1. Group reorganisation, Investment in subsidiaries and Basis of presentation

The Company

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 23 May 2001 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

On incorporation, the Company had an authorised share capital of HK$200,000 divided into 20,000,000 shares of HK$0.01 each. On 29 May 2001, 10,000,000 shares were allotted and issued nil paid.

Group reorganisation

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 March 2002, the Company became the holding company of the companies now comprising the Group on 6 March 2002 (the "Group Reorganisation"). This was accomplished by acquiring the entire issued share capital of Lassie Palace Limited ("Lassie Palace"), the intermediate holding company of the subsidiaries as set out below, in consideration of and in exchange for the allotment and issue of 10,000,000 ordinary shares of HK$0.01 each in the share capital of the Company, credited as fully paid, to the former shareholders of Lassie Palace, and the crediting as fully paid at par the existing 10,000,000 nil paid shares held by such shareholders.

Particulars of the subsidiaries which were acquired by the Company pursuant to the Group Reorganisation are set out below:

Name	Place of incorporation/ registration and principal operations	Issued and fully paid up share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lassie Palace Limited	British Virgin Islands	US$1,000	100%	–	Investment holding
Ford Reach (H.K.) Limited	Hong Kong	HK$1,000	–	100%	Dormant
Fortune (Conductive Carbon) PCB Factory Company Limited	British Virgin Islands	US$100	–	100%	Trading of printed circuit boards ("PCBs")
Horn Kingdom Limited	British Virgin Islands	US$1	–	100%	Provision of technical engineering and consultancy services
Fortune (Hong Kong) PCB Factory Company Limited	Hong Kong	HK$1,000,000	–	100%	Investment Holding
Dongguan Fortune Circuit Factory Company Limited	PRC	HK$8,400,000	–	100%	Manufacture of PCBs

Further details of the Group Reorganisation are set out in note 18 to the financial statements.

1. Group reorganisation, Investment in subsidiaries and Basis of presentation

(Continued)

Investment in subsidiaries

Particulars of other subsidiaries which were incorporated/established by the Company for the year ended 31 December 2002 are as follows:

Name	Place of incorporation/ registration and principal operations	Issued and fully paid up share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wisdom World Limited	British Virgin Islands	US$1	–	100%	Investment holding
Jiang Yin Hong Yuan New Materials Limited	PRC	US$10,000,000	–	100%	Manufacture of laminated boards

Basis of presentation

The Group Reorganisation involved companies under common control. As the Group Reorganisation took place on 6 March 2002, according to the Hong Kong Statement of Standard Accounting Practice No. 2.127 "Accounting for Group Reconstructions", the Company together with its subsidiaries should only be regarded and accounted for as a continuing group in the preparation of the Group's financial statements commencing from the year ending 31 December 2003. All significant transactions and balance among the companies comprising the Group have been eliminated on combination.

2. Corporate information

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 1 above. There were no changes in the nature of the principal activities of the Company's subsidiaries during the year.

The Company is a subsidiary of Advanced Technology International Holdings Limited, a company incorporated in the British Virgin Islands. The Directors considered that I. World Limited, a company incorporated in the British Virgin Islands, to be the Company's ultimate holding company.

3. Impact of new and revised statements of standard accounting practice

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

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 11 (Revised) : "Foreign currency translation"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 33 : "Discontinuing operations"
- SSAP 34 : "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

3. Impact of new and revised statements of standard accounting practice *(Continued)*

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 summary statement of changes in equity is now presented on page 20 of the financial statements in place of the statement of recognised gains and losses that was previously required.

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 financial statements is that the profit and loss account of overseas subsidiaries, jointly-controlled entities and associates are now translated into Hong Kong dollars at the weighted average exchange rate for the year, whereas previously they were translated at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. Further details of this change are included in the accounting policy for "Foreign currencies" in note 3(h) to the financial statements.

SSAP 15 prescribes the 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. The format of the consolidated cash flow statement and the notes thereto have been revised in accordance with the new requirements. In addition, the 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. Further details of these changes are described in the accounting policy for foreign currencies as set out in note 4 to the financial statements.

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2. The SSAP defines a discontinuing operation and prescribes when an enterprise should commence including discontinuing operations disclosures in its financial statements and the disclosures required. This SSAP has had no significant impact on these financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for the employee benefits. This SSAP has had no significant impact on these financial statements.

4. Basis of preparation and summary of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with HKSSAPs, accounting principles generally accepted in Hong Kong, subject to the basis of presentation as set out in note 1 above, and the disclosure requirements of the Companies Ordinance (Chapter 32 of the laws of Hong Kong). They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

4. Basis of preparation and summary of significant accounting policies *(Continued)*

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, of 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 the revalued asset.

A previously recognised impairment loss is reversed only if there has been change in the estimates used to determine the recoverable amount of an assets, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation or 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.

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.

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 per cent of the equity voting rights and over which it is in a position to exercise significant influence.

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

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.

Fixed assets and depreciation

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

4. Basis of preparation and summary of significant accounting policies *(Continued)*

Fixed assets and depreciation *(Continued)*

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

Leasehold improvements	–	10%
Machinery and equipment	–	20%
Moulds	–	20%
Furniture, fixtures and office equipment	–	20%
Motor vehicles	–	20%

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.

Inventories

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

Deferred tax

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

Revenue recognition

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

(a) from the sales 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; and

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

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.

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

4. Basis of preparation and summary of significant accounting policies *(Continued)*

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 charged to the profit and loss account on the straight-line basis over the lease terms.

Foreign currencies

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

On combination, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), for all of its employees in Hong Kong. The Scheme has operated since 1 December 2000. 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 Scheme. The assets of the 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 Scheme.

In addition, retirement benefits are paid by a subsidiary registered in the People's Republic of China (the "PRC") to the PRC employees who, at their own discretion, contribute to the retirement benefit plans managed by the relevant authorities of the provinces/municipalities in the PRC in which they operate. The retirement benefits paid by the PRC subsidiary are based on certain percentages of the employees' salaries cost in accordance with the relevant regulations in the PRC and are charged to the profit and loss account as incurred. As at 31 December 2002, the Group had no significant obligations for long service payments to its employees, pursuant to the requirements under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

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.

4. Basis of preparation and summary of significant accounting policies *(Continued)*

Dividends

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

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

Cash equivalents

For the purpose of the combined cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and bank balances represent assets which are not restricted as to use.

5. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on combination.

No segmental information was disclosed as all the Group's turnover were generated from the sales of PCBs to Hong Kong based consumer electronic products manufacturers with production facilities in the Guangdong Province, the PRC.

6. Profit from operating activities

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

	2002 ***HK$'000*** *(note 1)*	2001 *HK$'000* *(note 1)*
Cost of inventories sold	**136,769**	143,657
Staff costs (excluding directors' remuneration – Note 7):		
Salaries and allowances	**8,315**	7,045
Retirement benefits scheme contributions	**88**	90
	8,403	7,135
Depreciation	**18,062**	9,099
Minimum lease payments under operating leases in respect of land and buildings	**853**	828
Auditors' remuneration	**1,146**	750
Research and development costs	**–**	287
Loss on disposal of fixed assets	**966**	–
Exchange losses, net	**–**	556
Bad debts written off	**–**	–
Gain on exchange	**(3)**	–
Interest income	**(123)**	(16)

Cost of inventories sold includes HK$23,675,000 (2001: HK$14,479,000) relating to staff costs and depreciation, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. Directors' remuneration

Directors' remuneration disclosed pursuant to the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and section 161 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) is as follows:

	2002	2001
	HK$'000	*HK$'000*
Directors' fees:		
Executive Directors	**–**	–
Independent non-executive Directors	**–**	–
Other emoluments:		
Salaries, other allowances and benefits in kind:		
Executive Directors	**3,921**	3,639
Independent non-executive Directors	**100**	–
Retirement benefit schemes:		
Executive Directors	**35**	29
Independent non-executive Directors	**–**	–
	4,056	3,668

The number of Directors whose remuneration fell within the following bands are as follows:

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

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

8. Five highest paid employees

The five highest paid employees of the Group during the year included three (2001: three) Directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining two (2001: two) non-Directors, highest paid employees, who fell within the nil-HK$1,000,000 band, is analysed below:

	2002	2001
	HK$'000	*HK$'000*
	(note 1)	*(note 1)*
Basic salaries, allowances and benefits in kind	**592**	599
Retirement benefits scheme contributions	**24**	27
	616	626

9. Finance costs

	2002	2001
	HK$'000	*HK$'000*
	(note 1)	*(note 1)*
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	**355**	216
Instalment loan	**31**	94
	386	310

10. Taxation

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2001: Nil).

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

	2002	2001
	HK$'000	*HK$'000*
	(note 1)	*(note 1)*
Current year provision for elsewhere	**2,990**	4,790

There was no significant unprovided deferred tax liability in respect of the year (2001: Nil) for which provision has not been made.

11. Dividends

No dividend has been paid or declared by the Company since the date of its incorporation. The dividends were paid by a subsidiary of the Company to its then shareholders prior to the Group Reorganisation as set out in note 1 to the financial statements.

12. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders for the year of approximately HK$15,807,000 (2001: HK$40,563,000) and the weighted average of 1,157,599,000 (2001: 1,020,000,000) as set out in note 18 to the financial statements.

There were no dilutive ordinary shares in existence for the two years ended 31 December 2002, and accordingly, no diluted earnings per share has been presented.

13. Fixed assets

The Group

	Leasehold improve-ments	Machinery & equipment	Moulds	Furniture, fixtures & office equipment	Motor vehicles	Under-development Land & buildings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 1)*	*(note 1)*	*(note 1)*	*(note 1)*	*(note 1)*	*(note 1)*
AT COST							
Balances at 1 January 2002	3,211	19,462	36,631	1,861	469	–	61,634
Additions	5,109	42,709	9,661	186	1,852	6,321	65,838
Disposals	(23)	(7,094)	(5,698)	(821)	(260)	–	(13,896)
Balances at 31 December 2002	8,297	55,077	40,594	1,226	2,061	6,321	113,576
ACCUMULATED DEPRECIATION							
Balances at 1 January 2002	997	11,681	18,982	1,317	317	–	33,294
Charge for the year	796	8,508	8,085	334	339	–	18,062
Disposals	(6)	(6,739)	(5,177)	(765)	(242)	–	(12,929)
Balances at 31 December 2002	1,787	13,450	21,890	886	414	–	38,427
NET BOOK VALUE							
At 31 December 2002	6,510	41,627	18,704	340	1,647	6,321	75,149
At 31 December 2001	2,214	7,781	17,649	544	152	–	28,340

14. Inventories

The Group

	2002	2001
	HK$'000	*HK$'000*
	(note 1)	*(note 1)*
Raw materials	**2,445**	7,159
Work in progress	**658**	504
	3,103	7,663

15. Accounts receivable

An aged analysis of the accounts receivable as at the balance sheet date, based on invoiced date, is as follows:

The Group

	2002	2001
	HK$'000	*HK$'000*
	(note 1)	*(note 1)*
Within 30 days	**3,263**	17,891
Between 31 to 60 days	**4,080**	15,997
Between 61 to 180 days	**10,070**	14,012
	17,413	47,900

The credit period granted by the Group to customers is generally of 30 to 90 days. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted.

16. Interest-bearing bank borrowings

	2002	2001
	HK$'000	*HK$'000*
	(note 1)	*(note 1)*
Hire purchase	**555**	–
Trust receipt loans, secured	**3,499**	7,623
Instalment loan, secured	**9,766**	–
	13,820	7,623
Hire purchase	**555**	–
Trust receipt loans repayable within one year	**3,499**	7,623
Instalment loan in repayable:		
Within one year	**7,103**	–
In the second year	**–**	–
In the third to fifth years, inclusive	**2,663**	–
Beyond five years	**–**	–
	9,766	–
	13,820	7,623
Portion classified as current liabilities	**(13,820)**	(7,623)
Non-current portion	**–**	–

17. Accounts payable

An aged analysis of the accounts payable as at the balance sheet date, based on invoice date, is as follows:

	2002	2001
	HK$'000	*HK$'000*
	(note 1)	*(note 1)*
Within 30 days	**1,053**	11,095
Between 31 to 60 days	**732**	2,423
Between 61 to 180 days	**3,422**	1,003
Over 180 days	**1,796**	–
	7,003	14,521

18. Share capital

(a) On 6 March 2002, the authorised share capital of the Company was increased from HK$200,000 to HK$100,000,000 by the creation of a further 9,980,000,000 additional shares of HK$0.01 each, ranking pari passu with the existing share capital of the Company.

(b) On 6 March 2002, as part of the Group Reorganisation described in note 1 to the financial statements, the Company: (i) issued an aggregate of 10,000,000 new shares of HK$0.01 each credited as fully paid at par; and (ii) credited as fully paid at par the existing 10,000,000 shares issued nil paid on 29 May 2001, in consideration of and in exchange for the acquisition of the entire issued share capital of Lassie Palace.

(c) On 6 March 2002, a total of 1,000,000,000 shares of HK$0.01 each were allotted as fully paid at par to the holders of the shares on the register of members of the Company in proportion to their then respective shareholdings at the close of business on 6 March 2002, by way of capitalisation of the sum of HK$10,000,000 standing to the credit of the share premium account of the Company, conditional on the share premium account being credited as a result of the new issue and placing of shares to the public as detailed in (d) below.

(d) On 25 March 2002, a total of 180,000,000 shares of HK$0.01 each were issued to the public at a price of HK$0.2 each for a total cash consideration, before related expenses, of HK$36,000,000.

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

	Notes	**Number of shares issued**	**Par value**
			HK$'000
Shares allotted and issued nil paid	*(a)*	10,000,000	–
Shares issued as consideration for the acquisition of the entire share capital of Lassie Palace	*(b)*	10,000,000	100
Application of contributed surplus to pay up nil paid shares	*(b)*	–	100
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public	*(c)*	1,000,000,000	–
Issued share capital as at 31 December 2001		1,020,000,000	200
New issue and placing of shares to the public	*(d)*	180,000,000	1,800
Capitalisation of the share premium account as set out above	*(d)*	–	10,000
Share capital at the date of approval of the financial statements		1,200,000,000	12,000

18. Share capital *(Continued)*

Share options

The Company operates a share option scheme (the "Share Option Scheme"), further details of which are set out under the paragraph headed "Share option scheme" in the report of the Directors on page 12.

No options had been granted or agreed to be granted under the Share Option Scheme up to the date of approval of these financial statements.

19. Reserves

The Company

	Share premium	Contributed surplus	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Issue of share capital	–	–	–	–
Profit for the year	–	–	–	–
As at 31 December 2001 and at 1 January 2002	–	–	–	–
Issue of share capital	15,024	(192)	–	14,832
Profit for the year	–	–	(153)	(153)
As at 31 December 2002	15,024	(192)	(153)	14,679

The Group

	Share premium	Exchange reserves	Contributed surplus	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(note 1)	*(note 1)*	*(note 1)*	*(note 1)*
At 1 January 2001	–	(259)	801	19,041	19,583
Profit for the year	–	–	–	40,563	40,563
Dividends	–	–	–	(13,000)	(13,000)
At 31 December 2001 and at 1 January 2002	–	(259)	801	46,604	47,146
Issue of share capital	15,025	–	–	–	15,025
Profit for the year	–	–	–	15,807	15,807
Dividends	–	–	–	–	–
At 31 December 2002	15,025	(259)	801	62,411	77,978

19. Reserves *(Continued)*

The contributed surplus of the Group represents the difference between the nominal value of share capital of the subsidiaries acquired to Group Reorganisation, as set out in note 1 to the financial statements over the nominal value of the shares in the Company issued in exchange therefore.

20. Commitments

As at the balance sheet date, the Group had the following outstanding commitments not provided for in the financial statements:

The Group

		2002	2001
		HK$'000	*HK$'000*
(a)	Capital commitment in respect of capital contribution to a subsidiary established in the PRC	**27,062**	3,000
(b)	Total future minimum lease payments under non-cancellable operating leases falling due as follows:		
	Within one year	**839**	651
	In the second to fifth years, inclusive	**1,543**	1,942
	Over five year	**260**	–
		2,642	2,593

HKSSAP 14 (revised), which was adopted during the year, requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than the payments to be made during the next year only as was previously required.

The Company did not have any significant commitments at the balance sheet date.

21. Contingent liabilities

The Group did not have any significant contingent liabilities at the balance sheet date.

22. Related party transactions

During the year, the Group had material transactions with the following related parties:

Name of Company	*Notes*	**2002** **HK$'000**	2001 *HK$'000*
Sales to Yue Fung Development Company Limited	*(i), (v), (vi), (vii)*	**2,417**	5,693
Rent paid to Grand Link International Ltd.	*(ii)*	**240**	265
Secretarial and consultancy service fees paid to Win Dragon Consultants Limited	*(iii)*	**–**	147
Purchase from Jiangyin Jingtai Laminated Board Co., Limited	*(iv), (v), (vi), (vii)*	**9,801**	9,688

Notes:

(i) Yue Fung Development Company Limited ("Yue Fung") is a subsidiary of Yue Fung International Group Holding Limited, which is indirectly interested in about 14.27% of the issued share capital of the Company. The Group sold PCBs to Yue Fung and the sales were based on the prices mutually agreed by both parties and on the same terms and conditions as the Group sold to other independent third parties.

(ii) Grand Link International Limited ("Grand Link") is a company owned by two executive Directors. Grand Link entered into a tenancy agreement with the Group on 1 August 2002 and leased the office premises to the Group at the monthly rent of HK$20,000. The rental was calculated by reference to the open market rentals.

(iii) Win Dragon Consultants Limited ("Win Dragon") is a company owned by an executive Director. Win Dragon provided secretarial and consultancy services to the Group. The service fees was calculated on the same terms and conditions as provided the same services to other independent third parties.

(iv) Jiangyin Jingtai Laminated Board Co. Limited ("Jiangyin") is a fellow subsidiary of the Company. The Group purchased laminated sheets from Jiangyin and the purchases were based on the prices mutually agreed by both parties and on the same terms and conditions as offered to other independent third parties.

(v) The Directors are of the opinion that each of the connected transactions referred to in Notes (i) and (iv) above:

  (a) had been entered into by the Company in the ordinary and usual course of its business;

  (b) had been conducted on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and made by similar entities) or (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned;

  (c) had been entered into on terms no less favourable than those available from independent third parties and no more favourable than those available to independent third parties; and

  (d) the aggregate amount of the sales for the financial year ended 31 December 2002 had not exceed $10,000,000 and the aggregate amount of the purchase for the financial year ended 31 December 2002 had not exceed $10,000,000.

(vi) Each of the connected transactions had received the approval of the Company's board of Directors.

(vii) Each of the connected transactions had been carried out in accordance with the Group's pricing policies.

23. Post balance sheet events

(a) During the year, the Group has paid deposits of approximately HK$14.2 million to Mainland China, Hong Kong, Taiwan and Japan machinery and equipment manufacturers, for the purchases of machinery with an aggregate contracted amount of approximately HK$21.6 million. None of the machinery has been delivered to the Group. The management of the Group has just completed negotiations with those contracted parties for settlement of the outstanding related payables, in view of the Group's difficult cashflow position in meeting their contractual obligations. All deposits have been forfeited but no further obligation related to the above contract need to be fulfilled. No provision has been made in this report.

(b) During the year, the Group had paid deposits of approximately HK$30.5 million during the period from 28 August 2002 to 19 December 2002, to three companies in Mainland China, in respect of the construction of a factory and related air-conditioning, water and electrical connection infrastructure in Jiangyin, Jiangsu Province, the PRC, with aggregate contact amounts of approximately HK$41 million. All those contracts had been cancelled in August 2003 and deposits has been transferred. On 24 June 2003, the Group has disposed the right to use the above mentioned factory together with the uncompleted contracts for RMB1,000,000. No further obligation related to the above contracts need to be fulfilled. No provision has been provided in this report.

(c) Subsequent to the year ended 31 December 2002, the Group has disposed machinery of approximately of HK$8.3 million at cost for a consideration of HK$744,339.

24. Comparative amounts

As further explained in note 3 to the financial statements, due to the adoption of revised HKSSAP 14 during the current year, the supporting note for operating lease commitments was revised to comply with the new requirements. The comparative amounts in the financial statements have been revised and reclassified to conform with the current year's presentation.

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised 2001) cash flow statements. As a result, certain advances from banks have been excluded from the definition of cash equivalents, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities has been included on the face of the consolidated cash flow statement. Comparative figures have been reclassified to conform with current year's presentation.

25. Approval of the financial statements

The financial statements were approved and authorised for issue by the Directors on 6 November 2003.