

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited.

During the year, the Company acts as an investment holding company. The principal activities of the principal subsidiaries and associates are set out in notes 37 and 15 respectively. In the opinion of the directors, the ultimate holding company is The Grande International Holdings Limited, a company incorporated in the British Virgin Islands.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in the following changes in the Group’s accounting policies and the presentation of the financial statements.

Presentation of financial statements

The revisions to SSAP 1 “Presentation of Financial Statements” have introduced the presentation of changes in equity in the current year’s financial statements. The presentation in the prior year’s financial statements has been modified in order to achieve a consistent presentation.

Foreign currencies

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the year. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

Under SSAP 15 (Revised), “Cash Flow Statements”, cash flows are classified under three headings—operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as either operating, investing or financing cash flows, respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. The presentation of prior year’s consolidated cash flow statement has been restated in order to achieve a consistent presentation.

Employee benefits

SSAP 34 “Employee Benefits” introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all 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 respective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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 basis:

- on the sale of goods, when the goods are delivered and title, 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;
- on the rendering of services, based on the stage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction; and
- interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of another enterprise so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received during the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates

An associate is an enterprise, not being a subsidiary, in which the Group is in a position to exercise significant influence, including participation in the financial and operating policy decisions.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's investment in associates is stated in the consolidated balance sheet at the Group's share of the net assets. Where audited financial statements are not co-terminus with those of the Group, the share of the results is arrived at from the latest audited financial statements available or unaudited management financial statements to 31 December.

Divestment gain/loss

The gain/loss arising from divestment of interests in subsidiaries and associates is dealt with in the income statement.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised over its estimated useful life but not more than 20 years.

Negative goodwill

Negative goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be credited to the income statement at the time of disposal of the relevant subsidiary or associate. Negative goodwill arising on acquisitions after 1 January 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal management reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Inter-segment transfer pricing is based on cost plus an appropriate margin.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before inter-segment balances and inter-segment transactions are eliminated as part of the consolidation.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, except for freehold land which is stated at cost less impairment loss and is not depreciated. Surpluses arising on revaluation are credited directly to reserves, except that a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

In accordance with the transitional provisions set out in paragraph 80 of Statements of Standard Accounting Practice (“SSAP”) 17 (revised), “Property, plant and equipment” issued by the Hong Kong Society of Accountants in 1995, subsequent revaluations of the leasehold land and buildings of the Group, which have been carried at revalued amounts prior to 30 September 1995, will not be undertaken on a regular basis.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life as set out below:

Freehold buildings outside Hong Kong	5 to 50 years
Long term leasehold land outside Hong Kong	99 years
Long term leasehold buildings outside Hong Kong	45 years
Medium term leasehold land and buildings in Hong Kong	20 to 40 years
Medium term leasehold land and buildings outside Hong Kong	Over the lease terms
Plant, equipment and other assets	2 to 15 years
Moulds	2 to 5 years

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 the assets have been put into operation, such as repairs and maintenance, is normally charged as an expense 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 asset, the expenditure is capitalised as an additional cost of the asset.

Upon the disposal of properties which have been revalued, the relevant portion of the revaluation reserve attributable to the properties realised is transferred directly to retained profits as a reserve movement.

The gain or loss on disposal or retirement of an asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes all costs attributable to such development, including finance charges. No depreciation is provided on properties held for sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length. They are stated at their open market values on the basis of annual valuations. Any surplus or deficit on revaluation is taken to the investment properties revaluation reserve unless the total of this reserve is insufficient to cover a deficit, in which case the amount by which the deficit exceeds the amount in the reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, the surplus is credited to the income statement to the extent of the deficit previously charged.

Upon the disposal of an investment property, the relevant portion of the investment properties revaluation reserve recognised in respect of previous valuations is released to the income statement.

No depreciation is provided in respect of investment properties with an unexpired lease term of more than 20 years since the valuations take into account the state of the buildings.

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 property, plant and equipment 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 income statement 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. The rentals applicable to such operating leases are charged to the income statement on the straight-line basis over the lease terms.

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Long term investments *(continued)*

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the income statement for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the income statement to the extent of the amount previously charged.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement for the period in which they arise.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis.

Brands, trademarks and patents

Brands, trademarks and patents are stated at cost less accumulated amortisation and impairment losses. Amortisation is provided over their estimated useful lives but not more than 20 years.

Deferred development costs

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

Deferred development costs are amortised, using the straight-line basis, over the expected useful lives of the products not exceeding five years, commencing in the year when the products are put into commercial production.

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 further costs expected to be incurred to completion and disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of individual assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, however, the increased carrying amount would not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that accounting standard.

Deferred tax

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

Foreign currencies

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

On consolidation, the assets and liabilities of overseas subsidiaries and the Group's share of net assets of overseas associates are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. Income and expenses items are translated at the average exchange rates for the year. The resulting translation differences are included in the exchange fluctuation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme and charged as expenses as they fall due.

4. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the year ended 31 December 2002:

	Notes	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Purchases of finished products			
from associates	(i)	37	392
Sales of goods to associates	(ii)	30	336
Interest from associates	(iii)	9	17
Purchase of brands, trademarks and patents from an associate	(iv)	–	50
Interest paid to a related company	(v)	–	8
		<u> </u>	<u> </u>

In addition, during the year ended 31 December 2002, the Group provided guarantees of trade finance banking facilities to certain associates (note 32).

Notes:

- (i) The directors consider that the purchases of finished products were made according to prices and conditions similar to those offered by non-related suppliers of the Group.
- (ii) The directors consider that the sales of goods were made according to prices and conditions similar to those offered to non-related major customers of the Group.
- (iii) The interest from associates arose from loans, the terms and other details of which are set out in note 15 to the financial statements.
- (iv) The consideration was mutually agreed by the parties involved.
- (v) Interest was charged at prevailing market rate on the outstanding balance.

5. **TURNOVER**

Turnover represents the net invoiced value of goods sold after allowances for returns and trade discounts; and corporate finance and investment income but excludes intra-group transactions.

An analysis of the Group's turnover by principal activity for the year is as follows:

	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
By principal activity:		
Electronics manufacturing services	1,754	4,227
Magnetic media	820	1,174
Branded distribution	2,013	932
Financial services	2,059	1,485
	<hr/> 6,646 <hr/>	<hr/> 7,818 <hr/>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Depreciation:		
Owned property, plant and equipment	160	160
Operating lease rentals:		
Land and buildings	27	32
Interest on:		
Bank overdrafts and loans wholly repayable within five years	40	56
Auditors' remuneration	6	6
Release of negative goodwill to income included in other revenue	(2)	–
Amortisation of goodwill included in other operating expenses	4	–
Amortisation of brands, trademarks and patents included in administrative expenses	72	–
Amortisation of other assets included in administrative expenses	5	16
Staff costs:		
Salaries and other benefits	166	245
Retirement benefit costs	12	6
Write off of goodwill	–	12
Impairment loss recognised in respect of property, plant and equipment	16	–
Impairment loss recognised in respect of properties held for sale	67	37
Impairment loss recognised in respect of long term investments	14	44
Research and development expenditure	7	22
Loss on disposal of property, plant and equipment	21	9
Change in fair value of short term equity securities	(106)	–
Gain on disposal of long term investments	(1)	–
Interest income	(7)	(18)
	<u> </u>	<u> </u>

7. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS

Directors' Remuneration

	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Fees	–	–
Other emoluments:		
Basic salaries, housing, other allowances and benefits in kind	15	20
Bonuses paid and payable	2	4
	<u>17</u>	<u>24</u>

The number of directors whose remuneration fell within the bands set out below is as follows:

HK\$	<u>2002</u> Number of directors	<u>2001</u> Number of directors
Nil – 1,000,000	4	7
1,000,001 – 1,500,000	2	1
1,500,001 – 2,000,000	–	1
2,000,001 – 2,500,000	1	–
2,500,001 – 3,000,000	1	–
3,000,001 – 3,500,000	1	2
5,000,001 – 5,500,000	–	1
5,500,001 – 6,000,000	1	–
6,000,001 – 6,500,000	–	1
	<u>–</u>	<u>1</u>

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

The directors' fee payable to each of the independent non-executive directors of the Company for the year ended 31 December 2002 amounted to HK\$100,000 per annum (2001: HK\$100,000).

7. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS (continued)

Employee costs

	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Basic salaries, housing, other allowances and benefits in kind	5	4
Bonuses paid and payable	2	4
	<u>7</u>	<u>8</u>

The number of non-directors whose remuneration fell within the bands set out below is as follows:

HK\$	<u>2002</u> Number of non-directors	<u>2001</u> Number of non-directors
2,500,001 – 3,000,000	1	–
3,000,001 – 3,500,000	–	1
4,000,001 – 4,500,000	1	–
4,500,001 – 5,000,000	–	1
	<u>1</u>	<u>2</u>

The five individuals whose emoluments were the highest in the Group during the year included three (2001: three) directors and two (2001: two) non-directors of the Company, details of whose remuneration are set out above.

8. 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 provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Current year provision		
Hong Kong	3	6
Overseas	2	–
Over provision in prior year		
Hong Kong	(3)	–
Deferred tax		
Hong Kong	1	(2)
	<u>3</u>	<u>4</u>

9. DIVIDENDS

	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Interim dividend of HK9 cents (2001: HK8 cents) per share on 400.2 million shares	36	32
2000 final dividend of HK20 cents per share on 399.9 million shares	–	80
2001 final dividend by way of a distribution in specie of one share of Sansui Electric Co., Ltd, a company listed on the First Section of the Tokyo Stock Exchange, for every two shares of the Company	127	–
	<u>163</u>	<u>112</u>

A final dividend in respect of 2002 of HK11 cents per share on 400.2 million shares amounting to a total of HK\$44 million was approved by the Board after the balance sheet date, and not recognised as a liability as at 31 December 2002.

10. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$378 million (2001: HK\$457 million) and on 400.2 million shares (2001: 400.2 million shares) in issue during the year.

Diluted earnings per share has not been presented as the Company did not have any potential ordinary shares during the above two years.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings	Plant, equipment and other assets	Moulds	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Cost or valuation:				
At 1 January 2002	1,027	1,193	180	2,400
Foreign currency adjustment	1	8	–	9
Additions	2	84	30	116
Arising on acquisition of subsidiaries	–	–	1	1
Impairment loss	(16)	–	–	(16)
Transferred to properties held for sale	(17)	–	–	(17)
Disposal of subsidiaries	(33)	(57)	–	(90)
Disposals	(23)	(44)	(6)	(73)
	<u>941</u>	<u>1,184</u>	<u>205</u>	<u>2,330</u>
At 31 December 2002	941	1,184	205	2,330
Accumulated depreciation:				
At 1 January 2002	101	633	131	865
Foreign currency adjustment	–	5	1	6
Provided during the year	26	119	15	160
Disposal of subsidiaries	(12)	(43)	–	(55)
Disposals	–	(32)	–	(32)
	<u>115</u>	<u>682</u>	<u>147</u>	<u>944</u>
At 31 December 2002	115	682	147	944
Net book values:				
At 31 December 2002	<u>826</u>	<u>502</u>	<u>58</u>	<u>1,386</u>
At 31 December 2001	<u>926</u>	<u>560</u>	<u>49</u>	<u>1,535</u>

The net book value of plant and machinery held under finance leases at 31 December 2002 amounted to HK\$36 million (2001: nil).

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

Land and buildings comprise:

	Group	
	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Freehold land and buildings outside Hong Kong:		
At cost	<u>24</u>	<u>23</u>
Long term leasehold land and buildings outside Hong Kong:		
At cost	<u>68</u>	<u>68</u>
Medium term leasehold land and buildings in Hong Kong:		
At cost	16	15
At 1993 professional valuation	<u>279</u>	<u>279</u>
	<u>295</u>	<u>294</u>
Medium term leasehold land and buildings outside Hong Kong:		
At cost	273	337
At 1993 professional valuation	<u>281</u>	<u>305</u>
	<u>554</u>	<u>642</u>
Total cost or valuation	<u>941</u>	<u>1,027</u>

The valuation of medium term leasehold land and buildings in Hong Kong of HK\$301 million was carried out by Chesterton Petty Limited, a firm of independent professional valuers, on an open market, existing use basis as at 31 December 1993. During the year ended 31 December 1998, HK\$22 million of these leasehold land and buildings was disposed.

The valuation of medium term leasehold land and buildings outside Hong Kong of HK\$281 million was carried out by Chesterton Petty Limited, a firm of independent professional valuers, on an open market, existing use basis as at 31 January 1993.

The valuation of medium term leasehold land and buildings outside Hong Kong of HK\$24 million was carried out by Chesterton Petty Limited, a firm of independent professional valuers, on an open market, existing use basis as at 31 December 1993. During the year ended 31 December 2002, these medium term leasehold land and buildings were reclassified as properties held for sale.

The Group has adopted the transitional arrangement set out in SSAP 17 (revised) "Property, plant and equipment" of not making subsequent regular revaluations on the above premises which have been carried at revalued amounts prior to 30 September 1995.

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

Had the revalued assets been stated at their cost less accumulated depreciation, the carrying amount of land and buildings as at 31 December 2002 would be restated at HK\$488 million (2001: HK\$570 million).

Certain of the above properties held by the Group were pledged to secure banking facilities (note 34).

12. INVESTMENT PROPERTIES

	Group	
	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
At valuation		
At beginning of year	–	–
Acquisition	9	–
Surplus on revaluation	5	–
	<hr/>	<hr/>
At end of year	14	–
	<hr/>	<hr/>

During the year, revaluation surplus of HK\$5 million has been credited to the investment revaluation reserve for the investment properties. A valuation by Dudley Surveyors Limited, an independent firm of professional valuers, on an open market value existing use basis was conducted on 31 March 2003. The directors considered that there is no material fluctuation in the value of these properties between the year end date and the valuation date.

13. PROPERTIES HELD FOR SALE

	Group	
	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Non-Current assets at cost less impairment		
At beginning of year	124	166
Foreign currency adjustment	–	(5)
Impairment loss recognised	(67)	(37)
Reclassified as current assets	(57)	–
	<hr/>	<hr/>
At end of year	<u>–</u>	<u>124</u>
Current assets at net realisable value		
At beginning of year	–	–
Transferred from non-current assets	57	–
Transferred from property, plant and equipment	17	–
	<hr/>	<hr/>
At end of year	<u>74</u>	<u>–</u>

During the year, the directors conducted a review of the Group's properties held for sale and determined that certain properties were impaired, due to recent downturn of the property market. Accordingly, impairment losses of HK\$67 million have been recognised in respect of properties held for sale.

14. INTERESTS IN SUBSIDIARIES

	Company	
	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Unlisted shares, at cost	<u>1,238</u>	<u>1,237</u>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The Company has agreed not to demand for repayment in the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.

Particulars of the principal subsidiaries are set out in note 37 to the financial statements.

15. INTERESTS IN ASSOCIATES

	Group	
	<u>2002</u>	<u>2001</u>
	HK\$	HK\$
	million	million
Share of net assets	<u>—</u>	<u>—</u>

Particulars of the Group's principal associates are as follows:

Name	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group		Principal activities
		<u>2002</u>	<u>2001</u>	
GrandeTel Technologies Inc. ⁺	Canada	42%	42%	Telecommunications
Ross Group Plc [*]	United Kingdom	48%	48%	Manufacture, sale and distribution of automotive products and power supplies

+ Traded over the counter on the Nasdaq Stock Exchange.

* Listed on the London Stock Exchange.

The amounts due from associates included HK\$84 million (2001: HK\$83 million) which bears interest at commercial rates. The interest income from associates during the year amounted to HK\$9 million (2001: HK\$17 million). The remaining balances with associates were in respect of trading activities and were unsecured, interest-free and had no fixed terms of repayment.

16. LONG TERM INVESTMENTS

	Group	
	<u>2002</u>	<u>2001</u>
	HK\$	HK\$
	million	million
Listed investments, at market value		
Hong Kong	7	12
Outside Hong Kong	8	5
Unlisted investments, at cost less impairment	<u>31</u>	<u>108</u>
	<u>46</u>	<u>125</u>

In 2001, included in the unlisted investments were convertible instruments amounting to HK\$42 million which were issued by associates of the Group.

17. BRANDS, TRADEMARKS AND PATENTS

	Group	
	<u>2002</u>	<u>2001</u>
	HK\$	HK\$
	million	million
At beginning of year	389	–
Foreign currency adjustment	4	–
Additions	220	389
Arising from acquisition of subsidiaries	934	–
Amortisation	(72)	–
	<hr/>	<hr/>
At end of year	<u>1,475</u>	<u>389</u>

The amortisation period adopted for brands, trademarks and patents is 20 years.

18. OTHER ASSETS

	Group	
	<u>2002</u>	<u>2001</u>
	HK\$	HK\$
	million	million
Deferred development costs:		
At beginning of year	12	19
Additions	24	9
Amortisation	(5)	(16)
	<hr/>	<hr/>
At end of year	<u>31</u>	<u>12</u>

The amortisation period adopted for deferred development costs ranges from 3 to 5 years.

19. GOODWILL/(NEGATIVE GOODWILL)

	Goodwill		Negative goodwill	
	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Gross amount				
At beginning of year	76	–	(10)	–
Additional interest in subsidiaries	145	76	–	–
Acquisition of subsidiaries	–	–	–	(10)
At end of year	<u>221</u>	<u>76</u>	<u>(10)</u>	<u>(10)</u>
(Amortisation)/release				
At beginning of year	–	–	–	–
Provided for the year	(4)	–	2	–
At end of year	<u>(4)</u>	<u>–</u>	<u>2</u>	<u>–</u>
Carrying amount at end of year	<u>217</u>	<u>76</u>	<u>(8)</u>	<u>(10)</u>

The amortisation period adopted for goodwill is 20 years. The negative goodwill is released to income on a straight-line basis of 5 years, the remaining weighted average useful life of the depreciable assets acquired.

20. SHORT TERM INVESTMENTS

	Group		Company	
	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Listed investments, at market value				
Outside Hong Kong	13	223	–	–
Unlisted investments, at fair value	<u>77</u>	<u>12</u>	<u>1</u>	<u>1</u>
	<u>90</u>	<u>235</u>	<u>1</u>	<u>1</u>

In 2002, included in the unlisted investments was convertible instrument amounting to HK\$9 million which was issued by an associate of the Group.

21. ACCOUNTS, BILLS AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of trade and other receivables (net of allowance for doubtful debts) is as follows:

	Group	
	<u>2002</u>	<u>2001</u>
	HK\$	HK\$
	million	million
0 – 3 months	874	1,439
3 – 6 months	6	38
Over 6 months	31	127
	<u>911</u>	<u>1,604</u>

22. INVENTORIES

	Group	
	<u>2002</u>	<u>2001</u>
	HK\$	HK\$
	million	million
Raw materials	564	396
Work in progress	22	51
Finished goods	276	250
	<u>862</u>	<u>697</u>

23. BANK LOANS

	Group		Company	
	2002 HK\$ million	2001 HK\$ million	2002 HK\$ million	2001 HK\$ million
Secured bank loans wholly repayable:				
Within one year	186	220	-	-
In the second year	67	28	-	-
In the third to fifth years, inclusive	153	84	-	-
	<u>406</u>	<u>332</u>	<u>-</u>	<u>-</u>
Portion classified as current liabilities	(186)	(220)	-	-
	<u>220</u>	<u>112</u>	<u>-</u>	<u>-</u>
Unsecured bank loans wholly repayable:				
Within one year	225	166	66	114
In the second year	120	16	16	16
In the third to fifth years, inclusive	-	17	-	17
	<u>345</u>	<u>199</u>	<u>82</u>	<u>147</u>
Portion classified as current liabilities	(225)	(166)	(66)	(114)
	<u>120</u>	<u>33</u>	<u>16</u>	<u>33</u>
Non-current portion	<u>340</u>	<u>145</u>	<u>16</u>	<u>33</u>

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$ million	2001 HK\$ million	2002 HK\$ million	2001 HK\$ million
Amounts payable under finance leases:				
Within one year	12	-	11	-
In the second year	12	-	11	-
In the third to fifth years, inclusive	5	-	5	-
	<u>29</u>	<u>-</u>	<u>27</u>	<u>-</u>
Less: future finance charges	(2)	-	-	-
Present value of lease obligations	<u>27</u>	<u>-</u>	<u>27</u>	<u>-</u>
Portion classified as current liabilities			(11)	-
Non-current portion			<u>16</u>	<u>-</u>

The average lease term is 3 years. For the year ended 31 December 2002, the average effective borrowing rate was 3.28%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

25. ACCOUNTS AND BILLS PAYABLE

The aged analysis of accounts and bills payable is as follows:

	Group	
	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
0 – 3 months	700	790
3 – 6 months	73	14
Over 6 months	62	382
	<u>835</u>	<u>1,186</u>

In 2001, included above is an amount of HK\$254 million due to a related company of which a director of the Company has a deemed beneficial interest. The amount is unsecured, bearing interest at prevailing market rate and is repayable on demand.

26. DEFERRED TAX

	Group	
	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Balance at beginning of year	3	4
Arising on acquisition of subsidiaries	6	1
Provision/(write back) of deferred tax (note 8)	1	(2)
	<u>10</u>	<u>3</u>

The principal components of the Group's deferred tax liabilities provided for or (deferred tax assets recognised), and the amounts not provided or (not recognised) are as follows:

	Group			
	Provided		Not provided	
	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Tax losses carried forward	–	–	(69)	(55)
Accelerated depreciation allowances	10	3	(2)	2
Other timing differences	–	–	(8)	(10)
	<u>10</u>	<u>3</u>	<u>(79)</u>	<u>(63)</u>

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

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

27. NON-CURRENT ACCRUED LIABILITIES AND OTHER PAYABLES

Included in the non-current accrued liabilities and other payables is an amount of HK\$248 million due to a related company of which a director of the Company has a deemed beneficial interest. The amount is unsecured, non-interest bearing and is not to demand for repayment in the next twelve months from the balance sheet date.

28. SHARE CAPITAL

	Number of ordinary shares of HK\$2.50 each million	Number of ordinary shares of HK\$0.10 each million	Amount HK\$ million
Authorised:			
At 1 January 2001	400	–	1,000
Increase in authorised share capital	600	–	1,500
Capital reduction	(1,000)	1,000	(2,400)
	<u>–</u>	<u>1,000</u>	<u>100</u>
At 31 December 2001, 1 January 2002 and 31 December 2002	–	1,000	100
Issued and fully paid:			
At 1 January 2001	400	–	1,000
Issue of new shares	–	–	1
Capital reduction	(400)	400	(961)
	<u>–</u>	<u>400</u>	<u>40</u>
At 31 December 2001, 1 January 2002 and 31 December 2002	–	400	40

The resolution for increasing the authorised share capital of the Company from HK\$1 billion divided into 400 million shares of HK\$2.5 each (the “Shares”) to HK\$2.5 billion by the creation of an additional 600 million Shares was approved by the shareholders at the Special General Meeting on 9 January 2001.

On 5 December 2001, a Special General Meeting of the Company was held and the resolution for Capital Reduction of the Company was approved by the shareholders. The effects of the Capital Reduction were as follows –

- (a) the paid up capital and nominal value of the issued Shares was reduced by HK\$2.40 per Share by cancelling an equivalent amount of paid up capital per Share so that the nominal value of each Share has been reduced from HK\$2.50 to HK\$0.10. Based upon the number of Shares in issue as at 5 December 2001, the issued share capital of the Company of HK\$1,001 million consisting of 400 million Shares has been reduced by HK\$961 million to HK\$40 million consisting of 400 million New Shares;
- (b) the credit amount of HK\$961 million arising from the reduction referred to in (a) above was credited to the contributed surplus account of the Company. The amounts in the contributed surplus account of the Company can be applied in the future for distribution to the shareholders of the Company; and
- (c) all of the authorised but unissued share capital of the Company, including the additional authorised but unissued share capital resulting from the reduction referred to in (a) above, in the total amount of HK\$2,460 million was cancelled and subsequently increased by HK\$60 million by the creation of 600 million New Shares. On completion, the authorised share capital of the Company is now HK\$100 million comprising 1,000 million New Shares, of which 400 million New Shares were issued and fully paid.

29. SHARE PREMIUM

	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
At beginning of year	254	253
Issue of new shares	—	1
At end of year	<u>254</u>	<u>254</u>

30. RESERVES

	Contributed reserve HK\$ million	Investment revaluation reserve HK\$ million	Capital reserve HK\$ million	Exchange fluctuation reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million
<u>2001</u>						
Group						
At 1 January 2001	—	3	487	(180)	(14)	296
Arising from capital reduction	961	—	—	—	—	961
Arising on consolidation of overseas subsidiaries	—	—	—	(24)	—	(24)
Share of reserve movements of associates	—	—	—	17	—	17
Reversed on disposal and partial divestment of interests in subsidiaries and associates	—	—	(4)	7	—	3
Surplus on revaluation of equity securities	—	182	—	—	—	182
Profit for the year	—	—	—	—	457	457
Dividends	—	—	—	—	(112)	(112)
At 31 December 2001	<u>961</u>	<u>185</u>	<u>483#</u>	<u>(180)</u>	<u>331</u>	<u>1,780</u>
The reserves are retained as follows:						
Company and subsidiaries	961	185	483	(178)	557	2,008
Associates	—	—	—	(2)	(226)	(228)
	<u>961</u>	<u>185</u>	<u>483</u>	<u>(180)</u>	<u>331</u>	<u>1,780</u>

The balance of capital reserve comprise goodwill and negative goodwill of HK\$124 million and HK\$244 million, respectively.

Company

At 1 January 2001	—	—	361	—	69	430
Arising from capital reduction	961	—	—	—	—	961
Profit for the year	—	—	—	—	429	429
Dividends	—	—	—	—	(112)	(112)
At 31 December 2001	<u>961</u>	<u>—</u>	<u>361</u>	<u>—</u>	<u>386</u>	<u>1,708</u>

30. RESERVES (continued)

	Contributed reserve HK\$ million	Investment revaluation reserve HK\$ million	Capital reserve HK\$ million	Exchange fluctuation reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million
2002						
Group						
At 1 January 2002	961	185	483	(180)	331	1,780
Arising on consolidation of overseas subsidiaries	-	-	-	(14)	-	(14)
Reversed on disposal of equity securities	-	(188)	-	-	-	(188)
Deficit on revaluation of equity securities	-	(26)	-	-	-	(26)
Surplus on revaluation of investment properties	-	5	-	-	-	5
Profit for the year	-	-	-	-	378	378
Dividends	-	-	-	-	(163)	(163)
	<u>961</u>	<u>(24)</u>	<u>483[#]</u>	<u>(194)</u>	<u>546</u>	<u>1,772</u>
At 31 December 2002	<u>961</u>	<u>(24)</u>	<u>483[#]</u>	<u>(194)</u>	<u>546</u>	<u>1,772</u>
The reserves are retained as follows:						
Company and subsidiaries	961	(24)	483	(192)	572	1,800
Associates	-	-	-	(2)	(26)	(28)
	<u>961</u>	<u>(24)</u>	<u>483</u>	<u>(194)</u>	<u>546</u>	<u>1,772</u>
 # The balance of capital reserve comprise goodwill and negative goodwill of HK\$124 million and HK\$244 million, respectively.						
Company						
At 1 January 2002	961	-	361	-	386	1,708
Profit for the year	-	-	-	-	300	300
Dividends	-	-	-	-	(163)	(163)
	<u>961</u>	<u>-</u>	<u>361</u>	<u>-</u>	<u>523</u>	<u>1,845</u>
At 31 December 2002	<u>961</u>	<u>-</u>	<u>361</u>	<u>-</u>	<u>523</u>	<u>1,845</u>

31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Purchases of subsidiaries

	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Net assets acquired:		
Property, plant and equipment	1	15
Brands, trademarks and patents	934	–
Cash and bank balances	64	41
Accounts and bills receivables	5	32
Inventories	12	30
Prepayments, deposits and other assets	13	15
Accounts and bills payable	–	(34)
Accrued liabilities and other payable	(413)	(5)
Provision for tax	–	(1)
Deferred tax	(6)	(1)
	<hr/>	<hr/>
	610	92
Negative goodwill arising on acquisition	–	(10)
	<hr/>	<hr/>
	610	82
	<hr/>	<hr/>
Represented by:		
Cash consideration paid	75	8
Discharged through accounts receivable	509	53
Discharged through amount due from an associate	26	–
Minority interests	–	21
	<hr/>	<hr/>
	610	82
	<hr/>	<hr/>

The subsidiaries acquired during the year ended 31 December 2001 had no material effect on the profit and cashflow of the Group.

The subsidiaries acquired during the year 2002 contributed HK\$118 million to the Group's net operating cash flows, paid HK\$154 million in respect of investing activities and paid HK\$2 million in respect of financing activities.

The subsidiaries acquired during the year contributed HK\$50 million to the Group's turnover, and HK\$19 million to the Group's profit from operations.

31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(a) Purchases of subsidiaries (continued)

The analysis of net (outflow)/inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Cash consideration paid	(75)	(8)
Cash and bank balances of acquired subsidiaries	<u>64</u>	<u>41</u>
	<u>(11)</u>	<u>33</u>

(b) Disposal and partial divestment of interests in subsidiaries and associates

Summary of the effects on disposal and partial divestment of interests in subsidiaries and associates

	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Net assets disposed of:		
Property, plant and equipment	35	4
Interests in an associate	–	329
Prepayments and deposits	–	1
Accounts and bills payable	(26)	(5)
Accrued liabilities and other payables	–	(1)
	<u>9</u>	<u>328</u>
Gain on disposal of interests in certain subsidiaries	–	<u>217</u>
	<u>9</u>	<u>545</u>
Represented by:		
Cash consideration paid	–	(32)
Brands, trademarks and patents	–	364
Investment properties	9	–
Release of reserves	–	(3)
Minority interests	–	<u>216</u>
	<u>9</u>	<u>545</u>

The subsidiaries disposed of during the year ended 31 December 2001 and 31 December 2002 had no material effect on the cashflow of the Group.

31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal and partial divestment of interests in subsidiaries and associates (continued)

The analysis of net outflow of cash and cash equivalents in respect of the disposal and partial divestment of interests in subsidiaries and associates is as follows:

	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Cash consideration paid	—	(32)

(c) Major non-cash transactions

- (i) Purchase consideration for subsidiaries of HK\$509 million during the year was discharged through accounts receivable.
- (ii) Purchase consideration for additional interest in a subsidiary of HK\$453 million during the year was discharged through receivable from an associate.
- (iii) Purchase consideration for long term investment of HK\$52 million during the year was discharged through accounts receivable.
- (iv) 2001 final dividend of HK\$127 million was dealt with by way of a distribution in specie of marketable securities.
- (v) During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$28 million.

32. CONTINGENT LIABILITIES

	Group		Company	
	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Bills discounted with recourse	<u>34</u>	<u>41</u>	<u>—</u>	<u>—</u>
Guarantee of trade finance banking facilities granted to:				
Subsidiaries	—	—	1,298	1,098
Associates	<u>31</u>	<u>86</u>	<u>31</u>	<u>86</u>
	<u>31</u>	<u>86</u>	<u>1,329</u>	<u>1,184</u>

All trade bills discounted at the balance sheet date were subsequently honoured by customers with no losses to the Group.

33. COMMITMENTS

	2002	Group
	HK\$	2001
	million	HK\$
		million
(a) Capital commitments:		
Contracted for	1	6
Authorised, but not contracted for	—	—
	<u>1</u>	<u>6</u>
(b) The future minimum lease payments under non-cancellable operating leases for each of the following periods:		
Land and buildings:		
Not later than one year	41	33
Later than one year and not later than five years	31	28
Later than five years	1	2
	<u>73</u>	<u>63</u>
(c) The group had commitments under the following foreign exchange forward contracts at fixed exchange rates:		
To sell approximately JPY1,354 million (2001: US\$47 million)	<u>89</u>	<u>370</u>
To purchase approximately JPY5,968 million in 2001	<u>—</u>	<u>358</u>

34. BANKING FACILITIES

Certain banking facilities available to the Group were secured by assets for which the aggregate carrying values were as follows:

	Group	
	2002 HK\$ million	2001 HK\$ million
(i) Legal charges over brands, trademarks and patents	655	–
(ii) Legal charges over medium term leasehold land and buildings in Hong Kong and marketable securities	679	667
(iii) Legal charges over plant and machinery	36	–
(iv) Pledge of medium term leasehold land and buildings outside Hong Kong	114	113
(v) Pledge of inventories	–	19
(vi) Pledge of accounts receivable and bank deposits	65	59
(vii) Pledge of unlisted investment securities	10	–
	1,559	858

35. PROVIDENT FUND SCHEMES

From 1 December 2000 onwards, all the staff of the Group in Hong Kong are offered the opportunity to join the Mandatory Provident Fund Scheme (the “MPF Scheme”), which is introduced by the Hong Kong Special Administrative Region. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK\$1,000 per employee and they can choose to make additional contributions. The employer’s monthly contributions are calculated at 5% of each employee’s monthly salaries up to a maximum of HK\$1,000. The employees are entitled to 100% of the employer’s mandatory contributions upon their retirement at the age of 65 years old, death or total incapacity.

36. SEGMENT REPORTING

(a) Business segments

The core divisions of the Group comprises of:

Divisions	Principal activities
(i) Electronics manufacturing services	Manufacture and trading of electronic products
(ii) Magnetic media	Manufacture and trading of computer magnetic heads
(iii) Branded distribution	Trading of audio and video products
(iv) Financial services	Provision of foreign currencies exchange, corporate finance, investment and financial advisory and other services

36. SEGMENT REPORTING (continued)

(a) Business segments (continued)

	Electronics manufacturing services HK\$ million	Magnetic media HK\$ million	Branded distribution HK\$ million	Financial services HK\$ million	Inter- segment elimination HK\$ million	Consolidated HK\$ million
2002						
Revenue:						
Revenue from external customers	1,754	820	2,013	2,059	-	6,646
Inter-segment sales	105	5	15	41	(166)	-
Total revenue	<u>1,859</u>	<u>825</u>	<u>2,028</u>	<u>2,100</u>	<u>(166)</u>	<u>6,646</u>
Result:						
Divisional operating results	<u>70</u>	<u>137</u>	<u>149</u>	<u>122</u>	<u>-</u>	478
Unallocated corporate expenses						(23)
Operating profit						455
Gain/(loss) on disposal of property, plant and equipment	1	-	-	(22)	-	(21)
Gain/(loss) on disposal of long term investments	-	(1)	-	2	-	1
Impairment						
- property, plant and equipment	-	-	-	(16)	-	(16)
- properties held for sale	-	-	-	(67)	-	(67)
- long-term investments	-	(14)	-	-	-	(14)
Interest income						7
Interest expenses						(40)
Taxation						(3)
Minority interests						76
Profit attributable to shareholders						<u>378</u>
Assets:						
Division assets	1,805	1,092	1,983	1,456	(538)	5,798
Unallocated assets						2
						<u>5,800</u>
Liabilities:						
Division liabilities	1,597	263	1,162	610	(495)	3,137
Unallocated liabilities						13
						<u>3,150</u>
Other information:						
Depreciation and amortisation	<u>73</u>	<u>29</u>	<u>89</u>	<u>50</u>		<u>241</u>
Capital expenditure	<u>113</u>	<u>7</u>	<u>229</u>	<u>11</u>		<u>360</u>

36. SEGMENT REPORTING (continued)

(a) Business segments (continued)

In 2002, the turnover and operating results of two sub-groups namely, Capetronic International (Thailand) Public Company Limited and other subsidiaries engaged in the monitor manufacturing operations in Thailand (“CITL”) and Hi-Tech Precision Products Limited and subsidiaries (“Hi-Tech”) were grouped under Financial Services instead of Electronics Manufacturing Services (“EMS”) as compared to previous year. This move was in line with the restructuring of CITL and the closing down of the production facilities of Hi-Tech in PRC, which was effected in 2001. Hi-Tech had no significant production in 2002, and its last orders from customers were produced by factories of EMS in Zhongshan, PRC.

The turnover and operating results of these two sub-groups were:

	<u>2002</u> HK\$ million	<u>2001</u> HK\$ million
Turnover:		
CITL	69	927
Hi-Tech	38	1,179
Operating (loss)/profit:		
CITL	(1)	17
Hi-Tech	(19)	(23)

In lieu of EMS managing the operation and restructuring of CITL and the closing down of Hi-Tech, EMS charged HK\$36 million for the services rendered during the year.

In 2002, Branded Distribution shared HK\$42 million out of a total of HK\$106 million profit realised by Financial Services on the disposal of shares in Sansui Electric Co., Ltd. This reflects the contribution of and reimbursement of costs and expenses incurred by Branded Distribution in the restructuring of Sansui Electric Co., Ltd.

36. SEGMENT REPORTING (continued)

(a) Business segments (continued)

	Electronics manufacturing services HK\$ million	Magnetic media HK\$ million	Branded distribution HK\$ million	Financial services HK\$ million	Inter- segment elimination HK\$ million	Consolidated HK\$ million
<u>2001</u>						
Revenue:						
Revenue from external customers	4,227	1,174	932	1,485	-	7,818
Inter-segment sales	59	-	122	89	(270)	-
Total revenue	<u>4,286</u>	<u>1,174</u>	<u>1,054</u>	<u>1,574</u>	<u>(270)</u>	<u>7,818</u>
Result:						
Divisional operating results	<u>135</u>	<u>205</u>	<u>146</u>	<u>126</u>	<u>-</u>	612
Unallocated corporate expenses						(45)
Operating profit						567
Loss on disposal of property, plant and equipment	(9)	-	-	-	-	(9)
Gain on disposal of interests in certain subsidiaries	19	-	-	198	-	217
Impairment						
- goodwill	-	-	-	(12)	-	(12)
- properties held for sale	-	-	-	(37)	-	(37)
- long-term investments	-	(44)	-	-	-	(44)
Preference share redemption expenses	-	-	-	(13)	-	(13)
Share of results of associates	-	-	(92)	(7)	-	(99)
Interest income						18
Interest expenses						(56)
Taxation						(4)
Minority interests						(71)
Profit attributable to shareholders						<u>457</u>
Assets:						
Division assets	2,679	1,193	978	1,911	(919)	5,842
Unallocated assets						2
						<u>5,844</u>
Liabilities:						
Division liabilities	2,411	406	531	655	(993)	3,010
Unallocated liabilities						8
						<u>3,018</u>
Other information:						
Depreciation and amortisation	<u>121</u>	<u>24</u>	<u>2</u>	<u>29</u>		<u>176</u>
Capital expenditure	<u>65</u>	<u>107</u>	<u>395</u>	<u>9</u>		<u>576</u>

36. SEGMENT REPORTING (continued)

(b) Geographical segments

	Sales revenue		Carrying amount of division assets		Capital expenditure incurred during the year	
	2002	2001	2002	2001	2002	2001
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
North America	1,236	1,310	149	196	-	-
Europe	734	945	132	154	-	-
Asia	4,676	5,563	4,042	5,103	140	187
Unallocated	-	-	1,475	389	220	389
	6,646	7,818	5,798	5,842	360	576

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			2002	2001	
Directly held:					
Broadland Investments Limited	British Virgin Islands	US\$106	100%	100%	Investment holding
The Grande Capetronic Holdings Limited	British Virgin Islands	US\$100	100%	100%	Investment holding
The Grande (Nominees) Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
The Grande (Secretaries) Service Limited	British Virgin Islands	US\$1	100%	-	Investment holding
The Grande Group Limited*	Singapore	S\$5,000,000	100%	100%	Provision of management services
Grande N.A.K.S. Limited	British Virgin Islands	US\$10,000	100%	100%	Investment holding
The Grande Industries Limited	British Virgin Islands	US\$101	100%	100%	Investment holding

* Audited by certified public accountants other than Deloitte Touche Tohmatsu.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			2002	2001	
Indirectly held:					
The Alpha Capital Group Limited	British Virgin Islands	US\$100	100%	100%	Corporate finance and investment holding
The Alpha Capital Limited	Hong Kong	HK\$13,121,760	100%	100%	Provision of corporate finance, investment and financial advisory services
Hi-Tech Precision Products Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
First International Resources Limited*	Hong Kong	HK\$20,000,000	76%	76%	Foreign currencies exchange service
Unison Foreign Exchange Limited*	Hong Kong	HK\$5,000	76%	76%	Foreign currencies exchange service
Sansui Enterprises Limited	British Virgin Islands	US\$1	100%	100%	Trading of audio and video products
Sansui Acoustic Research Corporation	British Virgin Islands	US\$2	100%	100%	Brands, trademarks and patents holding
Nakamichi Designs Limited	British Virgin Islands	US\$50,000	100%	100%	Brands, trademarks and patents holding

* Audited by certified public accountants other than Deloitte Touche Tohmatsu.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			2002	2001	
Indirectly held: (continued)					
Nakamichi Enterprises Limited	British Virgin Islands	US\$10,001	100%	100%	Trading of audio and video products
Nakamichi Research(S) Pte Ltd*	Singapore	S\$600,000	100%	100%	Research & development
Nakamichi Vision 21 Limited	British Virgin Islands	US\$100	100%	100%	Trading of audio and video products
Sound View International Limited	Hong Kong	HK\$100,000	95%	50%	Trading of audio and video products
Akai Electric Co Ltd*	Japan	JPY4,684,650,000	85%	–	Trading of audio and video products
Phenomenon Agents Ltd	British Virgin Islands	US\$2	85%	–	Brands, trademarks and patents holding
N.A.K.S. Enterprises Limited	British Virgin Islands	US\$2	85%	100%	Trading of audio and video products
Nakamichi Corporation*	Japan	JPY209,640,000	100%	45%	Trading of audio and video products
Tomei Kawa Electronics International Limited	British Virgin Islands	US\$1	100%	–	Brands, trademarks and patents holding
Nakamichi Corporation Berhad#	Malaysia	RM55,410,180	60%	60%	Manufacture of consumer electronic products
E-Zone Group Holdings Limited*	British Virgin Islands	US\$50,000	100%	100%	Investment holding

* Audited by certified public accountants other than Deloitte Touche Tohmatsu.

Audited by certified public accountants other than Deloitte Touche Tohmatsu and listed on the Kuala Lumpur Stock Exchange in Malaysia.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			2002	2001	
Indirectly held: (continued)					
The Grande Group (Hong Kong) Limited	Hong Kong	HK\$20	100%	100%	Provision of administration services
Polycrown Company Limited*	Hong Kong	HK\$100,000	86%	86%	Property holding
South Sea International Press Limited*	Hong Kong	HK\$10,000,000	86%	86%	Manufacture and sale of printed products
Tomei Technologies Limited	British Virgin Islands	US\$100	100%	100%	Investment holding
Tomei Shoji Limited	Hong Kong	HK\$2,000,000	100%	100%	Trading of mechadecks and video products
TWD Asia Limited	British Virgin Islands	US\$100	100%	100%	Trading of electronic products
Lafe International Holdings Limited	Cayman Islands	HK\$62,844,690	100%	76%	Investment holding
The Grande Properties Limited	Hong Kong	HK\$10,000,000	100%	76%	Property holding
Toyo Components Group Limited	British Virgin Islands	US\$100	100%	76%	Property holding

* Audited by certified public accountants other than Deloitte Touche Tohmatsu.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			2002	2001	
Indirectly held: (continued)					
Capetronic International (Thailand) Public Company Limited ^o	Thailand	BAHT14,009,374,000	83%	64%	Manufacture of computer monitors
Sheer Profit Corporation	British Virgin Islands	US\$1	100%	100%	Investment holding
Lafe Technology Limited ⁺	Bermuda	US\$40,000,000	63%	63%	Investment holding
Lafe Computer Magnetics Limited	Hong Kong	HK\$10,000,000	63%	63%	Marketing agent
Lafe Investment Limited	Hong Kong	HK\$20	63%	63%	Property holding
Lafe Electronic Components (Panyu) Co., Ltd.*	The People's Republic of China	HK\$35,000,000	63%	63%	Manufacture of computer magnetic heads
Lafe Peripherals International Limited	British Virgin Islands	US\$100	63%	63%	Trading of computer magnetic heads
Lafe (China) Corporation Limited	British Virgin Islands	US\$100	63%	63%	Manufacture of computer magnetic heads

^o Audited by certified public accountants other than Deloitte Touche Tohmatsu and listed on the Stock Exchange of Thailand.

* Audited by certified public accountants other than Deloitte Touche Tohmatsu.

+ Listed on the Singapore Stock Exchange.

38. POST BALANCE SHEET EVENTS

Subsequent to 31 December 2002, the following events took place:

- (a) In January 2003, the Group entered into an irrevocable undertaking (the "Agreement") with Ross Group Plc ("Ross"), an associate of the Company and listed on the London Stock Exchange. Pursuant to the Agreement, the Group subscribed for an additional 64,269,756 Open Offer Shares, representing 47% of the enlarged share capital of Ross, at an aggregate subscription price of HK\$18 million. The Agreement was completed on 17 February 2003 and the interest of the Group in the enlarged share capital of Ross therefore increased to approximately 71%.
- (b) During the period from 2 January to 2 April 2003, the Group purchased of a total of 1,682,000 shares in Omnicorp Limited (formerly Omnitech Group Limited) ("O2New"). As a result of the acquisition, the shareholding in O2New was increased from 9% at the balance sheet date to 10%.
- (c) At the year ended 31 December 2002, the Group was holding 44 million shares, approximately 6% shareholding of Sansui Electric Company Limited ("Sansui"), a company listed on the First Section of the Tokyo Stock Exchange. In February 2003, the Group had subscribed 143 million shares of Sansui and the total shareholding increased to approximately 20%.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 April 2003.