

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 1. GENERAL

The Company is an exempted company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company acts as an investment holding company. The principal activities of its subsidiaries and associate are the manufacture of and trading in electronic products, conductive silicon rubber keypads and printed circuit boards.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time the following new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants:

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

The adoption of these SSAPs has resulted in a change in the format of presentation of cash flow statement and the introduction of the statement of changes in equity, and in the adoption of the new and revised accounting policies, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### Presentation of financial statements

SSAP 1 (Revised) has introduced the format of presentation of the statement of changes in equity.

### Foreign currency translation

The revisions to SSAP 11 have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate.

### Cash flow statements

Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest paid and received are classified as financing and investing cash flows, respectively. Dividend paid is classified as financing cash flows. In addition, the amounts presented for cash and cash equivalents have been amended to exclude trust receipt loans that are financing in nature. Comparative amounts have been reclassified in order to achieve a consistent presentation.

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (CONTINUED)

### Employee benefits

SSAP 34 has introduced measurement rules and disclosure requirements 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. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of land and buildings, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### Subsidiaries

Investments in subsidiaries included in the Company's balance sheet are stated at cost, less any identified impairment loss.

### Associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisition of subsidiaries 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 at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

### Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill is presented as a deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

### Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

### Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment

Property, plant and equipment is stated at cost or valuation less depreciation, amortisation and any identified impairment loss.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent depreciation and amortisation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case, this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

The carrying value of land use rights is amortised on a straight-line basis over the relevant term of the land use rights or, where shorter, the term of the company to which the land use rights are granted.

Construction in progress is stated at cost less any identified impairment loss. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Depreciation and amortisation are provided to write off the cost or valuation of the assets, other than land use rights and construction in progress, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the terms of the relevant leases
Buildings	5%
Leasehold improvements	25%
Plant, machinery and moulds	12.5%
Furniture, fixtures and office equipment	25%
Motor vehicles	25%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group or, where shorter, the terms of the relevant leases.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its estimated useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

### 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 the recoverable amount of asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is calculated using the first-in, first-out method.

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Finance leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as an obligation under finance lease. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight-line basis over the terms of relevant leases.

### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in the net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

### Retirement benefit costs

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

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments:

For management purposes, the Group is currently organised into three principal operating divisions – electronic calculators and organisers, conductive silicon rubber keypads and printed circuit boards. These divisions are the basis on which the Group reports its primary segment information. Inter-segment sales were made at cost plus mark up.

Segment information about these businesses is presented below:

2002

	Electronic calculators and organisers <i>HK\$'000</i>	Conductive silicon rubber keypads <i>HK\$'000</i>	Printed circuit boards <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>OPERATING RESULTS</b>						
<b>REVENUE</b>						
External sales	321,043	105,682	86,583	41,240	–	554,548
Inter-segment sales	4,363	10,065	12,701	–	(27,129)	–
Total revenue	<u>325,406</u>	<u>115,747</u>	<u>99,284</u>	<u>41,240</u>	<u>(27,129)</u>	<u>554,548</u>
<b>RESULT</b>						
Segment result	<u>13,263</u>	<u>8,524</u>	<u>4,130</u>	<u>(11,620)</u>	<u>–</u>	14,297
Other operating income						831
Unallocated corporate expenses						(1,426)
Profit from operations						13,702
Finance costs						(3,607)
Share of result of an associate				124		124
Profit before taxation						10,219
Taxation						(1,644)
Profit before minority interests						8,575
Minority interests						(488)
Profit for the year						<u>8,087</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments: (continued)

2002

	Electronic calculators and organisers HK\$'000	Conductive silicon rubber keypads HK\$'000	Printed circuit boards HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>						
Segment assets	308,673	91,727	77,405	29,852	-	507,657
Interest in an associate	-	-	-	56,629	-	56,629
Unallocated corporate assets						20
Consolidated total assets						<u>564,306</u>
<b>LIABILITIES</b>						
Segment liabilities	73,432	28,519	27,136	1,922	-	131,009
Unallocated corporate liabilities						106,421
Consolidated total liabilities						<u>237,430</u>
<b>OTHER INFORMATION</b>						
Additions to property, plant and equipment and intangible assets	23,329	13,363	7,884	11,465	-	56,041
Depreciation and amortisation	19,268	5,201	6,950	10,351	-	41,770
Property, plant and equipment written off	8,047	-	-	-	-	8,047
Revaluation deficit on land and buildings	346	-	-	-	-	346
Allowance for doubtful debts	27	493	1	-	-	521
Allowance for obsolete and slow moving inventories	-	316	-	-	-	316



# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments: (continued)

2001

	Electronic calculators and organisers <i>HK\$'000</i>	Conductive silicon rubber keypads <i>HK\$'000</i>	Printed circuit boards <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
OPERATING RESULTS						
REVENUE						
External sales	384,291	40,881	88,148	12,207	–	525,527
Inter-segment sales	2,181	11,251	14,591	–	(28,023)	–
Total revenue	<u>386,472</u>	<u>52,132</u>	<u>102,739</u>	<u>12,207</u>	<u>(28,023)</u>	<u>525,527</u>
RESULT						
Segment result	<u>6,531</u>	<u>4,094</u>	<u>3,402</u>	<u>(7,520)</u>	<u>–</u>	6,507
Other operating income						7,478
Unallocated corporate expenses						<u>(1,923)</u>
Profit from operations						12,062
Finance costs						<u>(3,778)</u>
Profit before taxation						8,284
Taxation						<u>(1,574)</u>
Profit before minority interests						6,710
Minority interests						<u>(542)</u>
Profit for the year						<u>6,168</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

### Business segments: (continued)

2001

	Electronic calculators and organisers HK\$'000	Conductive silicon rubber keypads HK\$'000	Printed circuit boards HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>						
Segment assets	362,257	54,502	67,560	33,396	–	517,715
Unallocated corporate assets						4,945
Consolidated total assets						<u>522,660</u>
<b>LIABILITIES</b>						
Segment liabilities	81,071	9,674	22,805	3,961	–	117,511
Unallocated corporate liabilities						90,848
Consolidated total liabilities						<u>208,359</u>
<b>OTHER INFORMATION</b>						
Additions to property, plant and equipment and intangible assets	23,168	405	11,984	18,911	–	54,468
Depreciation and amortisation	19,383	3,394	6,084	1,180	–	30,041
Property, plant and equipment written off	2,597	–	–	–	–	2,597
Revaluation deficit on land and buildings	367	–	–	–	–	367
Allowance for doubtful debts	1,434	1,028	580	–	–	3,042
Allowance for obsolete and slow moving inventories	8,003	106	959	–	–	9,068

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

### Geographical segments:

The Group's customers are principally located in Japan, Hong Kong, America and Europe.

The following table provides an analysis of the Group's sales by geographical market:

	Turnover		Contribution to profit from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Japan (note a)	141,697	129,099	3,653	1,598
Hong Kong (note b)	99,903	118,465	2,576	1,467
America	66,367	100,854	1,711	1,249
Europe	92,919	56,898	2,396	705
PRC, other than Hong Kong	78,318	45,048	2,019	558
Other Asian countries	59,193	57,805	1,526	716
Others	16,151	17,358	416	214
	<u>554,548</u>	<u>525,527</u>	<u>14,297</u>	<u>6,507</u>
Other operating income			831	7,478
Unallocated corporate expenses			(1,426)	(1,923)
Profit from operations			<u>13,702</u>	<u>12,062</u>

### Notes:

- The Directors believe that a substantial portion of the Group's sales attributable to the Japanese market was subsequently resold to the European and American markets.
- The Directors believe that a portion of the Group's sales attributable to the Hong Kong market was subsequently resold to other markets.

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Geographical segments: (continued)

The following is an analysis of the carrying amount of segment assets at the balance sheet date, and additions to property, plant and equipment and intangible assets during the year analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	139,532	137,404	19,071	19,725
PRC, other than Hong Kong	424,774	385,256	36,970	34,743
	<u>564,306</u>	<u>522,660</u>	<u>56,041</u>	<u>54,468</u>

### 5. OTHER OPERATING INCOME

Other operating income mainly includes:

	2002 HK\$'000	2001 HK\$'000
Compensation income from an associate (Note 34)	6,326	–
Interest income	1,795	1,712
Negative goodwill released	374	–
Net rental income	299	140
Gain on disposal of property, plant and equipment	–	274
	<u>–</u>	<u>274</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 6. PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration:		
Current year	540	650
Under(over)provision in prior years	5	(20)
Depreciation and amortisation:		
Property, plant and equipment ( <i>note a</i> )	31,958	28,417
Intangible assets – development costs	9,360	1,170
Operating lease rentals ( <i>note b</i> )	1,256	399
Loss on disposal of property, plant and equipment	463	–
Property, plant and equipment written off	8,047	2,597
Allowance for doubtful debts	521	3,042
Allowance for obsolete and slow moving inventories	316	9,068
Research and development costs expensed	5,579	3,798
Revaluation deficit of land and buildings included in administrative expenses	346	367
Staff costs ( <i>note c</i> )	97,013	77,420
	<u>97,013</u>	<u>77,420</u>

Notes:

	2002 HK\$'000	2001 HK\$'000
(a) Depreciation and amortisation in respect of property, plant and equipment:		
Owned assets	29,183	27,193
Assets held under finance leases	3,227	1,678
	<u>32,410</u>	<u>28,871</u>
Less: Amount capitalised in moulds	(452)	(454)
	<u>31,958</u>	<u>28,417</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 6. PROFIT FROM OPERATIONS (CONTINUED)

Notes: (continued)

	2002 HK\$'000	2001 HK\$'000
(b) Operating lease rentals:		
Minimum lease payments in respect of rented premises	1,256	530
Less: Amount capitalised in moulds	—	(131)
	<u>1,256</u>	<u>399</u>
(c) Staff costs:		
Directors' remuneration (Note 8)	5,912	6,056
Other staff costs	93,687	72,070
	<u>99,599</u>	<u>78,126</u>
Less: Amount capitalised in moulds	(2,586)	(706)
	<u>97,013</u>	<u>77,420</u>

## 7. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	3,224	3,477
Obligations under finance leases	383	301
	<u>3,607</u>	<u>3,778</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 8. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

### Directors' remuneration:

	2002 HK\$'000	2001 HK\$'000
Fees paid to:		
Independent non-executive directors	360	360
Non-executive directors	240	167
Other emoluments paid to executive directors:		
Salaries and other benefits	4,928	5,351
Retirement benefits scheme contributions	384	178
	<u>5,912</u>	<u>6,056</u>

The directors' remuneration were within the following bands:

	2002 Number of directors	2001 Number of directors
Nil to HK\$1,000,000	8	9
HK\$1,000,001 to HK\$1,500,000	3	2
	<u>11</u>	<u>11</u>

During the year, no emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office and no directors have waived any emoluments.

### Highest paid employees:

The five highest paid employees of the Group include four (2001: four) executive directors of the Company, details of whose emoluments are included above. The aggregate emoluments of the five highest paid employees for the year were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	5,097	4,888
Retirement benefits scheme contributions	413	194
	<u>5,510</u>	<u>5,082</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 8. DIRECTORS' REMUNERATION AND HIGHEST PAID EMPLOYEES (CONTINUED)

Highest paid employees: (continued)

The emoluments of the five highest paid employees were within the following bands:

	2002 Number of employees	2001 Number of employees
Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	3	2
	<u>5</u>	<u>5</u>

### 9. TAXATION

	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	40	185
Overprovision in prior years	–	(4)
PRC enterprise income tax	<u>1,604</u>	<u>1,659</u>
	1,644	1,840
Deferred taxation (Note 23)	<u>–</u>	<u>(266)</u>
	<u>1,644</u>	<u>1,574</u>

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for the year.

PRC enterprise income tax is calculated at the rates prevailing.

Details of the deferred taxation are set out in Note 23.

### 10. DIVIDEND PROPOSED

The final dividend of HK0.5 cent (2001: HK1.0 cent) per share with amount of approximately HK\$2,754,000 (2001: approximately HK\$5,571,000) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.



# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of approximately HK\$8,087,000 (2001: approximately HK\$6,168,000) and the weighted average number of 555,598,268 (2001: 539,514,718) ordinary shares in issue during the year.

No diluted earnings per share has been presented because the exercise price of the Company's outstanding share options was higher than the average market price for shares in both years.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land use rights HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant, machinery and moulds HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>THE GROUP</b>								
<b>COST OR VALUATION</b>								
As at 1 January 2002	30,520	150,530	1,823	154,067	10,371	6,135	–	353,446
Additions	–	4	250	30,205	3,734	1,041	3,191	38,425
On acquisition of a subsidiary	–	–	1,305	6,152	368	431	–	8,256
Disposals	–	–	–	(11,551)	(114)	–	–	(11,665)
Write-off	–	–	–	(15,296)	–	–	–	(15,296)
Revaluation	(583)	(3,061)	–	–	–	–	–	(3,644)
As at 31 December 2002	29,937	147,473	3,378	163,577	14,359	7,607	3,191	369,522
<b>COMPRISING:</b>								
At cost	–	–	3,378	163,577	14,359	7,607	3,191	192,112
At valuation – 2002	29,937	147,473	–	–	–	–	–	177,410
	29,937	147,473	3,378	163,577	14,359	7,607	3,191	369,522
<b>DEPRECIATION AND AMORTISATION</b>								
As at 1 January 2002	–	–	1,815	63,444	7,568	5,500	–	78,327
Provided for the year	766	7,397	421	21,517	1,628	681	–	32,410
Eliminated on disposals	–	–	–	(3,260)	(18)	–	–	(3,278)
Eliminated on write-off	–	–	–	(7,249)	–	–	–	(7,249)
Eliminated on revaluation	(766)	(7,397)	–	–	–	–	–	(8,163)
As at 31 December 2002	–	–	2,236	74,452	9,178	6,181	–	92,047
<b>NET BOOK VALUE</b>								
As at 31 December 2002	29,937	147,473	1,142	89,125	5,181	1,426	3,191	277,475
As at 31 December 2001	30,520	150,530	8	90,623	2,803	635	–	275,119

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of the Group's land use rights and leasehold land and buildings shown above comprises properties held under medium-term leases situated in:

	2002 HK\$'000	2001 HK\$'000
Hong Kong	4,370	4,950
PRC, other than Hong Kong	<u>173,040</u>	<u>176,100</u>
	<u>177,410</u>	<u>181,050</u>

The Group's land use rights and leasehold land and buildings were revalued as at 31 December 2002 by Chesterton Petty Limited, an independent firm of professional property valuers, on an open market value basis. The resulting revaluation surplus of approximately HK\$4,865,000 (2001: approximately HK\$6,247,000) has been credited to the asset revaluation reserve, and the resulting revaluation deficit of approximately HK\$346,000 (2001: approximately HK\$367,000) has been charged to the income statement.

If these land use rights and leasehold land and buildings had not been revalued, they would have been included at historical cost less depreciation and amortisation of approximately HK\$133,380,000 (2001: approximately HK\$138,923,000).

As at 31 December 2002, the net book value of property, plant and equipment included an amount of approximately HK\$20,861,000 (2001: approximately HK\$16,108,000) in respect of assets held under finance leases.

In addition, certain of the Group's properties with cost and accumulated depreciation and amortisation of approximately HK\$8,661,000 (2001: approximately HK\$8,661,000) and approximately HK\$3,989,000 (2001: approximately HK\$3,588,000) respectively are rented out under operating leases. The depreciation and amortisation charged to the income statement amounted to approximately HK\$401,000 (2001: approximately HK\$401,000).

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 13. INTANGIBLE ASSETS

	THE GROUP <i>HK\$'000</i>
<b>COST</b>	
As at 1 January 2002	9,360
Additions	9,360
	<hr/>
As at 31 December 2002	18,720
	<hr/>
<b>AMORTISATION</b>	
As at 1 January 2002	1,170
Provided for the year	9,360
	<hr/>
As at 31 December 2002	10,530
	<hr/>
<b>NET BOOK VALUE</b>	
As at 31 December 2002	8,190
	<hr/> <hr/>
As at 31 December 2001	8,190
	<hr/> <hr/>

The amount represents development costs which are stated at cost less amortisation, and is amortised on a straight-line basis over an estimated life of two years.

## 14. NEGATIVE GOODWILL

	THE GROUP <i>HK\$'000</i>
<b>GROSS AMOUNT</b>	
On acquisition of a subsidiary during the year and as at 31 December 2002	(1,868)
<b>RELEASED TO INCOME</b>	
Released for the year and as at 31 December 2002	374
	<hr/>
<b>CARRYING AMOUNT</b>	
As at 31 December 2002	(1,494)
	<hr/> <hr/>

The negative goodwill is released to income on a straight-line basis over five years.

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares	103,710	103,710
Amounts due from subsidiaries	<u>116,078</u>	<u>118,106</u>
	<u>219,788</u>	<u>221,816</u>

The carrying amount of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under the group reorganisation in 1997.

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repaid within the next twelve months from the balance sheet date and therefore are shown as non-current.

Particulars of the Company's subsidiaries as at 31 December 2002 are set out in Note 35.

## 16. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	143	—
Loan to an associate	<u>28,458</u>	<u>—</u>
	<u>28,601</u>	<u>—</u>

During the year, an associate, Ascalade Communications Holdings Limited was incorporated in the British Virgin Islands. The associate, together with its subsidiaries, are engaged in the design, manufacture and sale of electronic, wireless telecommunication products. As at 31 December 2002, the Group has 49% interest in the issued share capital of the associate.

The loan to an associate is unsecured, bears interest at LIBOR and is repayable by monthly instalments of approximately HK\$2,184,000 commencing 15 January 2004.

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 17. INVENTORIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Raw materials	32,747	44,314
Work in progress	8,696	8,976
Finished goods	18,684	26,937
	<u>60,127</u>	<u>80,227</u>
Finished goods carried at net realisable value	<u>2,027</u>	<u>2,636</u>

## 18. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

An aged analysis of trade receivables is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Not yet due or overdue within 30 days	64,914	52,521
Overdue for 31-60 days	13,437	9,415
Overdue for 61-90 days	3,802	1,452
Overdue for more than 90 days	9,198	4,092
	<u>91,351</u>	<u>67,480</u>
Other receivables	3,030	4,189
	<u>94,381</u>	<u>71,669</u>

## 19. AMOUNT DUE FROM AN ASSOCIATE

The amount is unsecured, bears interest at prime rate and has no fixed terms of repayment.

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 20. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Not yet due or overdue within 30 days	50,740	46,521
Overdue for 31-60 days	11,750	12,847
Overdue for 61-90 days	6,110	5,248
Overdue for more than 90 days	11,408	6,440
	<u>80,008</u>	<u>71,056</u>
Other payables	51,150	46,861
	<u>131,158</u>	<u>117,917</u>

### 21. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts payable under finance leases:				
Within one year	9,025	4,861	8,393	4,463
In the second to fifth year inclusive	12,580	6,994	12,166	6,714
	<u>21,605</u>	<u>11,855</u>	<u>20,559</u>	<u>11,177</u>
Less: Future finance costs	(1,046)	(678)	—	—
Present value of lease obligations	<u>20,559</u>	<u>11,177</u>	<u>20,559</u>	<u>11,177</u>
Less: Amount due within one year shown under current liabilities			(8,393)	(4,463)
Amount due after one year			<u>12,166</u>	<u>6,714</u>

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is three years. The average effective borrowing rate was 3.8% for the year. 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.

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 22. BANK BORROWINGS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Bank borrowings comprise:		
Bank loans	58,879	53,271
Trust receipt loans	5,417	4,624
	<u>64,296</u>	<u>57,895</u>
Analysed as:		
Secured	57,010	53,271
Unsecured	7,286	4,624
	<u>64,296</u>	<u>57,895</u>
The bank borrowings are repayable as follows:		
Within one year	8,221	11,166
Between one to two years	10,281	935
Between two to five years	45,794	45,794
	<u>64,296</u>	<u>57,895</u>
Less: Amount due within one year shown under current liabilities	<u>(8,221)</u>	<u>(11,166)</u>
Amount due after one year	<u>56,075</u>	<u>46,729</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 23. DEFERRED TAXATION

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
As at 1 January	–	266
Credit for the year (Note 9)	–	(266)
	<hr/>	<hr/>
As at 31 December	–	–
	<hr/> <hr/>	<hr/> <hr/>

Deferred taxation has not been provided on the surplus or deficit arising on the revaluation of properties as profits or losses arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation surplus or deficit does not constitute a timing difference for tax purposes.

A net deferred tax asset of approximately HK\$2,709,000 (2001: approximately HK\$1,144,000) has not been recognised in the financial statements in respect of timing difference mainly attributable to tax loss available to offset future assessable profit as it is not certain that the timing difference will crystallise in the foreseeable future.

### 24. SHARE CAPITAL

	Number of shares		Amount	
	2002	2001	2002 HK\$'000	2001 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At beginning and end of the year	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning of the year	537,144,000	540,000,000	53,714	54,000
Issue of shares (note a)	20,000,000	–	2,000	–
Shares repurchased and cancelled (note b)	<u>(6,368,000)</u>	<u>(2,856,000)</u>	<u>(636)</u>	<u>(286)</u>
At end of the year	<u>550,776,000</u>	<u>537,144,000</u>	<u>55,078</u>	<u>53,714</u>



# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 24. SHARE CAPITAL (CONTINUED)

Notes:

- (a) Pursuant to the sale and purchase agreement entered into between Prove Limited and Tachibana Limited, a wholly-owned subsidiary of the Company, on 15 October 2001, the Company issued and allotted 20,000,000 ordinary shares of HK\$0.10 each at a price of HK\$0.28 per share on 2 January 2002 and agreed to pay HK\$2 million to Prove Limited for the acquisition of the entire equity interest in Dongguan Tehsutec Electronic Company Limited. The new shares are credited as fully paid and rank pari passu with the existing shares in issue in all respects.
- (b) During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
2002				
July	412,000	0.185	0.181	76
August	912,000	0.180	0.172	161
October	3,320,000	0.128	0.118	419
November	1,724,000	0.143	0.132	238
	<u>6,368,000</u>			<u>894</u>

The above shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 25. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Statutory reserves HK\$'000	Asset revaluation reserve HK\$'000	Exchange reserve HK\$'000	Goodwill reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>THE GROUP</b>										
As at 1 January 2001	79,648	35,597	19,487	6,246	44,867	(1,847)	(31,539)	-	91,225	243,684
On repurchase of shares	(626)	-	-	-	-	-	-	286	(286)	(626)
Revaluation surplus on land and buildings	-	-	-	-	6,247	-	-	-	-	6,247
Minority share of post-acquisition reserve	-	-	-	-	(52)	-	-	-	-	(52)
Profit for the year	-	-	-	-	-	-	-	-	6,168	6,168
Transfer	-	-	-	307	-	-	-	-	(307)	-
As at 31 December 2001	79,022	35,597	19,487	6,553	51,062	(1,847)	(31,539)	286	96,800	255,421
On repurchase of shares	(258)	-	-	-	-	-	-	636	(636)	(258)
On issue of shares	3,600	-	-	-	-	-	-	-	-	3,600
Revaluation surplus on land and buildings	-	-	-	-	4,865	-	-	-	-	4,865
Minority share of post-acquisition reserve	-	-	-	-	(39)	-	-	-	-	(39)
Final dividend for 2001 paid	-	-	-	-	-	-	-	-	(5,571)	(5,571)
Profit for the year	-	-	-	-	-	-	-	-	8,087	8,087
As at 31 December 2002	<u>82,364</u>	<u>35,597</u>	<u>19,487</u>	<u>6,553</u>	<u>55,888</u>	<u>(1,847)</u>	<u>(31,539)</u>	<u>922</u>	<u>98,680</u>	<u>266,105</u>

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	(Accumulated losses)/ Retained profits HK\$'000	Total HK\$'000
<b>THE COMPANY</b>					
As at 1 January 2001		79,648	68,510	(1,388)	146,770
On repurchase of shares		(626)	-	286	(626)
Profit for the year		-	-	21,654	21,654
As at 31 December 2001		79,022	68,510	19,980	167,798
On issue of shares		3,600	-	-	3,600
On repurchase of shares		(258)	-	636	(258)
Final dividend for 2001 paid		-	-	(5,571)	(5,571)
Loss for the year		-	-	(1,417)	(1,417)
As at 31 December 2002		<u>82,364</u>	<u>68,510</u>	<u>922</u>	<u>164,152</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 25. RESERVES (CONTINUED)

The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company's subsidiaries in exchange for the nominal value of the issued share capital of other subsidiaries pursuant to the Group's reorganisation.

The capital reserve of the Group represents the reserve arising from the acquisition of a further interest in the share capital of a subsidiary at nil consideration pursuant to the Group's reorganisation and capitalisation of retained profits of a subsidiary.

The statutory reserves of the Group represent reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries.

The retained profits of the Group include approximately HK\$124,000 (2001: Nil) retained by an associate of the Group.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition pursuant to the Group's reorganisation.

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Contributed surplus	68,510	68,510
Retained profits	12,356	19,980
	<hr/>	<hr/>
	<b>80,866</b>	<b>88,490</b>

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 26. ACQUISITION OF A SUBSIDIARY

During the year, the Group acquired the entire equity interest in Dongguan Tehsutec Electronic Company Limited for a consideration of approximately HK\$7,600,000. This transaction has been accounted for by the acquisition method of accounting. The amount of negative goodwill arising as a result of the acquisition was approximately HK\$1,868,000.

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Property, plant and equipment	8,256	–
Inventories	2,435	–
Trade and other receivables	5,412	–
Bank balances and cash	775	–
Trade and other payables	(5,541)	–
Short-term bank loan	(1,869)	–
	<u>9,468</u>	–
Negative goodwill	(1,868)	–
	<u>7,600</u>	–
Satisfied by:		
Shares allotted	5,600	–
Cash paid	512	–
Consideration payable included in trade and other payables	1,488	–
	<u>7,600</u>	–
Net cash inflow arising on acquisition:		
Cash paid	(512)	–
Bank balances and cash acquired	775	–
	<u>263</u>	–
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	<u>263</u>	–

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 26. ACQUISITION OF A SUBSIDIARY (CONTINUED)

The subsidiary acquired during the year contributed approximately HK\$64,485,000 to the Group's turnover, and approximately HK\$5,341,000 to the Group's profit from operations. The subsidiary acquired during the year contributed approximately HK\$5,927,000 to the Group's net cash from operating activities and used approximately HK\$3,269,000 in the Group's investing activities.

## 27. MAJOR NON-CASH TRANSACTION

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 approximately HK\$10,186,000 (2001: approximately HK\$10,925,000).

In addition, the Group transferred certain assets and liabilities to an associate at an aggregate carrying value of approximately HK\$16,684,000 (2001: Nil) for a consideration of the same amount. The consideration was settled through amount due from the associate.

## 28. SHARE OPTION SCHEMES

Pursuant to the Company's share option scheme (the "Old Share Option Scheme") which was adopted on 14 February 1998, the board of directors of the Company may grant options to eligible employees, including directors, of the Company and any of its subsidiaries to subscribe for shares in the Company.

As at 31 December 2002, the number of shares in respect of which options had been granted under the Old Share Option Scheme was 9,694,000 (2001: 9,694,000), representing 1.76% (2001: 1.80%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Old Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The total number of shares in respect of which options may be granted to any individual is not permitted to exceed 2.5% of the shares of the Company in issue at any point in time.

No consideration is payable on the grant of an option. Options may be exercised in phases at any time from the date of grant of the share option to the third anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the options, and the nominal value of the shares.

## Notes to the Financial Statements

For the Year Ended 31 December 2002

### 28. SHARE OPTION SCHEMES (CONTINUED)

Details of movements during the year in the Company's share options which were granted on 24 July 2000 pursuant to the Old Share Option Scheme at an exercise price of HK\$0.528 per share are as follows:

	Number of share to be issued upon exercise of the share options			Exercisable period		
	Balance	Lapsed	Balance	24.7.2000	24.7.2001	24.7.2002
	as at 1.1.2002	during the year	as at 31.12.2002	to 23.7.2003	to 23.7.2003	to 23.7.2003
Capacity						
Directors	4,324,000	–	4,324,000	1,729,600	1,297,200	1,297,200
Ex-directors	1,546,000	(1,546,000)	–	–	–	–
Employees	3,824,000	–	3,824,000	1,459,200	1,152,400	1,212,400
	<u>9,694,000</u>	<u>(1,546,000)</u>	<u>8,148,000</u>	<u>3,188,800</u>	<u>2,449,600</u>	<u>2,509,600</u>

	Number of share to be issued upon exercise of the share options			Exercisable period		
	Balance	Lapsed	Balance	24.7.2000	24.7.2001	24.7.2002
	as at 1.1.2002	during the year	as at 31.12.2002	to 23.7.2003	to 23.7.2003	to 23.7.2003
Capacity						
Directors	5,870,000	–	5,870,000	2,348,000	1,761,000	1,761,000
Employees	6,340,000	(2,516,000)	3,824,000	1,459,200	1,152,400	1,212,400
	<u>12,210,000</u>	<u>(2,516,000)</u>	<u>9,694,000</u>	<u>3,807,200</u>	<u>2,913,400</u>	<u>2,973,400</u>

During the year, no options were granted or exercised pursuant to the Old Share Option Scheme. No options were granted pursuant to the Share Option Scheme since its adoption.

The Old Share Option Scheme was terminated pursuant to the annual general meeting held by the Company on 29 May 2002 and a new share option scheme (the "Share Option Scheme") was adopted on the same date. The Share Option Scheme complied with the amended rules of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange. Except that the Company can no longer grant any further share options under the Old Share Option Scheme, all share options granted prior to the termination of the Old Share Option Scheme will remain in full force and effect.

The Share Option Scheme is valid and effective for a period of 10 years commencing from the adoption date after which no further options may be issued. Pursuant to the Share Option Scheme, the board of the directors may grant options to eligible participants, including employees and directors, of the Company and any of its subsidiaries to subscribe shares of the Company.

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 28. SHARE OPTION SCHEMES (CONTINUED)

The number of shares, which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and other schemes adopted by the Group, is not permitted to exceed 30% of the shares of the Company in issue at any point in time. The total number of shares in respect of which options may be granted under the Share Option Scheme and other schemes adopted by the Group in aggregate is not permitted to exceed 10% of the shares of the Company in issue at the adoption date. The total number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the share of the Company in issue at any 12-month period.

Consideration of HK\$1 is payable by the grantee on the acceptance of option granted. Option may be exercised from the date of acceptance of the offer of such option to the earlier of the date on which such option lapses and 10 years from the offer date of that option. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing prices of the shares on the Stock Exchange on the date of the grant of the options, the average of the closing prices of the shares for the five trading days immediately preceding the date of the grant of the options and the nominal value of the shares.

No options have been granted pursuant to the Share Option Scheme since its adoption.

## 29. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the “ORSO Scheme”) and a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The retirement benefits scheme contributions charged to the income statement represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the amounts of the forfeited contributions will be used to reduce future contributions payable by the Group.

During the year, the retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$645,000 (2001: Nil), are approximately HK\$1,225,000 (2001: approximately HK\$820,000).

As at 31 December 2002, the Group did not have any forfeited contributions available to offset future employers’ contributions to the ORSO Scheme (2001: approximately HK\$178,000).

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 30. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees given to banks in respect of:				
Banking facilities utilised by subsidiaries	–	–	5,417	4,624
Bills discounted with recourse	11,890	–	11,890	–
	<u>11,890</u>	<u>–</u>	<u>17,307</u>	<u>4,624</u>

## 31. CAPITAL COMMITMENTS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	7,984	468

The Company did not have any significant capital commitment.

## 32. OPERATING LEASE COMMITMENTS

The Group as lessee:

As at the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	706	369
In the second to fifth year inclusive	374	150
	<u>1,080</u>	<u>519</u>

Leases are negotiated for terms range from one to three years at fixed monthly rentals.

The Company did not have any operating lease commitment.



# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 32. OPERATING LEASE COMMITMENTS (CONTINUED)

The Group as lessor:

Certain of the Group's properties have been rented out under operating leases. These properties have committed tenants for the next year.

As at the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	35	140
In the second to fifth year inclusive	–	35
	<u>35</u>	<u>175</u>

## 33. PLEDGE OF ASSETS

As at 31 December 2002, the Group has pledged certain of its land and buildings of approximately HK\$173,040,000 (2001: approximately HK\$176,100,000) and construction in progress of approximately HK\$3,191,000 (2001: Nil) to banks to secure general banking facilities granted to the Group.

## 34. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with the associate:

Nature of transaction	2002 HK\$'000	2001 HK\$'000
Sales by the Group (note a)	7,548	–
Interest charged by the Group (note b)	964	–
Subcontracting fee income charged by the Group (note c)	1,507	–
Rental income charged by the Group (note c)	117	–
Compensation income charged by the Group (note d)	6,326	–
Assets and liabilities transferred by the Group (note e)	<u>16,684</u>	<u>–</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 34. RELATED PARTY TRANSACTIONS (CONTINUED)

The above transactions were entered into on the following bases:

- a. Sales transactions were carried out at market price.
- b. Interest was charged at LIBOR or prime rate on the amounts owed by the associate.
- c. Subcontracting fee income and rental income were carried out at rates agreed by the parties involved.
- d. Compensation income, representing the reimbursement of pre-operating losses, was charged at actual-incurred-basis.
- e. Assets and liabilities were transferred at net book values.

## 35. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2002 are as follows:

Name of company	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
東莞虎門泰達電子有限公司 Dong Guan Humen Taida Electric Co., Ltd.	PRC	HK\$103,367,589 Registered capital	100%	Manufacture and sale of electronic calculators, electronic organisers and related products
東莞沙田德盛硅橡膠制品有限公司 Dongguan Shatian Tehsheng Silicon Rubber Products Co., Ltd.	PRC	HK\$38,000,000 Registered capital	100%	Manufacture and sale of conductive silicon rubber products
東莞德鉅電子有限公司 Dongguan Tehsutec Electronic Company Limited	PRC	HK\$8,000,000 Registered capital	100%	Manufacture and sale of conductive silicon rubber products
東莞泰山電子有限公司 Dongguan Tai Shan Electronics Co., Ltd. ("Tai Shan")	PRC	HK\$18,600,000 Registered capital	85%	Manufacture and sale of printed circuit boards
Dragon Spirit Enterprise Limited	British Virgin Islands	US\$100 Ordinary shares	100%	Investment holding

# Notes to the Financial Statements

For the Year Ended 31 December 2002

## 35. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Group	Principal activities
Habermann Limited	British Virgin Islands	US\$2 Ordinary shares	100%	Investment holding
Hong Shing Industrial Limited	Hong Kong	HK\$10,000 Ordinary shares	100%	Trading in electronic calculators, electronic organisers and other household products
Jet Master Limited	British Virgin Islands	US\$100 Ordinary shares	85%	Investment holding
Joyham Jade Limited	British Virgin Islands	US\$2 Ordinary shares	100%	Investment holding
Karce Co. Limited	Hong Kong	HK\$10,000 Ordinary shares	100%	Trading in electronic calculators, electronic organisers and related products
Karce Communications Limited	British Virgin Islands	US\$2 Ordinary shares	100%	Trading in cordless telephone products
Karce Electronics Toys Limited	Hong Kong	HK\$20,000 Ordinary shares	100%	Manufacture and sale of electronic toys
Redditch Enterprises Limited	British Virgin Islands	US\$10,000 Ordinary shares	100%	Investment holding
Sabic Electronic Limited	British Virgin Islands	US\$2 Ordinary shares	100%	Investment holding and trading in electronic calculators
Sunmaster Co., Limited	Hong Kong	HK\$2 Ordinary shares	100%	Provision of administrative and management services
T & S Industrial Company Limited	Hong Kong	HK\$200,000 Ordinary shares	100%	Provision of purchasing agency services
Tachibana Limited	British Virgin Islands	US\$100 Ordinary shares	100%	Investment holding

## Notes to the Financial Statements

*For the Year Ended 31 December 2002*

### 35. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Only Redditch Enterprises Limited is directly held by the Company.

All the subsidiaries established in the PRC, except for Tai Shan, are registered as foreign investment enterprise. Tai Shan is registered as a contractual joint venture.

None of the subsidiaries had any debt securities outstanding as at 31 December 2002 or at any time during the year.