NOTES TO FINANCIAL STATEMENTS

31 December 2002

1. GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 12 May 1998 under the Companies Act 1981 (as amended) of Bermuda.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 29 May 2002 (the "Group Reorganisation"). This was accomplished by the Company acquiring the entire issued share capital of Topsearch Industries (BVI) Limited ("Topsearch Industries (BVI)"), the then holding company of the other subsidiaries as set out in note 16 to the financial statements, in consideration of and in exchange for the allotment and issue of ordinary shares in the Company, credited as fully paid, to the former shareholders of Topsearch Industries (BVI), and the existing ordinary shares credited as fully paid at par.

Further details of the Group Reorganisation are set out in note 26 to the financial statements and in the Company's prospectus dated 11 June 2002.

No transactions were entered by the Company during the period from 12 May 1998 (date of incorporation) to 31 December 2001. Accordingly, the Company did not record any profits or losses, or cash flows during the period ended 31 December 2001.

2. CORPORATE INFORMATION

The principal place of business of Topsearch International (Holdings) Limited is located at Room 3301, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The principal activity of the Company is investment holding. Details of the Company's subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the subsidiaries' principal activities during the year.

In the opinion of the directors, the ultimate holding company is Inni International Inc., which was incorporated in Liberia.

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

The following new and revised SSAPs are effective for the first time for the current year's financial statements.

- SSAP 1 (Revised): Presentation of Financial Statements
- SSAP 11 (Revised): Foreign Currency Translation
- SSAP 15 (Revised): Cash Flow Statements
- SSAP 34: Employee Benefits

NOTES TO FINANCIAL STATEMENTS

31 December 2002

3. 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 which have had a significant effect on these financial statements, are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated summary statement of changes in equity is now presented on page 26 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated to Hong Kong dollars at weighted average exchange rates for the year, whereas previously they were translated at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the cash flow statement has been revised. The consolidated cash flow statement for the current year and comparative figures have been presented in accordance with the revised SSAP. Further details of these changes are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in notes 4 and 29(a) to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits, except that additional disclosures are now required in respect of the Company's share option scheme, as detailed in note 27 to the financial statements. These share option scheme disclosures are similar to those required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which are now included in the notes to the financial statements as a consequence of the SSAP.

NOTES TO FINANCIAL STATEMENTS

31 December 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and consolidation

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

The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation. Under this basis, the Company has been treated as the holding company of its subsidiaries for the two years ended 31 December 2002 rather than from the date of acquisition of the subsidiaries. Accordingly, the consolidated results and cash flows of the Group for each of the two years ended 31 December 2002 include the results and cash flows of the Company and its subsidiaries with effect from 1 January 2001 or since their respective dates of incorporation/ establishment, where this is a shorter period. The comparative consolidated balance sheet as at 31 December 2001 has been prepared on the basis as if the Group had been in existence at that date.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results, state of affairs and cash flows of the Group as a whole.

All significant intercompany transactions and balances within the Group have been 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 results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

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 of the associate has not equity accounted for by the Group because the amounts are not significant.

The results of associates are therefore included in the Group's profit and loss account to the extent of dividends received and receivable. The Group's interest in associate is treated as long term assets and is stated at cost less any impairment losses.

NOTES TO FINANCIAL STATEMENTS

31 December 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and associates 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 consoldiated 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, 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.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 negative goodwill accounting policy above.

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

Related parties

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

NOTES TO FINANCIAL STATEMENTS

31 December 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 construction in progress, are stated at cost or valuation 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.

In prior years, the Group's land and buildings were stated at cost less accumulated depreciation and any impairment losses. Following the listing of the Company's share on the Stock Exchange during the year, the Group's land and buildings are stated at valuation less accumulated depreciation and any impairment losses which, in the opinion of the directors, are more appropriate in reflecting the fair value of the assets. The change has been made on a prospective basis and has the effect of decreasing the profit from operating activities of the Group for the year ended 31 December 2002 by HK$808,000.

Changes in the values of fixed assets are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charge to the profit and loss account. Any subsequent revaluation surplus is credited to profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuation is transferred to retained profits as a movement in reserves.

NOTES TO FINANCIAL STATEMENTS

31 December 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation *(Continued)*

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

Land and buildings	Over the lease terms
Leasehold improvements	Over the lease terms
Plant and machinery	9% per annum
Furniture, fixtures and equipment	18% per annum
Motor vehicles	18% per annum
Moulds, dies, test fixtures and pins	25% per month

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.

Construction in progress represents a building under construction and is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and is recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the 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 lessee, rentals applicable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost or net realisable value.

Raw materials are valued on a weighted average basis. Work in progress and finished goods are valued at standard cost which approximates actual cost and comprises materials, direct labour and an appropriate proportion of manufacturing overheads.

Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

NOTES TO FINANCIAL STATEMENTS

31 December 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including short term deposits, which are not restricted as to use.

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) tooling income, when the relevant services are rendered;

(c) royalty income, on an accrual basis in accordance with the trademark licensing agreement; and

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

NOTES TO FINANCIAL STATEMENTS

31 December 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends

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

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

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates 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 to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 3 to the financial statements, the profit and loss accounts and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements, while the adoption of the revised SSAP 15 has resulted in changes to the layout of the consolidated cash flow statement, further details of which are included in note 29(a) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2002

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance. A provision has not been recognised in respect of possible future long services payments to employees, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Retirement benefit schemes

The Group operates two retirement benefit schemes for its eligible employees in Hong Kong. In accordance with the Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Schemes Ordinance ("ORSO"), the Group's Hong Kong employees enjoy retirement benefits under either the Mandatory Provident Fund Scheme or the Mandatory Provident Fund Exempted ORSO Scheme under which employer voluntary contributions have to be made. The assets of both schemes are held separately from those of the Group in independently administered funds. The Group's contributions to both schemes are based on a percentage of the employees' monthly salaries. When an employee leaves the Mandatory Provident Fund Exempted ORSO scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. In respect of the Mandatory Provident Fund retirement benefits scheme, the Group's employer contributions vest fully with the employees when contributed into the scheme.

Employees of the subsidiary in the Peoples' Republic of China (the "PRC") are members of the Central Pension Scheme operated by the Chinese government. The subsidiary is required to contribute a certain percentage of its covered payroll to the Central Pension Scheme to fund the benefits. The only obligation for the Group with respect to the Central Pension Scheme is to make the required contributions, which are charged to the profit and loss account as they become payable in accordance with the rules of the Central Pension Scheme.

NOTES TO FINANCIAL STATEMENTS

31 December 2002

5. SEGMENT INFORMATION

Segment information is required by SSAP 26 "Segment reporting" to be presented by way of two segment formats: (i) on a primary segment reporting basis, which for the Group is determined by business segment; and (ii) on a secondary segment reporting basis, where for the Group is determined to be by geographical segment.

The manufacture and sale of printed circuit boards is the only major business segment of the Group. Accordingly, no further business segment information is provided.

In determining the Group's geographical segments, revenue 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.

The segment revenue of the Group by geographical area is analysed as follows:

	2002	2001
	HK$'000	*HK$'000*
Taiwan	**160,446**	130,857
North America	**184,503**	288,556
Asia, excluding the PRC and Taiwan	**448,079**	366,877
Europe	**60,052**	74,117
The PRC, including Hong Kong	**188,218**	288,736
	1,041,298	1,149,143

As the Group's production facility are located in Guangdong Province, the PRC, no further geographical segmental information on assets and capital expenditure is provided.

6. TURNOVER AND OTHER REVENUE

Turnover represents the Group's net invoiced value of goods sold, net of discounts and returns.

An analysis of turnover and other revenue is as follows:

	2002	2001
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**1,041,298**	1,149,143
Other revenue		
Tooling income	**4,215**	4,371
Interest income	**438**	317
Royalty income	**391**	—
Others	**301**	2,251
	5,345	6,939

NOTES TO FINANCIAL STATEMENTS

31 December 2002

7. PROFIT FROM OPERATING ACTIVITIES

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

	2002	2001
	HK$'000	*HK$'000*
Depreciation	**119,896**	98,871
Minimum lease payments under operating lease rentals on land and buildings	**11,455**	10,406
Auditors' remuneration	**1,024**	983
Staff costs, excluding directors' remuneration *(note 9)*:		
Wages and salaries	**158,250**	132,855
Retirement scheme contributions	**8,017**	9,637
Less: Forfeited contributions	**(481)**	(228)
	165,786	142,264
Exchange losses — net	**838**	1,110
Loss on disposal of fixed assets	**655**	2,774
Write-back for obsolete inventories	**(1,330)**	(4,000)

8. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest expense on:		
Bank loans and overdrafts wholly repayable within five years	**7,536**	5,831
Bank loans repayable beyond five years	**—**	935
Finance leases	**7,423**	11,791
Total Interest	**14,959**	18,557
Less: Interest capitalised	**(3,870)**	—
	11,089	18,557

NOTES TO FINANCIAL STATEMENTS

31 December 2002

9. DIRECTORS' REMUNERATION

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Fees	**120**	—
Other emoluments:		
Basic salaries, other allowances and benefits in kind	**7,677**	8,200
Retirement scheme contributions	**662**	756
	8,459	8,956

All the directors' fees were paid to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2001: Nil).

Rental expenses amounting to HK$1,380,000 (2001: HK$1,380,000) in respect of a director's accommodation have been included under directors' other emoluments above (note 33).

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

	Number of directors	
	2002	2001
Nil to HK$1,000,000	**3**	1
HK$1,000,001 to HK$1,500,000	**2**	2
HK$4,500,001 to HK$5,000,000	**1**	—
HK$5,000,001 to HK$5,500,000	**—**	1
	6	4

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

NOTES TO FINANCIAL STATEMENTS

31 December 2002

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2001: four) directors, details of whose remuneration are set out in note 9 above. The remuneration of the remaining one (2001: one) highest paid, non-director individual is analysed as below and fell within the following band:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Salary, other allowances and benefits in kind	**1,152**	1,050
Retirement scheme contributions	**107**	90
	1,259	1,140

	Number of employees	
	2002	2001
HK$1,000,001 to HK$1,500,000	**1**	1

11. TAX

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. 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.

	2002	2001
	HK$'000	*HK$'000*
Group:		
Hong Kong	**2,400**	4,200
Elsewhere	**5,800**	8,900
Underprovision in prior years	**227**	753
Deferred *(note 25)*	**1,500**	4,900
Tax charge for the year	**9,927**	18,753

NOTES TO FINANCIAL STATEMENTS

31 December 2002

12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company is HK$10,476,000.

13. DIVIDENDS

	2002 HK$'000	2001 HK$'000
Proposed final dividend	**9,600**	98,000

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

No dividend has been paid or declared by the Company since the date of its incorporation. The final dividend proposed for the year ended 31 December 2001 was paid by a subsidiary of the Company to its then shareholders prior to the Group Reorganisation as set out in note 1 to the financial statements.

14. 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$47,837,000 (2001: HK$110,253,000) and the weighted average of 567,955,800 (2001: 480,000,000) ordinary shares in issue during the year.

The comparative number of shares used to calculate the earnings per share for the year ended 31 December 2001 represents the pro forma issued share capital of the Company, comprising 1,000,000 shares issued nil paid on incorporation of the Company, 9,000,000 shares issued for the acquisition of the entire issued share capital of Topsearch Industries (BVI) and the capitalisation issue of 470,000,000 shares as further described in note 26 to the financial statements. The weighted average number of shares used to calculate the earnings per share for the year ended 31 December 2002 includes the additional 160,000,000 shares issued upon the listing of the Company's shares on the Stock Exchange on 21 June 2002.

No diluted earnings per share amounts for the two years ended 31 December 2002 have been calculated as no diluting events existed during these years.

NOTES TO FINANCIAL STATEMENTS

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15. FIXED ASSETS

Group

	Land and buildings	Leasehold improvements	Construction in progress	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Moulds, dies, test fixtures and pins	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:								
At beginning of year	60,245	151,890	41,709	783,357	66,780	7,640	109,205	1,220,826
Additions	—	19,879	74,974	102,915	8,634	1,571	25,130	233,103
Surplus on revaluation	3,855	—	—	—	—	—	—	3,855
Disposals	—	(597)	—	(71,742)	(4,207)	(195)	(13,527)	(90,268)
At 31 December 2002	**64,100**	**171,172**	**116,683**	**814,530**	**71,207**	**9,016**	**120,808**	**1,367,516**
Analysis of cost or valuation:								
At cost	—	171,172	116,683	814,530	71,207	9,016	120,808	1,303,416
At valuation	64,100	—	—	—	—	—	—	64,100
	64,100	171,172	116,683	814,530	71,207	9,016	120,808	1,367,516
Accumulated depreciation and impairment:								
At beginning of year	14,700	75,292	—	281,752	34,732	4,370	106,474	517,320
Provided during the year	4,359	20,050	—	59,593	9,021	1,094	25,779	119,896
Disposals	—	(597)	—	(71,187)	(4,164)	(47)	(13,527)	(89,522)
Written back on revaluation	(15,884)	—	—	—	—	—	—	(15,884)
At 31 December 2002	**3,175**	**94,745**	**—**	**270,158**	**39,589**	**5,417**	**118,726**	**531,810**
Net book value:								
At 31 December 2002	**60,925**	**76,427**	**116,683**	**544,372**	**31,618**	**3,599**	**2,082**	**835,706**
At 31 December 2001	45,545	76,598	41,709	501,605	32,048	3,270	2,731	703,506

NOTES TO FINANCIAL STATEMENTS

31 December 2002

15. FIXED ASSETS *(Continued)*

The Group's land and buildings are situated in the PRC and are held under lease terms of 30 to 50 years.

The net book value of assets held under finance leases included in the total amount of plant and machinery at 31 December 2002 amounted to HK$210,774,000 (2001: HK$265,684,000). The depreciation charge for the year in respect of all such assets held under finance leases amounted to HK$28,294,000 (2001: HK$22,174,000).

Certain land and buildings of the Group with a net book value of HK$28,531,000 (2001: HK$31,010,000) and the construction in progress have been pledged to a bank to secure long term bank loans granted to the Group (note 23).

The Group's land and buildings were revalued at 30 April 2002 by DTZ Debenham Tie Leung Limited, independent professional valuers, at an aggregate open market value of HK$64,100,000 based on their existing use. A resulting revaluation surplus of HK$19,739,000 has been credited to the revaluation reserve (note 28).

The directors are of the opinion that the carrying value of land and buildings had no material difference to their market value as at the balance sheet date.

Had there been no revaluation of the Group's land and buildings, the carrying amount of cost less accumulated depreciation and impairment losses at 31 December 2002 would have been approximately HK$41,994,000.

16. INTERESTS IN SUBSIDIARIES

	Company
	2002
	HK$'000
Unlisted shares, at cost	**467,769**
Due from subsidiaries	**177,147**
	644,916

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

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16. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Topsearch Industries (BVI)*	British Virgin Islands	Ordinary US$50,000	100	Investment holding
Indirectly held				
Topsearch Industries (Holdings) Limited	Hong Kong	Ordinary HK$1,000 Deferred non-voting** HK$20,000,000	100	Investment holding
Topsearch Printed Circuits (HK) Limited	Hong Kong	Ordinary HK$10,000,000	100	Investment holding and sale of printed circuit boards
Topsearch Printed Circuits (Shenzhen) Ltd.@	PRC	Registered paid-up capital US$32,000,000	100	Manufacturing of printed circuit boards
Topsearch Marketing (S) Pte Ltd.*	Singapore	Ordinary shares S$1,000	100	Provision of marketing services
Topsearch Marketing (U.K.) Limited*	United Kingdom	Ordinary shares £2	100	Provision of marketing services
TPS Marketing (M) Sdn. Bhd.*	Malaysia	Ordinary shares RM2	100	Provision of marketing services

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Topsearch Marketing (USA) Inc.*	USA	Ordinary shares US$1,000	100	Provision of marketing services
Topsearch Marketing (Taiwan) Limited*	Taiwan	Ordinary shares NT1,000,000	100	Provision of marketing services
Topsearch Printed Circuits Korea Co., Ltd.*#	Republic of Korea	Ordinary shares WON50,000,000	100	Provision of marketing services
可立身物業管理(深圳)有限公司* #@@	PRC	Registered paid-up capital HK$1,000,000	100	Provision of property management services

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

** The non-voting deferred shares carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding up unless a sum of HK$500,000,000,000,000 has been distributed to each holder of the ordinary shares.

Newly established during the year.

@ Registered as foreign-investment enterprise.

@@ Registered as wholly-owned foreign enterprise.

NOTES TO FINANCIAL STATEMENTS

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17. INTEREST IN AN ASSOCIATE

	Group	
	2002	2001
	HK$'000	*HK$'000*
Unlisted shares, at cost	**100**	100
Due from an associate	**236**	187
	336	287

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

Particulars of the associate are as follows:

Company	**Business structure**	**Place of incorporation and operations**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Topsearch PCB Marketing (Thailand) Co., Ltd.*	Corporate	Thailand	49	Provision of marketing services

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The operating results of the associate have not been equity accounted for by the Group because the amounts were not significant. Accordingly, the Group's interest in the associate is stated at cost at the balance sheet date.

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18. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**51,469**	52,302
Work in progress	**34,781**	21,930
Finished goods	**35,363**	30,552
	121,613	104,784
Less: Provision	**(7,453)**	(8,783)
	114,160	96,001

No inventory was carried at net realisable value as at 31 December 2002 (2001: Nil).

19. TRADE RECEIVABLES

Credit is offered to customers following a financial assessment by the Group. Periodic reviews of credit limits are performed with regard to the customers' established payment record. The Group's credit period varies and depends on individual trade customers, ranging from 30 to 90 days. The Group closely monitors its outstanding accounts receivable. Overdue balances are reviewed regularly by the senior management.

An aged analysis of the trade receivables as at the balance sheet date, based on the due date of the sales of goods, is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Current — 30 days	**172,228**	212,134
31 — 60 days	**24,391**	13,310
61 — 90 days	**23,697**	6,138
91 — 120 days	**44,295**	13,513
	264,611	245,095

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20. CASH AND CASH EQUIVALENTS

	Group		Company
	2002	2001	**2002**
	HK$'000	*HK$'000*	***HK$'000***
Cash and bank balances	**54,329**	—	**7**
Short term deposits	**20,059**	58,463	**20,059**
	74,388	58,463	**20,066**

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$2,753,000 (2001: HK$5,424,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

21. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the date of the receipt of the respective goods and services is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Current — 30 days	**148,388**	174,939
31 — 60 days	**46,399**	40,283
61 — 90 days	**25,416**	13,484
91 — 120 days	**11,694**	817
	231,897	229,523

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Bank overdrafts, trust receipt loans, short term bank loans and current portion of long term bank loans, secured *(note 23)*	**122,809**	54,163
Current portion of finance lease payables *(note 24)*	**73,383**	73,154
	196,192	127,317

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23. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Bank overdrafts, secured	**—**	42
Trust receipt loans, secured	**17,366**	35,122
Bank loans, secured	**186,630**	124,414
	203,996	159,578
Bank overdrafts, trust receipt loans and short term bank loans repayable within one year or on demand	**98,592**	40,164
Bank loans, secured and repayable		
Within one year	**24,217**	13,999
In the second year	**34,438**	24,210
In the third to fifth years, inclusive	**46,749**	80,236
Beyond five years	**—**	969
	105,404	119,414
	203,996	159,578
Portion classified as current liabilities *(note 22)*	**(122,809)**	(54,163)
Long term portion	**81,187**	105,415

The bank loans, overdrafts and other banking facilities of the Group are secured by:

(i) the assignment of all trade receivables of a subsidiary and the related trade credit insurance policy;

(ii) cross-corporate guarantees by the Company and a subsidiary;

(iii) a personal guarantee from a director of the Company;

(iv) a charge over certain land and buildings held by a related company;

(v) a charge over the construction in progress of the Group (note 15); and

(vi) a mortgage over certain land and buildings of the Group (note 15).

Consent has been obtained from the banks for the personal guarantee given by a director of the Company to be released and replaced by a corporate guarantee and/or other security to be provided by the Company and/or other members of the Group.

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24. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its printed circuit board business. These leases are classified as finance leases and have remaining lease terms ranging from one month to four years.

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

	Minimum lease payments	Minimum lease payments	Present value of 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	**78,561**	82,230	**76,566**	79,280
In the second year	**35,958**	55,518	**33,123**	49,396
In the third to fifth years, inclusive	**15,989**	20,835	**13,839**	16,942
Total minimum finance lease payments	**130,508**	158,583	**123,528**	145,618
Future finance charges	**(6,980)**	(12,965)		
Total net finance lease payables	**123,528**	145,618		
Portion classified as current liabilities *(note 22)*	**(73,383)**	(73,154)		
Long term portion	**50,145**	72,464		

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25. DEFERRED TAX

Deferred tax has been provided using the liability method at the rate of 16% (2001: 16%) on timing differences.

	Group	
	2002	2001
	HK$'000	*HK$'000*
Balance at beginning of year	**34,512**	29,612
Charge for the year *(note 11)*	**1,500**	4,900
At 31 December	**36,012**	34,512

The components of the deferred tax liabilities principally comprised accelerated capital allowances. The Group did not have any significant unprovided deferred tax liability as at the balance sheet date (2001: Nil).

26. SHARE CAPITAL

	Company
	2002
	HK$'000
Authorised:	
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**
Issued and fully paid:	
640,000,000 ordinary shares of HK$0.10 each	**64,000**

The following changes in the Company's authorised and issued share capital took place during the period from 12 May 1998 (date of incorporation) to 31 December 2002:

(i) At the date of incorporation of the Company, its authorised share capital was HK$100,000 divided into 1,000,000 ordinary shares of HK$0.10 each, all of which were issued and allotted nil paid on 13 March 2001.

(ii) On 29 May 2002, the authorised share capital of the Company was increased to HK$1,000,000 by the creation of a further 9,000,000 ordinary shares of HK$0.10 each, ranking pari passu with the existing share capital of the Company.

26. SHARE CAPITAL *(Continued)*

(iii) On 29 May 2002, as part of the Group Reorganisation, the Company issued an aggregate of 9,000,000 ordinary shares of HK$0.10 each credited as fully paid. 1,000,000 shares issued and allotted nil paid on 13 March 2001 were also credited as fully paid by the appropriation of HK$100,000 from the Company's contributed surplus account in consideration for the acquisition of the entire issued share capital of Topsearch Industries (BVI).

(iv) On 30 May 2002, the authorised share capital of the Company was further increased from HK$1,000,000 to HK$200,000,000 by the creation of a further 1,990,000,000 ordinary shares of HK$0.10 each, ranking pari passu with the existing share capital of the Company.

(v) On 30 May 2002, a total of 470,000,000 ordinary shares of HK$0.10 each were allotted and issued as fully paid at par to holders of the ordinary shares whose names appeared on the register of members of the Company at that date, in proportion to their respective shareholdings, by way of the capitalisation of the sum of HK$47,000,000 standing to the credit of the share premium account of the Company, conditional on the share premium account being credited as a result of the issue of new ordinary shares to the public on 21 June 2002 as detailed in (vi) below.

(vi) On 21 June 2002, a total of 160,000,000 ordinary shares of HK$0.10 each were issued at HK$1.38 each (the "New Issue") to the public pursuant to the prospectus issued by the Company on 11 June 2002 for a total cash consideration, before the related issuance expenses, of HK$220,800,000.

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

	Notes	**Number of shares issued** *HK$'000*	**Share capital** *HK$'000*
Shares allotted and issued nil paid on incorporation	*(i)*	1,000	—
Shares issued as consideration for the acquisition of the entire issued share capital of Topsearch Industries (BVI) pursuant to the Group Reorganisation	*(iii)*	9,000	900
Application of contributed surplus to pay up nil paid shares issued on incorporation	*(iii)*	—	100
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the New Issue	*(v)*	470,000	—
Pro forma issued share capital at 31 December 2001		480,000	1,000
New issue on public listing	*(vi)*	160,000	16,000
Capitalisaton of the share premium account	*(v)*	—	47,000
At 31 December 2002		**640,000**	**64,000**

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27. SHARE OPTION SCHEMES

SSAP 34 was adopted during the year, as explained in note 3 and under the heading "Employee benefits" in note 4 to the financial statements. As a result, these detailed disclosures relating to the Company's share option scheme are included in the notes to the financial statements.

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employees, non-executive directors and customers of the Group, any of it subsidiaries, or any entity (Invested Entity) in which the Group holds an equity interest, suppliers of goods or services and person or entity that provides research, development or other technological support to the Group, its subsidiaries, or Invested Entity, and any shareholder of the Group, its subsidiaries or Invested Entity. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. The Scheme was adopted on 30 May 2002 and became effective on 21 June 2002. No share options were granted during the year or were outstanding at the balance sheet date.

28. RESERVES

Group

	Share premium account	Contributed surplus	Property revaluation reserve	Exchange fluctuation reserve	Statutory reserve fund	Capital reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1 January 2001	—	19,000	—	—	—	4,064	378,769	401,833
Exchange realignment on translation of the financial statements of foreign entities	—	—	—	(15)	—	—	—	(15)
Net profit for the year	—	—	—	—	—	—	110,253	110,253
2001 final dividend proposed	—	—	—	—	—	—	(98,000)	(98,000)
Transfer to statutory reserve fund	—	—	—	—	12,000	—	(12,000)	—
At 31 December 2001 and at 1 January 2002	—	19,000	—	(15)	12,000	4,064	379,022	414,071
Issue of shares	204,800	—	—	—	—	—	—	204,800
Capitalisation issue	(47,000)	—	—	—	—	—	—	(47,000)
Share issue expenses	(23,057)	—	—	—	—	—	—	(23,057)
Surplus on revaluation	—	—	19,739	—	—	—	—	19,739
Exchange realignment on translation of the financial statements of foreign entities	—	—	—	17	—	—	—	17
Net profit for the year	—	—	—	—	—	—	47,837	47,837
2002 final dividend proposed	—	—	—	—	—	—	(9,600)	(9,600)
Transfer to statutory reserve fund	—	—	—	—	3,300	—	(3,300)	—
At 31 December 2002	**134,743**	**19,000**	**19,739**	**2**	**15,300**	**4,064**	**413,959**	**606,807**

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28. RESERVES *(Continued)*

Group *(Continued)*

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired as a result of the Group Reorganisation (note 26), over the nominal value of the Company's shares issued in exchange therefore, net of HK$100,000 being 1,000,000 shares issued nil paid upon the incorporation of the Company (note 26).

In accordance with the relevant PRC regulations applicable to wholly foreign-owned enterprises, the Company's PRC subsidiary is required to appropriate an amount of not less than 10% of its profits after tax to the statutory reserve fund, which may be used for the increase in paid-up capital of the PRC subsidiary.

The amount of negative goodwill arising from the acquisition of subsidiaries prior to 1 January 2001 remains credited to the capital reserve.

Company

	Share premium *HK$'000*	**Contributed surplus** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
Issue of shares	204,800	—	—	204,800
Capitalisation issue	(47,000)	—	—	(47,000)
Share issue expenses	(23,057)	—	—	(23,057)
Reserve arising on the Group Reorganisation	—	466,769	—	466,769
Net profit for the year	—	—	10,476	10,476
2002 final dividend proposed	—	—	(9,600)	(9,600)
At 31 December 2002	**134,743**	**466,769**	**876**	**602,388**

The contributed surplus of the Company represents the difference between the consolidated net asset value of Topsearch Industries (BVI) on 30 April 2002 when its entire issued share capital was acquired by the Company pursuant to the Group Reorganisation, and the nominal amount of the Company's shares issued in consideration for such acquisition (see note 26), net of HK$100,000 being 1,000,000 shares issued nil paid upon incorporation of the Company. Under the Companies Act 1981 (as amended) of Bermuda, the contributed surplus of the Company is distributable to shareholders under certain conditions. In addition, the share premium of the Company can be distributed in the form of fully paid bonus shares.

NOTES TO FINANCIAL STATEMENTS

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29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Changes to the layout of the consolidated cash flow statement

SSAP 15 (Revised) was adopted during the current year, as detailed in note 3 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes and dividends paid are now included in cash flows from operating activities. The presentation of the 2001 comparative consolidated cash flow statement has been changed to accord with the new layout.

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading "Foreign currencies" in note 4 to the financial statements. Cash flows of overseas subsidiaries are now translated to Hong Kong dollars at the exchanges rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year. Previously the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates at the balance sheet date. The revisions to this SSAP have had no material effect on the amounts in financial statements.

(b) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$59,167,000 (2001: HK$82,716,000).

30. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 31 December 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	**10,155**	11,533
In the second to fifth years, inclusive	**3,728**	5,852
	13,883	17,385

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31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Group had the following commitments at the balance sheet date:

	Group	
	2002	2001
	HK$'000	*HK$'000*
(a) Capital commitments		
Authorised, but not contracted for:		
Commitments in respect of construction of the factory building	**43,130**	156,860
Authorised, and contracted for:		
Commitments in respect of construction of the factory building	**55,774**	46,071
Commitments in respect of acquisition of fixed assets	**6,217**	7,854
	61,991	53,925
	105,121	210,785

(b) Other commitments

At 31 December 2002, the Group had total commitments of HK$6,509,000 (2001: HK$7,858,000) to make payments in respect of a technology collaboration agreement with Tsinghua University, the PRC, entered into in April 2001.

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32. CONTINGENT LIABILITIES

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

	Company
	2002
	HK$'000
Guarantees given to a bank for facilities granted to a subsidiary	**413,309**
Guarantees given to lessors for finance lease agreements entered with a subsidiary	**272,776**
	686,085

At 31 December 2002, the bank facilities granted to and finance lease agreements entered with a subsidiary subject to the above guarantee given by the Company were utilised to the extent of approximately HK$146,835,000 and HK$89,899,000, respectively.

33. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in these financial statements, the Group had the following significant transaction with a related company during the year:

	2002	2001
	HK$'000	*HK$'000*
Rental expenses paid to Keentop Investment Limited ("Keentop") *(note)*	**1,380**	1,380

Note:

The rental expenses paid to Keentop, which is beneficially owned by Mr. Cheok Ho Fung, a director of the Company, and his spouse, related to the property leased as his residence. The monthly rental expenses of HK$115,000 were based on tenancy agreement entered into between both parties. Pursuant to a further tenancy agreement entered on 22 May 2002, the monthly rental of HK$115,000 for the period from 22 May 2002 to 21 May 2005 (with an option to renew for a further term of three years) was based on a market rental valuation provided by an independent professional valuer in April 2002. The terms of the tenancy agreement were also disclosed in the Company's prospectus dated 11 June 2002.

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34. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 Apirl 2003.