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For the year ended 31 December 2001

1. GENERAL

The Company was incorporated in the Cayman Islands on 17 October 1990 under the Companies Law (Revised) Chapter 22 of the Cayman Islands as an exempted company. The Company is a public limited company with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the business of manufacture and sale of liquid crystal display products, electronic consumer products including calculators and pagers and electronic components.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosure for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts reported for the current or prior periods.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) “Events After the Balance Sheet Date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively. The effect of this change has been to increase shareholders’ funds of the Group and the Company at 1 January 2000 and 31 December 2000 by HK\$17,340,000 and HK\$26,009,000 respectively.

As a result of the revision of SSAP 9 (Revised) “Events After the Balance Sheet Date”, SSAP 18 “Revenue” has also been revised. Accordingly, the dividends proposed or declared after the balance sheet date by the subsidiaries are not recognised by the Company as income at the balance sheet date. This change in accounting policy has also been applied retrospectively. The effect of this change has been to decrease shareholders’ fund of the Company as at 1 January 2000 and 31 December 2000 by HK\$18,000,000 and HK\$27,000,000 respectively.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment Reporting”. Segment disclosures for the year ended 31 December 2000 have been amended so that they are presented on a consistent basis.

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2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE — *continued*

Leases

In the current year, the Group has adopted SSAP 14 (Revised) “Leases”. Disclosure for the Group’s operating lease arrangements and finance leases as set out in notes 21 and 31 have been modified so as to meet the requirements of SSAP 14 (Revised). Comparative figures have been restated in order to achieve a consistent presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

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

Basis of consolidation

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

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

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions of subsidiaries is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill

Negative goodwill represents the excess of the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisitions after 1 January 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

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3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Negative goodwill — *continued*

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Revenue recognition

Sale of goods is recognised when goods are delivered and title has passed.

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than properties under development, is stated at cost less depreciation, and any identified impairment loss.

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

The cost of buildings is depreciated over forty years or the terms of the respective leases, if shorter, using the straight line method. The cost of leasehold land is amortised over the remaining unexpired terms of the respective leases using the straight line method.

Depreciation is provided to write off the cost of other items of plant and equipment, other than properties under development, over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Furniture and fixtures	15% to 50%
Plant and machinery	15% to 40%
Motor vehicles	25% to 45%

Properties under development

Land and buildings in the course of development for production are carried at cost, less any identified impairment loss. Depreciation of these assets, on the same basis as other property, commences when the assets are ready for their intended uses.

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3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Deferred development expenditure

Expenditure on research activities is charged to the income statement in the year in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Trademarks and technical know-how

Costs incurred in the registration of trademarks and expenditure on acquiring rights to technical know-how are capitalised and amortised on a straight line basis over their estimated useful lives at 20%–25% per annum.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, is calculated using the first-in, first-out method.

Taxation

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

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3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Leased assets

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

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

Foreign currencies

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

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

Retirement benefits scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's Mandatory Provident Fund scheme.

4. TURNOVER

Turnover represents the net proceeds received and receivable on the sale of goods during the year, and is analysed as follows:

	2001 HK\$'000	2000 HK\$'000
Sales of liquid crystal display products	544,526	520,075
Sales of electronic consumer products	137,560	192,421
	682,086	712,496

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions — liquid crystal display (“LCD”) products and electronic consumer products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

LCD Products — manufacture and distribution of LCD products.

Electronic consumer products — manufacture and distribution of electronic consumer products.

Segment information about these businesses is presented below:

2001

	LCD products HK\$'000	Electronic consumer products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	544,526	137,560	—	682,086
Inter-segment sales	500	—	(500)	—
Total revenue	545,026	137,560	(500)	682,086
RESULT				
Segment result	75,710	4,498	(305)	79,903
Interest income from bank deposits				2,085
Unallocated other revenue				13
Unallocated corporate expenses				(1,105)
Profit from operations				80,896
Finance costs				(16,305)
Profit before taxation				64,591
Taxation				(4,841)
Profit before minority interests				59,750
Minority interests				(326)
Profit for the year				60,076

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS — *continued*Business segments — *continued*

2001

BALANCE SHEET

	LCD products HK\$'000	Electronic consumer products HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	593,563	551,372	1,144,935
Unallocated corporate assets			4,838
Consolidated total assets			1,149,773
LIABILITIES			
Segment liabilities	126,980	59,464	186,444
Unallocated corporate liabilities			140,118
Consolidated total liabilities			326,562

OTHER INFORMATION

	LCD products HK\$'000	Electronic consumer products HK\$'000	Consolidated HK\$'000
Capital additions	80,604	27,668	108,272
Depreciation and amortisation	59,853	26,682	86,535
Impairment loss recognised as expense	—	4,800	4,800
Other non-cash expenses	14	56	70

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS — *continued*Business segments — *continued*

2000

	LCD products HK\$'000	Electronic consumer products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	520,075	192,421	—	712,496
Inter-segment sales	2,000	—	(2,000)	—
Total revenue	522,075	192,421	(2,000)	712,496
Inter-segment sales are charged at prevailing market rates.				
RESULT				
Segment result	115,003	(18,705)	(287)	96,011
Interest income				3,546
Unallocated other revenue				10
Unallocated corporate expenses				(769)
Profit from operations				98,798
Finance costs				(14,726)
Profit before taxation				84,072
Taxation				(3,684)
Profit before minority interests				80,388
Minority interests				(31)
Profit for the year				80,419

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS — *continued***Business segments — *continued***

2000

BALANCE SHEET

	LCD products	Electronic consumer products	Consolidated
	HK\$'000	HK\$'000	HK\$'000
ASSETS			
Segment assets	599,002	588,600	1,187,602
Unallocated corporate assets			1,957
Consolidated total assets			1,189,559

LIABILITIES

Segment liabilities	233,891	84,058	317,949
Unallocated corporate liabilities			82,809
Consolidated total liabilities			400,758

OTHER INFORMATION

	LCD products	Electronic consumer products	Consolidated
	HK\$'000	HK\$'000	HK\$'000
Capital additions	146,797	30,705	177,502
Depreciation and amortisation	41,398	26,273	67,671
Impairment loss recognised as expense	—	110	110

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS — *continued*

Geographical segments

	2001		2000	
	Turnover <i>HK\$'000</i>	Contribution to profit from operations <i>HK\$'000</i>	Turnover <i>HK\$'000</i>	Contribution to profit from operations <i>HK\$'000</i>
The People's Republic of China (the "PRC")	170,172	18,632	194,464	7,593
Europe	125,376	12,561	113,208	15,764
Hong Kong	120,750	16,640	113,119	23,878
Japan	96,349	13,377	64,421	14,077
South Korea	84,349	11,710	151,657	33,452
Others (<i>note</i>)	85,090	6,983	75,627	1,247
	<u>682,086</u>	<u>79,903</u>	<u>712,496</u>	<u>96,011</u>
Interest income from bank deposits		2,085		3,546
Unallocated other revenue		13		10
Unallocated corporate expenses		(1,105)		(769)
Profit from operations		<u>80,896</u>		<u>98,798</u>

Note:

This category includes sales to countries in North and South Americas, Australia, the Middle East, Africa, the Commonwealth of Independent States and other Asian countries.

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS — *continued*

Geographical segments — *continued*

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC	821,532	864,927	89,972	161,383
Hong Kong	304,011	298,918	17,489	15,734
Europe	14,002	13,221	147	316
Others	10,228	12,493	664	69
	1,149,773	1,189,559	108,272	177,502

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6. PROFIT FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation on:		
Owned assets	58,803	51,712
Assets held under finance leases	20,375	9,730
	79,178	61,442
Staff costs, inclusive of directors' emoluments	87,528	82,767
Less: amount capitalised as deferred development expenditure	(5,578)	(2,928)
	81,950	79,839
Amortisation of deferred development expenditure	7,218	5,991
Amortisation of intangible assets, other than deferred development expenditure	139	238
Auditors' remuneration	1,117	1,228
Gain on acquisition of amount due to a minority shareholder (note 35)	(4,745)	—
Impairment of deferred development expenditure	4,800	—
Impairment of intangible assets, other than deferred development expenditure	—	110
Interest income from bank deposits	(2,085)	(3,546)
Loss (gain) on disposal of property, plant and equipment	70	(27)
Net foreign exchange (gain) loss	(1,359)	5,694
Net operating lease rentals income	(503)	(846)
Operating lease rentals in respect of		
— rented premises	1,338	1,130
— other equipment	245	269

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7. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	7,552	12,124
Finance leases	8,753	2,602
	16,305	14,726

8. DIRECTORS' EMOLUMENTS

	2001 HK\$'000	2000 HK\$'000
Directors' fees:		
Executive	—	—
Non-executive	50	50
Independent non-executive	40	40
Other emoluments paid to the executive directors:		
Salaries and other benefits	5,718	5,414
Performance related incentive payments	12,282	10,085
Contributions to retirement benefits scheme	72	163
	18,162	15,752

During the year, directors' emoluments amounting to HK\$2,276,000 (2000: HK\$2,273,000) were capitalised as deferred development expenditure.

Emoluments of the directors were within the following bands:

	2001 Number of directors	2000 Number of directors
Nil to HK\$1,000,000	3	3
HK\$2,000,001 to HK\$2,500,000	1	2
HK\$2,500,001 to HK\$3,000,000	1	—
HK\$10,500,001 to HK\$11,000,000	—	1
HK\$13,000,001 to HK\$13,500,000	1	—

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9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2000: three) were directors of the Company whose emoluments are set out in note 8 above. The emoluments of the remaining two (2000: two) individuals were as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	2,276	1,901
Contributions to retirement benefits scheme	36	42
	2,312	1,943

Their emoluments were within the following bands:

	2001 Number of employees	2000 Number of employees
Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$1,500,000	2	1

10. TAXATION

	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
— Provision in current year	5,258	2,370
— Overprovision in prior years	(2,780)	—
Overseas taxation	2,363	1,314
	4,841	3,684

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for the year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdiction.

Details of the potential deferred tax charge not provided for the year are set out in note 29.

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11. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Final dividend proposed in respect of 2000 of 6 HK cents (1999: 4 HK cents) per share	26,009	17,340
Interim dividend paid of in respect of 2001 of 4 HK cents (2000: 4 HK cents) per share	17,392	17,340
	43,401	34,680

The final dividend in respect of the year ended 31 December 2001 of 4 HK cents per share had been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

12. EARNINGS PER SHARE

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

	2001 HK\$'000	2000 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	60,076	80,419

	2001 Number of shares	2000 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	435,960,078	433,500,804
Effect of dilutive share options	5,817,800	4,552,595
Weighted average number of ordinary shares for the purposes of diluted earnings per share	441,777,878	438,053,399

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13. PROPERTY, PLANT AND EQUIPMENT

	Properties under development HK\$'000	Land and buildings HK\$'000	Furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP						
COST						
At 1 January 2001	19,543	317,898	48,026	696,597	8,197	1,090,261
Currency realignment	—	—	(55)	—	—	(55)
Additions	14,713	10,122	5,534	69,634	2,270	102,273
Disposals	—	—	(15)	(399)	(557)	(971)
Reclassification	(3,996)	3,996	—	—	—	—
At 31 December 2001	30,260	332,016	53,490	765,832	9,910	1,191,508
DEPRECIATION						
At 1 January 2001	—	38,660	25,764	325,982	5,779	396,185
Currency realignment	—	—	(34)	—	—	(34)
Provided for the year	—	7,988	4,227	65,597	1,366	79,178
Eliminated on disposals	—	—	(2)	(283)	(423)	(708)
At 31 December 2001	—	46,648	29,955	391,296	6,722	474,621
NET BOOK VALUES						
At 31 December 2001	30,260	285,368	23,535	374,536	3,188	716,887
At 31 December 2000	19,543	279,238	22,262	370,615	2,418	694,076

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13. PROPERTY, PLANT AND EQUIPMENT — *continued*

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
The net book value of the Group's property interests shown above comprises:		
Leasehold properties in Hong Kong held under medium term leases	8,733	8,987
Leasehold properties in the PRC held under medium term leases	276,635	270,251
	285,368	279,238
Properties under development in the PRC held under medium term leases	30,260	19,543
	315,628	298,781

The net book values of plant and machinery includes an amount of HK\$119,123,000 (2000: HK\$54,684,000) in respect of assets held under finance leases.

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14. INTANGIBLE ASSETS

	Deferred development expenditure HK\$'000	Technical know-how HK\$'000	Trademarks HK\$'000	Total HK\$'000
THE GROUP				
COST				
At 1 January 2001	96,861	1,610	1,804	100,275
Additions	5,678	—	321	5,999
At 31 December 2001	102,539	1,610	2,125	106,274
AMORTISATION				
At 1 January 2001	78,224	1,610	1,535	81,369
Provided for the year	7,218	—	139	7,357
Impaired (<i>note</i>)	4,800	—	—	4,800
At 31 December 2001	90,242	1,610	1,674	93,526
NET BOOK VALUES				
At 31 December 2001	12,297	—	451	12,748
At 31 December 2000	18,637	—	269	18,906

Note: During the year, a development project was found to be infeasible and the related deferred development expenditure is considered to be impaired.

15. LOANS RECEIVABLES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Interest bearing (<i>note</i>)	2,825	—
Non-interest bearing, unsecured	1,884	—
	4,709	—

Note: The amount is unsecured and bears interest at 7% per annum and repayable on 30 October 2003.

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16. INTEREST IN SUBSIDIARIES

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Unlisted investments, at cost	64,002	64,002
Amounts due from subsidiaries	251,657	231,937
	315,659	295,939

Details of the subsidiaries at 31 December 2001 are set out in note 36.

17. INVENTORIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Raw materials	49,582	83,524
Work in progress	77,246	82,031
Finished goods	36,528	30,513
	163,356	196,068

Included above are work in progress of HK\$4,585,000 (2000: HK\$5,192,000) and finished goods of HK\$2,527,000 (2000: HK\$2,873,000) which are carried at net realisable values.

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18. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit terms ranging from 30 to 90 days to its trade customers.

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Aged analysis of trade receivables:		
Within 60 days	74,736	85,124
60 to 90 days	13,535	12,451
More than 90 days	15,172	20,118
	103,443	117,693
Other receivables, deposits and prepayments	49,750	61,704
	153,193	179,397

19. LOANS TO OFFICERS

Included in trade and other receivables are loans to officers, particulars of the loans disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Officer	Terms of loan	Balance at	Balance at	Maximum
		12.31.2001	1.1.2001	amount
		HK\$	HK\$	outstanding
				during the year
				HK\$
S.W. Ng Thomas (Company Secretary)	Unsecured, interest free and repayable on demand	958,000	—	958,000
C.K. Poon (Technical Manager)	Unsecured, interest free and repayable on demand	600,000	—	600,000

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20. TRADE AND OTHER PAYABLES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Aged analysis of trade payables:		
Within 60 days	26,765	39,011
60 to 90 days	9,035	9,914
More than 90 days	4,722	16,616
	40,522	65,541
Other payables and accrued charges	22,000	28,805
	62,522	94,346

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	45,521	21,418	42,217	18,758
In the second to fifth years inclusive	34,985	19,399	33,792	19,815
	80,506	40,817		
Less: Future finance charges	(4,497)	(2,244)		
Present value of lease obligations	76,009	38,573	76,009	38,573
Less: Amount due for settlement within 12 months shown under current liabilities			(42,217)	(18,758)
Amount due for settlement after 12 months			33,792	19,815

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 2 to 4 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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22. BANK BORROWINGS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Short term bank loans	60,650	41,731
Trust receipt loans	96,773	192,929
Bank overdrafts	8,229	7,908
Mortgage loans	2,160	2,400
	167,812	244,968
Secured	2,160	2,400
Unsecured	165,652	242,568
	167,812	244,968

23. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount due to a minority shareholder is unsecured, non-interest bearing and has no fixed repayment term.

Pursuant to an agreement signed on 26 April 1997 between a subsidiary and the minority shareholder, (upon completion of the development project engaged by a subsidiary, Truly GSM Technologies Limited ("Truly GSM")), the amount advanced from the minority shareholder to Truly GSM shall be capitalised on a dollar for dollar basis, based on the total research and development costs incurred in the relevant project, by the issue of equivalent number of shares in Truly GSM.

During the year, the Group acquired the minority shareholders' advance totalling HK\$4,800,000 at a consideration of HK\$55,000.

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24. SHARE CAPITAL

	2001 Number of shares	2000 Number of shares	2001 HK\$'000	2000 HK\$'000
Ordinary shares of HK\$0.1 each Authorised				
At 1 January and 31 December	500,000,000	500,000,000	50,000	50,000
Issued and fully paid				
At 1 January	433,499,527	433,487,527	43,349	43,348
Issue of shares under share option scheme	10,760,000	20,000	1,076	2
Shares repurchased and cancelled	—	(8,000)	—	(1)
At 31 December	444,259,527	433,499,527	44,425	43,349

During the year, the Company issued 10,760,000 ordinary shares of HK\$0.1 each under share option scheme at HK\$1.68 per share, for a consideration of HK\$18,077,000. The new shares rank pari passu with the existing shares in all respects.

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25. RESERVES

	Share premium HK\$'000	Special reserve HK\$'000	Capital redemption reserve HK\$'000	Negative goodwill HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP							
At 1 January 2000							
— as previously stated	233,267	990	82	996	1,203	445,984	682,522
— prior year adjustment (<i>note 2</i>)	—	—	—	—	—	17,340	17,340
— as restated	233,267	990	82	996	1,203	463,324	699,862
Exchange differences on translation of overseas operations	—	—	—	—	95	—	95
Issue of shares under share option scheme	32	—	—	—	—	—	32
Repurchase of own shares	(12)	—	—	—	—	—	(12)
Profit for the year	—	—	—	—	—	80,419	80,419
Dividends paid (<i>note 11</i>)	—	—	—	—	—	(34,680)	(34,680)
At 1 January 2001	233,287	990	82	996	1,298	509,063	745,716
Exchange differences on translation of overseas operations	—	—	—	—	(16)	—	(16)
Issue of shares under share option scheme	17,001	—	—	—	—	—	17,001
Profit for the year	—	—	—	—	—	60,076	60,076
Dividends paid (<i>note 11</i>)	—	—	—	—	—	(43,401)	(43,401)
At 31 December 2001	250,288	990	82	996	1,282	525,738	779,376
THE COMPANY							
At 1 January 2000							
— as previously stated	233,267	17,409	82	—	—	1,879	252,637
— restatement of dividend receivable (<i>note 2</i>)	—	—	—	—	—	(18,000)	(18,000)
— other prior year adjustment (<i>note 2</i>)	—	—	—	—	—	17,340	17,340
— as restated	233,267	17,409	82	—	—	1,219	251,977
Issue of shares under share option scheme	32	—	—	—	—	—	32
Repurchase of own shares	(12)	—	—	—	—	—	(12)
Profit for the year	—	—	—	—	—	35,240	35,240
Dividends paid (<i>note 11</i>)	—	—	—	—	—	(34,680)	(34,680)
At 1 January 2001	233,287	17,409	82	—	—	1,779	252,557
Issue of shares under share option scheme	17,001	—	—	—	—	—	17,001
Profit for the year	—	—	—	—	—	43,906	43,906
Dividends paid (<i>note 11</i>)	—	—	—	—	—	(43,401)	(43,401)
At 31 December 2001	250,288	17,409	82	—	—	2,284	270,063

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25. RESERVES — *continued*

The special reserve of the Company represents the difference between the net book values of the underlying assets of the Company's subsidiaries acquired at the date on which the shares of these companies were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisitions. Under the applicable laws of the Cayman Islands, the special reserve is available for distribution.

The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisitions.

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

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	64,591	84,072
Interest income	(2,085)	(3,546)
Gain on acquisition of amount due to a minority shareholder	(4,745)	—
Amortisation of deferred development expenditure	7,218	5,991
Amortisation of intangible assets, other than deferred development expenditure	139	238
Interest expenses	16,305	14,726
Impairment of deferred development expenditure	4,800	—
Impairment of intangible assets, other than deferred development expenditure	—	110
Depreciation	79,178	61,442
Loss (gain) on disposal of other property, plant and equipment	70	(27)
Decrease (increase) in inventories	32,712	(37,452)
Decrease (increase) in trade and other receivables	26,012	(31,271)
(Decrease) increase in trade and other payables	(31,050)	44,364
Effect of realignment of foreign exchange rate	133	177
Net cash inflow from operating activities	193,278	138,824

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27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium HK\$'000	Obligations under finance leases HK\$'000	Mortgage loans HK\$'000	Trust receipt loans HK\$'000	Bank loans HK\$'000
At 1 January 2000	276,615	24,903	4,080	12,646	—
Issue of shares	34	—	—	—	—
Repurchase of own shares	(13)	—	—	—	—
New borrowings raised	—	38,785	1,200	13,456	19,781
Repayment of borrowings	—	(25,115)	(2,880)	—	—
At 31 December 2000	276,636	38,573	2,400	26,102	19,781
Issue of shares	18,077	—	—	—	—
New borrowings raised	—	78,976	6,960	—	9,419
Repayment of borrowings	—	(41,540)	(7,200)	(18,595)	—
At 31 December 2001	294,713	76,009	2,160	7,507	29,200

28. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK\$'000	2000 HK\$'000
Bank balances and cash	96,490	99,228
Bank overdrafts	(8,229)	(7,908)
Trust receipt loans	(89,266)	(166,827)
Short term bank loans	(31,450)	(21,950)
	(32,455)	(97,457)

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29. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the major components of the unprovided deferred tax liabilities (assets) are as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	21,067	19,589
Other timing differences	1,006	2,715
Tax losses	(2,488)	(2,504)
	19,585	19,800

No provision for deferred taxation has been recognised in the financial statements in respect of timing differences arising during the year as in the opinion of the directors, it is not expected that the potential deferred taxation liability will reverse in the foreseeable future, after taking into account of the Group's medium term financial plans and projections. In addition, the directors expect to commit as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Capital expenditure for the next three years in respect of acquisition of property, plant and equipment authorised but not contracted for	400,000	350,000

The amount of the unprovided deferred tax (credit) charge for the year is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Difference of tax allowances and depreciation	1,478	5,387
Other timing differences	(1,709)	(554)
Tax losses (arising) utilised	16	(95)
	(215)	4,738

The Company did not have any significant unprovided deferred taxation for the year or at the balance sheet date.

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30. CONTINGENT LIABILITIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Export bills discounted with recourse	1,151	1,335

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Guarantees given to banks in respect of banking facilities utilised by subsidiaries	166,600	244,968

31. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within one year	1,073	1,561
In the second to fifth year inclusive	309	480
	1,382	2,041

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

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31. OPERATING LEASE COMMITMENTS — *continued*

The Group as lessor

Property rental income earned during the year was HK\$503,000 (2000: HK\$846,000).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of the rented premises which fall due as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within one year	175	188
In the second to fifth year inclusive	—	173
	175	361

32. CAPITAL COMMITMENTS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Leasehold land	1,403	7,117
Plant and equipment	3,902	2,723
	5,305	9,840

33. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

The retirement benefits costs charged to income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

During the year, the retirement benefits scheme contribution are HK\$433,000 (2000: HK\$433,000). There are no forfeited contributions utilised during the year while the forfeited contributions net of retirement benefits scheme contributions for 2000 were HK\$44,000.

At 31 December 2000, the total amount of forfeited contributions, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contribution payable in future years was HK\$44,000.

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34. PLEDGE OF ASSETS

At 31 December 2001, the Group had pledged certain of its leasehold properties and other properties, plant and equipment with an aggregate carrying value of HK\$8,477,000 (2000: HK\$8,724,000) to secure banking facilities granted to the Company's subsidiaries.

35. RELATED PARTY TRANSACTIONS

During the year, the Group acquired from a minority shareholder the 32% issued share capital of a non-wholly owned subsidiary, Truly GSM and the benefits of shareholders' advance totalling HK\$4,800,000 at a consideration of HK\$32 and HK\$55,000 respectively.

36. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration/operation	Nominal value of issued and fully paid ordinary share capital/registered capital	Proportionate equity interest of the Group		Principal activities
			Directly	Indirectly	
Fast Clean Limited	Hong Kong	HK\$100	—	60%	Inactive
Truly Electronics Manufacturing Limited	Hong Kong	HK\$1,000,010	100%	—	Trading in electronic calculators
Truly Electrical Products Company Limited	Hong Kong	HK\$100	—	60%	Inactive
Truly GSM Technologies Limited	Hong Kong	HK\$100	—	94%	Inactive
Truly Industrial Limited	Hong Kong	HK\$872,894	—	100%	Trading in electronic components
Truly Semiconductors (Europe) GmbH	Germany	DM50,000	—	100%	Trading in liquid crystal display products
Truly Semiconductors Limited	Hong Kong	HK\$1,000	—	100%	Manufacture of liquid crystal display products
Truly Telecommunications Company Limited	Hong Kong	HK\$1,000	—	100%	Trading in pagers
Truly (USA) Inc.	United States of America	US\$20,000	100%	—	Marketing of electronic calculators
廣東省汕尾市信利電子有限公司	PRC	HK\$109,699,227	—	100%	Manufacture of electronic calculators and pagers
汕尾市信益房地產開發有限公司	PRC	HK\$22,512,000	—	100%	Property holding
信利電器(廣東)有限公司	PRC	HK\$4,000,000	—	60%	Inactive

None of the subsidiaries had any debt capital outstanding at 31 December 2001 or at any time during the year.