1. CORPORATE INFORMATION

During the year, the Group was involved in the business of the development, manufacture, sale and distribution of information and entertainment products for home and automobiles, the development and provision of networking technology services and the provision of integrated solutions and services for the cable TV industry.

The principal activities of the principal subsidiaries and the Group's jointly-controlled entities and associates are further detailed in notes 18, 19 and 20 to the financial statements, respectively.

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

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

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

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 those SSAPs and Interpretations which have had a significant effect on the financial statements, are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 13 to the financial statements.

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

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 29 and 36 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in notes 12 and 32 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The principal impact of this SSAP on these financial statements is the requirement to disclose provisions as a separate line item on the face of the balance sheet. Note 26 to the financial statements "Provisions for sales returns and warranty costs" has been revised to include the new required additional disclosures.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements. The SSAP does, however, require that impairment losses on intangible assets are aggregated with the accumulated amortisation (see note 16), whereas previously they were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of intangible assets in the balance sheet.

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

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method of 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 and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of SSAP 30 and Interpretation 13 has not resulted in a prior year adjustment, for the reasons detailed in note 17 to the financial statements. The required new additional disclosures are included in notes 17 and 32 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no impact on the preparation of these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of 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 within the Group are eliminated on consolidation.

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 interests in subsidiaries are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A joint-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the joint-controlled 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 impairment losses.

Where the Group transacts with its jointly-controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, when the full amount of the loss is recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

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

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

Where the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, when the full amount of the loss is recognised.

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill

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

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

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

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Related parties

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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.

Fixed assets and depreciation

Fixed assets are stated at cost or valuation 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.

Changes in the values of fixed assets 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. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

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

Leasehold land	Over the lease terms
Buildings	Over the shorter of the lease terms or 25 years
Leasehold improvements	Over the lease terms
Plant and machinery	10% – 20%
Moulds and tools	20% – 50%
Furniture and equipment	20%
Motor vehicles	20%

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Deferred product development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production. Periodic review is carried out to write off the deferred product development costs with no commercial value.

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 is 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 are 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 lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. 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.

Long term investments

Long term investments are non-trading investments in unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are stated at cost less any impairment losses. When such impairment losses have occurred, the carrying amounts of the securities are reduced to their fair values, as determined by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. Where the circumstances and events which led to an impairment in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash equivalents

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

Provisions for sales returns and warranty costs

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

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

Provision for losses on expected future sales returns and provision for warranty costs arising in the ordinary course of the Group's distribution business are made on an accrual basis with reference to the sales volume, past experience of the levels of returns, and the directors' best estimates of the expenditure required to settle the obligations, and are charged to the profit and loss account in the period in which the related sales are made. Subsequent expenditure on the settlement of such obligations is charged against the provisions made, except where the expenditure exceeds the balance of the provisions, in which case, it is charged to the profit and loss account in the period in which the returns are made.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent that 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) from the rendering of services, when the services are provided;

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

(d) commission income, on an accrual basis;

(e) rental income, on a time proportion basis over the lease terms; and

(f) claim income, on a cash receipt basis.

Dividends

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

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

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The Company also recognised the proposed final dividends of subsidiaries, which were declared and approved after the balance sheet date, as income in its profit and loss account for the year. The revised accounting treatment for dividends resulting from the adoption of SSAP 9 (Revised) and SSAP 18 (Revised), has given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in notes 12, 13 and 32 to the financial statements.

3. 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, jointly-controlled entities and associates 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 equalisation reserve.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all 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 employees of the Group's PRC subsidiary are required to participate in a central pension scheme operated by local municipal government. This PRC subsidiary is required to contribute 19% of its payroll costs to the central pension scheme.

For an overseas subsidiary, the Group operates a defined contribution pension scheme for those employees who are eligible. The assets of the scheme are held separately from those of the Group in an independently-administered fund. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. This pension scheme operates in a similar way to the MPF Scheme, except that when an employee leaves the scheme prior to his/her interest in the Group's employer contribution vesting fully, the outgoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

(a) the audio segment manufactures audio products;

(b) the in-car electronics segment manufactures in-car electronic products;

(c) the video segment manufactures DVD products;

(d) the network information/entertainment solutions segment engages in the development of networking technology and the provision of integrated solutions and services for the cable TV industry; and

(e) the other segment comprises the development, manufacture and sale of telecommunication products, which had been discontinued since last year and other businesses.

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

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

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

Group

	Audio		In-car electronics		Video		Network information/ entertainment solutions		Corporate and Others		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE														
External sales	1,404,785	1,422,178	1,392,743	1,458,062	866,464	946,963	28,117	15,730	–	55,880	–	–	3,692,109	3,898,813
Intersegment sales	90,352	250,365	105,914	111,389	7,164	118,334	–	–	–	–	(203,430)	(480,088)	–	–
Total revenue	1,495,137	1,672,543	1,498,657	1,569,451	873,628	1,065,297	28,117	15,730	–	55,880	(203,430)	(480,088)	3,692,109	3,898,813
SEGMENT RESULTS	62,609	43,370	24,068	48,630	12,810	39,645	79	(1,261)	2,820	(993)	–	–	102,386	129,391
Unallocated corporate expenses													(18,306)	(21,020)
Profit from operating activities													84,080	108,371
Finance costs													(41,475)	(50,378)
Share of profits and losses of:														
Jointly-controlled entities	85	(414)	(808)	3,788	81	(85)	–	–	–	–	–	–	(642)	3,289
Associates	–	–	5,465	13,481	–	–	–	–	–	–	–	–	5,465	13,481
Profit before tax													47,428	74,763
Tax													47	(6,855)
Profit before minority interests													47,475	67,908
Minority interests													580	1,314
Net profit from operating activities attributable to shareholders													48,055	69,222

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4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Audio		In-car electronics		Video		Network information/ entertainment solutions		Corporate and Others		Eliminations		Consolidated	
	2001	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	571,838	560,271	600,237	487,495	154,715	109,235	37,036	30,087	–	–	–	–	1,363,826	1,187,088
Interests in associates	–	–	39,565	38,015	–	–	–	–	162	152	–	–	39,727	38,167
Interests in jointly-controlled entities	5,040	12,338	31,102	22,850	4,821	2,304	–	–	125	–	–	–	41,088	37,492
Unallocated assets													21,995	25,619
Total assets													1,466,636	1,288,366
Segment liabilities	173,737	247,597	218,712	156,709	277,201	173,791	10,858	12,879	–	–	–	–	680,508	590,976
Unallocated liabilities													270,333	220,418
Total liabilities													950,841	811,394
Other segment information:														
Depreciation and amortisation	51,449	40,755	33,792	29,850	6,722	8,005	814	302	441	2,226	–	–	93,218	81,138
Other non-cash expenses	5,450	3,701	4,738	11,035	4,545	10,369	585	–	–	–	–	–	15,318	25,105
Capital expenditure	90,521	73,852	37,652	44,029	16,634	25,934	645	9,325	–	485	–	–	145,452	153,625
Deferred expenditures written off	6,775	4,770	–	7,044	3,036	961	–	–	–	–	–	–	9,811	12,775
Deficit on revaluation of fixed assets charged to:														
Revaluation reserve	–	–	–	–	–	–	–	–	158	–	–	–	158	–
Profit and Loss account	–	–	–	–	–	–	–	–	364	–	–	–	364	–

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue, profit and certain asset and expenditure information for the Group's geographical segments.

Group

	United States of America		Europe		Asia		Central and South America		Canada		Others		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:																
Sales to external customers	1,656,543	2,137,836	1,204,960	1,016,092	176,857	246,178	299,766	216,462	51,928	110,615	302,055	171,630	-	-	3,692,109	3,898,813
Segment results *	32,145	64,477	41,106	35,749	5,105	7,332	8,097	7,499	2,748	4,865	13,185	9,469	-	-	102,386	129,391

	United State of America		Europe		Asia		Central and South America		Canada		Others		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other segment information:																
Segment assets	137,833	131,080	20,040	24,564	1,308,749	1,132,422	-	-	14	300	-	-	-	-	1,466,636	1,288,366
Capital expenditure	435	671	-	-	145,017	152,954	-	-	-	-	-	-	-	-	145,452	153,625

* disclosed pursuant to the requirements of the Listing Rules

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5. TURNOVER, REVENUE AND GAIN

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of turnover, other revenue and gain is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Turnover		
Continuing operations		
Development, manufacture, sale and distribution of:		
– audio products	**1,404,785**	1,422,178
– in-car electronic products	**1,392,743**	1,458,062
– video products	**866,464**	946,963
– network information/entertainment solutions	**28,117**	15,730
	3,692,109	3,842,933
Discontinued operations		
Development, manufacture and sale of telecommunication products	**–**	55,880
	3,692,109	3,898,813
Other revenue		
Tooling and repairing service income	**9,143**	11,470
Interest income	**3,155**	3,194
Rental income	**1,115**	1,047
Sales of scrap materials	**762**	1,036
Commission income	**1,554**	–
Claim income	**13,260**	–
Others	**2,319**	333
	31,308	17,080
Gain		
Gain on liquidation of subsidiaries	**–**	447
	31,308	17,527

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Group	
	2001	2000
	HK$'000	HK$'000
Cost of inventories sold	**3,374,117**	3,533,647
Cost of services provided	**16,251**	3,133
Provision for obsolete inventories included in the above cost of inventories sold	**11,465**	6,950
Research and development costs:		
Deferred expenditure amortised *	**16,505**	13,422
Deferred expenditure written off	**9,811**	12,775
Current year's expenditure	**12,908**	15,163
	39,224	41,360
Provision for sales returns and warranty costs*	**55,732**	53,495
Depreciation	**76,713**	67,716
Minimum lease payments under operating leases in respect of land and buildings	**17,805**	14,551
Less: Amounts capitalised	**(2,138)**	(1,067)
	15,667	13,484
Auditors' remuneration	**1,300**	1,320
Staff costs (including directors' remuneration – note 8):		
Pension contributions	**559**	815
Less: Forfeited contributions	**–**	–
Net pension contributions**	**559**	815
Wages, salaries and bonuses	**164,952**	149,943
	165,511	150,758
Less: Amounts capitalised	**(33,474)**	(25,399)
	132,037	125,359
Exchange (gains)/losses, net	**(6,227)**	5,650
Loss on disposal of fixed assets, net	**53**	7,930
Loss on disposal of subsidiaries	**–**	378
Deficit on revaluation of land and buildings	**364**	–
Provision for doubtful trade debts	**3,799**	10,225
Net rental income	**(1,115)**	(1,047)

* The amortisation of deferred expenditure and the provision for sales returns and warranty costs are included in "Costs of sales" on the face of the profit and loss account.

** At 31 December 2001, there were no forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years (2000: Nil).

7. FINANCE COSTS

	Group	
	2001	2000
	HK$'000	HK$'000
Interest on bank loans, overdrafts, and other borrowings		
wholly repayable within five years	**40,368**	48,447
Interest on finance leases and hire purchase contracts	**1,107**	1,931
	41,475	50,378

8. DIRECTORS' REMUNERATION

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

	Group	
	2001	2000
	HK$'000	HK$'000
Fees	**540**	620
Other emoluments:		
Salaries, allowances and benefits in kind	**6,764**	8,534
Bonuses	**–**	561
Pension scheme contributions	**36**	–
	7,340	9,715

Fees represent amounts paid and payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2000: Nil).

The remuneration of the directors during the year fell within the following bands:

	Number of directors	
	2001	2000
Nil to HK$1,000,000	**4**	5
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,500,001 to HK$3,000,000	**2**	–
HK$3,500,001 to HK$4,000,000	**–**	2
	7	8

During the year, two directors have agreed to waive their basic salaries as provided for in their respective service agreements in the total amount of HK$2,480,000 (2000: Nil).

9. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included three (2000: three) directors, details of whose remuneration are set out in note 8 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
Salaries, allowances and benefits in kind	**3,619**	2,875
Pension scheme contributions	**24**	–
	3,643	2,875

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

	Number of employees	
	2001	2000
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
	2	2

10. DISCONTINUED OPERATIONS

On 31 March 2000, the Group disposed of its entire interest in a 51% subsidiary group, Orient Power Telecommunication Limited ("OPTL") and its subsidiaries, to the then 49% shareholder of OPTL in consideration for HK$26 million, received by way of cash of HK$6 million and an assignment to the buyer of a HK$20 million loan previously borrowed by the Group from the disposed group. The principal activities of OPTL and its subsidiaries are the development, manufacture and sale of telecommunication products. As a result of this disposal, the Group's business related to the development, manufacture and sale of telecommunication products was discontinued. The results of the activities and operations carried out by the OPTL group have been included in the Group's consolidated profit and loss account for the year ended 31 December 2000 up to the date of disposal of 31 March 2000 and have been separately disclosed as results from discontinued operations. The assets and liabilities of the OPTL group at 31 March 2000, and the capital reserve that previously arose on the acquisition of the original interest and which was eliminated against consolidated reserves, were accounted for in the profit and loss account in determining the net loss on disposal of approximately HK$378,000 (note 6), after expenses of HK$195,000.

11. TAX

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 rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Jointly-controlled entities operating in the People's Republic of China (the "PRC") are entitled to an exemption from PRC income tax for two years from their first year with assessable profits, and thereafter are entitled to a 50% exemption for a further three consecutive years. No tax provision has been made by the jointly-controlled entities for the year, either because they did not generate any assessable profits, or because they were still entitled to their 100% tax exemption.

	2001 **HK$'000**	2000 HK$'000
Group:		
Hong Kong	**1,038**	2,762
Elsewhere	**–**	88
(Over)/under provision in prior year	**(167)**	3
Deferred tax (written back)/charge (note 30)	**(2,339)**	3,239
	(1,468)	6,092
Share of tax attributable to associates	**1,421**	763
Tax charge/(credit) for the year	**(47)**	6,855

12. 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 is HK$28,347,000 (2000: HK$17,571,000).

The comparative amount for 2000 has been restated by a prior year adjustment resulting in a net decrease of HK$12,000,000 to the Company's net profit for that year, a decrease of HK$30,000,000 to dividend receivable in the Company's balance sheet as at 31 December 2000 and a decrease of HK$18,000,000 to the retained profits as at 1 January 2000. The prior year adjustment reversed dividends from subsidiaries which were declared and approved by the subsidiaries after the prior year's balance sheet date, but which were recognised by the Company as revenue in its financial statements for that year. The prior year adjustment resulted in a decrease in retained profits by HK$30,000,000 as at 1 January 2001. This change in accounting policy has arisen from the adoption of revisions to SSAP 18, as further detailed in notes 2 and 32 to the financial statements.

The effect of this change in accounting policy on the Company's net profit for the current year, was to increase the net profit by HK$30,000,000 to HK$28,347,000, as disclosed above, representing the effect of the prior year adjustment of HK$30,000,000.

13. DIVIDENDS

	2001 HK$'000	2000 HK$'000
Interim dividend in scrip form equivalent to HK 0.5 cent (2000: HK 1.0 cent) per share with a cash option	**2,190**	4,320
Proposed final dividend in scrip form equivalent to HK 1.5 cents (2000: HK 2.0 cents) per share with a cash option	**6,613**	8,660
	8,803	12,980

The interim dividend for the year was paid in the form of scrip dividend and cash amounting to HK$631,000 (2000: HK$1,614,000) and HK$1,559,000 (2000: HK$2,706,000), respectively. The final dividend for the prior year was paid in the form of scrip dividend and cash amounting to HK$1,776,000 and HK$6,884,000, respectively.

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 9 "Events after the balance sheet date" as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 December 2000 of HK$8,660,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31 December 2000 by HK$8,660,000.

The effect of this change in accounting policy as at 31 December 2001, is that the current year's proposed final dividend of HK$6,613,000 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.

14. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on:

	2001 HK$'000	2000 HK$'000
Earnings		
Net profit from ordinary activities attributable to shareholders used in basic and diluted earnings per share calculation	**48,055**	69,222

	Number of shares 2001	2000
Shares		
Weighted average number of shares in issue during the year used in basic earnings per share calculation	**435,551,401**	413,097,765
Weighted average number of shares assumed issued at no consideration on deemed exercise of all share options outstanding during the year	**245,353**	4,162,914
Weighted average number of shares used in diluted earnings per share calculation	**435,796,754**	417,260,679

15. FIXED ASSETS

Group

	Land and buildings	Leasehold improve-ments	Plant, machinery, moulds and tools	Furniture and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation:						
At beginning of year	53,830	52,864	393,465	70,241	4,010	574,410
Additions	–	8,398	94,803	15,264	95	118,560
Disposals	–	(25)	(1,400)	(339)	–	(1,764)
Deficit on revaluation	(2,100)	–	–	–	–	(2,100)
Exchange realignment	55	8	3	16	3	85
At 31 December 2001	51,785	61,245	486,871	85,182	4,108	689,191
Analysis of cost or valuation:						
At cost	6,785	61,245	486,871	85,182	4,108	644,191
At 2001 valuation	45,000	–	–	–	–	45,000
	51,785	61,245	486,871	85,182	4,108	689,191
Accumulated depreciation:						
At beginning of year	151	36,000	242,703	45,912	2,864	327,630
Provided during the year	1,781	6,036	58,846	9,635	415	76,713
Disposals	–	–	(578)	(339)	–	(917)
Written back on revaluation	(1,578)	–	–	–	–	(1,578)
Exchange realignment	–	–	1	3	–	4
At 31 December 2001	354	42,036	300,972	55,211	3,279	401,852
Net book value:						
At 31 December 2001	51,431	19,209	185,899	29,971	829	287,339
At 31 December 2000	53,679	16,864	150,762	24,329	1,146	246,780

15. FIXED ASSETS (continued)

Company

	Motor vehicles HK$'000
Cost:	
At beginning of year and at 31 December 2001	437
Accumulated depreciation:	
At beginning of year	168
Provided during the year	109
At 31 December 2001	277
Net book value:	
At 31 December 2001	160
At 31 December 2000	269

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

	Hong Kong HK$'000	**Elsewhere** HK$'000	**Total** HK$'000
At cost:			
Medium term leases	–	6,785	6,785
At valuation:			
Long term leases	4,000	–	4,000
Medium term leases	15,000	26,000	41,000
	19,000	26,000	45,000
	19,000	32,785	51,785

The Group's land and buildings, other than the staff quarters and office premises in the PRC, were revalued individually at the balance sheet date by A.G. Wilkinson & Associates, an independent firm of property valuers, on an open market value, existing use basis. The Group's attributable revaluation deficit of HK$158,000 (2000: surplus of HK$788,000) and HK$364,000 (2000: Nil) resulting from the above valuations have been reflected in the property revaluation reserve and the profit and loss account, respectively. No independent professional valuation has been conducted for the staff quarters and office premises in the PRC because, in the opinion of the directors, the carrying values are not materially different from the fair values.

15. FIXED ASSETS (continued)

Certain of the land and buildings are leased to third parties and an associate under operating leases on a yearly basis.

Had these land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying value would have been approximately HK$47,042,000 (2000: HK$49,056,000).

The net book value of the Group's fixed assets held under finance leases and hire purchase contracts included in the total amount of plant, machinery, moulds and tools at 31 December 2001 amounted to HK$10,222,000 (2000: HK$21,641,000).

16. DEFERRED PRODUCT DEVELOPMENT COSTS

Group

	HK$'000
Cost:	
At beginning of year	57,789
Additions	26,892
Written off	(13,164)
Exchange realignments	21
At 31 December	71,538
Accumulated amortisation:	
At beginning of year	8,225
Provided during the year	16,505
Written off	(3,353)
Exchange realignments	2
At 31 December	21,379
Net book value:	
At 31 December 2001	50,159
At 31 December 2000	49,564

17. GOODWILL AND NEGATIVE GOODWILL

SSAP 30 was adopted during the year as detailed in note 2 to the financial statements.

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves or credited to the capital reserve, respectively.

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment.

The amounts of goodwill and negative goodwill remaining in consolidated reserves, arising from the acquisitions of subsidiaries prior to 1 January 2001, are as follows:

	Group	
	Goodwill eliminated against capital reserve	**Negative goodwill credited to capital reserve**
	HK$'000	HK$'000
Cost:		
At beginning and end of year	33,135	(1,243)
Accumulated impairment:		
At beginning and end of year	–	–
Net amount:		
At 31 December 2001	33,135	(1,243)
At 31 December 2000	33,135	(1,243)

18. INTERESTS IN SUBSIDIARIES

	Company 2001 HK$'000	2000 HK$'000
Unlisted shares, at cost	**35,630**	35,630
Due from subsidiaries	**412,059**	308,476
Due to subsidiaries	**(4,686)**	(4,336)
	443,003	339,770
Provision against amounts due from subsidiaries	**(6,648)**	(6,648)
	436,355	333,122

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Asian Power Electronics Limited	Hong Kong/ People's Republic of China ("PRC")	HK$10,000	100	100	Subcontracting of audio products
Heavy Power Electronics Limited	Hong Kong/ PRC	HK$2	100	100	Manufacture and sales of audio products
Jiangsu Electronics Industries Limited	British Virgin Islands	US$4,000,000	100	100	Investment holding and licensing of patents
Jiangsu International Limited	Hong Kong	HK$2	100	100	Trading of audio and in-car electronic products

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18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
J.S. International, Inc.	United States of America ("U.S.A.")	US$100	100	100	Distribution of audio and in-car electronic products
Maxwin Services Limited	British Virgin Islands/ U.S.A.	US$20	100	100	Provision of warranty services to Group companies
OP Audio Limited	Hong Kong	HK$2	100	100	Trading of audio products
Orient Power Auto Electronics (HK) Limited	Hong Kong	HK$2	100	100	Investment holding
Orient Power (BVI) Limited	British Virgin Islands	HK$15,000,000	100	100	Investment holding
Orient Power Car Audio Limited	Hong Kong/ PRC	HK$2	100	100	Development, manufacture and sales of in-car electronic products
Orient Power Car Stereos Limited	Hong Kong/ PRC	HK$1,000,000	100	100	Development, manufacture and sales of in-car electronic products and investment holding

18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Orient Power Digital Technology Limited	Hong Kong	HK$2	100	–	Development, manufacture and sales of digital technology products
Orient Power Electronics Limited	Hong Kong/ PRC	Ordinary HK$1,000 Non-voting deferred HK$2,000,000	100	100	Development, manufacture and sales of audio products
Orient Power GPS Limited	Hong Kong/ PRC	HK$2	100	100	Development, manufacture and sales of in-car electronic products
Orient Power Hi-Fi Mfg. Limited	Hong Kong/ PRC	HK$3,500,000	100	100	Development, manufacture and sales of audio and video products
Orient Power Industrial Limited	Hong Kong/ PRC	HK$4,500,000	100	100	Manufacture and sales of plastic products and investment holding
Orient Power Injection Moulding Limited	Hong Kong/ PRC	HK$7,000,000	70	70	Leasing of assets to Group company

18. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Orient Power (Jiangsu) Electronics Limited	Hong Kong/ PRC	HK$2	100	100	Investment holding, manufacture and sales of audio products
Orient Power Multimedia Limited	Hong Kong	HK$2	100	100	Development, manufacture and sales of video products
Orient Power Mobile Electronics Limited	Hong Kong	HK$2	100	100	Development and trading of in-car electronics products
Orient Power Services Limited	Hong Kong	HK$2	100	–	Provision of shipping agency services
Orient Power-Sunniwell Limited	Hong Kong	HK$2	51	51	Provider of network solutions
Orient Power-Sunniwell IT Limited	PRC	RMB15,000,000	51	51	Provider of network solutions
Orient Power Technologies Limited	Hong Kong	HK$1,000,000	100	100	Investment holding
Orient Power Video Manufacturing Limited	Hong Kong	HK$29,250,000	100	100	Development, manufacture and sales of video products
Surf Power Limited	Hong Kong	HK$1,000	100	100	Property investment

All subsidiaries are indirectly held by the Company with the exception of Orient Power (BVI) Limited.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for 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.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2001	2000
	HK$'000	HK$'000
Share of net assets	**39,770**	27,694
Due from jointly-controlled entities	**1,318**	9,798
	41,088	37,492
Due to jointly-controlled entities	**147,339**	103,912

The balances with the jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment except for a payable balance of HK$58,060,000 (2000: HK$49,518,000) due to a jointly-controlled entity which bears interest at 6.5% per annum. The amounts due to jointly-controlled entities represent trade payables arising from purchases of finished goods by the Group (note 38 (i)).

Particulars of the unlisted jointly-controlled entities are as follows:

Name	Business structure	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Jiangsu Orient Power Electronics Company Limited	Corporate	PRC	51	50	51	Manufacture and sales of in-car electronic products
Orient Power Xian GPS Electronics Limited	Corporate	PRC	51	50	51	Not yet commenced business
Orient Power (Wuxi) Digital Technology Company Limited*	Corporate	PRC	55	40	55	Manufacture and sales of video products

* This company was a joint venture ("JV") formed in 2000 by a subsidiary of the Company and a PRC JV partner. In accordance with the JV contract, the Group made a capital injection of RMB7,650,000 into the JV which represents 55% of the total registered capital of the JV. Although the existing articles of the JV confer on the Group the right to appoint three out of a total of five representatives to the board of the JV, the Group has not exercised the right and has only appointed two representatives to the board whereas the JV partner has appointed three of the five board members. It is the intention of the management to change the articles of the JV and keep the representation of the Group in this JV to 40% of the board. Accordingly, the Group's interest in this JV has been included as an interest in a jointly-controlled entity.

20. INTERESTS IN ASSOCIATES

	Group 2001 HK$'000	Group 2000 HK$'000
Share of net assets	**39,587**	37,993
Due from an associate	**140**	174
	39,727	38,167

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

Particulars of the unlisted associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group 2001	Percentage of ownership interest attributable to the Group 2000	Principal activities
Clarion Orient Co., Limited ("COC")	Corporate	Hong Kong	49	49	Investment holding and trading of in-car electronic and related products
Dongguan Clarion Orient Electronics Co., Limited ("DCOE")	Corporate	PRC	49	49	Manufacture and sales of in-car electronic and related products

DCOE is a wholly-owned subsidiary of COC. The above associates were not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

21. LONG TERM INVESTMENT

	Group	
	2001	2000
	HK$'000	HK$'000
Unlisted equity investment, at cost	**500**	500
Advance to an investee company	**500**	–
	1,000	500

22. TRADE RECEIVABLES

	Group	
	2001	2000
	HK$'000	HK$'000
Trade receivables assigned to factoring agents	**65,924**	185,856
Less: Advances from factoring agents	**(51,929)**	(141,815)
	13,995	44,041
Unfactored trade receivables	**365,450**	321,112
	379,445	365,153
Portion classified as current assets	**(372,482)**	(361,140)
Long term portion	**6,963**	4,013

An aged analysis of unfactored trade receivables is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Current to 90 days	**290,533**	277,504
91 to 180 days	**63,856**	28,857
181 to 360 days	**6,550**	14,297
Over 360 days	**4,511**	454
	365,450	321,112

The Group in general allows a credit period of 30 to 240 days to its trade debtors. The long term portion of the trade receivables represents trade receivables which are not receivable within the next 12 months. Such receivables arose from the sales of networking products to customers with settlement terms ranging from 1 to 4 years.

23. INVENTORIES

	Group	
	2001	2000
	HK$'000	HK$'000
Raw materials	**264,748**	279,571
Work in progress	**28,270**	23,530
Finished goods	**108,937**	136,163
	401,955	439,264

No inventories included above were carried at net realisable value (2000: Nil). No finished goods were pledged to secure banking facilities granted to the Group. In the prior year, finished goods of HK$70,372,000 were pledged to secure certain banking facilities granted to the Group (note 35).

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**24,220**	13,075	**34**	11
Time deposits	**196,432**	48,312	**–**	–
	220,652	61,387	**34**	11

25. TRADE PAYABLES

	Group	
	2001	2000
	HK$'000	HK$'000
Current to 90 days	**293,245**	263,152
91 to 180 days	**113,084**	95,372
181 to 360 days	**4,395**	1,206
Over 360 days	**–**	4
	410,724	359,734

26. PROVISIONS FOR SALES RETURNS AND WARRANTY COSTS

	Group
	HK$'000
At beginning of year	42,957
Additional provision	55,732
Amount utilised during the year	(79,606)
At 31 December 2001	19,083

The Group provides six-month warranties to its customers on certain of its electronic products, under which products can be returned within six months after sale. The amount of the provision for the warranties is estimated based on sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

27. OTHER PAYABLES AND ACCRUALS

Other payables and accruals as at 31 December 2001 included an amount of HK$14,134,000 (2000: Nil) which represents settlement received from customers for the factored trade receivables which should be repayable to the factoring agents. Such amounts were subsequently repaid after the balance sheet date.

28. BANK LOANS AND OTHER BORROWINGS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts	**2,334**	2,968	**–**	66
Trust receipt loans	**36,487**	35,510	**–**	–
Bank loans:				
Secured	**–**	48,041	**–**	–
Unsecured	**210,454**	117,058	**198,571**	115,000
	210,454	165,099	**198,571**	115,000
Other loan:				
Unsecured	**18**	181	**18**	181
	249,293	203,758	**198,589**	115,247
Bank overdrafts repayable within one year or on demand	**2,334**	2,968	**–**	66
Trust receipt loans repayable within one year	**36,487**	35,510	**–**	–
Bank loans repayable:				
Within one year or on demand	**77,597**	66,529	**65,714**	16,430
In the second year	**90,000**	65,720	**90,000**	65,720
In the third to fifth years, inclusive	**42,857**	32,850	**42,857**	32,850
	210,454	165,099	**198,571**	115,000
Other loan repayable:				
Within one year	**18**	167	**18**	167
In the second year	**–**	14	**–**	14
	18	181	**18**	181
Portion classified as current liabilities	**(116,436)**	(105,074)	**(65,732)**	(16,663)
Long term portion	**132,857**	98,584	**132,857**	98,584

28. BANK LOANS AND OTHER BORROWINGS (continued)

The other loan bears interest at three-month LIBOR plus 2.75% per annum and is repayable by 36 monthly instalments up to 2002.

Details of the assets pledged for the secured loans are included in note 35 to the financial statements.

29. FINANCE LEASE AND HIRE PURCHASE CONTRACT PAYABLES

The Group leases certain of its plant and machinery for its business. These leases are classified as finance lease and hire purchase contract payables and have remaining lease terms ranging from three to five years.

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

Group

	Minimum lease payments 2001 HK$'000	Minimum lease payments 2000 HK$'000	Present value of minimum lease payments 2001 HK$'000	Present value of minimum lease payments 2000 HK$'000
Amounts payable:				
Within one year	3,661	11,283	3,292	10,176
In the second year	3,407	4,824	3,237	4,580
In the third to fifth years, inclusive	1,042	4,498	1,025	4,381
Total minimum finance lease payments	8,110	20,605	7,554	19,137
Future finance charges	(556)	(1,468)		
Total net finance lease payables	7,554	19,137		
Portion classified as current liabilities	(3,292)	(10,176)		
Long term portion	4,262	8,961		

SSAP 14 was revised and implemented during the year as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

30. DEFERRED TAX

	Group	
	2001	2000
	HK$'000	HK$'000
Balance at beginning of year	**13,578**	10,819
Disposal of subsidiaries	**–**	(480)
Charge/(credit) for the year (note 11)	**(2,339)**	3,239
At 31 December	**11,239**	13,578

The principal components of the Group's provision for deferred tax and the net deferred tax asset position not recognised in the financial statements, calculated at 16% (2000: 16%) of the cumulative timing differences at the balance sheet date, are as follows:

	Provided		Not provided	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated depreciation allowances	**10,028**	14,593	**3,026**	529
Tax losses	**(2,627)**	(897)	**(12,346)**	(2,563)
Others	**3,838**	(118)	**2,491**	–
	11,239	13,578	**(6,829)**	(2,034)

No provision has been made for deferred tax on the revaluation surplus of the Group's land and buildings in the PRC because the amount involved is insignificant. The revaluation of the Group's land and buildings in Hong Kong does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

The Company had no significant potential deferred tax liabilities for which provision has not been made.

31. SHARE CAPITAL

Shares

	Company 2001 HK$'000	Company 2000 HK$'000
Authorised:		
800,000,000 (2000: 800,000,000) shares of HK$0.10 each	**80,000**	80,000
Issued and fully paid:		
440,845,542 (2000: 433,008,288) shares of HK$0.10 each	**44,085**	43,301

	Notes	Shares issued	Carrying amount of issued capital HK$'000
At 1 January 2000		399,998,648	40,000
Share options exercised		4,500,000	450
Scrip dividends		28,509,640	2,851
At 31 December 2000 and beginning of year		433,008,288	43,301
Scrip dividends	(a) & (b)	8,231,254	823
Repurchase of shares	(c)	(394,000)	(39)
At 31 December 2001		440,845,542	44,085

There were no changes to the carrying amount or to the number of shares issued during the prior year.

Notes:

(a) 5,074,594 shares of HK$0.10 each were allotted and issued at HK$0.35 per share as scrip dividend to the shareholders who elected to receive their final dividend for 2000 in the form of new shares in the Company in lieu of cash.

(b) 3,156,660 shares of HK$0.10 each were allotted and issued at HK$0.20 per share as scrip dividend to the shareholders who elected to receive their interim dividend for 2001 in the form of new shares in the Company in lieu of cash.

31. SHARE CAPITAL (continued)

Notes: (continued)

(c) During the year, the Company repurchased 394,000 (2000: Nil) ordinary shares of HK$0.1 each of the Company on The Stock Exchange Hong Kong Limited as follows:

		Price per share		Total price
Month	**Number of shares**	**Highest**	**Lowest**	**paid**
		HK$	HK$	HK$'000
November 2001	144,000	0.300	0.260	40
December 2001	250,000	0.315	0.295	78
	394,000			118

The repurchased shares were cancelled and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK$79,000 (2000: Nil) has been charged to the share premium account (note 32).

The repurchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 17 and 18.

At 1 January 2001, there were 14,500,000 options outstanding under the Scheme, which entitled the holders to subscribe for shares of the Company at any time during periods ranging from 22 October 1996 to 13 April 2001. The subscription prices per share payable upon the exercise of these options ranged from HK$0.26 to HK$0.46. All options outstanding as at 1 January 2001 lapsed upon the end of the exercise period on 13 April 2001 and no options were granted or exercised during the year.

32. RESERVES

Group

	Share premium account HK$'000	Property revaluation reserve HK$'000	Capital reserve/ (goodwill) on consolidation HK$'000	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2000	150,224	2,730	(9,169)	(159)	234,625	378,251
Issue of shares	5,230	–	–	–	–	5,230
Overprovision of prior year's share issue expenses	859	–	–	–	–	859
Goodwill arising from acquisition of minority interests in certain subsidiaries	–	–	(20,010)	–	–	(20,010)
Release of capital reserves upon disposal/liquidation of subsidiaries	–	–	(2,713)	–	–	(2,713)
Surplus on revaluation	–	788	–	–	–	788
Exchange realignment	–	–	–	470	–	470
Net profit for the year	–	–	–	–	69,222	69,222
Interim 2000 dividend	–	–	–	–	(4,320)	(4,320)
Proposed final 2000 dividend	–	–	–	–	(8,660)	(8,660)
At 31 December 2000 and beginning of year	156,313	3,518	(31,892)	311	290,867	419,117
Issue of shares	1,584	–	–	–	–	1,584
Premium paid on repurchase of shares	(79)	–	–	–	–	(79)
Deficit on revaluation	–	(158)	–	–	–	(158)
Exchange realignment	–	–	–	(41)	–	(41)
Net profit for the year	–	–	–	–	48,055	48,055
Interim 2001 dividend	–	–	–	–	(2,190)	(2,190)
Proposed final 2001 dividend	–	–	–	–	(6,613)	(6,613)
At 31 December 2001	157,818	3,360	(31,892)	270	330,119	459,675
Reserves retained by:						
Company and subsidiaries	157,818	3,360	(31,892)	270	305,249	434,805
Jointly-controlled entities	–	–	–	–	3,137	3,137
Associates	–	–	–	–	21,733	21,733
At 31 December 2001	157,818	3,360	(31,892)	270	330,119	459,675
Company and subsidiaries	156,313	3,518	(31,892)	311	266,949	395,199
Jointly-controlled entities	–	–	–	–	3,779	3,779
Associates	–	–	–	–	20,139	20,139
At 31 December 2000	156,313	3,518	(31,892)	311	290,867	419,117

32. RESERVES (continued)

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2000				
As previously reported	150,224	20,630	2,501	173,355
Prior year adjustment:				
SSAP 18 (Revised) - net year-on-year effect of dividends from a subsidiary no longer recognised as income for the year (notes 2 and 12)	–	–	(18,000)	(18,000)
As restated	150,224	20,630	(15,499)	155,355
Issue of shares	5,230	–	–	5,230
Overprovision of prior year's share issue expenses	859	–	–	859
Net profit for the year (as restated)	–	–	17,571	17,571
Interim 2000 dividend	–	–	(4,320)	(4,320)
Proposed final 2000 dividend	–	–	(8,660)	(8,660)
	156,313	20,630	(10,908)	166,035
At 31 December 2000 and beginning of year:				
As previously reported	156,313	20,630	19,092	196,035
Prior year adjustment:				
SSAP 18 (Revised) – net year-on-year effect of dividends from a subsidiary no longer recognised as income for the year (notes 2 and 12)	–	–	(30,000)	(30,000)
As restated	156,313	20,630	(10,908)	166,035
Issue of shares	1,584	–	–	1,584
Premium paid on repurchase of shares	(79)	–	–	(79)
Net profit for the year	–	–	28,347	28,347
Interim 2001 dividend	–	–	(2,190)	(2,190)
Proposed final 2001 dividend	–	–	(6,613)	(6,613)
At 31 December 2001	157,818	20,630	8,636	187,084

32. RESERVES (continued)

The contributed surplus of the Company represents the excess of the consolidated shareholders' funds of the subsidiaries at the date when they were acquired by the Company over the nominal amount of the Company's shares issued as consideration therefor pursuant to the Group reorganisation implemented prior to the listing of the Company's shares in 1991. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders under certain circumstances.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2001	2000
	HK$'000	HK$'000
Profit from operating activities	**84,080**	108,371
Interest income	**(3,155)**	(3,194)
Depreciation	**76,713**	67,716
Amortisation and write off of deferred product development costs	**26,316**	26,197
Loss on disposal of fixed assets	**53**	7,930
Net gain on disposal/liquidation of subsidiaries	**–**	(69)
Deficit on revaluation of land and buildings	**364**	–
Decrease in inventories	**37,309**	27,022
Increase in trade receivables	**(14,292)**	(144,347)
Decrease/(increase) in bills receivable	**2,716**	(7,874)
Increase in prepayments, deposits and other receivables	**(4,333)**	(4,455)
Increase in trade payables	**50,990**	29,432
Decrease in trust receipt loans	**(10,949)**	(25,919)
Increase in other payables and accruals	**36,982**	21,774
Increase/(decrease) in provisions for sales returns and warranty costs	**(23,874)**	12,294
Increase in amounts due to jointly-controlled entities	**43,427**	51,319
Net cash inflow from operating activities	**302,347**	166,197

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

(b) Analysis of changes in financing during the year

	Issued capital (including share premium account) HK$'000	Bank loans and other borrowings HK$'000	Finance leases and hire purchase contract payables HK$'000	Minority interests HK$'000
Balance at 1 January 2000	190,224	7,114	21,285	46,001
Cash inflow/(outflow) from financing activities, net	1,050	161,493	(13,836)	6,936
Scrip dividends	7,481	–	–	–
Overprovision of prior year's share issue expense	859	–	–	–
Disposal of subsidiaries	–	(3,327)	–	(27,607)
Inception of finance leases and hire purchase contracts	–	–	11,688	–
Acquisition of minority interests in certain subsidiaries	–	–	–	(18,122)
Share of loss for the year	–	–	–	(1,314)
Balance at 31 December 2000	199,614	165,280	19,137	5,894
Cash inflow/(outflow) from financing activities, net	(118)	45,192	(11,583)	–
Scrip dividends	2,407	–	–	–
Share of loss for the year	–	–	–	(580)
Share of reserves	–	–	–	108
Balance at 31 December 2001	201,903	210,472	7,554	5,422

(c) Major non-cash transactions

During the year, interim dividend for the year and final dividend for the prior year amounting to HK$631,000 and HK$1,776,000, respectively, were paid in the form of scrip dividend.

In 2000, the Group entered into finance lease and hire purchase arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$11,688,000.

In 2000, the Group disposed of its 51% interest in the OPTL group (note 10) for HK$26 million, out of which HK$20 million was settled by the assignment to the buyer of the loan in the same amount previously borrowed by the Group from the disposed group (note 33(d)).

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

(d) Disposal/liquidation of subsidiaries

	2000
	HK$'000
Net assets disposed of:	
Fixed assets	20,427
Deferred product development costs	1,532
Inventories	29,576
Bills receivable	14,864
Trade receivables	1,916
Prepayments, deposits and other receivables	5,329
Cash and bank balances	17,294
Trade payables	(28,424)
Other payables and accruals	(26,242)
Tax payable	(3,228)
Bank loans	(3,327)
Deferred tax	(480)
Minority interests	(27,607)
Due from group companies	6,819
Loan to a group company	20,000
	28,449
Release of capital reserves*	(2,713)
Gain on disposal	69
	25,805
Satisfied by:	
Cash	6,000
Assignment of loan	20,000
Less: Expenses	(195)
	25,805

* The amount represents the capital reserve which previously arose from the acquisition of the disposed/liquidated subsidiaries, and which had been credited against reserves on their acquisition.

The contribution of the disposed subsidiaries to the consolidated turnover and profit before tax of the Group for the year ended 31 December 2000 was separately disclosed under discontinued operations in the consolidated profit and loss account.

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

(d) Disposal/liquidation of subsidiaries (continued)

The subsidiaries disposed of in that year utilised HK$5,620,000 of the Group's net operating cash flows, contributed HK$127,000 in respect of returns on investment and servicing of finance, paid HK$845,000 in respect of tax, paid HK$486,000 for investing activities and utilised HK$2,521,000 for financing activities for the year ended 31 December 2000.

The subsidiaries liquidated during the prior year had no remaining assets or liabilities at the date of liquidation.

Analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2000 HK$'000
Net cash received	5,805
Cash and bank balances disposed of	(17,294)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(11,489)

34. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

(a)

	Group		Company	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Bills and post-dated cheques discounted with recourse	**206,469**	108,948	**–**	–
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**1,722,773**	1,763,540
	206,469	108,948	**1,722,773**	1,763,540

The above discounted bills and post-dated cheques were settled subsequent to the balance sheet date.

As at 31 December 2001, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilised to the extent of approximately HK$379,087,000 (2000: HK$145,821,000).

34. CONTINGENT LIABILITIES (continued)

(b) Counter indemnities have been given by the Company to the controlling shareholder of an associate to the extent of approximately HK$59,143,000 (2000: HK$59,143,000) for the controlling shareholders' acting as a guarantor in respect of the banking facilities granted to the associate.

(c) As at 31 December 2001, a number of employees of the Group had completed the required number of years of service under the Hong Kong Employment Ordinance (the "Ordinance") to be eligible for long service payments upon the termination of their employment. The Group is only liable to make such payments if the termination of employment meets the circumstances which are specified in the Ordinance. Had the employment of all of these eligible employees been terminated on 31 December 2001 under the circumstances specified by the Ordinance, the maximum potential exposure would have been approximately HK$8,731,000 (2000: HK$6,677,000). No provision has been made in the financial statements in respect of such long service payments.

35. PLEDGE OF ASSETS

Further details of the Group's secured bank loans and borrowings are included in note 28 to the financial statements.

At the balance sheet date, the Group had pledged the following assets to banks for facilities granted to the Group:

	Group	
	2001	2000
	HK$'000	HK$'000
Inventories	**–**	70,372
Bank deposits	**–**	6,850
	–	77,222

The Company had executed guarantees in favour of the banks for the banking facilities granted to the subsidiaries.

36. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties, factory premises and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 12 years.

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

	Group	
	2001	2000
	HK$'000	HK$'000
		(Restated)
Within one year	**14,427**	17,268
In the second to fifth years, inclusive	**19,941**	26,009
After five years	**–**	855
	34,368	44,132

SSAP 14 (Revised) "Leases", which was adopted during the year, requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in above have been restated to accord with the current year's presentation.

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following commitments at the balance sheet date:

(a) Capital commitments

	Group	
	2001	2000
	HK$'000	HK$'000
Unpaid capital contribution:		
Jointly-controlled entities	**21,450**	32,335
Plant and machinery:		
Contracted, but not provided for	**12,822**	19,991

(b) At 31 December 2000, the Group had commitment under a licence agreement to pay minimum annual royalties of HK$3,900,000 for the right to trade a series of products under a registered brand name.

38. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the year:

		Group	
	Notes	**2001 HK$'000**	2000 HK$'000
Purchases of goods from jointly-controlled entities	(i)	**451,935**	565,043
Sales of raw materials to jointly-controlled entities	(ii)	**19,845**	32,940
Rental income from associates	(iii)	**216**	216
Management fee income from associates	(iv)	**123**	240
Interest expense paid to a jointly-controlled entity	(v)	**768**	987
Commission income from a jointly-controlled entity	(vi)	**3,056**	–

Notes:

(i) The goods were charged by the jointly-controlled entities at cost to cost plus a margin 3% (2000: cost to cost plus a margin of 3%). The balances due to these jointly-controlled entities at 31 December 2001 were HK$147,339,000 (2000: HK$103,912,000).

(ii) The raw materials sold to jointly-controlled entities were charged at cost (2000: cost to cost plus a margin of 3%).

(iii) The directors considered that the rental charged was similar to fair market rates.

(iv) The management fee income was charged at an appropriate allocation of costs incurred by the Group.

(v) The interest expense paid to a jointly-controlled entity arose from advances therefrom. The interest was charged at a rate of 6.5% per annum (2000: 8.4%).

(vi) The commission income was charged at 2% of sales of the jointly-controlled entity.

As disclosed in note 34(b), the Company has executed a counter indemnity in favour of the controlling shareholder of an associate, for which no charge was made.

39. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 April 2002.