

1. CORPORATE INFORMATION

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

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

Subsequent to the balance sheet date, on 7 January 2003, the Group discontinued its freight forwarding and delivery services operations. Further details of which are included in note 6 to the financial statements.

In the opinion of the directors, Shougang Concord Grand (Group) Limited (“Shougang Grand”), which is publicly listed in Hong Kong, is the Company’s controlling shareholder.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

The following recently-issued 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 33:	“Discontinuing operations”
SSAP 34:	“Employee benefits”

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 adopting these SSAPs 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 27 of the Annual Report in place of the consolidated statement of recognised gains and losses that was previously required.

Notes to Financial Statements ▶

31 DECEMBER 2002

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

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 account of overseas subsidiaries and jointly controlled entities are now translated to Hong Kong dollars at the weighted average exchange rates for the year, or at an approximation thereto, 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. Further details of these changes and the prior year adjustment that have resulted from them are included in the accounting policies for “Cash and cash equivalents” and “Foreign currencies” in notes 3 and 31(a) to the financial statements.

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2. This SSAP defines a discontinuing operation and prescribes when an enterprise should commence including discontinuing operations disclosures in its financial statements and the disclosures required. The principal impact of this SSAP is that more extensive disclosures concerning the Group’s discontinuing operation is now included in note 6 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. In addition, disclosures are now required in respect of the Company’s share option scheme, as detailed in note 29 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 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.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company, other than an associate or a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital, or controls the composition of its board of directors.

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

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

Notes to Financial Statements ▶

31 DECEMBER 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Joint venture companies** (continued)

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly controlled entities

A jointly controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

The Group's share of the post-acquisition results and reserves of jointly controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of jointly controlled entities is included as part of the Group's interests in jointly controlled entities.

Goodwill

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



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of not exceeding eight years. In the case of jointly controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and jointly controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

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

Notes to Financial Statements ▶

31 DECEMBER 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill (continued)

On disposal of subsidiaries or jointly controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

Impairment of assets

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

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

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

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

Fixed assets and depreciation

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

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



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

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

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

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

Investment properties

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

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

Intangible assets

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

Notes to Financial Statements ▶

31 DECEMBER 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investment

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

When an impairment in value has occurred, the carrying amount of the security is reduced to its fair value, as estimated by the directors, and the amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Golf club membership

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

Inventories

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



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash 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.

Prior to the adoption of the revised SSAP 15 during the year, as explained in note 2 to the financial statements, cash equivalents in the consolidated cash flow statement also included advances from banks repayable within three months from the date of the advance, in addition to bank overdrafts. This change in definition has resulted in a prior year adjustment relating to trust receipt loans, further details of which are included in note 31(a) to the financial statements.

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Deferred tax

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

Notes to Financial Statements ▶

31 DECEMBER 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) service income, when the services are rendered;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective rate of interest applicable; and
- (e) dividends, when the shareholders' right to receive payment has been established.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the 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 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 and jointly controlled entities are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and jointly controlled entities 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.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and jointly controlled entities and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates at the balance sheet date. These changes have had no material effect on the financial statements.

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.

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 contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Notes to Financial Statements ▶

31 DECEMBER 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Employee benefits** (continued)*Retirement benefits scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees in Hong Kong who are eligible to participate in the MPF Scheme. 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 which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 11% of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

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.



4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the telephone accessories and power cords segment, which comprises the manufacture and sale of telephone accessories and power cords;
- (b) the adaptor and electronic products segment, which comprises the manufacture and sale of adaptors and electronic products;
- (c) the printed circuit boards segment, which comprises the manufacture and sale of printed circuit boards;
- (d) the high precision metal parts segment, which comprises the manufacture and sale of high precision metal parts;
- (e) the freight forwarding and delivery services segment, which comprises the provision of freight forwarding and delivery services, which was discontinued after the balance sheet date; and
- (f) the utility recharges, corporate and other segment, which comprises the provision of electricity, information technology, corporate functions, property holding and rental services.

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

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

Notes to Financial Statements

31 DECEMBER 2002

4. SEGMENT INFORMATION (continued)

In determining the Group's geographical segments, revenues 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.

Further details of the discontinuing operation are set out in note 6 to the financial statements.

(a) Business segments

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

	Telephone accessories and power cords		Adaptors and electronic products		Printed circuit boards		High precision metal parts		Freight forwarding and delivery services (Discontinuing operation)		Utility recharges, corporate and others		Eliminations		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue:																
Sales to external customers	210,193	209,573	42,236	75,859	70,102	140,115	47,710	37,310	26,144	28,267	29,884	25,186	-	-	426,269	516,310
Intersegment sales	12,512	12,891	-	-	-	-	-	-	-	-	64,836	71,526	(77,348)	(84,417)	-	-
Other revenue	4,172	4,028	182	237	346	1,559	523	284	-	-	1,718	2,126	-	-	6,941	8,234
Total	226,877	226,492	42,418	76,096	70,448	141,674	48,233	37,594	26,144	28,267	96,438	98,838	(77,348)	(84,417)	433,210	524,544
Segment results	4,301	(17,228)	376	(12,245)	4,009	(6,812)	1,954	(4,112)	(1,738)	(838)	(16,640)	(6,298)	-	-	(7,738)	(47,533)
Interest and dividend income															5,132	4,641
Unallocated expenses															-	(1,022)
Loss from operating activities															(2,606)	(43,914)
Finance costs															(4,011)	(4,230)
Gain on disposal of interest in a jointly controlled entity					6,164	-	-	-	-	-	-	-	-	-	6,164	-
Write-back of impairment provision for a long term investment															11,500	-
Loss on disposal of a subsidiary						(19,620)	-	-	-	-	-	-	-	-	-	(19,620)
Provision for impairment in value of interest in a jointly controlled entity															-	(2,000)
Share of profits and losses of jointly controlled entities					(1,999)	(455)	-	-	-	-	18,136	10,756	-	-	16,137	10,301
Profit/(loss) before tax															27,184	(59,463)
Tax															(866)	(1,502)
Minority interests															(1,187)	(1,742)
Net profit/(loss) from ordinary activities attributable to shareholders															25,131	(62,707)
Segment assets	182,371	118,187	42,853	32,720	106,979	77,755	37,687	34,221	9,195	7,862	343,310	182,738	-	-	722,395	453,483
Interests in jointly controlled entities	(4,806)	(2,262)	86	86	-	41,251	-	-	473	-	121,136	105,361	-	-	116,889	144,436
Unallocated assets															28,501	17,226
Total assets															867,785	615,145
Segment liabilities	(37,520)	(26,798)	(6,871)	(7,087)	(10,916)	(9,414)	(5,989)	(6,220)	(4,097)	(2,734)	(7,300)	(10,174)	-	(211)	(72,693)	(62,638)
Unallocated liabilities															(260,872)	(43,208)
Total liabilities															(333,565)	(105,846)
Other segment information:																
Capital expenditure	12,276	18,169	1,192	1,111	725	9,371	1,037	2,659	2	89	829	320	-	-	16,061	31,719
Depreciation and amortisation	14,383	16,983	1,500	1,694	6,260	14,821	4,997	5,583	96	125	3,773	5,543	-	-	31,009	44,749
Other non-cash expenses/(income), net	3,284	5,726	-	123	(194)	14,359	(39)	3,206	40	99	168	7,417	-	-	3,259	30,930

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	The People's Republic of China ("PRC"):														Total	
	Hong Kong SAR		Mainland		Europe		Australia		Others		Elimination		2002	2001		
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000		
Segment revenue:																
Sales to external customers	276,137	303,145	39,564	64,409	35,758	59,759	10,700	27,018	64,110	61,979	-	-	426,269	516,310		
Other segment information:																
Segment assets	563,744	231,321	304,041	383,824	-	-	-	-	-	-	-	-	867,785	615,145		
Capital expenditure	831	409	15,230	31,271	-	-	-	39	-	-	-	-	16,061	31,719		

5. TURNOVER, REVENUE AND GAINS

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

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Turnover		
Sales of goods	385,475	471,650
Rendering of services	39,377	42,111
Gross rental income	1,417	2,549
	426,269	516,310
Other revenue		
Dividend income from long term investment	3,009	3,000
Interest income	2,123	1,641
Proceeds from scrap sales	3,518	4,203
Others	3,423	4,031
	12,073	12,875
Gains		
Negative goodwill recognised	-	340
Gain on disposal of properties	550	-
	550	340
Other revenue and gains	12,623	13,215

Notes to Financial Statements ▶

31 DECEMBER 2002

6. DISCONTINUING OPERATION

Subsequent to the balance sheet date, on 7 January 2003, the Company entered into a conditional sale and purchase agreement for the disposal of its entire equity interest in a wholly-owned subsidiary, San Tai Distribution Company Limited ("STD"), and assignment of its entire interest in a shareholder's loan to STD to an independent third party at a consideration of HK\$2,430,000. The disposal did not give rise to any material gain or loss to the Group and was completed on 7 January 2003.

Following the disposal of STD, the Group discontinued its freight forwarding and delivery services operations.

Other revenue and expenses relating to the discontinuing operation for the year and the carrying amounts of the total assets and liabilities relating to the discontinuing operation, together with the comparative information, are as follows:

	2002	2001
	HK\$'000	HK\$'000
Other revenue and gains	27	48
Cost of sales	22,422	19,746
Administrative expenses	9,480	9,263
Other operating expenses	40	96
	<u>9,668</u>	<u>7,862</u>
Total assets	9,668	7,862
Total liabilities	(4,120)	(2,757)
	<u>5,548</u>	<u>5,105</u>
Net assets	5,548	5,105

Other disclosures relating to the discontinuing operation are included on the face of the consolidated profit and loss account, consolidated cash flow statement and in note 4 to the financial statements.



7. LOSS FROM OPERATING ACTIVITIES

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Cost of inventories sold	334,957	423,369
Cost of services provided	31,717	35,138
Provision for slow-moving and obsolete inventories	3,389	9,430
Depreciation	28,441	40,664
Amortisation of other intangible assets*	2,568	2,723
Auditors' remuneration	1,300	1,300
Amortisation of goodwill**	–	1,362
Negative goodwill recognised***	–	(340)
Minimum lease payments under operating leases for land and buildings	6,180	8,362
Staff costs (including directors' remuneration – note 9):		
Wages and salaries	63,839	81,862
Pension scheme contributions, net	3,260	3,418
Total staff costs	67,099	85,280
Revaluation deficit of investment properties	859	8,000
Loss/(gain) on disposal of fixed assets	(30)	835
Fixed assets written off	43	6,432
Specific provisions/(write-back of provisions) against doubtful debts	(1,002)	6,233
Exchange losses, net	650	625
Rental income, net of outgoings	(1,350)	(2,276)

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

** The amortisation of goodwill for the prior year is included in "Other operating income/(expenses), net" on the face of the consolidated profit and loss account.

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

Notes to Financial Statements ▶

31 DECEMBER 2002

8. FINANCE COSTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	2,580	4,218
Interest on convertible bonds	1,431	–
Interest on finance leases	–	12
	<u>4,011</u>	<u>4,230</u>

9. DIRECTORS' REMUNERATION

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Fees	80	80
Salaries and other emoluments	2,993	3,227
Pension contributions	149	149
Performance related bonuses	–	80
	<u>3,222</u>	<u>3,536</u>

Included in the directors' fees were fees of HK\$30,000 (2001: HK\$30,000) received by the independent non-executive directors.

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

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	6	8
HK\$1,500,001 – HK\$2,000,000	<u>2</u>	<u>2</u>

9. DIRECTORS' REMUNERATION (continued)

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

During the year, 34,094,000 share options were granted to the directors in respect of their services to the Group, further details of which are set out in note 29 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account or is otherwise included in the above directors' remuneration disclosures.

10. FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Salaries and other emoluments	1,798	2,063
Pension contributions	107	142
	<u>1,905</u>	<u>2,205</u>

The remuneration of each of the highest paid, non-director employees was less than HK\$1,000,000 for the year.

During the year, 802,000 share options were granted to one of the three non-director, highest paid employees in respect of his services to the Group, further details of which are included in note 29 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account or is otherwise included in the above non-director, highest paid employees' remuneration disclosures.

Notes to Financial Statements ▶

31 DECEMBER 2002

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 for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2002 HK\$'000	2001 HK\$'000
Group:		
Hong Kong:		
Overprovision in prior years	459	104
Provision for the year	(1,159)	(382)
Elsewhere:		
Provision for the year	–	(4)
	(700)	(282)
Share of tax attributable to jointly controlled entities	(166)	(1,220)
Tax charge for the year	(866)	(1,502)

12. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$17,315,000 (2001: HK\$67,760,000).

The Group's share of aggregate profits less losses retained by its jointly controlled entities for the year amounted to HK\$15,971,000 (2001: HK\$4,081,000).

13. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share for 2002 is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$25,131,000 (2001: net loss of HK\$62,707,000) and 802,673,280 (2001: weighted average number of 800,803,553) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 December 2001 has not been shown as the share options outstanding during that year had an anti-dilutive effect on the basic loss per share for that year. Diluted earnings per share for the year ended 31 December 2002 is not presented as the exercise price of the Company's share options and the conversion price of the Group's convertible bonds were higher than the average market price of the Company's shares during the year and there was no dilution effect on the basic earnings per share for the year.

14. FIXED ASSETS

Group

	Investment properties	Land and buildings	Leasehold improvements	Machinery, moulds and tools	Equipment, furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:							
At beginning of year	22,594	79,008	44,963	230,374	89,000	10,728	476,667
Additions	-	-	1,087	9,924	1,619	1,088	13,718
Disposals	-	-	(28)	(1,795)	(302)	(1,238)	(3,363)
Write-off	-	-	(118)	(295)	(483)	-	(896)
Reclassification	(4,200)	4,200	-	-	-	-	-
Deficit on revaluation	(859)	-	-	-	-	-	(859)
At 31 December 2002	17,535	83,208	45,904	238,208	89,834	10,578	485,267
At cost	-	83,208	45,904	238,208	89,834	10,578	467,732
At 2002 valuation	17,535	-	-	-	-	-	17,535
	17,535	83,208	45,904	238,208	89,834	10,578	485,267
Accumulated depreciation:							
At beginning of year	-	20,488	21,857	187,766	58,711	9,288	298,110
Provided during the year	-	2,616	2,190	15,470	7,228	937	28,441
Disposals	-	-	(22)	(1,790)	(286)	(1,238)	(3,336)
Write-off	-	-	(118)	(295)	(440)	-	(853)
At 31 December 2002	-	23,104	23,907	201,151	65,213	8,987	322,362
Net book value:							
At 31 December 2002	17,535	60,104	21,997	37,057	24,621	1,591	162,905
At 31 December 2001	22,594	58,520	23,106	42,608	30,289	1,440	178,557

Notes to Financial Statements ►

31 DECEMBER 2002

14. FIXED ASSETS (continued)**Company**

	Buildings HK\$'000	Leasehold improvements HK\$'000	Machinery, moulds and tools HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:						
At beginning of year and 31 December 2002	23,379	18,328	59,053	18,185	714	119,659
Accumulated depreciation:						
At beginning of year	10,962	11,413	59,053	18,185	714	100,327
Provided during the year	936	559	–	–	–	1,495
At 31 December 2002	11,898	11,972	59,053	18,185	714	101,822
Net book value:						
At 31 December 2002	11,481	6,356	–	–	–	17,837
At 31 December 2001	12,417	6,915	–	–	–	19,332

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

	Hong Kong HK\$'000	Elsewhere HK\$'000	Total HK\$'000
At cost:			
Long term leases	3,826	1,741	5,567
Medium term leases	7,700	69,941	77,641
	11,526	71,682	83,208

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

	Hong Kong HK\$'000	Elsewhere HK\$'000	Total HK\$'000
Long term leases	2,400	3,135	5,535
Medium term leases	12,000	–	12,000
	14,400	3,135	17,535

14. FIXED ASSETS (continued)

Particulars of the investment properties held by the Group as at 31 December 2002 are as follows:

Location	Use	Group interest	Category of lease
Ground, 2nd-4th, and 6th Floor No. 4 Tai Yip Street Kwun Tong Kowloon	Industrial and warehousing	100%	Medium term lease
Flat A6 on 14th Floor Car Parking Space No. L61 Hipway Tower No. 303, Hip Wo Street Kwun Tong Kowloon	Residential	100%	Long term lease
Flat D on 6th Floor, Block C Chongyip Centre Nos. 423-425 Queen's Road West Hong Kong	Residential	100%	Long term lease
Flats A-I, K-L on 11th Floor Flats B, D, E, H on 15th Floor Ping On Court Peace Plaza Changping, Dongguan Guangdong Mainland China	Residential	100%	Long term lease

The investment properties were revalued at 31 December 2002 by K. T. Liu Surveyors Limited, an independent professionally qualified valuer, at open market value, based on their existing use. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 33 to the financial statements.

Certain of the above leasehold land and buildings and investment properties held by the Group with an aggregate carrying value of approximately HK\$16,148,000 (2001: HK\$17,000,000) at the balance sheet date were pledged to secure banking facilities granted to the Group (note 25).

Notes to Financial Statements ▶

31 DECEMBER 2002

15. INTANGIBLE ASSETS

	Group HK\$'000
Cost:	
At beginning of year	23,389
Additions	<u>2,343</u>
At 31 December 2002	<u>25,732</u>
Accumulated amortisation:	
At beginning of year	14,580
Provided during the year	<u>2,568</u>
At 31 December 2002	<u>17,148</u>
Net book value:	
At 31 December 2002	<u><u>8,584</u></u>
At 31 December 2001	<u><u>8,809</u></u>

16. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	26,744	26,744
Due from subsidiaries	683,071	653,718
Due to subsidiaries	(330,565)	(108,227)
	379,250	572,235
Less: Provisions for amounts due from subsidiaries	(230,684)	(215,257)
	<u>148,566</u>	<u><u>356,978</u></u>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are set out in note 32 to the financial statements.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	113,355	142,010
Goodwill on acquisition, at cost	36,501	36,501
Less: Accumulated amortisation and impairment	(36,501)	(36,501)
Due from jointly controlled entities	3,534	2,426
	116,889	144,436

The balances with the jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the jointly controlled entities, which are held indirectly through subsidiaries, are as follows:

Name	Business structure	Place of incorporation/ registration	Ownership Interest	Voting power	Profit sharing	Principal activities
Hoperise Industrial Limited ("Hoperise")	Corporate	Hong Kong	50	50	50	Copper wire drawing
Shanghai Printronics Circuit Corporation ("SPC") (note (i))	Corporate	People's Republic of China	60.2	50	64.8	Manufacture of printed circuit boards
Shou Jia Information Technology Limited ("Shou Jia") (note (ii))	Corporate	Hong Kong	50	50	50	In liquidation

Notes:

- (i) The Group disposed of its entire interest in SPC during the year. Further details of the disposal are set out under the heading "Connected transactions" in the Report of the Directors.
- (ii) During the prior year, the Group had exercised its put option to demand the original vendor to repurchase the Group's investment in Shou Jia at cost plus its share of the guaranteed profits, however there has been little progress to date because the directors have not been able to contact the vendor. Accordingly, a full provision against the Group's interests in Shou Jia which was made in the prior year has been maintained at the balance sheet date.

Notes to Financial Statements ▶

31 DECEMBER 2002

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

Summary extracts of the audited consolidated financial statements of Hoperise are as follows:

Operating results for the years ended 31 December 2002 and 2001:

	Year ended 31 December 2002 HK\$'000	Year ended 31 December 2001 HK\$'000
Turnover	486,817	401,476
Operating profit before tax	36,269	21,512
Tax	(330)	(2,304)
Net profit attributable to shareholders	35,939	19,208

Financial position as at 31 December 2002 and 2001:

	2002 HK\$'000	2001 HK\$'000
Fixed assets	78,900	78,946
Current assets	272,023	196,318
Current liabilities	(124,213)	(73,746)
Shareholders' equity	226,710	201,518

18. LONG TERM INVESTMENT

	Group	
	2002 HK\$'000	2001 HK\$'000
Unlisted equity investment, at cost	18,957	18,957
Less: Provision for impairment	—	(11,500)
	<u>18,957</u>	<u>7,457</u>

The Group's unlisted equity investment at the balance sheet date represents a 40% equity interest in the registered capital of Tianjin Printronics Circuit Corporation ("TPC"), which is a Sino-foreign equity joint venture established in Mainland China. In the opinion of the directors, the Group neither has joint control of, nor is in a position to exercise significant influence over TPC. Accordingly, the Group's investment in TPC was accounted for as a long term investment.

19. INVENTORIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Raw materials	37,810	38,119
Work in progress	11,223	8,072
Finished goods	10,953	10,923
	<u>59,986</u>	<u>57,114</u>

The carrying amount of inventories carried at net realisable value included in the above balance was HK\$6,725,000 (2001: HK\$1,864,000) as at the balance sheet date.

As at 31 December 2002, the carrying amount of inventories of the Group pledged as security for banking facilities amounted to HK\$47,471,000 (2001: HK\$30,118,000) (note 25).

Notes to Financial Statements ▶

31 DECEMBER 2002

20. TRADE AND BILLS RECEIVABLES

An aged analysis of trade and bills receivables is as follows:

	Group			
	2002		2001	
	Balance HK\$'000	%	Balance HK\$'000	%
0-90 days	75,467	69	74,170	77
91-180 days	26,942	24	18,547	20
181-365 days	6,011	6	2,724	3
1-2 years	1,450	1	425	–
Over 2 years	377	–	179	–
	<u>110,247</u>	<u>100</u>	<u>96,045</u>	<u>100</u>

Trading terms with customers are principally on credit, except for new customers, when cash on delivery is normally required. Invoices are normally payable within 60 days to 90 days of issuance, except for certain well established customers, when the terms are extended to 120 days. Each customer has a designated credit limit.

21. OTHER RECEIVABLES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Prepayments and other receivables	45,346	10,205	46	41
Due from related companies	109	78	56	24
Due from subsidiaries	–	–	<u>44,392</u>	22,683
	<u>45,455</u>	<u>10,283</u>	<u>44,494</u>	<u>22,748</u>

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment.

The balances with subsidiaries are unsecured, interest-free and are repayable within one year.



22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Cash and bank balances	91,892	32,088	21,869	5,120
Time deposits	251,910	76,446	251,910	76,446
	<u>343,802</u>	<u>108,534</u>	<u>273,779</u>	<u>81,566</u>

23. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables is as follows:

	Group			
	2002		2001	
	Balance HK\$'000	%	Balance HK\$'000	%
0-90 days	38,248	86	28,049	80
91-181 days	5,683	12	5,532	16
181-365 days	333	1	753	2
1-2 years	23	–	663	2
Over 2 years	308	1	100	–
	<u>44,595</u>	<u>100</u>	<u>35,097</u>	<u>100</u>

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Accruals and other liabilities	27,164	27,261	331	673
Due to related companies	701	47	47	47
	<u>27,865</u>	<u>27,308</u>	<u>378</u>	<u>720</u>

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment.

Notes to Financial Statements ▶

31 DECEMBER 2002

25. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Secured:				
Bank loans	12,728	12,728	12,728	12,728
Trust receipt loans	47,471	30,118	44,392	22,683
	<u>60,199</u>	<u>42,846</u>	<u>57,120</u>	<u>35,411</u>
Portion due within one year classified as current liabilities	<u>60,199</u>	<u>42,846</u>	<u>57,120</u>	<u>35,411</u>
Long term portion	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The above bank facilities were secured by the Group's leasehold land and buildings and investment properties with an aggregate carrying amount of HK\$16,148,000 (2001: HK\$17,000,000) and the Group's inventories with a carrying amount of HK\$47,471,000 (2001: HK\$30,118,000).

26. CONVERTIBLE BONDS

	Group	
	2002 HK\$'000	2001 HK\$'000
Convertible bonds	<u>200,000</u>	<u>—</u>



26. CONVERTIBLE BONDS (continued)

The principal terms of the convertible bonds are as follows:

- (i) the convertible bonds bear interest at 2.5% per annum on the principal amount outstanding;
- (ii) the maturity date is 20 September 2004;
- (iii) the conversion period commences from 20 December 2002 and ends either upon the full conversion of the convertible bonds or the maturity date, whichever is the earlier;
- (iv) the bondholders have the right at any time during the conversion period to convert in whole or in part the convertible bonds into new shares of the Company at the conversion price (subject to adjustments);
- (v) the convertible bonds are convertible into new shares of the Company at the initial conversion price of HK\$0.660 per new share, which is subject to adjustment(s) in the event of, amongst other things, consolidation or sub-division of shares, capitalisation of profits or reserves, capital distribution, rights issue and other dilutive events of the Company; and
- (vi) on the maturity date, the issuer (a wholly-owned subsidiary of the Company) shall pay to the bondholders at par of the principal amount of the convertible bonds outstanding plus any accrued interest.

Further details of the issue of the convertible bonds are set out in the Company's announcement dated 31 July 2002, the Company's circular dated 21 August 2002 and under the heading "Connected transactions" in the Report of the Directors.

Notes to Financial Statements ▶

31 DECEMBER 2002

27. DEFERRED TAX

	Group	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning and end of year	<u>233</u>	<u>233</u>

The principal components of the Group's provision for deferred tax and amounts not provided for are as follows:

	Provided		Not provided	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Accelerated depreciation allowances	233	233	4,444	8,174
Tax losses	–	–	(18,337)	(17,655)
	<u>233</u>	<u>233</u>	<u>(13,893)</u>	<u>(9,481)</u>

No provision for deferred tax has been made in respect of accelerated depreciation allowances as the directors consider that a liability is not expected to crystallise in the foreseeable future.

The revaluation of Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

The Company had no significant unprovided deferred tax liabilities as at the balance sheet date.



28. SHARE CAPITAL

Shares

	Company	
	2002 HK\$'000	2001 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.25 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
802,673,280 ordinary shares of HK\$0.25 each	<u>200,668</u>	<u>200,668</u>

Share options

Details of the Company's share option schemes and the share options granted under the schemes are set out in note 29 to the financial statements.

29. SHARE OPTION SCHEMES

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, these detailed disclosures relating to the Company's share option schemes are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

(i) Old scheme

On 30 June 1998, a share option scheme (the "Old Scheme") was adopted by the shareholders of the Company.

The purpose of the Old Scheme was to attract, retain and motivate high-calibre employees of the Group. The Old Scheme would have remained in force until 22 December 2008.

Under the Old Scheme, the directors may, at their discretion, invite employees (including executive directors) of the Company or any of its subsidiaries to take up share options to subscribe for the shares in the Company at an exercise price to be determined by the directors at their discretion and equal to the higher of (i) a price being not less than 80% of the average closing prices of the shares of the Company on the Stock Exchange on the five trading days immediately preceding the date of offer of grant; and (ii) the nominal value of a share of the Company.

Notes to Financial Statements ▶

31 DECEMBER 2002

29. SHARE OPTION SCHEMES (continued)**(i) Old scheme** (continued)

The maximum number of shares in respect of which share options might be granted under the Old Scheme might not exceed 10% of the issued capital of the Company, excluding any shares issued pursuant to the Old Scheme, from time to time.

No grantee should be granted share options to subscribe for such number of shares of the Company which, if exercised in full and when aggregated with the total number of shares already issued and issuable upon the exercise of share options previously granted to that grantee, would exceed 25% of the aggregate number of shares for the time being issued or issuable under the Old Scheme.

The period within which the shares must be taken under a share option and the minimum period for which a share option must be held before it could be exercised would be determined by the directors of the Company in their absolute discretion, save that no share option might be exercised later than 10 years after it had been accepted by the grantee. Each of the grantees was required to pay HK\$1 as consideration for the grant of share options upon acceptance.

On 7 June 2002, the Old Scheme was terminated by the shareholders of the Company. No share option under the Old Scheme was outstanding as at 1 January 2002 and no share option was granted by virtue of the Old Scheme for the period from 1 January 2002 and up to 7 June 2002, being the date of termination of the Old Scheme.

(ii) New scheme

On 7 June 2002, a new share option scheme (the "New Scheme") which complies with the new requirements of Chapter 17 of the Listing Rules was adopted.

The purpose of the New Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries and/or its associated companies. The New Scheme will remain in force for a period of 10 years commencing 7 June 2002, being the date of adoption of the New Scheme, to 6 June 2012.

Under the New Scheme, the directors may, at their discretion, offer directors (including executive and non-executive), executives, officers, employees or shareholders of the Company or any of its subsidiaries or any of its associated companies and any suppliers, customers, consultants, advisers, agents, partners or business associates who, in the sole discretion of the directors, will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares in the Company.



29. SHARE OPTION SCHEMES (continued)

(ii) New scheme (continued)

The maximum number of shares which may be issued upon exercise of all share options granted and to be granted under the New Scheme is 80,267,328 which represents 10% of the issued share capital of the Company as at the date of approval of these financial statements. The total number of shares issued and to be issued upon the exercise of share options granted under the New Scheme (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK\$5 million (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The period during which a share option may be exercised will be determined by the directors of the Company in their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted. There is no requirement that a share option must be held for any minimum period before it can be exercised but the directors of the Company are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

The exercise price in relation to each share option will be determined by the directors at their absolute discretion and shall not be less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees is required to pay HK\$1 as consideration for the grant of share options in accordance with the New Scheme. The offer of a grant of share options must be accepted within 60 days from the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

Notes to Financial Statements ▶

31 DECEMBER 2002

29. SHARE OPTION SCHEMES (continued)**(ii) New scheme** (continued)

Details of the share options granted under the New Scheme during the year are as follows:

Grantees	Number of share options to subscribe for shares in the Company			Date of grant/ acceptance	Exercise period	Exercise price per share
	At the beginning of the year	Granted during the year	At the end of the year			
Directors	–	34,094,000	34,094,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.58
Employees	–	4,824,000	4,824,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.58
Other participants	–	24,078,000	24,078,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.58
	–	<u>62,996,000</u>	<u>62,996,000</u>			

Notes:

- Details of the share options granted to each director of the Company are set out under the heading "Directors' right to acquire shares or debentures" in the Report of the Directors.
- Each of the grantees paid HK\$1 to the Company as consideration for the grant of share options.
- No share option granted under the New Scheme was exercised, cancelled and lapsed during the year. Since there was no share option exercised during the year, no weighted average closing price of shares of the Company has been disclosed.
- The closing price of the shares of the Company immediately before 15 November 2002 at which date the share options were granted was HK\$0.58.
- The directors consider that it is not appropriate to disclose the value of share options granted during the year as the market price of the shares of the Company as at the year end date was below the exercise price of the share options granted and any valuation of the above share options would be subject to a number of assumptions that would be subjective and uncertain.
- The accounting policy in respect of the share options is detailed in note 3 to the financial statements under the heading "Employee benefits".
- The vesting period of the share options is from the date of grant to the end of the exercise period.

Subsequent to the balance sheet date, on 14 March 2003, the Company granted certain participants under the New Scheme a total of 17,271,000 share options to subscribe for shares in the Company at an exercise price of HK\$0.495 per share.



30. RESERVES**Group**

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Reserve funds – note HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2001	244,258	2,084	53,690	714	(8,064)	60,108	352,790
Issue of shares	731	-	-	-	-	-	731
Released on disposal of a subsidiary	-	-	-	-	10,466	-	10,466
Exchange realignment	-	-	-	-	(2,405)	-	(2,405)
Net loss for the year	-	-	-	-	-	(62,707)	(62,707)
At 31 December 2001 and 1 January 2002	244,989	2,084	53,690	714	(3)	(2,599)	298,875
Released on disposal of a jointly controlled entity	-	-	-	(714)	377	714	377
Exchange realignment	-	-	-	-	(374)	-	(374)
Net profit for the year	-	-	-	-	-	25,131	25,131
At 31 December 2002	244,989	2,084	53,690	-	-	23,246	324,009
Reserves retained by:							
Company and subsidiaries	244,989	2,084	53,690	-	-	(79,726)	221,037
Jointly controlled entities	-	-	-	-	-	102,972	102,972
31 December 2002	244,989	2,084	53,690	-	-	23,246	324,009
Company and subsidiaries	244,989	2,084	53,690	-	374	(114,519)	186,618
Jointly controlled entities	-	-	-	714	(377)	111,920	112,257
31 December 2001	244,989	2,084	53,690	714	(3)	(2,599)	298,875

Note: Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of a jointly controlled entity of the Group established in Mainland China had been transferred to reserve funds which are restricted as to their use.

Notes to Financial Statements ▶

31 DECEMBER 2002

30. RESERVES (continued)**Company**

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2001	244,258	2,084	53,690	12,177	312,209
Issue of shares	731	–	–	–	731
Net loss for the year	–	–	–	(67,760)	(67,760)
At 31 December 2001 and 1 January 2002	244,989	2,084	53,690	(55,583)	245,180
Net loss for the year	–	–	–	(17,315)	(17,315)
At 31 December 2002	244,989	2,084	53,690	(72,898)	227,865

By a special resolution passed at an extraordinary general meeting and subsequently approved by the Supreme Court of Hong Kong in 1993, the share premium account of the Company was reduced by an amount of HK\$270,000,000. This amount was used to reduce the then Company's accumulated losses of HK\$216,310,000 and the balance of HK\$53,690,000 was credited to the Company's capital reserve which is non-distributable.



31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Prior year adjustments

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the cash flow statement. The 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 paid are now included in cash flows from operating activities, interest and dividends received are now included in cash flows from investing activities, and dividends paid are now included in cash flows from financing activities. The presentation of the 2001 comparative cash flow statement has been changed to accord with the new layout.

Also, the definition of “cash equivalents” under the revised SSAP 15 has been revised from that under the previous SSAP 15, as explained under the heading “Cash and cash equivalents” in note 3 to the financial statements. This has resulted in trust receipt loans no longer qualifying as cash equivalents. The amount of cash equivalents in the consolidated cash flow statement at 31 December 2001 has been adjusted to reclassify trust receipt loans amounting to HK\$21,998,000, previously included at that date. The year’s movement in trust receipt loans is now included in cash flows from financing activities and the comparative cash flow statement has been changed accordingly.

Notes to Financial Statements ►

31 DECEMBER 2002

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(continued)

(b) Disposal of a subsidiary

	2001 HK\$'000
Net assets disposed of:	
Fixed assets	3,707
Inventories	2,036
Trade and bills receivables	6,589
Other receivables	87
Cash and cash equivalents	4,620
Trade and bills payables	(5,398)
Accruals and other liabilities	(1,685)
	<u>9,956</u>
Realisation of exchange fluctuation reserve	<u>10,466</u>
	20,422
Loss on disposal of a subsidiary	<u>(19,620)</u>
Consideration	<u><u>802</u></u>
Satisfied by:	
Cash	<u><u>802</u></u>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary was as follows:

	2001 HK\$'000
Cash consideration	802
Cash and cash equivalents disposed of	<u>(4,620)</u>
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u><u>(3,818)</u></u>

The subsidiary disposed of during the prior year contributed approximately HK\$27,018,000 to the Group's turnover and HK\$2,195,000 to the Group's consolidated loss after tax and before minority interests for that year.



31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(continued)

(c) Reclassification of interests in a subsidiary to interests in jointly controlled entities

	2001 HK\$'000
Net assets deconsolidated:	
Fixed assets	30,923
Inventories	13,137
Trade and bills receivables	21,574
Other receivables	85
Tax recoverable	299
Cash and cash equivalents	19,341
Trade and bills payables	(4,571)
Accruals and other liabilities	(7,935)
Interest-bearing bank and other borrowings	(4,711)
Minority interests	(26,368)
	<u>41,774</u>

An analysis of net outflow of cash and cash equivalents in respect of the reclassification of interests in a subsidiary to interests in jointly controlled entities was as follows:

	2001 HK\$'000
Cash and cash equivalents deconsolidated	<u>(19,341)</u>

The subsidiary reclassified to interests in jointly controlled entities during the prior year contributed approximately HK\$37,047,000 to the Group's turnover and had no significant impact on the Group's consolidated loss after tax and before minority interests for that year.

Notes to Financial Statements ▶

31 DECEMBER 2002

32. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the balance sheet date were as follows:

Name	Place of incorporation/ registration	Nominal value of issued and fully paid share capital #	Percentage of equity attributable to the Company		Principal activities
			2002	2001	
Aberdeen Industrial Company Limited	Samoa	US\$1	100*	100*	Manufacture of telephone accessories, power cords and adaptors
Aberdeen Investments Limited	Samoa	US\$1	100*	100*	Property investment
Combuilt Services International Limited	Hong Kong	HK\$700,000	100*	100*	Freight forwarding and delivery services
Combuilt Services International (China) Limited	Hong Kong	HK\$2	100*	100*	Freight forwarding and delivery services
Dongguan Dongjiang Wire and Cable Company Limited @	People's Republic of China	Registered capital HK\$6,000,000	60*	60*	Manufacture of telephone cables and wires



32. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration	Nominal value of issued and fully paid share capital #	Percentage of equity attributable to the Company		Principal activities
			2002	2001	
Dongguan Qiaozi Santai Electrical Appliances Co. Ltd. ^	People's Republic of China	Registered capital HK\$12,000,000	100 *	100 *	Property holding
Dorup Limited	Hong Kong	HK\$2,000,000	60 *	60 *	Marketing of telephone cords and power cords
Far East PCB Limited	Hong Kong	HK\$2	100 *	100 *	Manufacture of printed circuit boards
Feel Classic (HK) Limited	Hong Kong	HK\$2	100 *	100 *	Property investment
Hop Cheong Holdings Limited	Cook Islands	US\$3,500	100	100	Investment holding
Hop Cheong Technology Limited	Hong Kong	HK\$1,000,000	100 *	100 *	Provision of management services
Hop Cheong Technology (International) Limited	Hong Kong	HK\$2	100 *	100 *	Marketing of high precision metal parts

Notes to Financial Statements ▶

31 DECEMBER 2002

32. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration	Nominal value of issued and fully paid share capital #	Percentage of equity attributable to the Company		Principal activities
			2002	2001	
Jetsbo Investment Limited	Hong Kong	HK\$10,000	100 *	100 *	Property investment
Longbright Technology Limited	Hong Kong	HK\$10,000	100 *	100 *	Manufacture of metal stampings
Prime Vision Enterprises Limited	Samoa	US\$1	100	100	Issue of convertible bonds
Printronic China Limited	Hong Kong	HK\$20	100 *	100 *	Investment holding
Printronic Electronics Limited	Hong Kong	HK\$2	100 *	100 *	Investment holding
Printronic Group Limited	Hong Kong	HK\$2	100	100	Investment holding
Ready Shine Industrial Limited	Hong Kong	HK\$2	100	100	Investment holding
Ready Sound Limited	Hong Kong	HK\$1,000,000	60 *	60 *	Manufacture of tinsel wires
Regal Investments Limited	Samoa	US\$1	100 *	100 *	Manufacture of high precision metal parts



32. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration	Nominal value of issued and fully paid share capital #	Percentage of equity attributable to the Company		Principal activities
			2002	2001	
San Tai Distribution Company Limited	Hong Kong	HK\$2	100	100	Storage and devanning services
San Tai Industrial Enterprise Limited	Hong Kong	HK\$2	100 *	100 *	Marketing and distribution of telephone accessories and power cords
Santai Corporate Services Limited	Hong Kong	HK\$2	100	100	Provision of management services
Santai Manufacturing Limited	Hong Kong	HK\$10,000	100	100	Trading of raw materials for the manufacture of telephone accessories and power cords
SCT Electronics Limited	Hong Kong	HK\$2	100	100	Marketing of adaptors and electronic products

Notes to Financial Statements ▶

31 DECEMBER 2002

32. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration	Nominal value of issued and fully paid share capital #	Percentage of equity attributable to the Company		Principal activities
			2002	2001	
SCT International Limited	Hong Kong	HK\$2	100 *	100 *	Marketing of raw materials for adaptors and electronic products
SCT Petroleum Company Limited	Hong Kong	HK\$2	100 *	100 *	Trading of crude oil

* Indirectly held through subsidiaries

All ordinary shares unless otherwise stated

@ Registered under the laws of the PRC as a Sino-foreign co-operative joint venture

^ Registered under the laws of the PRC as a wholly-owned foreign subsidiary

All the subsidiaries operate in Hong Kong except for Aberdeen Industrial Company Limited, Aberdeen Investments Limited, Dongguan Dongjiang Wire and Cable Company Limited, Dongguan Qiaozi Santai Electrical Appliances Co. Ltd., Ready Sound Limited and Regal Investments Limited, which operate in Mainland China.

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.



33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	1,109	1,315
In the second to fifth years, inclusive	—	446
	<u>1,109</u>	<u>1,761</u>

(b) As lessee

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

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	2,372	5,445
In the second to fifth years, inclusive	—	1,735
	<u>2,372</u>	<u>7,180</u>

Notes to Financial Statements ▶

31 DECEMBER 2002

34. COMMITMENTS

In addition to the operating lease arrangements detailed in note 33(b) above, the Group had the following commitments at the balance sheet date:

- (a) Capital commitments:

	Group	
	2002 HK\$'000	2001 HK\$'000
Contracted, but not provided for	<u>328</u>	<u>715</u>

As at 31 December 2002, a wholly-owned subsidiary of the Company had agreed to subscribe for certain ordinary shares of a company at a total consideration of approximately HK\$234 million. This has not been disclosed as a capital commitment because, subsequent to the balance sheet, the relevant subscription agreement was terminated, as further detailed in note 37(i) to the financial statements.

The Company had no material capital commitments at the balance sheet date.

- (b) Share of capital commitments of a jointly controlled entity is as follows:

	2002 HK\$'000		2001 HK\$'000
	Contracted, but not provided for	<u>3,526</u>	
Authorised, but not contracted for	<u>–</u>	<u>11,366</u>	

35. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had the following material contingent liabilities:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Discounted bills with recourse	6,513	6,460	–	–
Guarantees for banking facilities granted to subsidiaries or jointly controlled entities	76,640	98,300	79,720	61,330
Guarantee for convertible bonds issued by a subsidiary	–	–	200,000	–
	<u>83,153</u>	<u>104,760</u>	<u>279,720</u>	<u>61,330</u>

- (b) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$918,000 as at 31 December 2002, as further explained in note 3 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Notes to Financial Statements ▶

31 DECEMBER 2002

36. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, during the year, the Group had the following significant related party transactions:

	<i>Notes</i>	2002 HK\$'000	2001 HK\$'000
Management fees paid to controlling shareholders	(i)	1,200	1,200
Management fees paid to a related company	(ii)	480	480
Rental paid to a related company	(iii)	792	1,020
Sales to a jointly controlled entity	(iv)	14,245	12,197
Utility expenses charged to a jointly controlled entity	(v)	13,454	12,196
Purchases from a jointly controlled entity	(vi)	37,930	25,148
Management fee received from a jointly controlled entity	(vii)	1,018	—

Notes:

- (i) Management fees of HK\$240,000 and HK\$960,000 per annum were paid to Shougang Grand and Shougang Holding (Hong Kong) Limited ("Shougang Holding"), the holding company of Shougang Grand, respectively, for the provision of management services to the Group at rates agreed by the relevant parties.
- (ii) Management fees of HK\$480,000 per annum were paid to Shougang Concord International Enterprises Company Limited ("Shougang International"), an associate of Shougang Holding, for the provision of management services to the Group at rates agreed by both parties.
- (iii) Rentals paid to Good News Investment Limited, a wholly-owned subsidiary of Shougang International, related to the premises occupied and used by the Group as its office, were determined by reference to the prevailing market rentals.
- (iv) Sales to a jointly controlled entity were made according to the published prices and conditions offered to the major customers of the Group, except that a longer credit period was normally granted.
- (v) Utility expenses charged to a jointly controlled entity related to the recharge of certain utility costs incurred by it. The recharge was based on the actual costs incurred.
- (vi) Purchases from a jointly controlled entity were made according to the published prices and conditions offered by similar suppliers to the Group.



36. RELATED PARTY TRANSACTIONS (continued)

- (vii) Management fee from a jointly controlled entity for the provision of management service was charged at a rate agreed by both parties.

In addition to the above, a wholly-owned subsidiary of the Company issued convertible bonds with a principal amount of HK\$152.8 million to a wholly-owned subsidiary of Shougang Holding. Further details are set out in note 26 to the financial statements.

37. POST BALANCE SHEET EVENTS

- (i) As detailed in the Company's announcement dated 28 October 2002 and the Company's circular to shareholders dated 13 November 2002, the Company entered into a conditional subscription agreement with, inter alia, Profit Sky Industrial Limited ("Profit Sky") and ARTECH Management Company Limited ("ARTECH") on 25 October 2002 (the "Subscription Agreement"), pursuant to which the Company had agreed to subscribe for 4,700 new ordinary shares of US\$1.00 each in the share capital of Profit Sky at a total consideration of approximately HK\$234 million (US\$30 million) (the "Subscription"). Upon completion of the Subscription Agreement, Profit Sky would be owned as to 47% and 53% by the Company and ARTECH, respectively. Profit Sky was incorporated in the British Virgin Islands on 2 September 2002 and would be principally engaged in the design and manufacture of photomasks, a critical instrument in the wafer fabrication.

Subsequent to the balance sheet date, as detailed in the Company's announcement dated 13 March 2003, in view that ARTECH had not fulfilled certain terms of cooperation in relation to Profit Sky, the Company determined that Info Matrix Holdings Limited, a wholly-owned subsidiary of the Company, would not proceed with the cooperation with ARTECH as contemplated under the Subscription Agreement. Accordingly, the Group has written off the professional fees aggregating HK\$3.7 million incidental to the Subscription incurred up to 31 December 2002 to the current year's consolidated profit and loss account.

- (ii) As detailed in the Company's announcement dated 11 April 2003, the Company will proceed with the investment in the photomasks manufacturing business through a wholly-owned subsidiary, Remarkable Limited. The Group is committed to invest approximately HK\$234 million, out of its internal resources, into this project.

Notes to Financial Statements ▶

31 DECEMBER 2002

37. POST BALANCE SHEET EVENTS *(continued)*

- (iii) On 7 January 2003, the Company entered into a conditional sale and purchase agreement with an independent third party for the disposal of its entire equity interest in STD, and assignment of its entire interest in a shareholder's loan to STD at an aggregate consideration of HK\$2,430,000. The disposal did not give rise to any material gain or loss to the Group and was completed on 7 January 2003.

38. COMPARATIVE AMOUNTS

As further explained in note 2 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, a prior year adjustment has been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 April 2003.