1. CORPORATE INFORMATION

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

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

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

2. 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"

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

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements, are summarised as follows:

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, 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 27 and 33 to the financial statements, respectively.

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 5 to the financial statements.

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.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill 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. The adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in notes 15 and 17 to the financial statements. The required new additional disclosures are included in notes 15, 17 and 30 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.

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 requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, as further explained below.

Basis of consolidation

The consolidated financial statements include the 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, other than an associate or a jointly controlled entity, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital, or controls the composition of its board of directors.

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

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 neither has joint control of, nor is in a position to exercise significant influence over, the joint venture company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entities

A jointly 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 jointly 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. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly controlled entities is determined based on the agreed profit sharing ratio. 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. Goodwill arising from the acquisition of jointly controlled entities, which was not previously eliminated against consolidated reserves, is included as part of the Group's interests in jointly controlled entities.

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.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly controlled entities 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 of not exceeding eight years. In the case of associates and jointly controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the goodwill previously eliminated against consolidated reserves for all acquisitions has been retrospectively restated as if the new accounting policy above had always been applied. This restatement has given rise to a prior year adjustment, further details of which are included in notes 15, 17 and 30 to the financial statements. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

On disposal of subsidiaries, associates or jointly controlled entities, 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 consolidated 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 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.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, associates and jointly controlled entities 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 the case of associates and jointly controlled entities, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the negative goodwill previously credited to the capital reserve for all acquisitions has been retrospectively restated as if the new accounting policy above had always been applied. This restatement has given rise to a prior year adjustment, details of which are included in notes 15 and 30 to the financial statements. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill (continued)

On disposal of subsidiaries, associates or jointly controlled entities, 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.

Impairment of assets

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

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

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

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

Fixed assets and depreciation

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

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

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

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

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

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

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties with unexpired lease terms of more than 20 years are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

Intangible assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. 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 investment

The long term investment is an investment in an unlisted equity security intended to be held on a long term basis. The long term investment is stated at cost less any impairment losses.

When an impairment in value has occurred, the carrying amount of the security is reduced to its fair value, as estimated by the directors, and the amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value 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.

Golf club membership

The golf club membership is stated at cost less any impairment losses.

Inventories

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

Deferred tax

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) service income, when the services are rendered;

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

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

(e) dividends, when the shareholders' right to receive payment has been established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, associates and jointly controlled entities are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Related parties

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

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 those employees who are eligible to participate in the Scheme. 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.

Prior to the MPF Scheme becoming effective, the Group operated a defined contribution retirement benefits scheme (the "prior scheme") for those employees who were eligible to participate in this scheme. This prior scheme operated in a similar way to the MPF Scheme, except that when an employee left the prior scheme before his/her interest in the Group's employer contributions vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited employer contributions. With effect from 1 December 2000, the prior scheme was terminated.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 11% of their payroll costs to the central pension scheme.

4. TURNOVER, REVENUE AND GAINS

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

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

	Group	
	2001	2000
	HK$'000	HK$'000
		(Restated)
Turnover		
Sale of goods	471,650	633,332
Rendering of services	42,111	47,984
Gross rental income	2,549	5,288
	516,310	686,604
Other revenue		
Dividend income from a long term investment	3,000	–
Interest income	1,641	3,108
Proceeds from scrap sales	4,203	5,979
Moulding and tooling income	158	1,474
Others	3,873	6,392
	12,875	16,953
Gains		
Negative goodwill recognised	340	340
	13,215	17,293

5. 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 telephone accessories and power cords segment, comprises the manufacture and sale of telephone accessories and power cords;

(b) the adaptor and electronic products segment, comprises the manufacture and sale of adaptors and electronic products;

(c) the printed circuit boards segment, comprises the manufacture and sale of printed circuit boards;

(d) the high precision metal components segment, comprises the manufacture and sale of high precision metal components;

(e) the freight forwarding and delivery services segment, comprises the provision of freight forwarding and delivery services; and

(f) the utility recharges, corporate and others segment, comprises the provision of electricity, information technology, corporate functions, property holding and rental service.

The segment reporting basis is representative of the internal structure used for management reporting.

Segment revenue includes operating revenue directly and reasonably allocable to the segments. Segment results represents segment revenue less segment expenses. Segment revenue includes intersegment sales made between segments. Inter segment sales are transacted at selling prices agreed between the relevant segments. Segment expenses represent directly or reasonably allocable operating expenses on a segment basis. Segment assets and liabilities include directly and reasonably allocable operating assets and liabilities, respectively.

In determining the Group's geographical segments, revenues and results 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.

5. SEGMENT INFORMATION (continued)

(a) Business segments

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

	Telephone accessories and power cords		Adaptors and electronic products		Printed circuit boards		High precision metal components		Freight forwarding and delivery services		Utility recharges, corporate and others		Eliminations		Total	
	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 (restated)
Segment revenue:																
Sales to external customers	209,573	303,112	75,859	100,403	140,115	175,744	37,310	43,688	28,267	36,911	25,186	26,746	-	-	516,310	686,604
Intersegment sales	12,891	73,003	-	-	-	2,803	-	70	-	-	71,526	50,443	(84,417)	(126,319)	-	-
Other revenue	4,028	7,151	237	77	1,559	869	284	1,987	-	-	2,126	3,761	-	-	8,234	13,845
Total	226,492	383,266	76,096	100,480	141,674	179,416	37,594	45,745	28,267	36,911	98,838	80,950	(84,417)	(126,319)	524,544	700,449
Segment results	(17,228)	9,175	(12,245)	2,938	(6,812)	7,485	(4,112)	(1,750)	(838)	(1,382)	(6,298)	3,600	-	-	(47,533)	20,066
Interest and dividend income															4,641	3,108
Unallocated expenses															(1,022)	(3,578)
Profit/(loss) from operating activities															(43,914)	19,596
Finance costs															(4,230)	(6,559)
Loss on disposal of a subsidiary	-	-	-	-	(19,620)	-	-	-	-	-	-	-	-	-	(19,620)	-
Provision for impairment in value of interest in a jointly controlled entity															(2,000)	(25,892)
Provision for impairment in value of goodwill on acquisition of interest in a jointly controlled entity															-	(17,931)
Share of profits and losses of jointly controlled entities	-	-	-	-	(455)	-	-	-	-	-	10,756	18,063	-	-	10,301	18,063
Loss before tax															(59,463)	(12,723)
Tax															(1,502)	527
Minority interests															(1,742)	(6,499)
Net loss from ordinary activities attributable to shareholders															(62,707)	(18,695)
Segment assets	118,187	180,697	32,720	55,560	77,755	201,249	34,221	38,596	7,862	11,523	182,738	145,045	-	-	453,483	632,670
Interests in jointly controlled entities	(2,262)	(4,158)	86	-	41,251	-	-	-	-	-	105,361	110,268	-	-	144,436	106,110
Unallocated assets	3,959	3,487	5,030	5,613	7,457	7,457	-	-	-	-	780	1,758	-	-	17,226	18,315
Total assets	119,884	180,026	37,836	61,173	126,463	208,706	34,221	38,596	7,862	11,523	288,879	257,071	-	-	615,145	757,095
Segment liabilities	(26,798)	(28,553)	(7,087)	(10,936)	(9,414)	(34,530)	(6,220)	(9,014)	(2,734)	(3,533)	(10,174)	(13,756)	(211)	2,922	(62,638)	(97,400)
Unallocated liabilities	(8,143)	(7,955)	621	(152)	(35)	(1,702)	(37)	(37)	(23)	15	(35,591)	(57,715)	-	-	(43,208)	(67,546)
Total liabilities	(34,941)	(36,508)	(6,466)	(11,088)	(9,449)	(36,232)	(6,257)	(9,051)	(2,757)	(3,518)	(45,765)	(71,471)	(211)	2,922	(105,846)	(164,946)
Other segment information:																
Capital expenditure	18,169	18,126	1,111	652	9,371	5,231	2,659	1,589	89	212	320	885	-	-	31,719	26,695
Depreciation and amortisation	16,983	14,288	1,694	2,473	14,821	21,389	5,583	5,572	125	166	5,543	7,900	-	-	44,749	51,788
Other non-cash expenses	5,726	1,603	123	486	14,359	2,786	3,206	348	99	42	7,417	1,977	-	-	30,930	7,242

5. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue, profit/(loss) and certain assets and expenditure information for the Group's business segments.

	The People's Republic of China ("PRC"): Hong Kong SAR		Elsewhere		Europe		Australia		Others		Elimination		Total	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000 (Restated)
Segment revenue:														
Sales to external customers	**303,145**	382,926	**64,409**	109,348	**59,759**	82,051	**27,018**	40,219	**61,979**	72,060	**–**	–	**516,310**	686,604
Segment results*	**(37,303)**	13,461	**(3,674)**	3,844	**(2,172)**	2,884	**(2,195)**	(2,657)	**(2,189)**	2,534	**–**	–	**(47,533)**	20,066
Other segment information:														
Segment assets	**231,321**	270,191	**383,824**	465,701	**–**	–	**–**	21,203	**–**	–	**–**	–	**615,145**	757,095
Capital expenditure	**409**	212	**31,271**	26,437	**–**	–	**39**	46	**–**	–	**–**	–	**31,719**	26,695

* disclosed pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Group	
	2001 HK$'000	2000 HK$'000 (Restated)
Cost of inventories sold	**423,369**	531,772
Cost of services provided	**35,138**	41,794
Provision for slow-moving and obsolete inventories	**9,430**	3,271
Depreciation	**40,664**	44,495
Amortisation of other intangible assets*	**2,723**	3,375
Auditors' remuneration	**1,300**	1,680
Intangible assets written off	**–**	297
Amortisation of goodwill**	**1,362**	3,918
Negative goodwill recognised***	**(340)**	(340)
Minimum lease payments under operating leases for land and buildings	**8,362**	11,050
Staff costs (including directors' remuneration – note 8):		
Wages and salaries	**81,862**	110,115
Pension contributions, net	**3,418**	5,100
Total staff costs	**85,280**	115,215
Revaluation deficit of investment properties	**8,000**	2,029
Loss/(gain) on disposal of fixed assets	**835**	(2)
Fixed assets written off	**6,432**	–
Specific provisions against doubtful debts	**6,233**	1,645
Exchange losses/(gains), net	**625**	(1,232)
Rental income, net of outgoings	**(2,276)**	(4,913)

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES (continued)

* The amortisation of other intangible assets for the year is included in "Cost of inventories sold" above, and thereby in "Cost of sales" on the face of the consolidated profit and loss account.

** The amortisation of goodwill for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

*** The movement in negative goodwill recognised in the consolidated profit and loss account for the year is included in "Other revenue and gains" on the face of the consolidated profit and loss account.

7. FINANCE COSTS

	Group	
	2001	2000
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**4,218**	6,343
Interest on finance leases	**12**	216
	4,230	6,559

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Fees	**80**	90
Salaries and other emoluments	**3,227**	3,233
Pension contributions	**149**	149
Performance related bonuses	**80**	300
	3,536	3,772

8. DIRECTORS' REMUNERATION (continued)

Included in the directors' fees were fees of HK$30,000 (2000: HK$30,000) received by the independent non-executive directors.

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil – HK$1,000,000	**8**	10
HK$1,500,001 – HK$2,000,000	**2**	1
HK$2,000,001 – HK$2,500,000	**–**	1

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

No value was included in directors' remuneration in respect of share options granted during the prior year because, in the absence of a readily available market value for the options on the Company's shares, the directors were unable to arrive at an accurate assessment of the value of the options granted.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2000: two) executive directors, whose remuneration is disclosed in note 8 above. The details of the remuneration of the remaining three (2000: three) highest paid, non-director employees are set out below:

	Group	
	2001	2000
	HK$'000	HK$'000
Salaries and other emoluments	**2,063**	5,583
Pension contributions	**142**	122
	2,205	5,705

9. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Number of employees 2001	2000
Nil – HK$1,000,000	**3**	2
HK$4,000,001 – HK$4,500,000	**–**	1

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2001 HK$'000	2000 HK$'000
Group:		
Hong Kong:		
Overprovision in prior years	**104**	2,510
Provision for the year	**(382)**	(174)
Elsewhere:		
Provision for the year	**(4)**	(2,240)
Deferred tax – note 28	**–**	431
	(282)	527
Share of tax attributable to jointly controlled entities	**(1,220)**	–
Tax credit/(charge) for the year	**(1,502)**	527

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK$67,760,000 (2000: net profit of HK$625,000).

The Group's share of aggregate profits less losses retained by its jointly controlled entities for the year amounted to HK$4,081,000 (2000: HK$18,063,000).

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss attributable to shareholders for the year of HK$62,707,000 (2000: HK$18,695,000 (restated)) and on the weighted average number of 800,803,553 (2000: 797,989,170) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 December 2001 has not been shown as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of the diluted loss per share for the year ended 31 December 2000 is based on the net loss attributable to shareholders for the year of HK$18,695,000 (restated). The weighted average number of ordinary shares used in the calculation is 797,989,170 ordinary shares in issue during the year, as used in the basic loss per share calculation; and the weighted average of 567,446 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

13. FIXED ASSETS

Group

	Investment properties HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery, moulds and tools HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:							
At beginning of year	33,544	86,172	44,093	324,801	110,734	12,947	612,291
Additions	–	–	2,375	15,360	11,307	65	29,107
Disposals	–	–	–	(15,580)	(183)	–	(15,763)
Write-off	–	–	–	(17,411)	(27,520)	(945)	(45,876)
Deficit on revaluation	(8,000)	–	–	–	–	–	(8,000)
Transfer to properties held for sale	(2,950)	–	–	–	–	–	(2,950)
Disposal of a subsidiary	–	–	(1,371)	(17,585)	(2,186)	(42)	(21,184)
Reclassification to interests in jointly controlled entities	–	(7,341)	–	(59,059)	(3,015)	(1,325)	(70,740)
Exchange realignment	–	177	(134)	(152)	(137)	28	(218)
At 31 December 2001	**22,594**	**79,008**	**44,963**	**230,374**	**89,000**	**10,728**	**476,667**
At cost	–	79,008	44,963	230,374	89,000	10,728	454,073
At 2001 valuation	22,594	–	–	–	–	–	22,594
	22,594	79,008	44,963	230,374	89,000	10,728	476,667
Accumulated depreciation:							
At beginning of year	–	21,765	20,509	239,139	75,567	9,533	366,513
Provided during the year	–	2,724	2,299	24,174	9,959	1,508	40,664
Disposals	–	–	–	(11,518)	(176)	–	(11,694)
Write-off	–	–	–	(14,895)	(23,604)	(945)	(39,444)
Disposal of a subsidiary	–	–	(879)	(15,152)	(1,430)	(16)	(17,477)
Reclassification to interests in jointly controlled entities	–	(4,093)	–	(33,432)	(1,484)	(808)	(39,817)
Exchange realignment	–	92	(72)	(550)	(121)	16	(635)
At 31 December 2001	**–**	**20,488**	**21,857**	**187,766**	**58,711**	**9,288**	**298,110**
Net book value:							
At 31 December 2001	**22,594**	**58,520**	**23,106**	**42,608**	**30,289**	**1,440**	**178,557**
At 31 December 2000	33,544	64,407	23,584	85,662	35,167	3,414	245,778

13. FIXED ASSETS (continued)

Company

	Buildings	Leasehold improvements	Machinery, moulds and tools	Equipment, furniture and fixtures	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:						
At beginning of year and as at 31 December 2001	**23,379**	**18,328**	**59,053**	**18,185**	**714**	**119,659**
Accumulated depreciation:						
At beginning of year	10,027	10,647	59,053	18,185	714	98,626
Provided during the year	935	766	–	–	–	1,701
At 31 December 2001	**10,962**	**11,413**	**59,053**	**18,185**	**714**	**100,327**
Net book value:						
At 31 December 2001	**12,417**	**6,915**	**–**	**–**	**–**	**19,332**
At 31 December 2000	13,352	7,681	–	–	–	21,033

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

	Hong Kong	Elsewhere	Total
	HK$'000	HK$'000	HK$'000
At cost:			
Long term leases	3,826	1,741	5,567
Medium term leases	3,500	69,941	73,441
	7,326	71,682	79,008

13. FIXED ASSETS (continued)

The Group's investment properties included above are held under the following lease terms:

	Hong Kong HK$'000	Elsewhere HK$'000	Total HK$'000
Long term leases	2,500	3,094	5,594
Medium term leases	17,000	–	17,000
	19,500	3,094	22,594

Particulars of the investment properties held by the Group as at 31 December 2001 are as follows:

Location	Use	Group interest	Category of lease
No. 4, Tai Yip Street Kwun Tong Hong Kong	Industrial and warehousing	100%	Medium term lease
Flat A6 on 14th Floor Car Parking Space No. L61 Hipway Tower No. 303, Hip Wo Street Kwun Tong Kowloon	Residential	100%	Long term lease
Flat D on 6th Floor, Block C Chongyip Centre Nos. 423-425 Queen's Road West Hong Kong	Residential	100%	Long term lease
Flats A-I, K-L on 11th Floor Flats B, D, E, H on 15th Floor Ping On Court Peace Plaza Changping, Dongguan Guangdong Mainland China	Residential	100%	Long term lease

13. FIXED ASSETS (continued)

The investment properties were revalued at 31 December 2001 by K. T. Liu Surveyors Limited, an independent professionally qualified valuer, at open market value, based on their existing use. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 33 to the financial statements.

The Group and the Company had no assets held under finance leases (2000: Group – HK$1,568,000 included in machinery, moulds and tools) at the balance sheet date.

Certain of the above leasehold land and buildings and investment properties held by the Group with an aggregate carrying value of HK$17,000,000 (2000: HK$27,033,000) at the balance sheet date were pledged to secure banking facilities granted to the Group (note 26).

14. INTANGIBLE ASSETS

	Group
	HK$'000
Cost:	
At beginning of year	22,568
Additions	2,612
Write-off	(1,791)
At 31 December 2001	**23,389**
Accumulated amortisation:	
At beginning of year	13,648
Provided during the year	2,723
Write-off	(1,791)
At 31 December 2001	**14,580**
Net book value:	
At 31 December 2001	**8,809**
At 31 December 2000	8,920