1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. During the year, the Group's principal activities consisted of the design, development, manufacture and sale of electronic products, the manufacture and sale of printed circuit boards ("PCBs"), the trading and distribution of electronic components and parts, the trading of listed equity investments, the provision of loan financing, and the manufacture and sale of optical products.

The manufacture and sale of optical products were new businesses entered into the Group during the year upon its acquisition of Swank International Manufacturing Company Limited ("Swank"), a company incorporated in Hong Kong with limited liability and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 11 (Revised) : "Foreign currency translation"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 34 : "Employee benefits"

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 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 statement of changes in equity is now presented in the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

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

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

SSAP 15 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 consolidated cash flow statement has been revised.

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 had no material effect on the financial statements. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 30 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on the Stock Exchange (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 SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of fixed assets and short term investments 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 the 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.

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

Subsidiaries

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

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

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

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

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;

(b) an associate, if the Group 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;

(c) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company; and

(d) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

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

Associates (continued)

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of the net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Negative goodwill

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill (continued)

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

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

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 are stated at cost or valuation less accumulated depreciation and any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

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 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 the fixed asset.

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

Land held under medium term leases	Over the remaining lease terms
Buildings	4%
Leasehold improvements	5–50%
Plant and machinery	6.67–20%
Furniture, fixtures and office equipment	10–20%
Motor vehicles	20%

Changes in the values of fixed assets resulting from revaluations are dealt with, on an individual asset basis, as movements in the asset revaluation reserve. Deficits arising from revaluation, to the extent they cannot be offset against the revaluation surplus in respect of the same asset, are charged to the profit and loss account. Any subsequent revaluation surplus is credited to profit and loss account to the extent of the deficit previously charged.

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

Research and development costs

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

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

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

Research and development costs (continued)

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

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. Fair values are determined by reference to quoted market prices net of any discount which is deemed necessary by the directors to reflect the potential impact of the disposal of such shares in the case of substantial shareholdings. The gains or losses arising from changes in the fair value of a security are credited to or charged to the profit and loss account in the period in which they arise.

Properties held for sale

Properties held for sale are stated at the lower of carrying amount and net realisable value.

Inventories

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax

Deferred tax is provided, under 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.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are credited or charged to the profit and loss account on the straight-line basis over the lease terms.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

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 Hong Kong Employment Ordinance.

A provision is recognised in respect of probable future long services payments expected to be made. The provision is based on the best estimate of the probable future payments which has been earned by the employees from their service to the Group to the balance sheet date.

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 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, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries in the People's Republic of China (the "PRC") are members of the state-sponsored retirement scheme operated by the government of the PRC.

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.

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.

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

For the purpose of the balance sheet, cash and bank balances and time deposits represent assets which are not restricted as to use.

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

(c) from the sale of listed equity investments, on the trade day;

(d) from the sale of property, when the legally binding sales contract is signed;

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

(f) management fee, when the services are rendered.

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 consolidated profit and loss account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

On consolidation, the financial statements of overseas subsidiaries and associates are translated to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into 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 ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates ruling 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 associates and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously-reported cash flows of the prior year.

4. SEGMENT INFORMATION

In accordance with the requirements of SSAP 26 “Segment reporting”, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format.

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 the other business segments. Summary details of the business segments are as follows:

(a) the electronic products segment consists of the manufacture and sale of electronic products;

(b) the PCBs segment consists of the manufacture and sale of PCBs;

4. **SEGMENT INFORMATION** (continued)

(c) the electronic components and parts segment consists of the trading and distribution of electronic components and parts;

(d) the listed equity investments segment consists of the trading of listed equity investments;

(e) the provision of finance segment consists of the provision of loan financing services; and

(f) the optical products segment consists of the manufacture and sale of optical products.

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.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to the third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (continued)

(a) Business segments

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

Group

	Electronic products		PCBs		Electronic components and parts		Listed equity investments		Provision of finance		Optical products		Eliminations		Consolidated	
	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	**434,371**	420,554	**96,940**	84,692	**138**	950	**667**	31,556	**1,243**	6,422	**207,718**	—	**—**	—	**741,077**	544,174
Inter-segment sales	**—**	—	**9,932**	12,070	**38,941**	32,703	**—**	—	**—**	—	**—**	—	**(48,873)**	(44,773)	**—**	—
Other revenue	**1,443**	3,105	**2,110**	1,474	**665**	261	**779**	414	**30**	—	**3,487**	—	**—**	—	**8,514**	5,254
Total	**435,814**	423,659	**108,982**	98,236	**39,744**	33,914	**1,446**	31,970	**1,273**	6,422	**211,205**	—	**(48,873)**	(44,773)	**749,591**	549,428
Segment results	**39,250**	48,061	**(1,302)**	(12,085)	**2,336**	729	**(6,960)**	(13,298)	**(11,448)**	7,098	**8,712**	—	**(51)**	(45)	**30,537**	30,460
Interest, dividend income and unallocated gains															**5,316**	4,258
Negative goodwill recognised as income															**24,784**	—
Gain on disposal of partial interest in Swank															**3,481**	—
Unallocated expenses															**(3,558)**	(5,913)
Profit from operating activities															**60,560**	28,805
Finance costs															**—**	(343)
Profit after finance costs															**60,560**	28,462
Share of profits less losses of associates	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**5,797**	—	**—**	—	**5,797**	—
Profit before tax															**66,357**	28,462
Tax:																
Company and subsidiaries															**(3,675)**	(3,079)
Associates	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(1,000)**	—	**—**	—	**(1,000)**	—
Profit before minority interests															**61,682**	25,383
Minority interests															**1,165**	5,734
Net profit from ordinary activities attributable to shareholders															**62,847**	31,117

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Electronic products		PCBs		Electronic components and parts		Listed equity investments		Provision of finance		Optical products		Eliminations		Consolidated	
	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 assets	**198,603**	199,965	**104,949**	102,748	**11,301**	9,816	**54,082**	16,553	**161,153**	24,543	**126,757**	—	**(5,677)**	(9,424)	**651,168**	344,201
Interests in associates	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**30,894**	—	**—**	—	**30,894**	—
Unallocated assets	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**177,638**	379,914
Total assets															**859,700**	724,115
Segment liabilities	**43,300**	47,236	**26,926**	27,147	**1,723**	2,662	**179**	197	**40**	30	**46,832**	—	**(5,626)**	(9,424)	**113,374**	67,848
Unallocated liabilities															**26,016**	21,232
Total liabilities															**139,390**	89,080
Other segment information:																
Depreciation and amortisation	**11,197**	9,336	**9,666**	9,228	**—**	257	**—**	—	**—**	—	**10,604**	—	**—**	—	**31,467**	18,821
Impairment losses recognised in the profit and loss account	**—**	95	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	95
Unallocated amounts															**2,692**	2,028
															34,159	20,944
Capital expenditure	**16,784**	14,322	**539**	1,929	**—**	—	**—**	—	**—**	—	**2,767**	—	**—**	—	**20,090**	16,251
Unallocated amounts															**2,181**	478
															22,271	16,729
Provision against loans receivable/ (write-back of provision against loans receivable)	**—**	—	**—**	—	**—**	—	**—**	—	**1,480**	(9,449)	**—**	—	**—**	—	**1,480**	(9,449)
Provision for properties held for sale	**—**	—	**—**	—	**—**	—	**2,200**	4,833	**—**	—	**—**	—	**—**	—	**2,200**	4,833
Surplus on revaluation of leasehold land and buildings	**—**	6,141	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	6,141
Unallocated amounts															**22**	(214)
															22	5,927
Surplus/(deficit) on revaluation recognised directly in equity	**(31)**	1,321	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(31)**	1,321

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

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

Group

	Europe		North America		Hong Kong		Japan		Others		Eliminations		Consolidated	
	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	**115,013**	57,764	**264,964**	134,974	**162,434**	188,914	**142,741**	138,078	**55,925**	24,444	**—**	—	**741,077**	544,174

	Hong Kong		Mainland PRC		Others		Eliminations		Consolidated	
	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
Other segment information:										
Segment assets	**516,705**	528,198	**312,031**	195,917	**70**	—	**—**	—	**828,806**	724,115
Interests in associates	**(7,050)**	—	**37,788**	—	**156**	—	**—**	—	**30,894**	—
									859,700	724,115
Capital expenditure	**4,571**	2,041	**17,700**	14,688	**—**	—	**—**	—	**22,271**	16,729

5. TURNOVER

Turnover represents the invoiced value of goods sold, net of returns and allowances, the proceeds from sales of listed equity investments and the interest income from the provision of loan financing. Revenue from the following activities has been included in turnover:

	2002 HK$'000	2001 HK$'000
Manufacture and sale of electronic products	**434,371**	420,554
Manufacture and sale of PCBs	**96,940**	84,692
Trading and distribution of electronic components and parts	**138**	950
Trading of listed equity investments	**667**	31,556
Provision of loan financing	**1,243**	6,422
Manufacture and sale of optical products	**207,718**	—
	741,077	544,174

6. PROFIT FROM OPERATING ACTIVITIES

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

	2002 HK$'000	2001 HK$'000
Cost of inventories sold	578,121	400,565
Depreciation	32,312	19,141
Amortisation of prepaid rental	737	737
Deferred product development costs:		
Amortisation for the year*	1,110	971
Impairment arising during the year*	—	95
	1,110	1,066
Minimum lease payments under operating leases:		
Land and buildings	8,836	8,037
Office equipment	667	604
Staff costs (including directors' remuneration — *note 8*):		
Wages and salaries	111,094	57,178
Bonuses	6,425	2,960
Pension contributions	2,216	2,245
Less: Forfeited contributions	(641)	—
Net pension contributions**	1,575	2,245
	119,094	62,383
Auditors' remuneration:		
Current year provision	2,380	1,150
Prior year overprovision	(100)	—
	2,280	1,150
Provision for doubtful accounts receivable	569	1,050
Provision against inventories/(write-back of provision against inventories)	134	(4,419)
Provision against loans receivable/(write-back of provision against loans receivable)	1,480	(9,449)
Provision for long service payments	753	—
Negative goodwill recognised as income	(24,784)	—
Loss on disposals of fixed assets	1,588	263
Exchange gains, net	(441)	(188)
Interest income on bank deposits	(5,444)	(4,209)
Net losses/(gains) on disposals of listed equity investments	(64)	3,891
Gain on disposal of partial interest in Swank	(3,481)	—
Dividend income from listed investments	(12)	(8)

6. PROFIT FROM OPERATING ACTIVITIES (continued)

The cost of inventories sold includes HK$74,230,000 (2001: HK$25,280,000) relating to direct staff costs, provision against inventories, amortisation of prepaid rental, amortisation and impairment of deferred product development costs, write-back of provision against inventories, operating lease rentals of land and buildings and depreciation of the manufacturing activities, which are also included in the respective total amounts disclosed above for each of these types of expenses.

* The amortisation and impairment of deferred product development costs for both the current and last years are included in "Cost of sales" on the face of the consolidated profit and loss account.

** At 31 December 2002, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2001: Nil).

7. FINANCE COSTS

	2002 HK$'000	2001 HK$'000
Interest on bank borrowings wholly repayable within five years	**—**	343

8. DIRECTORS' REMUNERATION

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

	2002 HK$'000	2001 HK$'000
Directors' fees:		
Executive	**—**	—
Independent non-executive	**330**	330
Other emoluments:		
Executive:		
Salaries and other benefits	**8,229**	8,254
Bonuses	**6,425**	2,960
Pension contributions	**374**	361
Independent non-executive:		
Salaries and other benefits	**—**	—
	15,358	11,905

8. **DIRECTORS' REMUNERATION** (continued)

The remuneration of the directors fell within the following bands:

	Number of directors	
	2002	2001
Nil–HK$1,000,000	**4**	4
HK$1,000,001–HK$1,500,000	**1**	1
HK$4,000,001–HK$4,500,000	**—**	2
HK$5,500,001–HK$6,000,000	**2**	—
	7	7

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

9. **FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the year included three (2001: three) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining two (2001: two) non-director, highest paid employees are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,210**	3,210
Pension contributions	**56**	56
	3,266	3,266

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

	Number of employees	
	2002	2001
HK$1,000,001–HK$1,500,000	**1**	1
HK$1,500,001–HK$2,000,000	**1**	1
	2	2

10. TAX

	Group	
	2002	2001
	HK$'000	HK$'000
The PRC:		
Hong Kong:		
Current year provision	**3,690**	4,089
Overprovision in prior year	**(228)**	(1,250)
Mainland China	**213**	240
	3,675	3,079
Share of tax attributable to associates	**1,000**	—
Tax charge for the year	**4,675**	3,079

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.

In accordance with the applicable enterprise income tax law of the PRC, the Group's subsidiaries registered in Mainland China, Dongguan Yifu Circuit Board Factory ("Yifu") and Gaojin Electronics (Shenzhen) Co., Ltd. ("Gaojin"), are exempt from income tax for their first two profitable years of operations and are entitled to 50% relief on the income tax that would otherwise be charged for the succeeding three years.

The foregoing tax concession for Yifu has expired. Pursuant to a further tax concession granted in the current year, the income tax rate applicable to Yifu was reduced from the standard rate of 24% to 15% for 2002 (2001: 15%). Gaojin began its first profitable year in the year ended 31 December 2002. The income tax rate applicable to Gaojin is 15 % per annum.

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK$15,058,000 (2001: net loss of HK$24,000).

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK$62,847,000 (2001: HK$31,117,000) and the weighted average of 2,818,746,719 (2001: 1,183,527,852) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year is based on the net profit attributable to shareholders for the year of HK$62,847,000 (2001: HK$31,117,000) and the weighted average of 2,825,510,355 (2001: 1,193,943,852) ordinary shares in issue during the year.

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

	2002	2001
Weighted average number of shares used in the basic earnings per share calculation	**2,818,746,719**	1,183,527,852
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year	**6,763,636**	10,416,000
Weighted average number of shares used in the diluted earnings per share calculation	**2,825,510,355**	1,193,943,852

13. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:						
At beginning of year	39,400	33,012	120,085	18,262	3,230	213,989
Additions	—	4,551	12,006	3,678	1,190	21,425
Disposals	—	—	(3,341)	(8,514)	—	(11,855)
Deficit on revaluation	(1,100)	—	—	—	—	(1,100)
Acquisition of Swank	—	—	44,128	31,159	345	75,632
At 31 December 2002	38,300	37,563	172,878	44,585	4,765	298,091
Accumulated depreciation:						
At beginning of year	—	9,543	52,674	10,128	2,833	75,178
Provided during the year	1,091	4,666	17,854	8,234	467	32,312
Disposals	—	—	(3,288)	(6,975)	—	(10,263)
Write-back on revaluation	(1,091)	—	—	—	—	(1,091)
At 31 December 2002	—	14,209	67,240	11,387	3,300	96,136
Net book value:						
At 31 December 2002	38,300	23,354	105,638	33,198	1,465	201,955
At 31 December 2001	39,400	23,469	67,411	8,134	397	138,811
An analysis of cost or valuation:						
At cost	—	37,563	172,878	44,585	4,765	259,791
At 2002 valuation	38,300	—	—	—	—	38,300
	38,300	37,563	172,878	44,585	4,765	298,091

13. FIXED ASSETS (continued)

Company

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Total HK$'000
Cost:			
At beginning of year	13	124	137
Additions	—	20	20
At 31 December 2002	13	144	157
Accumulated depreciation:			
At beginning of year	2	36	38
Provided during the year	3	28	31
At 31 December 2002	5	64	69
Net book value:			
At 31 December 2002	8	80	88
At 31 December 2001	11	88	99

The analysis of the Group's leasehold land and buildings at 31 December 2002 is as follows:

	At valuation HK$'000
Medium term leasehold land and buildings situated in Mainland PRC	26,300
Medium term leasehold land and buildings situated in Hong Kong	12,000
	38,300

The leasehold land and buildings have been valued on an open market value basis, based on their existing use by B.I. Appraisals Limited, an independent firm of professional valuers, on 31 December 2002 at HK$38,300,000. A revaluation surplus of HK$22,000 and revaluation deficit of HK$31,000 resulting from these valuations have been credited to profit and loss account and charged to the property revaluation reserve, respectively.

13. FIXED ASSETS (continued)

Had the Group's land and buildings stated at valuation been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK$41,957,000 (2001: HK$43,066,000).

Certain of the Group's leasehold land and buildings were pledged to secure banking facilities granted to the Group. The net book values of the pledged assets included in the total amount of fixed assets at 31 December 2002 amounted to HK$12,000,000 (2001: HK$12,400,000).

14. NEGATIVE GOODWILL

The amounts of the negative goodwill recognised in the consolidated balance sheet, arising from the acquisition of Swank and additional investment in Electronics Tomorrow Manufactory Inc. ("ETMI"), are as follows:

	Group HK$'000
Cost:	
Acquisition of Swank	79,087
Additional investment in ETMI *(note 15)*	4,368
At 31 December 2002	83,455
Accumulated recognition as income:	
Recognition as income during the year and at 31 December 2002	24,784
Net book value:	
At 31 December 2002	58,671

15. INTERESTS IN SUBSIDIARIES

	2002 HK$'000	2001 HK$'000
Unlisted shares, at cost	**93,316**	93,316
Due from subsidiaries	**366,810**	123,450
Due to subsidiaries	**(461)**	(477)
	459,665	216,289
Provisions for impairment	**(38,628)**	(38,628)
	421,037	177,661

The balances with the subsidiaries are unsecured, interest-free and are not repayable within the next twelve months from the balance sheet date.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Active Base Limited	Hong Kong	HK$2	100%	100%	Provision of loan financing
Asiacorp Group Co., Ltd.	The British Virgin Islands/Hong Kong	US$1	100%	100%	Securities investment
Central Technology Limited	Hong Kong	HK$100	100%	100%	Trading of electronic components and parts
Connion Limited	Hong Kong	HK$2	100%	100%	Securities investment and property holding
E-Top PCB Limited ("E-Top")***	Hong Kong	HK$100	65%	55%	Trading of printed circuit boards
Eastec Purchasing Limited	The British Virgin Islands/Japan	US$1	100%	100%	Trading of electronic components and parts

15. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Eastec Technology Limited	Hong Kong	HK$2	100%	100%	Trading of electronic components and parts
Electronics Tomorrow International Limited	The British Virgin Islands	US$600	100%	100%	Investment holding
Electronics Tomorrow Limited	Hong Kong	HK$500,000	100%	100%	Manufacture and sale of electronic products
Electronics Tomorrow Manufactory Inc. ("ETMI")***	The British Virgin Islands	US$257	65%	55%	Investment holding
Fortune Dynamic Group Corp.	The British Virgin Islands	US$1	100%	100%	Investment holding
Good Order International Inc.	The British Virgin Islands	US$100	100%	100%	Investment holding
Issegon Company Limited	Hong Kong	HK$300,000	100%	100%	Property holding
Master Base Limited	The British Virgin Islands	US$1	100%	100%	Investment holding
Maxwood Limited	Hong Kong	HK$2	100%	100%	Securities investment
Plentiful Light Ltd. ("Plentiful")***	The British Virgin Islands/The PRC	US$100	65%	55%	Manufacture of printed circuit boards
Probest Holdings Inc.	The British Virgin Islands	US$1	100%	100%	Investment holding
Dongguan Yifu Circuit Board Factory ("Yifu")***	The PRC	HK$64,160,000	55%	46%	Manufacture of printed circuit boards
Gaojin Electronics (Shenzhen) Co., Ltd. ("Gaojin")**	The PRC	US$3,000,000	100%	100%	Manufacture of electronic products
Dongguan De Bao Optical Co., Ltd. ("De Bao")* ****	The PRC	HK$58,550,910	29%	—	Manufacture of multi-coating lenses

15. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Dongguan Hamwell Glasses Co., Ltd. ("Dongguan Hamwell")* @	The PRC	HK$62,504,800	48%	—	Manufacture of optical products
Global Origin Limited	Hong Kong	HK$75,000,000	52%	—	Investment holding
Profit Trend International Limited*	Hong Kong	HK$1,000,000	29%	—	Investment holding
Prowin Commercial & Industrial Limited	Hong Kong	HK$2	58%	—	Property holding in the PRC
Shenzhen Henggang Swank Optical Industrial Co., Ltd. ("Henggang")* #	The PRC	US$30,000,000	47%	—	Manufacture of optical products
Swank International Manufacturing Company Limited	Hong Kong	HK$446,409,000	58%	—	Investment holding
Swank International Optical Company Limited	Hong Kong	HK$100,000	58%	—	Trading of optical products

Other than Electronics Tomorrow International Limited, Fortune Dynamic Group Corp. and Master Base Limited, which are held directly by the Company, all subsidiaries are held indirectly by the Company.

* The Company has the power to cast the majority of votes at meetings of the board of directors of these entities and therefore they are regarded as subsidiaries of the Company.

** Gaojin is registered as a wholly foreign owned enterprise under the PRC law.

*** During the year, the Group subscribed additional 57 ordinary shares of ETMI, a 55% owned subsidiary. Immediately after completion of the share allotment, the Group held 65% equity interests in ETMI, E-Top and Plentiful, and held 55% equity interests in Yifu. A negative goodwill of approximately HK$4,368,000 was arose from the increase in the equity interest in ETMI. Yifu is a Sino-foreign owned joint venture enterprise under the PRC law. In the prior year, Yifu was accounted for as a subsidiary by virtue of the Group's control over the entity.

15. INTERESTS IN SUBSIDIARIES (continued)

**** De Bao is registered as a wholly foreign owned enterprise under the PRC law. The registered capital of De Bao is HK$118,100,000. At the balance sheet date, plant and machinery amounting to HK$58,550,910 has been contributed by the Group towards meeting the registered capital requirement. The outstanding amount of approximately HK$59,549,000 was due for contribution on 18 March 1999 in accordance with De Bao's articles of association. The Group has been in discussion with the relevant authorities to modify the original terms of De Bao's articles of association, including the amount of total registered capital. Up to the date of this Annual Report, the Group has not yet obtained the approval from the relevant authorities.

@ Dongguan Hamwell is a Sino-foreign owned joint venture enterprise under the PRC law. The registered capital of Dongguan Hamwell is HK$67,940,000. At the balance sheet date, plant and machinery amounting to approximately HK$62,505,000 has been contributed by the Group to Dongguan Hamwell, towards meeting the registered capital requirement. The remaining registered capital of HK$5,435,000 has not yet been contributed by the minority shareholder of Dongguan Hamwell as at 31 December 2002.

Henggang is a Sino-foreign owned joint venture enterprise under the PRC law. Subject to the payment of an annual amount of approximately HK$3,134,000 to the joint venture party, the Group is entitled to all of the profits and bears all of the losses of Henggang.

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.

16. INTERESTS IN ASSOCIATES

	Group	
	2002	2001
	HK$'000	HK$'000
Share of net assets	**142,016**	—
Due from associates	**1,894**	—
Provision for impairment	**(113,016)**	—
	30,894	—

The amounts due from associates are unsecured, interest-free and are not repayable within the next twelve months from the balance sheet date.

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

16. INTERESTS IN ASSOCIATES (continued)

Particulars of the principal associates are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity attributable to the Group	Principal activities
Dongguan Yueheng Optical Co., Ltd.	Corporate	The PRC	29%	Manufacture of optical lenses
Dongguan Yueheng Optical (HK) Co Limited	Corporate	Hong Kong	29%	Trading of optical products
Dongguan Yueheng Optical (BVI) Company Limited	Corporate	The British Virgin Islands	29%	Financial servicing and marketing of optical products

During the year, the Group acquired the above associates through the acquisition of Swank from an independent third party, Optiset Limited. Further details of this acquisition are included in note 32 to the financial statements.

The above table lists the associates of the Group 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 associates would, in the opinion of the directors, result in particulars of excessive length.

17. PREPAID RENTAL

	Group	
	2002	2001
	HK$'000	HK$'000
Cost:		
At beginning and end of the year	**10,500**	10,500
Amortisation:		
At beginning of the year	**5,649**	4,912
Provided during the year	**737**	737
At end of the year	**6,386**	5,649
Net book value:		
At end of the year	**4,114**	4,851

The prepaid rental represents the capital contribution made by the joint venture partner of Yifu in the form of a right to use the property owned by the joint venture partner within the terms of the joint venture.

The prepaid rental is amortised on a straight-line basis over the underlying initial term of the joint venture of 15 years.

18. DEFERRED PRODUCT DEVELOPMENT COSTS

	Group	
	2002	2001
	HK$'000	HK$'000
Cost:		
At beginning of the year	**16,753**	15,359
Additions	**846**	1,394
At end of the year	**17,599**	16,753
Accumulated amortisation and impairment:		
At beginning of the year	**12,294**	11,228
Amortisation provided during the year	**1,110**	971
Impairment provided during the year	**—**	95
At end of the year	**13,404**	12,294
Net book value:		
At end of the year	**4,195**	4,459

19. PLEDGED DEPOSITS

The Group's overdraft facilities amounting to US$20,000,000 which equivalent to approximately HK$155,640,000. At the balance sheet date, the pledged deposits of the Group and the Company amounting to HK$101,056,000 (2001: Nil) were used to secure the overdraft facilities, whereas none of the overdraft facilities was utilised.

20. ACCOUNTS RECEIVABLE

The aged analysis of the Group's accounts receivable is as follows:

	2002		2001	
	HK$'000	**Percentage**	HK$'000	Percentage
Current to three months	**82,268**	**72**	35,453	77
Four to six months	**18,228**	**16**	2,017	4
Seven months to one year	**6,254**	**5**	709	2
Over one year	**8,173**	**7**	7,774	17
	114,923	**100**	45,953	100
Provision	**(10,067)**		(8,674)	
Total after provision	**104,856**		37,279	

The normal credit period granted by the Group to customers ranges from 21 days to 120 days.

21. LOANS RECEIVABLE

The loans receivable are repayable within one year, bear interest ranging from prime rate to 24% per annum and are secured, except for an amount of HK$34,000 which is unsecured. In the prior year, the loans receivable are repayable within one year, borne interest ranging from prime rate plus 0.5% to 12% per annum and were unsecured, except for an amount of HK$461,000 which was secured.

22. DEPOSIT PAID

In the prior year, deposit paid represented an escrow payment paid for the acquisition of Swank.

23. SHORT TERM INVESTMENTS

	Group	
	2002	2001
	HK$'000	HK$'000
Hong Kong listed equity investments		
At fair value	**—**	603
At market value	**—**	603

24. PROPERTIES HELD FOR SALE

	Group	
	2002	2001
	HK$'000	HK$'000
At beginning of year	**15,200**	19,802
Additions	**—**	231
Provision	**(2,200)**	(4,833)
At end of year	**13,000**	15,200

The properties held for sale are situated in Hong Kong and are held under medium term leases.

25. INVENTORIES

	Group	
	2002	2001
	HK$'000	HK$'000
Raw materials	**61,638**	29,746
Work in progress	**26,686**	14,604
Finished goods	**13,415**	11,984
	101,739	56,334

26. ACCOUNTS PAYABLE

The aged analysis of the Group's accounts payable is as follows:

	2002 HK$'000	2001 HK$'000
Current to three months	**62,317**	51,560
Four to six months	**7,019**	3,755
Seven months to one year	**641**	68
Over one year	**1,141**	533
	71,118	55,916

Accounts payable aged less than four months accounted for 87.6% (2001: 92.2%) of the total accounts payable.

27. PROVISION FOR LONG SERVICE PAYMENTS

	Group HK$'000	Company HK$'000
Acquisition of Swank	**1,000**	—
Amount utilised during the year	**(288)**	—
Additional provision	**753**	240
At 31 December 2002	**1,465**	240

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained under the heading "Employee benefits" in note 3 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

28. DEFERRED TAX

The Group's provision for deferred tax has been made in respect of accelerated depreciation allowances to the extent that a liability is expected to crystallise in the foreseeable future.

The principal components of the Group's provision for deferred tax, and the net deferred tax asset position not recognised in the financial statements are as follows:

	Provided		Not provided	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated depreciation allowances	**1,433**	1,433	**27**	63
Tax losses	**—**	—	**(130,131)**	(4,270)
Other	**—**	—	**4**	(2)
	1,433	1,433	**(130,100)**	(4,209)

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

29. SHARE CAPITAL

Shares

	2002	2001
	HK$'000	HK$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
2,860,686,445 (2001: 2,682,686,445) ordinary shares of HK$0.10 each	**286,069**	268,269

There was no repurchase of any shares during the year.

29. SHARE CAPITAL (continued)

Shares (continued)

On 11 March 2002, 178,000,000 new shares of HK$0.10 each were allotted and issued to Winspark Venture Limited ("Winspark"), a substantial shareholder of the Company, at an issue price of HK$0.15 per share, payable in cash, on 28 March 2002. Pursuant to a subscription agreement dated 11 March 2002, following a placement of 178,000,000 shares of HK$0.10 each in the Company by Winspark at the same price to independent third parties. This placement raised net cash proceeds of approximately HK$25,838,000 for the Company for general working capital purposes. The placing price of HK$0.15 per share represented a discount of approximately 13.3% to the closing price of HK$0.173 per share as quoted on the Stock Exchange on 11 March 2002.

Share options

Details of the Company's share option scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

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 scheme 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.

The particulars in relation to each share option scheme of the Company or any of its subsidiaries that are required under Rules 17.07 to 17.09 of Chapter 17 of the Listing Rules and SSAP 34 are disclosed below:

(a) Share option schemes of the Company

On 29 May 2002, the share option scheme of the Company adopted on 21 July 1995 ceased to operate and a new share option scheme (the "Tomorrow Scheme") was adopted on the same date to comply with the new requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. The options granted under the old scheme will remain in force and effect.

30. SHARE OPTION SCHEME (continued)

(a) Share option schemes of the Company (continued)

The Company operates the Tomorrow Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Tomorrow Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, and any minority shareholder of the Company's subsidiaries. The Tomorrow Scheme became effective on 29 May 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Tomorrow Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 December 2002, the number of shares issuable under share options granted under the Tomorrow Scheme was 91,500,000, which represented approximately 3.2% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Tomorrow Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a 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 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised under the Tomorrow Scheme at any time during a period not exceeding 5 years after the date when the option is granted and expiring on the last date of such period.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share.

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

30. SHARE OPTION SCHEME (continued)

(a) Share option schemes of the Company (continued)

The following share options were outstanding under the old scheme during the year:

Grantee	Date of grant of share options	Exercise period of share options	Number of share options outstanding at 31 December 2002 '000	Exercise price of share options at 31 December 2002 HK$
Director				
Ms. Louie Mei Po	11/2/2000	11/8/2000–10/8/2003	**23,700**	**0.227**
	20/3/2000	20/9/2000–19/9/2003	**19,800**	**0.163**
	2/5/2000	2/11/2000–1/11/2003	**9,000**	**0.090**
Ms. Wong Shin Ling, Irene	20/3/2000	20/9/2000–19/9/2003	**10,800**	**0.163**
	2/5/2000	2/11/2000–1/11/2003	**19,200**	**0.090**
Mr. Tam Ping Wah	2/5/2000	2/11/2000–1/11/2003	**9,000**	**0.090**
			91,500	

No share options were granted, exercised, cancelled or lapsed under the old Scheme and the Tomorrow Scheme during the year.

(b) Share option schemes of Swank

On 28 May 2002, the share option scheme of Swank adopted on 28 June 1996 ceased to operate and a new share option scheme (the "Swank Scheme") has been adopted on the same date to comply with the new requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company.

All details of the Swank Scheme are the same as described under the heading "Share option schemes of the Company", except for the Swank Scheme became effective on 28 May 2002 and, unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date. At 31 December 2002, Swank had no share options outstanding under the Swank Scheme. No options were granted by Swank during the year.

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2001	189,186	77	84,917	(11,156)	263,024
Issue of shares	4,830	—	—	—	4,830
Share issue expenses	(1,498)	—	—	—	(1,498)
Loss for the year	—	—	—	(24)	(24)
At 31 December 2001 and at beginning of year	192,518	77	84,917	(11,180)	266,332
Issue of shares	8,900	—	—	—	8,900
Share issue expenses	(862)	—	—	—	(862)
Profit for the year	—	—	—	15,058	15,058
At 31 December 2002	200,556	77	84,917	3,878	289,428

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation at the time of the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders in certain circumstances.

32. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Acquisition of Swank

	2002 **HK$'000**	2001 HK$'000
Net assets acquired:		
Fixed assets	**75,632**	—
Interests in associates	**36,057**	—
Cash and bank balances	**10,683**	—
Accounts receivable	**55,395**	—
Prepayments, deposits and other receivables	**5,343**	—
Inventories	**30,969**	—
Accounts payable	**(26,871)**	—
Accrued liabilities and other payables	**(19,769)**	—
Due to associates	**(15,192)**	—
Tax payable	**(833)**	—
Provision for long service payments	**(1,000)**	—
Minority interests	**(1,296)**	—
	149,118	—
Negative goodwill on acquisition *(note 14)*	**(79,087)**	—
	70,031	—
Satisfied by:		
Cash	**70,031**	—

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

Acquisition of Swank (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of Swank is as follows:

	2002 HK$'000	2001 HK$'000
Cash consideration	(70,031)	—
Deposit paid in the prior year *(note 22)*	68,000	—
Cash and bank balances acquired	10,683	—
Net inflow of cash and cash equivalents in respect of the acquisition of Swank	8,652	—

On 1 March 2002, the Group acquired 71.9% equity interest in Swank from an independent third party, Optiset Limited. Under Rule 26.1 of The Codes on Takeovers and Mergers, the Group was required to make a mandatory unconditional cash offer for all the then issued Swank Shares not already beneficially acquired by the Group. Immediately after the completion of the offer, the Group held 73.5% of the issued share capital of Swank.

On 30 April 2002, the Group disposed of 15.6% of the interests in Swank to two independent third parties for a net cash consideration of HK$3,481,000. As a result of this disposal, the Group's equity interests in Swank decreased from 73.5% to 57.9%. At the balance sheet date, the Group held a 57.9% equity interest in Swank.

Since its acquisition, Swank contributed HK$207,718,000 to the Group's turnover and HK$13,546,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2002.

33. CONTINGENT LIABILITIES

	Company	
	2002 HK$'000	2001 HK$'000
Guarantees of banking facilities granted to subsidiaries	22,400	47,300

The Group had no other significant contingent liabilities at the balance sheet date (2001: Nil).

34. COMMITMENTS

(a) Capital commitments

	Group	
	2002	2001
	HK$'000	HK$'000
Property, plant and equipment:		
Contracted for	**1,166**	—
Authorised, but not contracted for	**48**	865
	1,214	865
Deferred product development costs:		
Contracted for	**585**	—
Authorised, but not contracted for	**—**	164
	1,799	1,029
Commitments to contribute to subsidiaries registered in the PRC	**17,417**	18,906

The Company had no significant commitments at the balance sheet date (2001: Nil).

(b) Operating lease commitments

The Group leases certain of its office properties, factory premises, warehouses and office equipment under operating leases arrangements. Leases for office properties, factory premises and warehouses are negotiated for terms ranging from 1 to 12 years, and those office equipment for terms ranging between 2 and 3 years.

34. COMMITMENTS (continued)

(b) Operating lease commitments (continued)

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

	Group	
	2002	2001
	HK$'000	HK$'000
Land and buildings:		
Within one year	**6,564**	6,395
In the second to fifth years, inclusive	**13,241**	14,478
After five years	**2,675**	5,379
	22,480	26,252
Office equipment:		
Within one year	**267**	283
In the second to fifth years, inclusive	**89**	125
	356	408
	22,836	26,660

35. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group had the following connected and related party transactions:

(i) A loan of HK$7,000,000 (2001: HK$4,000,000) was granted by a wholly-owned subsidiary of the Group to E-Top PCB Limited ("E-Top"), a 65% owned subsidiary of the Group, for its general working capital. The loan was unsecured, bore interest at the one-month Hong Kong dollar time deposit rate and had no fixed terms of repayment.

(ii) In addition, the Group had certain banking facilities, with a total limit of HK$22.4 million (2001: HK$47.3 million), which were used by a wholly-owned subsidiary of the Group. These banking facilities were secured by corporate guarantees executed by E-Top and Plentiful, both of which are 65% owned subsidiaries of the Group, and certain wholly-owned subsidiaries of the Group, and certain leasehold land and buildings of the Group (note 13).

35. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

(iii) Probest Holdings Inc. ("Probest"), a wholly-owned subsidiary of the Group, acquired HK$250,000,000 bank loans of Swank as at 31 January 2002 (the "Debt") at a cash consideration of HK$58,000,000 from the banks. The Debt due from Swank to Probest is unsecured, bears interest at 1% per annum over the Hong Kong prime rate and repayable in five annual instalments commencing from 1 June 2002. As at 31 December 2002, Swank had an outstanding loan including HK$12,957,000 accrued interest due to Probest of HK$262,957,000. These transactions constituted connected transactions as defined in the Listing Rules.

(iv) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2002 HK$'000**	2001 HK$'000
Sales of products to associates	*(i)*	**16,039**	—
Purchases of products from associates	*(ii)*	**21,005**	—
Management fee income from associates	*(iii)*	**2,643**	—

(i) The sales to the associates were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The purchases from the associates were made according to the published prices and conditions offered by the associates to their major customers.

(iii) The management fee income was charged according to the management's estimation on costs of office premises and utilities used by the associates.

36. POST BALANCE SHEET EVENTS

(i) On 4 March 2003, Swank, Probest and the Company entered into a conditional asset disposal agreement (the "Asset Disposal Agreement"), pursuant to which Probest acquire (i) a 30% equity interest in Profitown Investment Limited ("BVI Holdco"), a company incorporated in the British Virgin Islands with limited liability on 19 November 2002 and a wholly-owned subsidiary of Swank, and (ii) 30% of loan owing by BVI Holdco to Swank, for an aggregate consideration of HK$3 million. Such consideration will be satisfied by Probest upon completion of the Asset Disposal Agreement by offsetting an equivalent amount of HK$3 million of the outstanding loan due to Probest by Swank.

On 4 March 2003, Swank and Probest entered into a conditional loan restructuring agreement (the "Loan Restructuring Agreement"), pursuant to which Probest agreed to waive the repayment of the outstanding principal of HK$47 million due by Swank and the accrued loan interest thereon since 1 March 2002 up to the effective date of the Loan Restructuring Agreement. As at 31 December 2002, the accrued loan interest amounted to approximately HK$13 million.

36. POST BALANCE SHEET EVENTS (continued)

(i) Pursuant to the Loan Restructuring Agreement, the remaining principal balance of HK$200 million due by Swank to Probest will be restructured on terms to be governed by a convertibles note with face value of HK$200 million to be issued by Swank (the "Convertible Note"). The Convertible Note is secured by a 70% equity interest in BVI Holdco and 70% of the loan owing by BVI Holdco to Swank. The Convertible Note will bear interest at 3% per annum and the interest is payable in full on maturity. The principal amount of the Convertible Note is repayable by Swank to Probest in five instalments with a maturity date on 30 June 2006. In addition, under the terms of the Convertible Note, the holders of the Convertible Note may redeem the whole or part of the Convertible Note during the period from the date of issue of the Convertible Note to its final maturity date.

The Asset Disposal Agreement and the Loan Restructuring Agreement are conditional upon, but not limited to, the passing of resolutions at the extraordinary general meeting of Swank convened to be held on 2 May 2003.

Further details of the Asset Disposal Agreement, the Loan Restructuring Agreement and the issuance of the Convertible Note are set out in a circular to shareholders dated 7 April 2003.

(ii) Subsequent to the balance sheet date, on 28 April 2003, the Company proposed a capital reorganisation comprising a capital reduction (the "Capital Reduction") and a share consolidation (the "Share Consolidation"). Under the Capital Reduction, the paid up capital of the issued shares will be reduced from HK$0.10 to HK$0.001 each by the cancellation of HK$0.099 paid up capital on each issued share. As a result of the Capital Reduction, based on the present number of 2,860,686,445 issued shares, an amount of approximately HK$283,207,958 from the share capital account of the Company will be cancelled and credited to a contributed surplus account of the Company, which may be used in future in accordance with the Companies Act 1981 of Bermuda (as amended). Immediately after the Capital Reduction, the Company will then effect the Share Consolidation, whereby every 10 issued shares of HK$0.001 each will be consolidated into 1 new share of HK$0.010 each. Following the Capital Reduction and the Share Consolidation, the issued share capital of the Company will comprise 286,068,645 new shares. The Capital Reduction and the Share Consolidation are conditional upon, but not limited to, the passing of resolutions at the forthcoming special general meeting.

37. 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 in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 April 2003.