscription price of HK$0.40 per share would, based on the present capital structure of the Company, result in the issue of 288,000,000 additional ordinary shares and the receipt by the Company of approximately HK$115,200,000 before any related issue expenses.

The issue of the bonus warrants is conditional upon: (i) the approval by the shareholders for the creation and issue of bonus warrants and the allotment and issue of the corresponding new shares falling to be issued upon the exercise of the subscription rights attaching to the warrants; and (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the bonus warrants and the corresponding new shares falling to be issued upon the exercise of the subscription rights attaching to the warrants. Application will be made to the Listing Committee of the Stock Exchange in respect of such listings.

24. RESERVES

	Share premium HK$'000	Fixed asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Retained profits HK$'000	Total HK$'000
Group					
At 1 January 2000	8	–	9	31,708	31,725
Issue of share capital of a subsidiary	1	–	–	–	1
Net profit for the year	–	–	–	31,158	31,158
Interim dividend – note 12	–	–	–	(12,000)	(12,000)
Transfer to statutory reserve fund	–	–	34	(34)	–
At 31 December 2000 and 1 January 2001	9	–	43	50,832	50,884
Issue of shares	58,800	–	–	–	58,800
Capitalisation issue of shares – note 23	(3,400)	–	–	–	(3,400)
Share issue expenses	(13,096)	–	–	–	(13,096)
Surplus on revaluation of leasehold land and buildings – note 14	–	1,690	–	–	1,690
Net profit for the year	–	–	–	50,088	50,088
Interim dividend – note 12	–	–	–	(6,000)	(6,000)
Proposed final dividend – note 12	–	–	–	(9,600)	(9,600)
Transfer to statutory reserve fund	–	–	306	(306)	–
At 31 December 2001	42,313	1,690	349	85,014	129,366

24. RESERVES (continued)

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
Company			
Arising on acquisition of E-Today and applied in payment of 10,000,000 shares allotted nil paid on incorporation	80,959	–	80,959
Issue of shares	58,800	–	58,800
Capitalisation issue of shares – note 23	(3,400)	–	(3,400)
Share issue expenses	(13,096)	–	(13,096)
Net profit for the period – note 11	–	10,263	10,263
Proposed final dividend – note 12	–	(9,600)	(9,600)
At 31 December 2001	123,263	663	123,926

The share premium account of the Group includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group Reorganisation, as at set out in notes 1 and 23 to the financial statements, over the nominal value of the share capital of the Company issued in exchange therefor; (ii) the premium arising from the Capitalisation Issue during the year; and (iii) the premium arising from the New Issue during the year.

The share premium account of the Company includes: (i) the difference between the then combined net asset value of the subsidiaries acquired pursuant to the Group Reorganisation, as set out in notes 1 and 23 to the financial statements, over the nominal value of the share capital of the Company issued in exchange therefor; (ii) the premium arising from the Capitalisation Issue during the year; and (iii) the premium arising from the New Issue during the year.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

The subsidiaries of the Company established in the PRC are required to transfer 10% of their profit after tax, calculated in accordance with the PRC accounting regulations, to the statutory reserve fund until the reserve reaches 50% of their respective registered capital, upon which any further appropriation will be at the directors' recommendation. Such reserve may be used to reduce any losses incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK$'000	2000 HK$'000
Profit from operating activities	60,542	37,623
Interest income	(567)	(375)
Depreciation	4,713	2,501
Revaluation deficit on leasehold land and buildings	458	–
(Increase)/decrease in prepayments, deposits and other receivables	(1,169)	3,157
Increase in inventories	(27,644)	(10,207)
Increase in trade receivables	(22,536)	(8,712)
Increase in trade payables	18,451	11,483
(Decrease)/increase in other payables and accruals	(10,432)	14,200
Net cash inflow from operating activities	21,816	49,670

(b) Analysis of changes in financing activities during the years

	Bank loans, secured HK$'000	Finance lease payables HK$'000	Share capital and share premium HK$'000
At 1 January 2000	5,981	–	208
Cash inflow from financing activities, net	10,795	–	1
At 31 December 2000 and 1 January 2001	16,776	–	209
Inception of a finance lease contract	–	1,050	–
Cash inflow/(outflow) from financing activities, net	1,235	(87)	46,904
At 31 December 2001	18,011	963	47,113

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Major non-cash transactions

(i) The Group Reorganisation in preparation for the public listing of the Company's shares involved the acquisition of E-Today by the issue of ordinary shares of the Company, further details of which are set out in notes 1 and 23 to the financial statements.

(ii) During the year, the Group entered into a finance lease arrangement in respect of a fixed asset with a capital value at the inception of the lease of approximately HK$1,050,000 (2000: Nil).

26. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date.

At 31 December 2001, the Company had provided corporate guarantees to banks for banking facilities provided to a subsidiary. These banking facilities had been utilised to the extent of approximately HK$3,992,000 as at the balance sheet date.

27. OPERATING LEASE ARRANGEMENTS

The Group leases certain leasehold land and buildings under operating lease arrangements. The original lease terms for these leasehold land and buildings range from 1 to 3 years.

At 31 December 2001, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Within one year	260	472
In the second year	–	240
	260	712

The Company did not have any operating lease arrangement as at 31 December 2001.

28. COMMITMENTS

In addition to the operating lease commitments detailed in note 27 above, the Group had capital commitments as at the balance sheet date as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Leasehold land and buildings, contracted for	697	3,051
Plant and machinery, contracted for	2,801	–
	3,498	3,051

The Company did not have any significant commitments as at 31 December 2001.

29. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

(i) a fixed deposit owned by Ms. Wong Choi Fung ("Ms. Wong"), a director of the Company, was pledged to secure banking facilities granted to the Group at nil consideration;

(ii) Mr. Lam Ping Kei ("Mr. Lam") and Ms. Wong, the directors of the Company, provided joint and serveral personal guarantees for banking facilities granted to the Group at nil consideration; and

(iii) the Group paid operating lease rentals on leasehold land and buildings of approximately HK$164,000 (2000: HK$654,000) to Mr. Lam and Ms. Wong, for leasing the factory premises used by a subsidiary of the Company in the PRC. In the opinion of the directors, the above transactions were carried out in the ordinary course of business of the Group with reference to the open market rental value of the properties. These transactions was discontinued on 1 April 2001.

Upon the listing of the Company's shares on 18 September 2001, the joint and serveral personal guarantees and securities provided by Mr. Lam and Ms. Wong, respectively, as set out in notes (i) and (ii) above, were released and replaced by corporate guarantees of the Company and certain subsidiaries of the Company.

30. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following events occurred:

(i) on 20 March 2002, the Company proposed to declare a final dividend of HK$2.0 cents per ordinary share to its shareholders whose names appeared on the register of members of the Company on 8 May 2002, as detailed in note 12;

(ii) on 20 March 2002, the Company proposed to: (i) grant two bonus shares for every one ordinary share of HK$0.01 each in the issued share capital of the Company; and (ii) grant one bonus warrant for every five ordinary shares based on the enlarged share capital of the Company after the grant of the bonus shares; to shareholders whose names appear on the register of members on 8 May 2002; and

(iii) on 20 March 2002, the Company proposed to increase its authorised share capital from HK$20 million to HK$40 million by the creation of an additional 2,000 million shares of HK$0.01 each.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2002.