

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

1. GENERAL

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

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

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 and are summarised as follows:

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 prior year have been amended so that they are presented on a consistent basis.

Leases

In accordance with SSAP 14 (Revised) "Leases", amendments were introduced to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. Disclosures for the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

None of the above changes have affected the results for the current or prior periods and, accordingly, no prior period adjustment has been required.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention, as modified for the revaluation of land and buildings, and in accordance with accounting principles 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.

Subsidiaries

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

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.

In the current year, the Group has adopted SSAP 30 "Business combinations" and has elected not to restate goodwill previously eliminated against reserves. Accordingly, goodwill arising on acquisition of subsidiaries prior to 1 January 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised on a straight-line basis over its estimated useful economic life. The Group did not have additional goodwill arising on acquisition during the year.

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

Turnover

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

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FOR THE YEAR ENDED 31 DECEMBER 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

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

Property, plant and equipment

Property, plant and equipment is stated at cost or valuation less depreciation, amortisation and accumulated impairment losses.

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

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

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

Depreciation and amortisation are provided to write off the cost or valuation of the assets, other than land use rights, over their estimated useful lives, using the straight line method, at the following rates per annum:

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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

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

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

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period 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 estimated 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.

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 loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

Finance leases and hire purchase contracts

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

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the terms of relevant leases.

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.

Foreign currencies

Transactions in foreign currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefits cost

The retirement benefits cost charged in the income statement represents the contributions payable in respect of the current year to the Group's defined contribution scheme and Mandatory Provident Fund Scheme.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments:

For management purposes, the Group is currently organised into three principal operating divisions – electronic calculators and organisers, conductive silicon rubber keypads and printed circuit boards. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	2001				2000			
	External sales HK\$'000	Inter-segment sales HK\$'000	Segment sales HK\$'000	Segment results HK\$'000	External sales HK\$'000	Inter-segment sales HK\$'000	Segment sales HK\$'000	Segment results HK\$'000
OPERATING RESULTS								
By segments:								
Electronic calculators and organisers	384,291	2,181	386,472	6,531	340,014	6,696	346,710	1,779
Conductive silicon rubber keypads	40,881	11,251	52,132	4,094	49,328	12,361	61,689	9,342
Printed circuit boards	88,148	14,591	102,739	3,402	70,225	18,146	88,371	(6,479)
Other operations	12,207	-	12,207	(7,520)	-	-	-	-
Sub-total	525,527	28,023	553,550	6,507	459,567	37,203	496,770	4,642
Elimination	-	(28,023)	(28,023)	-	-	(37,203)	(37,203)	-
Consolidated	<u>525,527</u>	<u>-</u>	<u>525,527</u>	<u>6,507</u>	<u>459,567</u>	<u>-</u>	<u>459,567</u>	<u>4,642</u>
Other revenue				7,478				6,843
Unallocated corporate expenses				(1,923)				(1,575)
Profit from operations				12,062				9,910
Finance costs				(3,778)				(6,345)
Profit before taxation				8,284				3,565
Taxation				(1,574)				(2,823)
Profit before minority interests				6,710				742
Minority interests				(542)				956
Profit for the year				<u>6,168</u>				<u>1,698</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Business segments: *(continued)*

	2001		2000	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
ASSETS AND LIABILITIES				
<i>By segments:</i>				
Electronic calculators and organisers	362,257	(140,661)	347,942	(117,590)
Conductive silicon rubber keypads	54,502	(16,352)	69,245	(18,616)
Printed circuit boards	67,560	(25,609)	71,681	(33,425)
Other operations	33,396	(3,961)	-	-
Sub-total	517,715	(186,583)	488,868	(169,631)
Unallocated corporate assets/liabilities	4,945	(21,776)	4,988	(21,969)
Consolidated	522,660	(208,359)	493,856	(191,600)

	2001			2000	
	Capital expenditure HK\$'000	Depreciation and amortisation HK\$'000	Property, plant and equipment written off HK\$'000	Capital expenditure HK\$'000	Depreciation and amortisation HK\$'000
OTHER INFORMATION					
<i>By segments:</i>					
Electronic calculators and organisers	23,168	19,383	2,597	10,073	18,227
Conductive silicon rubber keypads	405	3,394	-	2,136	3,691
Printed circuit boards	11,984	6,084	-	5,584	6,037
Other operations	9,551	1,180	-	-	-
	45,108	30,041	2,597	17,793	27,955

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Geographical segments:

The Group's customers are principally located in Japan, Hong Kong, America and Europe.

The following table provides an analysis of the Group's sales by geographical market:

	Turnover		Contribution to profit from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Japan <i>(note a)</i>	129,099	76,130	1,598	769
Hong Kong <i>(note b)</i>	118,465	93,972	1,467	949
America	100,854	91,078	1,249	920
Europe	56,898	38,518	705	389
PRC, other than Hong Kong	45,048	81,860	558	827
Other Asian countries	57,805	38,753	716	391
Others	17,358	39,256	214	397
	<u>525,527</u>	<u>459,567</u>	<u>6,507</u>	4,642
Other revenue			7,478	6,843
Unallocated corporate expenses			(1,923)	(1,575)
Profit from operations			<u>12,062</u>	<u>9,910</u>

Notes:

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

Geographical segments: *(continued)*

The following is an analysis of the carrying amount of segment assets at the balance sheet date, and additions to property, plant and equipment and intangible assets during the year 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 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	137,404	82,564	10,365	244
PRC, other than Hong Kong	385,256	411,292	34,743	17,549
	<u>522,660</u>	<u>493,856</u>	<u>45,108</u>	<u>17,793</u>

5. OTHER REVENUE

Other revenue includes:

	2001 HK\$'000	2000 HK\$'000
Interest income	1,712	803
Gain on disposal of property, plant and equipment	274	-
Net rental income	140	234
Surplus on revaluation of leasehold land and buildings	-	641
	<u>2,126</u>	<u>1,678</u>

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6. PROFIT FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration:		
Current year	650	650
Overprovision in the prior year	(20)	–
Depreciation and amortisation:		
Property, plant and equipment (<i>note a</i>)	28,417	27,411
Intangible assets – development costs	1,170	–
Operating lease rentals in respect of rented premises (<i>note b</i>)	399	301
Loss on disposal of property, plant and equipment	–	509
Property, plant and equipment written off	2,597	–
Allowance for doubtful debts	3,042	1,338
Provision for obsolete and slowing moving inventories	9,068	5,793
Research and development costs expensed	3,798	2,987
Revaluation deficit of land and buildings included in administrative expenses	367	–
Staff costs (<i>note c</i>)	<u>77,420</u>	<u>65,066</u>

Notes:

(a) Depreciation and amortisation:

	2001 HK\$'000	2000 HK\$'000
Owned assets	27,193	25,698
Assets held under finance leases and hire purchase contracts	<u>1,678</u>	<u>2,257</u>
	28,871	27,955
Less: Amount capitalised in moulds	<u>(454)</u>	<u>(544)</u>
	<u>28,417</u>	<u>27,411</u>

(b) Operating lease rentals:

	2001 HK\$'000	2000 HK\$'000
Minimum lease payments in respect of rented premises	530	463
Less: Amount capitalised in moulds	<u>(131)</u>	<u>(162)</u>
	<u>399</u>	<u>301</u>

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FOR THE YEAR ENDED 31 DECEMBER 2001

6. PROFIT FROM OPERATIONS *(continued)*

	2001 HK\$'000	2000 HK\$'000
(c) Staff costs:		
Directors' remuneration <i>(Note 8)</i>	6,056	5,939
Other staff costs	72,070	60,050
	<u>78,126</u>	<u>65,989</u>
Less: Amount capitalised in moulds	(706)	(923)
	<u><u>77,420</u></u>	<u><u>65,066</u></u>

7. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	3,477	5,730
Obligations under finance leases and hire purchase contracts	301	615
	<u>3,778</u>	<u>6,345</u>

8. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

Directors' emoluments:

	2001 HK\$'000	2000 HK\$'000
Fees paid to:		
Independent non-executive directors	360	360
Non-executive directors	167	-
Other emoluments paid to executive directors:		
Salaries and other benefits	5,351	5,351
Retirement benefits scheme contributions	178	228
	<u>6,056</u>	<u>5,939</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

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

The emoluments of the directors were within the following bands:

	2001 Number of directors	2000 Number of directors
Nil to HK\$1,000,000	9	7
HK\$1,000,001 to HK\$1,500,000	2	2
	<u>11</u>	<u>9</u>

Highest paid employees:

The six highest paid employees of the Group include four (2000: five) executive directors of the Company, details of whose emoluments are included above. The emoluments of the remaining two highest paid employees for the year ended 31 December 2001 were as follows:

	<i>HK\$'000</i>
Salaries and other benefits	1,721
Retirement benefits scheme contributions	50
	<u>1,771</u>

The emoluments of these employees were both within the band from nil to HK\$1,000,000.

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

9. TAXATION

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax:		
Current year	185	380
Overprovision in prior years	(4)	(232)
PRC enterprise income tax	<u>1,659</u>	<u>3,075</u>
	1,840	3,223
Deferred taxation <i>(Note 20)</i>	<u>(266)</u>	<u>(400)</u>
	<u>1,574</u>	<u>2,823</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

9. TAXATION *(continued)*

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the year.

PRC enterprise income tax is calculated at the rates prevailing.

Details of the deferred taxation are set out in note 20.

10. DIVIDEND PROPOSED

The final dividend of HK1 cent (2000: Nil) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

11. 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	<u>6,168</u>	<u>1,698</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	539,514,718	481,808,219
Effect of dilutive potential ordinary shares – Options	<u>-</u>	<u>404,712</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>539,514,718</u>	<u>482,212,931</u>

No diluted earnings per share for 2001 has been presented because the exercise price of the Company's outstanding share options was higher than the average market price for shares.

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12. PROPERTY, PLANT AND EQUIPMENT

	Land use rights HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant, machinery and moulds HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP							
COST OR VALUATION							
At 1 January 2001	-	183,350	1,823	131,641	8,783	5,850	331,447
Reclassifications	36,476	(36,476)	-	-	-	-	-
Additions	-	-	-	33,769	1,694	285	35,748
Disposals	-	-	-	(2,501)	(106)	-	(2,607)
Write-off	-	-	-	(8,842)	-	-	(8,842)
Revaluation (deficit) surplus	(5,956)	3,656	-	-	-	-	(2,300)
At 31 December 2001	<u>30,520</u>	<u>150,530</u>	<u>1,823</u>	<u>154,067</u>	<u>10,371</u>	<u>6,135</u>	<u>353,446</u>
COMPRISING:							
At cost	-	-	1,823	154,067	10,371	6,135	172,396
At valuation – 2001	<u>30,520</u>	<u>150,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,050</u>
	<u>30,520</u>	<u>150,530</u>	<u>1,823</u>	<u>154,067</u>	<u>10,371</u>	<u>6,135</u>	<u>353,446</u>
DEPRECIATION AND AMORTISATION							
At 1 January 2001	-	-	1,624	53,346	6,398	4,706	66,074
Provided for the year	767	7,413	191	18,448	1,258	794	28,871
Eliminated on disposals	-	-	-	(2,105)	(88)	-	(2,193)
Eliminated on write-off	-	-	-	(6,245)	-	-	(6,245)
Eliminated on revaluation	(767)	(7,413)	-	-	-	-	(8,180)
At 31 December 2001	<u>-</u>	<u>-</u>	<u>1,815</u>	<u>63,444</u>	<u>7,568</u>	<u>5,500</u>	<u>78,327</u>
NET BOOK VALUES							
At 31 December 2001	<u>30,520</u>	<u>150,530</u>	<u>8</u>	<u>90,623</u>	<u>2,803</u>	<u>635</u>	<u>275,119</u>
At 31 December 2000	<u>-</u>	<u>183,350</u>	<u>199</u>	<u>78,295</u>	<u>2,385</u>	<u>1,144</u>	<u>265,373</u>

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

The net book value of the Group's property interests shown above comprises properties held under medium-term leases situated in:

	2001 HK\$'000	2000 HK\$'000
Hong Kong	4,950	5,550
PRC, other than Hong Kong	176,100	177,800
	<u>181,050</u>	<u>183,350</u>

The land and buildings were revalued at 31 December 2001 by Chesterton Petty Limited, an independent firm of professional property valuers, on an open market value basis. The resulting revaluation surplus of approximately HK\$6,247,000 has been credited to the asset revaluation reserve, and the resulting revaluation deficit of approximately HK\$367,000 has been charged to the income statement.

If land and buildings had not been revalued, they would have been included at historical cost less accumulated depreciation and amortisation of approximately HK\$138,923,000 (2000: HK\$144,466,000).

At 31 December 2001, the net book value of property, plant and equipment included an amount of approximately HK\$16,108,000 (2000: HK\$10,960,000) in respect of assets held under finance leases and hire purchase contracts.

In addition, certain of the Group's properties with cost and accumulated depreciation of HK\$8,661,000 (2000: HK\$8,661,000) and HK\$3,588,000 (2000: HK\$3,187,000) respectively are rented out under operating leases. The depreciation charged to the income statement amounted to HK\$401,000 (2000: HK\$401,000).

13. INTANGIBLE ASSETS

	THE GROUP HK\$'000
COST	
Acquired during the year and at 31 December 2001	9,360
AMORTISATION	
Provided for the year and at 31 December 2001	<u>1,170</u>
NET BOOK VALUE	
At 31 December 2001	<u>8,190</u>

The amount represents development costs which are stated at cost less accumulated amortisation, and is amortised on a straight line basis over an estimated life of two years.

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14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares	103,710	103,710
Amounts due from subsidiaries	118,106	97,278
	<u>221,816</u>	<u>200,988</u>

The carrying amount of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under the group reorganisation in 1997.

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repaid within the next twelve months from the balance sheet date and therefore are shown as non-current.

Particulars of the Company's subsidiaries at 31 December 2001 are set out in note 33.

15. INVENTORIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Raw materials	44,314	72,442
Work in progress	8,976	7,958
Finished goods	26,937	20,742
	<u>80,227</u>	<u>101,142</u>
Inventories carried at net realisable value	<u>2,636</u>	<u>624</u>

Notes to the Financial Statements

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16. TRADE AND OTHER RECEIVABLES

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

An aged analysis of trade receivables is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Not yet due or overdue within 30 days	52,521	54,483
Overdue for 31-60 days	9,415	6,743
Overdue for 61-90 days	1,452	6,045
Overdue for more than 90 days	4,092	8,829
	67,480	76,100
Other receivables	4,189	3,422
	71,669	79,522

17. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Not yet due or overdue within 30 days	46,521	47,689
Overdue for 31-60 days	12,847	12,332
Overdue for 61-90 days	5,248	6,345
Overdue for more than 90 days	6,440	6,469
	71,056	72,835
Other payables	46,861	51,266
	117,917	124,101

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

18. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Amounts payable under finance leases and hire purchase contracts:				
Within one year	4,861	3,252	4,463	3,094
In the second to fifth year inclusive	6,994	949	6,714	871
	<u>11,855</u>	<u>4,201</u>	<u>11,177</u>	<u>3,965</u>
Less: Future finance costs	(678)	(236)	-	-
Present value of lease obligations	<u>11,177</u>	<u>3,965</u>	<u>11,177</u>	<u>3,965</u>
Less: Amount due within one year shown under current liabilities			<u>(4,463)</u>	<u>(3,094)</u>
Amount due after one year			<u>6,714</u>	<u>871</u>

It is the Group's policy to lease certain of its plant and machinery under finance leases and hire purchase contracts. The average lease term is three years. For the year ended 31 December 2001, the average effective borrowing rate was 5.8%. Interest rates are fixed at the contract date. All leases and contracts are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

19. BANK BORROWINGS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Bank borrowings comprise:		
Bank overdrafts	-	546
Bank loans	53,271	40,187
Trust receipts loans	4,624	979
	<u>57,895</u>	<u>41,712</u>
Analysed as:		
Secured	53,271	40,187
Unsecured	4,624	1,525
	<u>57,895</u>	<u>41,712</u>
The bank borrowings are repayable as follows:		
Within one year	11,166	29,562
Between one to two years	935	9,346
Between two to five years	45,794	2,804
	<u>57,895</u>	<u>41,712</u>
Less: Amount due within one year shown under current liabilities	(11,166)	(29,562)
Amount due after one year	<u>46,729</u>	<u>12,150</u>

20. DEFERRED TAXATION

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Balance brought forward	266	666
Credit for the year (Note 9)	(266)	(400)
Balance carried forward	<u>-</u>	<u>266</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

20. DEFERRED TAXATION *(continued)*

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

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	646	666
Unutilised tax losses	(646)	(400)
	<u> </u>	<u> </u>
	-	266
	<u> </u>	<u> </u>

Deferred taxation has not been provided on the surplus or deficit arising on the revaluation of properties as profits or losses arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation surplus or deficit does not constitute a timing difference for tax purposes.

Neither the Group nor the Company had any material unprovided deferred taxation arising during the year or at the balance sheet date.

21. SHARE CAPITAL

	Number of shares		Amount	
	2001	2000	2001 HK\$'000	2000 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At beginning and end of the year	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning of the year	540,000,000	450,000,000	54,000	45,000
Issue of shares <i>(note a)</i>	-	90,000,000	-	9,000
Shares repurchased and cancelled <i>(note b)</i>	<u>(2,856,000)</u>	<u>-</u>	<u>(286)</u>	<u>-</u>
At end of the year	<u>537,144,000</u>	<u>540,000,000</u>	<u>53,714</u>	<u>54,000</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

21. SHARE CAPITAL (continued)

Notes:

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

Months of repurchase	Number of ordinary shares	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
April	88,000	0.310	0.300	27
May	152,000	0.335	0.270	46
September	216,000	0.335	0.330	71
October	500,000	0.350	0.350	174
November	900,000	0.350	0.345	314
December	1,000,000	0.290	0.275	280
	<u>2,856,000</u>			<u>912</u>

The above shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

22. SHARE OPTION SCHEME

Details of movements during the year in the Company's share options which were granted on 24 July 2000 at an exercise price of HK\$0.528 per share are as follows:

Capacity	Name of directors	Number of share to be issued upon exercise of the share options			Exercisable period		
		Balance at 1.1.2001	Lapsed during the year	Balance at 31.12.2001	24.7.2000 to 23.7.2003	24.7.2001 to 23.7.2003	24.7.2002 to 23.7.2003
Director	Mr. Tong Shek Lun	1,532,000	-	1,532,000	612,800	459,600	459,600
Director	Mr. Li Ka Fai, Fred	1,100,000	-	1,100,000	440,000	330,000	330,000
Director	Ms. Ko Lai King, Kinny	764,000	-	764,000	305,600	229,200	229,200
Director	Ms. Chung Wai Yu, Regina	928,000	-	928,000	371,200	278,400	278,400
Director	Mr. Tam Lung Shor	696,000	-	696,000	278,400	208,800	208,800
Director	Mr. Wu Yong Yei	850,000	-	850,000	340,000	255,000	255,000
		5,870,000	-	5,870,000	2,348,000	1,761,000	1,761,000
Employees		6,340,000	(2,516,000)	3,824,000	1,459,200	1,152,400	1,212,400
		<u>12,210,000</u>	<u>(2,516,000)</u>	<u>9,694,000</u>	<u>3,807,200</u>	<u>2,913,400</u>	<u>2,973,400</u>

No options were granted or exercised during the year.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

23. RESERVES

	Share premium	Capital reserve	Special reserve	Statutory reserves	Asset revaluation reserve	Exchange reserve	Goodwill reserve	Capital redemption reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP										
At 1 January 2000	49,310	35,597	19,487	5,421	32,136	(1,847)	(31,539)	-	90,352	198,917
On issue of shares, net of expenses	30,338	-	-	-	-	-	-	-	-	30,338
Revaluation surplus	-	-	-	-	13,667	-	-	-	-	13,667
Minority share of post- acquisition reserve	-	-	-	-	(936)	-	-	-	-	(936)
Profit for the year	-	-	-	-	-	-	-	-	1,698	1,698
Transfer	-	-	-	825	-	-	-	-	(825)	-
At 31 December 2000	79,648	35,597	19,487	6,246	44,867	(1,847)	(31,539)	-	91,225	243,684
On repurchase of shares	(626)	-	-	-	-	-	-	286	(286)	(626)
Revaluation surplus	-	-	-	-	6,247	-	-	-	-	6,247
Minority share of post- acquisition reserve	-	-	-	-	(52)	-	-	-	-	(52)
Profit for the year	-	-	-	-	-	-	-	-	6,168	6,168
Transfer	-	-	-	307	-	-	-	-	(307)	-
At 31 December 2001	79,022	35,597	19,487	6,553	51,062	(1,847)	(31,539)	286	96,800	255,421

	Share premium	Contributed surplus	Capital redemption reserve	Capital (Deficit) retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY					
At 1 January 2000	49,310	68,510	-	121	117,941
On issue of shares, net of expenses	30,338	-	-	-	30,338
Loss for the year	-	-	-	(1,509)	(1,509)
At 31 December 2000	79,648	68,510	-	(1,388)	146,770
On repurchase of shares	(626)	-	286	(286)	(626)
Profit for the year	-	-	-	21,654	21,654
At 31 December 2001	79,022	68,510	286	19,980	167,798

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

23. RESERVES (continued)

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

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

The statutory reserves of the Group represent reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries.

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

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

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

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

	2001 HK\$'000	2000 HK\$'000
Contributed surplus	68,510	68,510
Retained profits (deficit)	19,980	(1,388)
	<u>88,490</u>	<u>67,122</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

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

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	8,284	3,565
Interest income	(1,712)	(803)
Interest expense	3,778	6,345
Depreciation and amortisation	29,587	27,411
Property, plant and equipment written off	2,597	-
(Gain) loss on disposal of property, plant and equipment	(274)	509
Revaluation deficit (surplus) of land and buildings	367	(641)
Decrease in inventories	20,915	575
Decrease (increase) in trade and other receivables	7,853	(3,531)
(Increase) decrease in bills receivable	(4,751)	75
(Decrease) increase in trade and other payables	(6,184)	6,502
	<u>60,460</u>	<u>40,007</u>

25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium HK\$'000	Obligations under finance leases and hire purchase contracts HK\$'000	Bank loans HK\$'000	Trust receipt loans HK\$'000
At 1 January 2000	94,310	8,341	45,200	-
On issue of shares	40,500	-	-	-
Share issue expenses	(1,162)	-	-	-
New loans raised	-	-	4,673	-
Repayments	-	(4,376)	(9,686)	-
	<u>133,648</u>	<u>3,965</u>	<u>40,187</u>	<u>-</u>
At 31 December 2000	133,648	3,965	40,187	-
On repurchase of shares	(912)	-	-	-
New loans raised	-	-	55,140	2,620
Inception of finance leases and hire purchase contracts	-	10,925	-	-
Repayments	-	(3,713)	(42,056)	-
	<u>132,736</u>	<u>11,177</u>	<u>53,271</u>	<u>2,620</u>
At 31 December 2001	<u>132,736</u>	<u>11,177</u>	<u>53,271</u>	<u>2,620</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

26. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK\$'000	2000 HK\$'000
Bank balances and cash	80,984	46,131
Trust receipts loans	(2,004)	(979)
Bank overdrafts	-	(546)
	<u>78,980</u>	<u>44,606</u>

27. MAJOR NON-CASH TRANSACTION

During the year, the Group entered into finance lease and hire purchase arrangements in respect of assets with a total capital value at the inception of the leases and contracts of approximately HK\$10,925,000 (2000: Nil).

28. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

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

During the year, the retirement benefits scheme contributions, net of negligible forfeited contributions (2000: HK\$75,000) are HK\$820,000 (2000: HK\$534,000).

As at 31 December 2001 and 2000, there were HK\$178,100 (2000: Nil) forfeited contributions available to offset future employers' contributions to the schemes.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

29. CONTINGENT LIABILITIES

The Company has given guarantees to banks in respect of general banking facilities granted to certain subsidiaries. The extent of such facilities utilised by the subsidiaries at 31 December 2001 amounted to approximately HK\$4,624,000 (2000: HK\$1,525,000).

30. CAPITAL COMMITMENTS

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	468	320

The Company did not have any significant capital commitment.

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 in respect of office premises which fall due as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Within one year	369	245
In the second to fifth year inclusive	150	48
	519	293

Leases are negotiated for terms range from one to two years at fixed monthly rentals.

The Company did not have any operating lease commitment.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

31. OPERATING LEASE COMMITMENTS *(continued)*

The Group as lessor:

Certain of the Group's properties have been rented out under operating leases. These properties have committed tenants for the next two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Within one year	140	140
In the second to fifth year inclusive	35	175
	<u>175</u>	<u>315</u>

32. PLEDGE OF ASSETS

At 31 December 2001, the Group has pledged certain of its land and buildings of approximately HK\$176,100,000 (2000: HK\$173,595,000) to banks to secure general banking facilities granted to the Group.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

33. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2001 are as follows:

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

Notes to the Financial Statements

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33. PARTICULARS OF SUBSIDIARIES *(continued)*

Name of company	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Joyham Jade Limited	British Virgin Islands	US\$2 Ordinary shares	100%	Investment holding
Karce Co. Limited	Hong Kong	HK\$10,000 Ordinary shares	100%	Trading in electronic calculators, electronic organisers and related products
Karce Communications Limited	British Virgin Islands	US\$2 Ordinary shares	100%	Trading in cordless telephone products
Karce Electronics Toys Limited (formerly known as Chun Yip Moulding Co. Limited)	Hong Kong	HK\$20,000 Ordinary shares	100%	Investment holding
Redditch Enterprises Limited	British Virgin Islands	US\$10,000 Ordinary shares	100%	Investment holding
Sabic Electronic Limited	British Virgin Islands	US\$2 Ordinary shares	100%	Investment holding and trading in electronic calculators
Sunmaster Co., Limited	Hong Kong	HK\$2 Ordinary shares	100%	Provision of administrative and management services

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2001

33. PARTICULARS OF SUBSIDIARIES *(continued)*

Name of company	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
T & S Industrial Company Limited	Hong Kong	HK\$200,000 Ordinary shares	100%	Trading in electronic products, manufacture of electronic components and provision of purchasing agency services
Tachibana Limited	British Virgin Islands	US\$100 Ordinary shares	100%	Investment holding

Only Redditch Enterprises Limited is directly held by the Company.

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