1. CORPORATE INFORMATION

The Company was incorporated in Bermuda with limited liability under the Companies Act 1981 of Bermuda (as amended), on 21 May 1997.

During the year, the Company's principal activity was investment holding. The principal activities of the Group consisted of the manufacture and sale of electronic calculators, personal digital assistants ("PDAs"), digital cameras and other electronic products. There were no significant changes in the nature of the Group's principal activities during the year.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following recently-issued and revised Hong Kong Statements of Standard Accounting Practice ("HKSSAPs") and related Interpretations are effective for the first time in the preparation of the current year's financial statements:

- HKSSAP 9 (Revised) : "Events after the balance sheet date"
- HKSSAP 14 (Revised) : "Leases"
- HKSSAP 18 (Revised) : "Revenue"
- HKSSAP 26 : "Segment reporting"
- HKSSAP 28 : "Provisions, contingent liabilities and contingent assets"
- HKSSAP 29 : "Intangible assets"
- HKSSAP 30 : "Business combinations"
- HKSSAP 31 : "Impairment of assets"
- HKSSAP 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 HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

These HKSSAPs prescribe new accounting measurement and disclosure practices. Except for HKSSAP 14 (Revised), HKSSAP 26, HKSSAP 30, HKSSAP 31 and Interpretation 13, these HKSSAPs have had no major impact on these financial statements. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of HKSSAP 14 (Revised), HKSSAP 26, HKSSAP 30, HKSSAP 31 and Interpretation 13, are summarised as follows:

HKSSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The principal impact of this revised HKSSAP on the preparation of these financial statements is that the total future minimum lease payments and receivables under non-cancellable operating leases are now disclosed, which are further detailed in note 28 to the financial statements. In addition, the finance leases are now analysed into both the total minimum lease payments and their present values, which are further detailed in note 23 to the financial statements.

HKSSAP 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 HKSSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 5 to the financial statements.

HKSSAP 30 prescribes the accounting treatment of business combinations, including the determination of the date of acquisition and the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill on acquisition. The HKSSAP requires the disclosure of goodwill or negative goodwill on the future acquisition in the non-current assets section of the consolidated balance sheet, and that such goodwill or negative goodwill is amortised to or recognised in the profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of HKSSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The Group has adopted the transitional provisions of HKSSAP 30 and the Interpretation. A prior year adjustment has been applied retrospectively in accordance with HKSSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies", further details of which are included in note 4 to the financial statements.

HKSSAP 31 prescribes the recognition and measurement criteria for impairments of assets, together with disclosure requirements. The adoption of HKSSAP 31 in conjunction with the transitional provisions of HKSSAP 30 has resulted in a prior year adjustment regarding the impairment of goodwill described above. The impact of this HKSSAP is set out in note 4 to the financial statements.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the HKSSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and leasehold land and buildings situated in Hong Kong, as further explained below.

Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and its subsidiaries for the year ended 31 May 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

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

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

Goodwill

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

In prior years, goodwill arising on acquisitions was eliminated against reserves in the year of the acquisition. The Group has adopted the transitional provision of HKSSAP 30 that permits goodwill on acquisitions which occurred prior to 1 June 2001, to remain eliminated against reserves. On the adoption of HKSSAP 30 and HKSSAP 31 in conjunction with Interpretation 13, a prior year adjustment, which represents a change in accounting policy, has been applied retrospectively in accordance with HKSSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies", further details of which are included in note 4 to the financial statements.

Goodwill on subsequent acquisitions is recognised in the consolidated balance sheet as an asset and amortised over its estimated useful life.

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3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

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.

Related parties

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

Impairment of assets

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

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 or 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.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation

Fixed assets, other than construction in progress and investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. Leasehold land and buildings situated in Hong Kong are stated at valuation.

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.

Depreciation is provided on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Medium term leasehold land and buildings	Over the lease terms
Leasehold improvements	15%
Plant and machinery	15%
Moulds	15%
Furniture, fixtures, office equipment and motor vehicles	15% – 20%

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction in progress

Construction in progress represents buildings, structures, plant and machinery and other fixed assets under construction or installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction, installation and testing during the period of construction or installation. Construction in progress is transferred to fixed assets when it is capable of rendering saleable output/services on a commercial basis.

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. Such properties 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.

Research and development costs

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

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

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products of not exceeding five years, commencing from the date when the products are put into commercial production.

3. BASIS OF PREPARATION AND 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 investments

Long term investments are clearly identifiable unlisted and listed equity securities, which are intended to be held on a continuing basis for an identified long term purposes documented at the time of acquisition or change of purpose. Such investments are stated at cost less any impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. Where the circumstances and events which led to an impairment 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 and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

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3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Accounts receivable

Accounts receivable, which generally have credit terms of one to three months, are recognised and carried at the original invoiced amount. An estimate for doubtful debts is made and deducted when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Deferred tax

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

– 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;

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

– rental income, on a time proportion basis over the lease terms.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits scheme

The Group operates a defined contribution retirement scheme for all qualified employees in Hong Kong, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme before his/her interest in the Group's employer contributions is fully vested, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

In addition, the Group also 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 MPF 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.

The employees of the Group's subsidiaries operated in the People's Republic of China (the "PRC") are members of the Central Pension Scheme operated by the local municipal government.

Borrowing costs

Borrowing costs are charged to the profit and loss account in the period in which they are incurred.

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. Any resulting translation differences are included in the exchange translation reserve.

3. BASIS OF PREPARATION AND 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 which were repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and bank balances represent assets which are not restricted as to use.

4. PRIOR YEAR ADJUSTMENT

In accordance with the requirements of HKSSAP 31 "Impairment of assets" and the transitional provisions of HKSSAP 30 "Business combinations", an adjustment has been made concerning the impairment of goodwill arising prior to the adoption of HKSSAP 30 which was eliminated against reserves. The adjustment, which represents a change in accounting policy, has been applied retrospectively in accordance with HKSSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies".

Accordingly, goodwill in the amount of HK$37,981,000, which was impaired in the prior year, has been recognised directly in the prior year's retained profits as brought forward at 1 June 2001. In prior year, the Group's goodwill arising from the acquisition of a subsidiary was eliminated against goodwill reserve. Due to this change in accounting policy, the Group's retained profits as at 31 May 2001 and its net profit from ordinary activities attributable to shareholders for the year then ended were decreased by HK$37,981,000 to HK$124,676,000 and HK$3,213,000, respectively. The goodwill reserve account was then credited by HK$37,981,000 to nil after the adjustment.

5. SEGMENT INFORMATION

HKSSAP 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 calculators, PDAs and other electronic products segment consisted of the manufacture and sale of calculators, PDAs and other electronic products; and

(b) the digital cameras segment consisted of the manufacture and sale of digital cameras.

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, results and certain asset, liability and expenditure information for the Group's business segments.

Group	**Calculators, PDAs and others**		**Digital cameras**		**Consolidated**	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**382,377**	315,891	**43,289**	22,643	**425,666**	338,534
Other revenue	**732**	2,308	**7**	6	**739**	2,314
Total	**383,109**	318,199	**43,296**	22,649	**426,405**	340,848
Segment results	**29,393**	46,116	**6,417**	2,065	**35,810**	48,181
Interest income and unallocated gains					**2,114**	7,775
Impairment of goodwill					**–**	(37,981)
Unallocated expenses					**(1,000)**	(202)
Profit from operating activities					**36,924**	17,773
Finance costs					**(8,102)**	(10,979)
Profit before tax					**28,822**	6,794
Tax					**(5,780)**	(3,586)
Profit before minority interest					**23,042**	3,208
Minority interest					**–**	5
Net profit from ordinary activities attributable to shareholders					**23,042**	3,213

5. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group	Calculators, PDAs and others		Digital cameras		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**441,321**	321,134	**66,885**	27,401	**508,206**	348,535
Unallocated assets					**225,263**	193,652
Total assets					**733,469**	542,187
Segment liabilities	**13,289**	19,393	**934**	429	**14,223**	19,822
Unallocated liabilities					**179,363**	126,842
Total liabilities					**193,586**	146,664
Other segment information:						
Capital expenditure	**49,367**	70,537	**40,967**	9,789	**90,334**	80,326
Unallocated amounts					**–**	54
					90,334	80,380
Depreciation and amortisation	**25,503**	20,748	**2,292**	639	**27,795**	21,387
Unallocated amounts					**10**	48
					27,805	21,435

5. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

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

Group	Hong Kong		United States of America		Europe		Others		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**77,131**	24,577	**154,730**	167,715	**154,219**	113,186	**39,586**	33,056	**425,666**	338,534
Segment results	**4,915**	4,859	**13,425**	22,986	**14,381**	16,813	**3,089**	3,523	**35,810**	48,181

	Hong Kong		Elsewhere in the PRC		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:						
Segment assets	**362,686**	260,785	**370,783**	281,402	**733,469**	542,187
Capital expenditure	**578**	8,725	**89,756**	71,655	**90,334**	80,380

6. TURNOVER

Turnover represents the invoiced value of goods sold during the year, net of trade discounts and returns, after elimination of intra-group transactions.

7. PROFIT FROM OPERATING ACTIVITIES

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

	2002	2001
	HK$'000	*HK$'000*
Cost of inventories sold	**357,602**	262,687
Depreciation	**26,737**	20,926
Research and development costs:		
Deferred expenditure amortised	**1,068**	509
Current year expenditure	**–**	80
	1,068	589
Minimum lease payments under operating leases in respect of land and buildings	**304**	253
Auditors' remuneration	**900**	900
Staff costs (excluding directors' remuneration – *note 9*)		
Salaries and allowances	**26,424**	22,163
Pension contributions	**395**	233
Less: forfeited contributions	**(85)**	(2)
Net pension contributions	**310**	231
	26,734	22,394
Loss on disposal of a listed investee company	**395**	–
Revaluation surplus of leasehold land and buildings situated in Hong Kong	**–**	(624)
Revaluation deficit/(surplus) of investment properties	**50**	(1,050)
Exchange gains, net	**(100)**	(426)
Gain on disposal of subsidiaries	**–**	(3,628)
Gross rental income	**(865)**	(1,197)
Less: outgoings	**81**	68
Net rental income	**(784)**	(1,129)
Interest income	**(795)**	(1,120)

7. PROFIT FROM OPERATING ACTIVITIES *(Continued)*

The cost of inventories sold includes HK$31,671,000 (2001: HK$26,838,000) relating to direct staff costs, amortisation of development costs and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

No interest charges were capitalised to construction in progress in the current or prior year.

8. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest on bank loans:		
Wholly repayable within five years	**7,507**	10,509
Repayable more than five years	**307**	–
Interest on obligations under finance leases	**288**	470
	8,102	10,979

9. DIRECTORS' REMUNERATION

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Fees	**–**	–
Other emoluments:		
Executive directors:		
Salaries, other allowances and benefits in kind	**2,225**	2,075
Pension contributions	**156**	156
Independent non-executive directors:		
Salaries, other allowances and benefits in kind	**168**	168
	2,549	2,399

9. DIRECTORS' REMUNERATION *(Continued)*

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

	Number of directors	
	2002	2001
Nil – HK$1,000,000	**4**	4
HK$1,000,001 – HK$1,500,000	**1**	1
	5	5

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2001: Nil).

During the year, no share options were granted to the directors in respect of their services to the Group.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2001: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2001: three) highest paid, non-director employees are as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Salaries, other allowances and benefits in kind	**2,586**	1,802
Pension contributions	**21**	77
	2,607	1,879

The remuneration of each non-director, highest paid employees fell within the Nil – HK$1,000,000 band for both years.

In prior year, share options were granted to a non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures set out under the heading "Share option scheme" in the report of the directors. No value in respect of the share option granted was charged to the profit and loss account, or otherwise disclosed in prior year.

11. TAX

	Group	
	2002	2001
	HK$'000	*HK$'000*
Provision for Hong Kong profits tax for the year	**1,500**	1,230
Underprovision of Hong Kong profits tax in prior year	**–**	100
Deferred tax *(note 24)*	**4,280**	2,256
Tax charge for the year	**5,780**	3,586

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

12. NET PROFIT 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$227,000 (2001: HK$149,000).

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$23,042,000 (2001: HK$3,213,000) and the weighted average of 18,573,000 (2001: 3,877,000) ordinary shares in issue during the year, adjusted to reflect the rights issue during the year (note 25) and the share consolidation after the balance sheet date (note 32(d)).

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$23,042,000 (2001: HK$3,213,000) and the weighted average of 18,588,000 (2001: 3,916,000) ordinary shares, as further detailed below.

13. EARNINGS PER SHARE *(Continued)*

A reconciliation of the weighted average number of shares used in the basic earnings per share calculation to that used in the diluted earnings per share calculation is as follows:

	2002	2001
Weighted average number of shares used in the basic earnings per share calculation	**18,573,000**	3,877,000
Weighted average number of shares assumed to have been issued on the deemed exercise of all options outstanding during the year, adjusted to reflect the rights issue during the year, and the share consolidation after the balance sheet date	**15,000**	39,000
Weighted average number of shares used in the diluted earnings per share calculation	**18,588,000**	3,916,000

Had the calculations of basic and diluted earnings per share not adjusted to reflect the share consolidation after the balance sheet date (note 32(d)), they would have been HK0.6 cent (2001: HK0.4 cent) and HK0.6 cent (2001: HK0.4 cent), respectively.

14. FIXED ASSETS

Group

	Investment properties	Leasehold land and buildings situated in PRC	Leasehold land and buildings situated in Hong Kong	Construction in progress	Leasehold improvements	Plant and machinery	Moulds	Furniture, fixtures, office equipment and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:									
At beginning of year	22,600	83,132	7,950	10,332	19,333	65,878	69,196	34,135	312,556
Additions	–	–	–	17,262	464	60,578	5,366	6,664	90,334
Revaluation	(50)	–	(20)	–	–	–	–	–	(70)
At 31 May 2002	22,550	83,132	7,930	27,594	19,797	126,456	74,562	40,799	402,820
Accumulated depreciation:									
At beginning of year	–	3,310	–	–	4,819	28,098	32,259	12,971	81,457
Provided during the year	–	1,738	173	–	2,698	7,549	9,888	4,691	26,737
Written back on revaluation	–	–	(173)	–	–	–	–	–	(173)
At 31 May 2002	–	5,048	–	–	7,517	35,647	42,147	17,662	108,021
Net book value:									
At 31 May 2002	22,550	78,084	7,930	27,594	12,280	90,809	32,415	23,137	294,799
At 31 May 2001	22,600	79,822	7,950	10,332	14,514	37,780	36,937	21,164	231,099
An analysis of cost or valuation:									
At cost	–	83,132	–	27,594	19,797	126,456	74,562	40,799	372,340
At 2002 valuation	22,550	–	7,930	–	–	–	–	–	30,480
	22,550	83,132	7,930	27,594	19,797	126,456	74,562	40,799	402,820

The Group's leasehold land and buildings situated in Hong Kong were revalued on 31 May 2002 by Chung, Chan & Associates, an independent firm of professional valuers, on an open market, existing use basis, at HK$7,930,000. A revaluation surplus of HK$153,000 has been credited to the revaluation reserve. Had the Group's leasehold land and buildings situated in Hong Kong been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK$6,975,000 (2001: HK$7,298,000).

14. FIXED ASSETS *(Continued)*

The tenures and locations of the Group's land and buildings are as follows:

	HK$'000
Held under medium term leases:	
Hong Kong	7,930
PRC other than Hong Kong	78,084
	86,014

The leasehold land and buildings situated in Hong Kong were pledged to secure general banking facilities granted to the Group (note 21).

The net book value of the Group's fixed assets held under finance leases included in the total amount of fixed assets at 31 May 2002 are as follows:

	2002	2001
	HK$'000	*HK$'000*
Plant and machinery	**3,726**	5,302
Office equipment and motor vehicles	**1,876**	2,470
	5,602	7,772

The investment properties are situated in Hong Kong, held under the following lease terms and are pledged to secure general banking facilities granted to the Group (note 21).

	2002	2001
	HK$'000	*HK$'000*
Long term leases	**18,120**	18,150
Medium term leases	**4,430**	4,450
	22,550	22,600

The Group's investment properties were revalued on 31 May 2002 by Chung, Chan & Associates, an independent firm of professional valuers, on an open market, existing use basis, at HK$22,550,000. The revaluation deficit of HK$50,000 resulting from the valuation was charged to the profit and loss account. The investment properties are leased to third parties under operating leases, further details of which are included in note 28 to the financial statements.

15. LONG TERM INVESTMENTS

		Group	
		2002	2001
	Notes	***HK$'000***	*HK$'000*
Listed equity investment in Hong Kong, at cost	*(a)*	**–**	32,375
Unlisted equity investments outside Hong Kong, at cost	*(b)*	**125,305**	125,305
		125,305	157,680
Loan due from a listed investee company		**–**	2,500
		125,305	160,180

(a) The amount represents an investment in 20.5% equity interest in Gold Wo International Holdings Limited ("Gold Wo"), a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Pursuant to a sale and purchase agreement entered into during the year, all the Group's equity interest in Gold Wo was disposed of to independent third parties at an aggregate consideration of HK$31,980,000. The amount receivable was included in other receivable under current assets and had been fully settled at the date of approval of these financial statements.

(b) The particulars of the investee company are as follows:

Name	**Place of incorporation**	**Class of shares held**	**Equity interests attributable to the Group**	**Principal activities**
I. World Limited	British Virgin Islands ("BVI")	Ordinary	30%	Investment holding*
Hightor Enterprises Limited ("Hightor")	BVI	Ordinary	23.33%	Development of hardware for electronic products
Slough Technology Limited ("Slough")	BVI	Ordinary	18.72%	Provision of marketing services

* *As at 31 May 2002, I. World Limited held 82% equity interest in Score One, Inc., a company incorporated in the United States of America, who indirectly held 58% equity interest in Fu Cheong International Holdings Limited, a company whose shares are listed on the main board of the Stock Exchange.*

15. LONG TERM INVESTMENTS *(Continued)*

(b) ***(Continued)***

Subsequent to the balance sheet date, as detailed in note 32(b) and (c), the above two investee companies were fully disposed of to two respective independent third parties at an aggregate consideration of HK$68,000,000. A cash deposit of HK$1,050,000 was received by the Group at the balance sheet date. An additional payment of HK$13,390,000 has been received as at the date of approval of these financial statements and the remaining consideration of HK$53,560,000 will be received on or before January 2003.

The percentage of equity in certain investments above attributable to the Group amounted to over 20%. These investments, however, are not equity-accounted for in accordance with HKSSAP 10 "Accounting for Investments in Associates" because the directors consider that the Group is not in a position to exercise significant influence over their operations. In the opinion of the directors, the costs of these investments approximate to its fair value as at 31 May 2002. The results of these companies are dealt with in the consolidated profit and loss account to the extent of dividends received from these companies.

The loan due from a listed investee company as at 31 May 2001 was unsecured, interest-free and was fully settled during the current year.

16. DEVELOPMENT COSTS

Development costs of the Group represent the costs incurred for the development of digital cameras.

	HK$'000
Cost:	
At beginning of year and at 31 May 2002	4,277
Accumulated amortisation:	
At beginning of year	509
Provided during the year	1,068
At 31 May 2002	1,577
Net book value:	
At 31 May 2002	2,700
At 31 May 2001	3,768

17. INTERESTS IN SUBSIDIARIES

	Company 2002 HK$'000	2001 HK$'000
Unlisted shares, at cost	**58,971**	58,971
Due from subsidiaries	**377,618**	265,416
Loans to subsidiaries	**80,000**	–
	516,589	324,387

The amounts due from subsidiaries are unsecured, interest-free and are not repayable within the next twelve months.

The loans to subsidiaries are unsecured, bear interest at HIBOR plus 2.25% per annum and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and principal operations	Issued/ registered share capital/ paid-up capital	Equity interests attributable to the Company	Principal activities
Directly held				
Holyworld Group Limited	BVI	Ordinary US$206	100%	Investment holding
A-Max (Asia) Limited *	BVI	Ordinary US$1	100%	Investment holding
Indirectly held				
Yue Fung Development Company Limited	Hong Kong	Ordinary HK$2 Non-voting deferred** HK$5,000,000	100%	Manufacture and sale of electronic calculators, PDAs and other electronic products

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and principal operations	Issued/ registered share capital/ paid-up capital	Equity interests attributable to the Company	Principal activities
Gold Asia Realty Limited	Hong Kong	Ordinary HK$2 Non-voting deferred** HK$2	100%	Investment holding
Dongguan Gold Asia Realty Electronics Co., Ltd.	PRC	Registered HK$5,750,000	100%	Property holding
Supercam Cybertech Limited	Hong Kong	Ordinary HK$400	100%	Manufacture and sale of digital cameras
Selected Choice Investments Limited	BVI/Hong Kong	Ordinary US$1	100%	Development of software

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* *Incorporated during the year.*

** *The non-voting deferred shares carry no rights to dividends, no rights to vote at general meetings and no rights to receive any surplus in a return of capital in a winding-up (other than the amount paid-up on those shares and one half of the balance of the assets, provided that the holders of the ordinary shares of that company have received, by way of a distribution in such winding-up, a sum of HK$100,000,000,000,000 in respect of each ordinary share).*

18. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**67,345**	67,301
Work in progress	**2,181**	2,703
Finished goods	**13,732**	13,362
	83,258	83,366

19. ACCOUNTS AND BILLS RECEIVABLE

An aged analysis of the accounts and bills receivable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Current to three months	**37,270**	30,010
Four to six months	**535**	1,749
Seven to twelve months	**869**	326
	38,674	32,085

The credit terms granted by the Group are normally less than 90 days.

20. LOANS RECEIVABLE

		Group	
		2002	2001
	Notes	***HK$'000***	*HK$'000*
Loan to Dongguan Kepo Electronics Limited	*(a)*	**18,855**	–
Loan to A-Max Holdings Limited	*(b)*	**12,403**	–
		31,258	–

(a) The amount represents loan advanced to Dongguan Kepo Electronics Limited ("Dongguan Kepo"), a wholly-owned subsidiary of A-Max Holdings Limited (formerly Kessel International Holdings Limited) ("A-Max"), a company listed on the Stock Exchange, which was acquired by the Group subsequent to the balance sheet date (note 32(a)). The loan receivable is unsecured, bears interest at Hong Kong prime rate plus 1% per annum and is repayable on demand, but not on or before 21 August 2002.

(b) The amount represents advances to A-Max in connection with the acquisition of A-Max, details of which are disclosed in note 32(a) to the financial statements. The loan receivable is unsecured, bears interest at Hong Kong prime rate plus 1% per annum and has no fixed terms of repayment, but not on or before 21 August 2002.

21. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Secured				
Bank overdrafts	**1,034**	10,134	**–**	–
Trust receipt loans	**5,444**	89,918	**–**	–
Bank loans	**8,901**	10,125	**–**	–
	15,379	110,177	**–**	–
Unsecured				
Bank overdrafts	**1,961**	–	**–**	–
Trust receipt loans	**48,533**	–	**–**	–
Bank loans	**95,000**	–	**80,000**	–
	145,494	–	**80,000**	–
Total bank borrowings	**160,873**	110,177	**80,000**	–

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank overdrafts and trust receipt loans repayable within one year	**56,972**	100,052	**–**	–
Bank loans repayable:				
Within one year	**26,404**	2,250	**10,000**	–
In the second year	**41,459**	2,250	**40,000**	–
In the third to fifth years, inclusive	**34,733**	5,625	**30,000**	–
Beyond five years	**1,305**	–	**–**	–
	103,901	10,125	**80,000**	–
	160,873	110,177	**80,000**	–
Portion classified as current liabilities	**(83,376)**	(102,302)	**(10,000)**	–
Non-current portion	**77,497**	7,875	**70,000**	–

21. INTEREST-BEARING BANK BORROWINGS *(Continued)*

The above secured bank borrowings are supported by fixed deposits amounting to HK$3,500,000 (2001: HK$10,030,000), all of the Group's leasehold land and buildings situated in Hong Kong and investment properties.

The above unsecured bank borrowings are supported by corporate guarantees given by the Company and certain subsidiaries of the Company.

22. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Current to three months	**6,074**	7,070
Four to six months	**3,423**	7,093
Seven to twelve months	**250**	313
	9,747	14,476

23. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery, office equipment and motor vehicles. These leases are classified as finance leases and have remaining lease terms ranging from 2 to 4 years.

At 31 May 2002, the total future minimum lease payments under finance leases and their present values, were as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**2,358**	2,699	**2,211**	2,358
In the second year	**1,006**	1,988	**970**	1,841
In the third to fifth years, inclusive	**50**	769	**50**	736
Total minimum finance lease payments	**3,414**	5,456	**3,231**	4,935
Less: future finance charges	**(183)**	(521)		
Total net finance lease payables	**3,231**	4,935		
Less: portion classified as current liabilities	**(2,211)**	(2,358)		
Non-current portion	**1,020**	2,577		

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

24. DEFERRED TAX

	Group	
	2002	2001
	HK$'000	*HK$'000*
At beginning of year	**5,548**	3,292
Charge for the year *(note 11)*	**4,280**	2,256
At end of year	**9,828**	5,548

Deferred tax has been provided for, under the liability method, at the rate of 16% (2001: 16%) on the significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. The Group's provision for deferred tax is principally in respect of accelerated depreciation allowances to the extent that a liability is expected to crystallise.

The revaluations of the Group's investment properties and leasehold land and buildings situated in Hong Kong do not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

The Group and the Company did not have any significant unprovided deferred tax liabilities as at 31 May 2002 (2001: Nil).

25. SHARE CAPITAL

	2002	2001
	HK$'000	*HK$'000*
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
4,621,088,000 (2001: 963,200,000) ordinary shares of HK$0.01 each	**46,211**	9,632

25. SHARE CAPITAL *(Continued)*

During the year, the following movements in the Company's issued share capital were recorded:

(a) Pursuant to a conditional subscription agreement dated 8 June 2001 between the Company and Simply Noble Limited ("Simply Noble"), a substantial shareholder of the Company which is beneficially owned by Messrs. Lee Wing Kan and Lee Wing Chan, directors of the Company, Simply Noble subscribed for 192,072,000 new shares of the Company at a subscription price of HK$0.09 per share, payable in cash, on 21 June 2001, generating a cash inflow of approximately HK$17,286,000 before share issue expenses.

(b) Pursuant to an ordinary resolution passed at the special general meeting held on 14 August 2001, the Company raised approximately HK$121,304,000, before share issue expenses, by way of a rights issue of 3,465,816,000 rights shares of HK$0.01 each of the Company at a subscription price of HK$0.035 per rights share, on the basis of three rights shares for every one existing share held by shareholders whose name appeared on the register on 14 August 2001. The rights issue was completed on 4 September 2001.

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

	Notes	Number of ordinary shares in issue '000	Issued share capital HK$'000
At beginning of year		963,200	9,632
Subscription of new shares	*(a)*	192,072	1,921
Issue of rights shares	*(b)*	3,465,816	34,658
At 31 May 2002		4,621,088	46,211

In addition to the above movements, subsequent to the balance sheet date, there were further movements in the Company's issued share capital, as detailed in note 32(d) to the financial statements.

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the report of the directors.

At the beginning of the year, there were 23,200,000 share options outstanding under the Scheme with an exercise price of HK$0.039 per share. During the year, all of these 23,200,000 share options were either lapsed or cancelled. At the balance sheet date, the Company had no share option outstanding.

26. RESERVES

Group

	Share premium account	Contributed surplus	Goodwill reserve	Revaluation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 June 2000	116,795	4,802	–	–	121,463	243,060
Net profit for the year (as restated)	–	–	–	–	3,213	3,213
Subscription of new shares, net of outgoings	2,349	–	–	–	–	2,349
Shares issued as consideration for acquisition of equity interest in Supercam Data, Inc.	50,400	–	–	–	–	50,400
Surplus on revaluation of leasehold land and buildings situated in Hong Kong	–	–	–	181	–	181
Capital reduction	–	86,688	–	–	–	86,688
At 31 May 2001	169,544	91,490	–	181	124,676	385,891
At 1 June 2001:						
As previously reported	169,544	91,490	(37,981)	181	162,657	385,891
Prior year adjustment *(note 4)*	–	–	37,981	–	(37,981)	–
As restated	169,544	91,490	–	181	124,676	385,891
Net profit for the year	–	–	–	–	23,042	23,042
Subscription of new shares, net of outgoings *(note 25)*	14,421	–	–	–	–	14,421
Issue of rights shares, net of outgoings *(note 25)*	70,165	–	–	–	–	70,165
Surplus on revaluation of leasehold land and buildings situated in Hong Kong	–	–	–	153	–	153
At 31 May 2002	254,130	91,490	–	334	147,718	493,672

26. RESERVES *(Continued)*

Company

	Share premium account	Contributed surplus	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 June 2000	116,795	58,771	44	175,610
Net loss for the year	–	–	(149)	(149)
Subscription of new shares, net of outgoings	2,349	–	–	2,349
Shares issued as consideration for acquisition of equity interest in Supercam Data, Inc.	50,400	–	–	50,400
Capital reduction	–	86,688	–	86,688
At 31 May 2001 and 1 June 2001	169,544	145,459	(105)	314,898
Net loss for the year	–	–	(227)	(227)
Subscription of new shares, net of outgoings *(note 25)*	14,421	–	–	14,421
Issue of rights shares, net of outgoings *(note 25)*	70,165	–	–	70,165
At 31 May 2002	254,130	145,459	(332)	399,257

The contributed surplus of the Group of HK$4,802,000 represents the difference between the aggregate of the nominal value of the share capital of the subsidiaries acquired at the date of acquisition, over the nominal value of the share capital of the Company issued in exchange therefor and issued on incorporation. The remaining of HK$86,688,000 arose from the capital reduction in prior year.

The contributed surplus of the Company of HK$58,771,000 represents the excess of the then combined net assets of the subsidiaries acquired at the date of acquisition over the aggregate of the nominal value of the Company's shares in exchange therefor. The remaining of HK$86,688,000 arose from the capital reduction in prior year.

Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002	2001
	HK$'000	*HK$'000*
		(Restated)
Profit from operating activities	**36,924**	17,773
Impairment of goodwill	**–**	37,981
Loss on disposal of a listed investee company	**395**	–
Depreciation	**26,737**	20,926
Amortisation of development costs	**1,068**	509
Interest income	**(795)**	(1,120)
Revaluation surplus of leasehold land and buildings situated in Hong Kong	**–**	(624)
Revaluation deficit/(surplus) of investment properties	**50**	(1,050)
Gain on disposal of subsidiaries	**–**	(3,628)
Decrease/(increase) in inventories	**108**	(20,137)
Increase in accounts and bills receivable	**(6,589)**	(3,096)
Decrease/(increase) in prepayments, deposits and other receivables	**(2,221)**	1,416
Increase in trust receipt loans with original maturity of more than three months	**19,923**	12,743
Decrease in accounts payable	**(4,729)**	(5,567)
Increase/(decrease) in accrued liabilities and other payables	**150**	(803)
Net cash inflow from operating activities	**71,021**	55,323

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Acquisition of a subsidiary

	2002	2001
	HK$'000	*HK$'000*
Net assets acquired:		
Development costs	–	200
Prepayment, deposits and other receivables	–	71
Cash and bank balances	–	5
Accounts payable	–	(67)
Other payables	–	(215)
	–	(6)
Goodwill on acquisition	–	37,981
	–	37,975
Satisfied by:		
Equity interests of a long term investment	–	37,975
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	–	5

The subsidiary acquired in prior year made no significant contribution to the Group in respect of the cash flows, turnover and contribution to the consolidated profit after tax for that year.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Disposal of subsidiaries

	2002	2001
	HK$'000	*HK$'000*
Net assets disposed of:		
Fixed assets	–	167
Development costs	–	1,047
Inventories	–	4,076
Prepayments and deposits	–	152
Cash and bank balances	–	103
Loan from a previous fellow subsidiary	–	(6,424)
Tax	–	(2,338)
	–	(3,217)
Gain on disposal	–	3,628
	–	411
Satisfied by:		
Cash consideration	–	411
Cash and bank balances disposed of	–	(103)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	308

The subsidiaries disposed of in prior year contributed HK$17,852,000 to the Group's investing activities and contributed HK$15,037,000 to the Group's net operating cash flows for prior year. The subsidiaries disposed of had no significant impact in respect of financing activities, net returns on investments and servicing of finance, and tax.

The results of the subsidiaries had no significant impact on the Group's consolidated turnover or the consolidated profit after tax for that year.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(d) Analysis of changes in financing during the year

	Share capital and share premium account HK$'000	Convertible note HK$'000	Bank loans HK$'000	Finance lease obligations HK$'000	Minority interests HK$'000
At 1 June 2000	165,115	–	12,375	1,829	5
Net cash outflow from financing activities	–	–	(2,250)	(2,308)	–
Issue of share capital	9,000	–	–	–	–
Share issue outgoings	(651)	–	–	–	–
Issue of convertible note	–	20,000	–	–	–
Repayment of convertible note	–	(20,000)	–	–	–
Issue of shares for acquisition of long term investments	92,400	–	–	–	–
Inception of new finance leases	–	–	–	5,414	–
Capital reduction	(86,688)	–	–	–	–
Share of loss for the year of a subsidiary	–	–	–	–	(5)
At 31 May 2001 and 1 June 2001	179,176	–	10,125	4,935	–
Net cash inflow/(outflow) from financing activities	–	–	93,776	(2,528)	–
Issue of share capital	138,590	–	–	–	–
Share issue outgoings	(17,425)	–	–	–	–
Inception of new finance leases	–	–	–	824	–
At 31 May 2002	300,341	–	103,901	3,231	–

(e) Major non-cash transactions

(i) During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$824,000 (2001: HK$5,414,000).

(ii) The outstanding consideration of HK$31,980,000 for the disposal of a listed investee company has been included in other receivable under current assets as at 31 May 2002.

(iii) In prior year, 420,000,000 new shares of the Company were issued at a consideration value of HK$92,400,000, as part of the purchase consideration for the acquisition of equity interests in unlisted investments.

28. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms of 2 years. The terms of the leases also require the tenants to pay security deposits.

At 31 May 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within one year	**906**	752
In the second to fifth years, inclusive	**460**	220
	1,366	972

(b) As lessee

The Group leases certain of its warehouse and factory properties under operating lease arrangements. Leases for properties are negotiated for terms of 2 years.

At 31 May 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within one year	**226**	164
In the second to fifth years, inclusive	**44**	130
	270	294

28. OPERATING LEASE ARRANGEMENTS *(Continued)*

HKSSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. HKSSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above, have been restated to accord with the current year's presentation.

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had the following contracted commitments at the balance sheet date:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Consideration for subscription of ordinary shares of A-Max	**40,000**	–
Advance to the provisional liquidators of Keview Technology (BVI) Limited	**3,750**	–
	43,750	–

In addition, pursuant to a loan agreement dated 4 April 2002, details of which are disclosed in note 32(a) to the financial statements, the Group agreed to provide advances to Dongguan Kepo to discharge certain claims against it by its creditors up to the extent of HK$35 million of which HK$18,855,000 was advanced by the Group and outstanding as at 31 May 2002 (note 20(a)).

The above commitments are conditional upon the completion of a subscription and restructuring agreement, details of which are disclosed in note 32(a) to the financial statements.

The Company did not have any significant commitments at the balance sheet date (2001: Nil).

30. CONTINGENT LIABILITIES

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees executed by the Company in favour of banks for general banking facilities granted to subsidiaries	**–**	–	**299,080**	212,413

At the balance sheet date, the banking facilities granted to subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of HK$81,452,000 (2001: HK$110,177,000).

During the year, the Hong Kong Inland Revenue Department challenged the appropriateness of the filing of tax returns by several subsidiaries on various inter-company service fee arrangements for the years of assessment 1995/96, 1996/97 and 1997/98 (the "Prior Years"). The final assessment of the Prior Years had not yet been issued, and the potential net tax liabilities, to the best estimate of the directors, is estimated to be not more than HK$5 million. Based on the information available at the date of approval of these financial statements, the directors are of the opinion that the subsidiaries have a valid defence to the challenge and, accordingly have not provided for the liabilities at the balance sheet date.

31. RELATED PARTY TRANSACTIONS

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

Nature of transaction	**2002**	2001
	HK$'000	*HK$'000*
Purchases of printed circuit boards	**3,389**	6,465
Purchases of silicon rubber keypads	**1,230**	6,220

The above purchases were made from certain subsidiaries of the Group's investee companies at prices and conditions similar to those offered to other customers of the related parties.

32. POST BALANCE SHEET EVENTS

(a) On 4 April 2002, the Group entered into a conditional restructuring agreement (the "Restructuring Agreement") (i) to subscribe for 10,000,000,000 new shares of A-Max of HK$0.001 each at a subscription price of HK$0.004 per share (the "Subscription"), representing approximately 97% of the enlarged issued share capital of A-Max immediately after the Subscription, for an aggregate cash consideration of HK$40,000,000, and (ii) to reimburse the provisional liquidators of Keview Technology (BVI) Limited ("Keview Liquidators"), a wholly-owned subsidiary of A-Max, of HK$3,750,000 (collectively referred to as "Acquisition"). A-Max (formerly Kessel International Holdings Limited) is a company incorporated in Bermuda with limited liability and listed on the Stock Exchange. The principal activities of A-Max and its subsidiaries consisted of the manufacture and sale of liquid crystal display, telecommunication products, PDAs and other electronic consumables.

On 4 April 2002, the Group entered into another loan agreement ("DK Loan Agreement") with Dongguan Kepo, a wholly-owned subsidiary of A-Max, pursuant to which the Group agreed to provide interest-bearing loan facilities in a sum of up to HK$35,000,000 to Dongguan Kepo for discharging its liabilities towards PRC creditors. At the balance sheet date, the loan advanced to Dongguan Kepo pursuant to this DK Loan Agreement amounted to HK$18,855,000 (note 20). The Restructuring Agreement was completed on 21 August 2002 and the abovementioned consideration of the Acquisition of HK$43,750,000 was paid accordingly. Consequently, A-Max became a subsidiary of the Group.

Upon the completion of the Restructuring Agreement on 21 August 2002, the Company and Simply Noble agreed to subscribe for HK$30,000,000 zero coupon 5-year convertible notes from A-Max in equal proportion. The convertible notes are convertible into 7,500,000,000 new shares of A-Max at a conversion price of HK$0.004 per share from 21 August 2002 to 20 August 2007. This subscription of convertible notes was completed on 21 August 2002.

On 22 August 2002, the Group placed 2,290,000,000 issued shares of A-Max to independent third parties at a price of HK$0.002 per share (the "Placement"). Immediately following the completion of the Placement, 25% of the issued share capital of A-Max was held by the public and the public floating of A-Max was restored on 23 August 2002.

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32. POST BALANCE SHEET EVENTS *(Continued)*

(b) On 2 August 2002, the Group entered into a sale and purchase agreement to dispose of its 18.72% equity interest in Slough at a cash consideration of HK$30,000,000 to an independent third party. Payment of HK$6,000,000 has been received as at the date of approval of these financial statements and the remaining consideration of HK$24,000,000 will be received on or before 2 January 2003. The transaction did not result in any material gain or loss.

(c) During the year, the Group entered into a sale and purchase agreement to dispose of 4% equity interest in Hightor (the "Old Agreement") to an independent third party (the "Purchaser") at a cash consideration of HK$7,920,000. A cash deposit of HK$1,050,000 was received by the Group as at the balance sheet date. Subsequent to the balance sheet date, on 8 August 2002, the Old Agreement was cancelled and replaced by another sale and purchase agreement of the same date (the "New Agreement") to dispose of its entire 23.33% equity interest in Hightor at a cash consideration of HK$38,000,000 to the same Purchaser. An additional payment of HK$7,390,000 has been received as at the date of approval of these financial statements and the remaining consideration of HK$29,560,000 will be received on or before 8 January 2003. The transaction did not result in any material gain or loss.

(d) Pursuant to a directors' resolution passed on 3 September 2002, the Company proposed a capital reorganisation involving the reduction of capital and consolidation of shares which will effect in the following manner:

(i) the issued share capital of the Company will be reduced by HK$45,979,826 from HK$46,210,880 to HK$231,054 by cancelling HK$0.00995 of the issued and fully paid capital per share so that the nominal value of each such share will be reduced from HK$0.01 to HK$0.00005 (the "Reduced Shares"). The credit of approximately HK$45,980,000 arising from such capital reduction will be credited to the contributed surplus account of the Company; and

(ii) the 4,621,088,000 issued Reduced Shares will be consolidated into 23,105,440 shares on the basis of every 200 issued Reduced Shares of HK$0.00005 each consolidated into one share of HK$0.01 each. The issued share capital of the Company will then remain at HK$231,054.

The above capital reorganisation was approved by the shareholders at the special general meeting held on 27 September 2002.

33. COMPARATIVE AMOUNTS

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

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 September 2002.