

Notes to Financial Statements

30 June 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries for the year ended 30 June 2001. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

REVENUE RECOGNITION

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; 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

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 a reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria and research expenditure are expensed when incurred.

PENSION SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme became effective from 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 MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Notes to Financial Statements

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PENSION SCHEMES (CONTINUED)

Prior to the MPF Scheme being effective, the Group operated a defined contribution pension scheme for those employees who were eligible and had elected to participate in the scheme. This scheme operated in a similar way to the MPF Scheme, except that when an employee left the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. With effect from 1 December 2000 this scheme was terminated.

FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost or valuation less accumulated depreciation.

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

Changes in the values of fixed assets are dealt with as movements in the asset revaluation reserve. If the reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. A subsequent revaluation increase is recognised as income to the extent that it reverses a revaluation deficit of the same asset previously charged to the profit and loss account.

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

Medium term leasehold land	– Over the lease terms
Buildings	– 2%
Leasehold improvements	– 10% to 20%
Moulds and machinery	– 10% to 20%
Furniture, equipment and motor vehicles	– 10% to 30%

Freehold land is not depreciated.

Construction in progress represents a building under construction and is stated at cost and is not depreciated. Cost comprises direct costs incurred during the period of construction, installation and testing. Construction in progress is reclassified to the appropriate category of fixed assets when it is completed and ready for use.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS AND DEPRECIATION (CONTINUED)

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

LEASED ASSETS

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

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

SSAP 14 on leases has been revised and has been adopted for the first time in the preparation of the current year's financial statements. The revised SSAP 14 has introduced some amendments to the basis of accounting for leases, and to the related disclosure. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior year adjustment has been required. Disclosures for the Group's leasing arrangements have been modified and comparative amounts have been restated in order to achieve a consistent presentation (notes 21 and 26).

SUBSIDIARIES

A subsidiary is a company in which the Company, directly or indirectly, controls more than 50% of its voting power or issued share capital, or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been diminutions in values, other than temporary in nature, when they are written down to values determined by the directors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL RESERVE OR GOODWILL

The capital reserve or goodwill arising on acquisition of subsidiaries represents the excess or shortfall of fair values ascribed to the underlying net assets acquired over the purchase consideration. The capital reserve arising on acquisition is credited directly to reserves arising on consolidation. The goodwill arising on acquisition is eliminated against reserves in the year of acquisition.

LONG TERM INVESTMENTS

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

Long term investments are stated at cost less any provisions for diminutions in values other than those considered to be temporary in nature. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether their fair values have declined below the carrying amounts. When a decline which is other than temporary in nature has occurred, the carrying amount of the investment is reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account for the period in which it arises.

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, subcontracting charges and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

DEFERRED TAX

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

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 consolidation, the amounts in 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.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

CASH EQUIVALENTS

For the purpose of the consolidated 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 equivalents represent assets similar in nature to cash, which are not restricted as to use.

2. CORPORATE INFORMATION AND RELATED PARTY TRANSACTIONS

The principal activity of the company is investment holding. During the year, the Group was involved in the manufacturing and trading of computer monitors and monitor components and parts.

During the year, the Group had transactions with Isystems Technology, Inc. ("Isystems") (formerly known as "Mirage Technology, Inc."). Mr. Yang Long-san, Rowell, a director and shareholder of the Company, is a shareholder of Isystems. The summary of the transactions is as follows:

	2001 HK\$'000	2000 HK\$'000
Operating lease rentals paid to Isystems in respect of:		
Land and buildings	1,210	813
Machinery	228	594

The monthly rental expenses were calculated with reference to the prevailing market rentals as confirmed by an independent firm of professional valuers.

Further details of the transactions with Isystems are included under the heading "Connected transactions" in the Report of the Directors.

The directors, including the independent non-executive directors, have reviewed the above transactions and confirmed that they were carried out in the ordinary course of business.

The amount due to a related company is unsecured, interest-free and has no fixed repayment term.

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3. TURNOVER

Turnover represents the invoiced value of goods sold, net of discounts and returns, and after elimination of intra-Group transactions during the year.

4. PROFIT FROM OPERATING ACTIVITIES

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

	2001 HK\$'000	2000 HK\$'000
Cost of inventories sold	3,300,936	3,748,720
Depreciation:		
Owned assets	44,855	36,501
Leased assets	1,382	–
	46,237	36,501
Staff costs (excluding directors' remuneration, note 5)	134,388	109,577
Auditors' remuneration	1,185	1,079
Research and development costs	26,023	15,119
Operating lease rentals in respect of:		
Land and buildings	21,473	16,209
Machinery	228	594
Pension scheme contributions	866	2,784
Deficit on revaluation of land and buildings	2,651	–
Provision for doubtful debts	13,260	–
Provision for diminution in value of unlisted investment	3,767	–
Exchange losses, net	21,436	3,568
Loss/(gain) on disposal/write-off of fixed assets	196	(415)
Interest income	(8,661)	(7,235)

Cost of inventories sold includes HK\$89,119,000 (2000: HK\$72,512,000) relating to direct staff costs, operating lease rentals on land and buildings and machinery, and depreciation of the manufacturing activities, which are also included in the respective total amounts disclosed above for each of these types of expenses.

Research and development costs include HK\$12,106,000 (2000: HK\$5,370,000) relating to staff costs and operating lease rentals in respect of land and buildings, which are also included in the respective total amounts disclosed above for each of these types of expenses.

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5. DIRECTORS' REMUNERATION AND THE SIX HIGHEST PAID EMPLOYEES

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive directors	-	-
Independent non-executive directors	420	360
Other emoluments, executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	4,738	5,416
Pension scheme contributions	24	-
Bonuses paid	-	6,166
	5,182	11,942

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

	Number of directors	
	2001	2000
Nil – HK\$1,000,000	8	6
HK\$1,000,001 – HK\$1,500,000	-	1
HK\$3,000,001 – HK\$3,500,000	1	-
HK\$8,500,001 – HK\$9,000,000	-	1

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

The six highest paid employees during the year included three (2000: four) directors, details of whose remuneration are set out above. The details of the remuneration of the remaining three non-director, highest paid employees are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	4,060	2,022
	Number of employees	
	2001	2000
Nil – HK\$1,000,000	2	1
HK\$1,000,001 – HK\$1,500,000	-	1
HK\$2,000,001 – HK\$2,500,000	1	-

During the year, no emoluments were paid by the Group to the directors, or the non-director, highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

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6. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest expense on:		
Bank overdrafts and loans	46,437	35,189
Other loans wholly repayable within five years	1,029	296
Finance lease	534	–
Convertible bonds	7,730	4,080
	55,730	39,565
Provision for premium on redemption of convertible bonds	6,029	–
	61,759	39,565

7. TAX

	Group 2001 HK\$'000	2000 HK\$'000
Current:		
Hong Kong	2,176	7,450
Overseas	6,890	1,986
Overprovision in prior years – Hong Kong	(1,749)	–
Tax charge for the year	7,317	9,436

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

All subsidiaries operating in the People's of Republic of China (the "PRC") are exempted from income tax for two years from their first profit making year and are eligible for a 50% relief from income tax for the following three years under the Income Tax Law.

Taxes on the assessable profits of one of the PRC subsidiaries have been calculated at the applicable rates of tax prevailing in the PRC during the year. No provision for income tax has been made for one of the PRC subsidiaries because it is exempted from income tax for its first profit making year. No provision for income tax has been made for the other subsidiaries because they did not generate any assessable profits for the year.

The revaluation surplus of the Group's medium term leasehold land and buildings does not constitute a timing difference and therefore the amount of potential deferred tax thereon has not been quantified.

No deferred tax has been provided by the Company and the Group because there were no significant timing differences at the balance sheet date.

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8. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders of the Company dealt with in the financial statements of the Company is HK\$1,204,000 (2000: HK\$20,772,000).

9. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Interim dividend – Nil (2000: HK1.5 cents)	-	9,532
Proposed final dividend – Nil (2000: HK1.5 cents)	-	9,533
	-	19,065

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$2,637,000 (2000: HK\$121,706,000) and on the weighted average of 635,514,000 (2000: 630,506,000) shares in issue during the year.

No diluted earnings per share has been shown for the current year because the exercise price of the dilutive potential shares during the year was higher than the average market price of the Company's shares and, accordingly, there was no dilutive effect on the basic earnings per share.

The calculation of diluted earnings per share for the year ended 30 June 2000 was based on the net profit from ordinary activities attributable to shareholders for that year of HK\$121,706,000 and 633,093,000 ordinary shares, being the weighted average number of ordinary shares outstanding during that year adjusted for the effects of dilutive potential ordinary shares outstanding during that year.

The reconciliation of the weighted average number of shares used in calculating the basic and diluted earnings per share calculations is as follows:

	2000
Weighted average number of ordinary shares used in calculating basic earnings per share	630,506,000
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of all options outstanding during the year	2,587,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	633,093,000

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11. FIXED ASSETS

GROUP

	Land and buildings HK\$'000	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Moulds and machinery HK\$'000	Furniture, equipment and motor vehicles HK\$'000	Total HK\$'000
Cost or valuation :						
At 1 July 2000	188,442	11,352	32,381	235,673	52,569	520,417
Additions	-	17,326	3,072	41,810	5,353	67,561
Deficit on revaluation, net	(5,791)	-	-	-	-	(5,791)
Write-off	-	-	-	(150)	(73)	(223)
Exchange adjustments	(1,051)	160	(143)	(1,148)	(1,726)	(3,908)
At 30 June 2001	181,600	28,838	35,310	276,185	56,123	578,056
Accumulated depreciation:						
At 1 July 2000	-	-	12,412	66,138	21,614	100,164
Provided during the year	3,875	-	3,225	30,636	8,501	46,237
Reversal upon revaluation	(3,875)	-	-	-	-	(3,875)
Write-off	-	-	-	(7)	(20)	(27)
Exchange adjustments	-	-	(42)	(12)	(452)	(506)
At 30 June 2001	-	-	15,595	96,755	29,643	141,993
Net book value:						
At 30 June 2001	181,600	28,838	19,715	179,430	26,480	436,063
At 30 June 2000	188,442	11,352	19,969	169,535	30,955	420,253

Notes to Financial Statements

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11. FIXED ASSETS (CONTINUED)

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

	Group	
	2001 HK\$'000	2000 HK\$'000
At valuation:		
Medium term land and buildings in Hong Kong	51,000	56,000
Medium term land and buildings outside Hong Kong	116,200	116,200
	167,200	172,200
At valuation:		
Freehold land and buildings outside Hong Kong	14,400	-
At cost:		
Freehold land and buildings outside Hong Kong	-	16,242
Total	181,600	188,442

The medium term leasehold land and buildings are situated in Hong Kong and the PRC.

At 30 June 2001, the leasehold land and buildings in Hong Kong were valued on an open market, existing use basis by FPD Savills (Hong Kong) Limited ("FPD"), an independent firm of professional valuers, at HK\$51,000,000. A deficit of HK\$1,238,000 was charged to the asset revaluation reserve and a deficit of HK\$2,651,000 was charged to the profit and loss account.

At 30 June 2001, the leasehold land and buildings in the PRC were valued on an open market, existing use basis by FPD at HK\$116,200,000. A surplus of HK\$1,840,000 was recognised in the asset revaluation reserve.

At 30 June 2001, the freehold land and buildings in Taiwan were valued on an open market, existing use basis by FPD at HK\$14,400,000. A surplus of HK\$133,000 was recognised in the asset revaluation reserve.

At 30 June 2000, as advised by FPD, the directors were of the opinion that the cost of the freehold land and buildings in Taiwan, which were acquired in May 2000, was not materially different from their values as at 30 June 2000.

Had the Group's land and buildings been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK\$153,331,562 (2000: HK\$156,835,000).

Notes to Financial Statements

30 June 2001

11. FIXED ASSETS (CONTINUED)

At the balance sheet date, the land and buildings situated in Hong Kong, the PRC and Taiwan were pledged as securities for banking facilities granted to the Group (note 20).

Certain machinery with a net book value of approximately HK\$17,123,000 (2000: HK\$4,872,000) was pledged to secure the other loan granted to the Group at the balance sheet date (note 20).

The net book value of the fixed assets of the Group held under finance leases included in the total amount of the fixed assets at 30 June 2001 amounted to approximately HK\$9,677,000(2000: Nil). The depreciation charge for the year in respect of such assets amounted to HK\$1,382,000 (2000: Nil).

12. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	162,574	162,574
Due from subsidiaries	387,379	357,531
Due to subsidiaries	(25,443)	(111)
	524,510	519,994

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

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

Name	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2001	2000	
Directly held					
Proview Group Limited	British Virgin Islands	Ordinary US\$3,000	100%	100%	Investment holding
Indirectly held					
Aceton Limited	British Virgin Islands/PRC	Ordinary US\$1	100%	100%	Provision of research and development and engineering services

Notes to Financial Statements

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12. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2001	2000	
Indirectly held (continued)					
Bonwick Limited	British Virgin Islands/PRC	Ordinary US\$1	100%	100%	Provision of management system consultancy service
Castle Lion Group Limited	British Virgin Islands/PRC	Ordinary US\$1	100%	100%	Provision of marketing service
Diamond Victory Limited	British Virgin Islands/PRC	Ordinary US\$1	100%	100%	Investment holding
Eastern Hawk Limited	British Virgin Islands/PRC	Ordinary US\$1	100%	100%	Provision of procurement service
Essex Monitor (H.K.) Company Limited	Hong Kong	Non-voting deferred HK\$40,000,000 Ordinary HK\$100	100%	100%	Provision of financial service
EMC Industria e Comercio Do Amazonas Ltda.	Brazil	Registered R\$900,200	100%	100%	Manufacture and trading of computer monitors
Finance Treasure Limited	British Virgin Islands	Ordinary US\$1	100%	100%	Investment holding
Gaintle Limited	Hong Kong	Ordinary HK\$2	100%	100%	Provision of shipping service
Golden Kiddon Limited	British Virgin Islands/PRC	Ordinary US\$1	100%	100%	Provision of quality control service
Proview Group (L) Limited	Labuan	Ordinary US\$2	100%	100%	Manufacture and trading of computer monitors and monitor components and parts

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12. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2001	2000	
Indirectly held (continued)					
Proview International Investment Ltd.	Taiwan	Registered NT\$10,000,000	100%	100%	Investment holding
Proview Technology, Inc.	United States of America	Ordinary US\$2,300,000	100%	100%	Trading of computer monitors
Proview Electronics Co., Ltd. (Formerly Proview Electronics (Taiwan) Co., Ltd.)	Taiwan	Registered NT\$80,000,000	100%	100%	Manufacture and trading of computer monitors
Proview Industrial Ltd.	British Virgin Islands	Ordinary US\$1	100%	100%	Investment holding
Provue Electronics B.V.	Netherlands	Ordinary NLG 40,000	100%	100%	Trading of computer monitors
Proview International (U.K.) Limited	United Kingdom	Ordinary GBP 2	100%	100%	Trading of computer monitors
Proview Services Limited	Labuan	Ordinary US\$1	100%	100%	Provision of financial service
Proview Technology (Shenzhen) Co., Ltd.	PRC	Registered US\$10,000,000	100%	100%	Provision of sub-contracting service
Syncrown Technology (Shenzhen) Co., Ltd.	PRC	Registered US\$750,000	100%	–	Provision of administrative service
Yanger International Investment Limited	Taiwan	Registered NT\$10,000,000	100%	100%	Investment holding
Yoke Technolgooy (Shenzhen) Co., Ltd. ("Yoke")*	PRC	Registered US\$3,076,000	77%	–	Manufacture and trading of computer monitor components

Notes:

* Yoke is an equity joint venture established by the Group and an independent party in the PRC for a period of 10 years commencing from the date of issuance of its business licence on 21 April 2000.

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13. LONG TERM INVESTMENTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Listed equity investment outside Hong Kong, at cost	78,245	78,245
Exchange adjustments	(9,014)	-
	69,231	78,245
Unlisted investment outside Hong Kong, at cost	3,767	3,767
Provision for diminution in value	(3,767)	-
	-	3,767
	69,231	82,012

The market values of the Group's long term listed equity investment at 30 June 2001 and at the date of approval of these financial statements were approximately HK\$23,905,000 and HK\$10,607,000, respectively.

Particulars of the unlisted investment are as follows:

Name	Place of incorporation/ operations	Paid-up ordinary share capital	Percentage of equity attributable to the Group
Proview Scandinavia A/S	Denmark	DKK6,800,000	50%

In the opinion of the directors, the Group does not have joint control over, nor is in a position to influence Proview Scandinavia A/S. Accordingly, the investment in Proview Scandinavia A/S is accounted for as a long term investment.

14. LONG TERM DEPOSITS

Last year's long term deposits represented deposits paid for the acquisition of plant and machinery.

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15. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	276,748	280,329
Work in progress	65,151	41,119
Finished goods	258,529	326,659
	600,428	648,107

At the balance sheet date, no inventories (2000: Nil) were stated at net realisable value.

16. ACCOUNTS RECEIVABLE

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Within 90 days	343,173	300,282
Between 91 to 180 days	48,031	110,919
Between 181 to 365 days	50,863	13,011
Over 365 days	-	2,566
	442,067	426,778

Payment terms with customers are largely on credit. Invoices are normally payable within 90 days of issuance, except for certain well established customers, where the terms are extended to 180 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by the Group's senior management.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	205,029	201,049	297	286
Time deposits	96,662	93,999	-	-
	301,691	295,048	297	286

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18. ACCOUNTS AND BILLS PAYABLE

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Within 90 days	375,538	570,407
Between 91 to 180 days	177,578	2,436
Between 181 to 365 days	5,922	-
	559,038	572,843

19. BANK AND OTHER BORROWINGS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Bank loans:		
Secured	72,691	51,772
Unsecured	38,967	-
	111,658	51,772
Bank loans repayable:		
Within one year	81,597	10,117
In the second year	10,932	10,463
In the third to fifth years, inclusive	11,064	22,035
Beyond five years	8,065	9,157
	111,658	51,772
Secured other loan repayable:		
Within one year	5,139	1,374
In the second year	5,663	-
In the third to fifth year, inclusive	1,504	-
Total secured other loan	12,306	1,374
Total bank and other borrowings	123,964	53,146
Portion classified as current liabilities	(86,736)	(11,491)
Non-current portion	37,228	41,655

The other loan is a secured loan from a financial institution (note 20), which bears interest at commercial rates and is repayable over three years by monthly instalments.

Notes to Financial Statements

30 June 2001

20. BANKING FACILITIES AND OTHER LOAN

At 30 June 2001, the Group's banking facilities and other loan were supported by the following:

- (i) a pledge of certain machinery with a net book value of approximately HK\$17,123,000 (2000: HK\$4,872,000) of the Group;
- (ii) pledges of bank deposits aggregating NT\$99,172,000 (equivalent to HK\$22,214,000) (2000: NT\$22,130,000 (equivalent to HK\$5,602,000));
- (iii) first legal charges over the land and buildings of the Group; and
- (iv) corporate guarantees from the Company and certain subsidiaries.

21. FINANCE LEASE PAYABLE

The Group conducted a portion of its operations from leased machinery. The lease is classified as finance lease. The future minimum lease payments under the finance lease, together with the present value of the net minimum lease payments, are as follows:

	Group			
	Minimum payments	Present value of minimum payments	Minimum payments	Present value of minimum payments
	2001	2001	2000	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount payable				
Within one year	3,831	3,601		
In the second year	3,545	3,133	-	-
In the third to fifth years, inclusive	841	731	-	-
		<u>7,465</u>	-	<u>-</u>
Total minimum finance lease payments	8,217		-	
Future finance charges	(752)		-	
Total net finance lease payable	7,465		-	
Portion classified as current liabilities	(3,318)		-	
Long term portion of finance lease payable	4,147		-	

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22. CONVERTIBLE BONDS

	2001 HK\$'000	2000 HK\$'000
US\$20,000,000 5% convertible bonds		
Principal	155,498	155,498
Provision for premium on redemption of convertible bonds	6,029	–
	161,527	155,498

On 22 December 1999 (the "Issue Date"), the Company issued convertible bonds (the "Bonds") of US\$10 million (equivalent to approximately HK\$77,749,000) to each of GE Capital Equity Investments, Limited and Diamond International Services Limited (formerly Winter Flame Inc.) (the "Bondholders"). The Bonds bear interest at 5% per annum and will mature on 21 December 2004. At the option of the Bondholders, the Bonds are convertible into ordinary shares of HK\$0.10 each in the Company (the "Shares") at a conversion price of HK\$1.60 per share, subject to adjustment, at any time from the third month following the Issue Date.

The Bonds must be redeemed in whole on 21 December 2004, the fifth anniversary of the Issue Date, unless they have been converted into the Shares, repurchased by the Company or redeemed prior to such date. The Company will not be entitled to require early redemption of the convertible bonds. The Bondholders may require early redemption of the Bonds upon the occurrence of an event of default. At the option of the Bondholders, the Bonds may be redeemed, in whole or in part, at any time from the third anniversary of the Issue Date at a price equal to 113% of the principal, plus accrued and unpaid interest.

In the event of a change of control, a merger, consolidation or other combination of the Company, or transfer of all or substantially all of the Company's assets, the Bondholders have the option to convert the Bonds into Shares and receive their pro rata distribution or require prepayment of the Bonds at a price equal to 113% of the principal, plus accrued interest up to but excluding the date of redemption. For as long as the Bondholders hold Shares and/or Bonds entitling them to convert into the equivalent of 73,625,947 Shares, they have the right to appoint one non-executive director to the board of directors of the Company. For as long as the Bondholders hold Shares and/or Bonds entitling them to convert into the equivalent of at least 36,812,973 Shares, they also have the right to send representatives to attend board meetings as observers.

Notes to Financial Statements

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23. SHARE CAPITAL

SHARES

	Number of ordinary shares of HK\$0.10 each (in thousands)		Amount HK\$'000	
	2001	2000	2001	2000
Authorised:				
Balance at beginning and end of year	2,000,000	2,000,000	200,000	200,000
Issued and fully paid:				
Balance at beginning of year	635,514	624,000	63,551	62,400
Scrip dividend	-	11,439	-	1,144
Conversion of share options	-	75	-	7
Balance at end of year	635,514	635,514	63,551	63,551

SHARE OPTIONS

On 26 May 1997, the Company adopted a share option scheme under which the directors may, at their discretion, make an offer to any employees of the Company or any of its subsidiaries, including any directors of the Company or any of its subsidiaries, for the granting of options to subscribe for shares in the Company. The subscription price of options granted would be the higher of 80% of the average of the closing share price on the Stock Exchange for the five trading days immediately preceding the date of the offer of the options and the nominal value of the shares.

The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed, in nominal amount, 10% of the issued share capital of the Company which has been duly allotted and issued. The maximum number of shares in respect of which options may be granted to any employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the share option scheme.

Any option may be exercised in accordance with the terms of the share option scheme at any time during a period to be determined and notified by the directors to each grantee. This exercise period may commence on a day after the date upon which the offer of the grant of options is made, and shall end in any event not later than 10 years from the date of grant of the options, subject to the scheme's provisions for early termination of the options.

Notes to Financial Statements

30 June 2001

23. SHARE CAPITAL (CONTINUED)

SHARE OPTIONS (CONTINUED)

Pursuant to the above scheme, on 4 June 1999, the Company granted a total of 15,600,000 share options to all directors and certain full time employees of the Company, at a total consideration of HK\$32, which entitled them to subscribe for a total of 15,600,000 ordinary shares of the Company. The share options are exercisable at a price of HK\$1.20 per share. 7,800,000 of the share options are exercisable at any time from 1 January 2000 to 31 December 2004, and the remaining 7,800,000 share options are exercisable at any time from 1 January 2001 to 31 December 2005.

During the year ended 30 June 2000, 75,000 share options at the exercise price of HK\$1.20 per share were exercised. The premium of HK\$82,500 received on the exercise of the 75,000 share options was credited directly to share premium account during the year ended 30 June 2000.

At 1 July 2000, the Company had 15,525,000 outstanding share options at an exercise price of HK\$1.20. During the year, 300,000 share options at the exercise price of HK\$1.20 lapsed upon the retirement of a director of the Company.

At 31 March 2001, the Company had 15,225,000 outstanding share options at an exercise price of HK\$1.20. The exercise in full of those share options would, under the present capital structure of the Company, result in the issue of 15,225,000 ordinary shares of HK\$0.10 each at a total consideration of HK\$18,270,000.

Notes to Financial Statements

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24. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Group							
At 1 July 1999	146,591	40,824	23,502	(1,786)	-	253,872	463,003
Scrip dividend	13,784	-	-	-	-	-	13,784
Exercise of share options	83	-	-	-	-	-	83
Revaluation surplus on fixed assets - note 11	-	-	7,298	-	-	-	7,298
Arising on consolidation of overseas subsidiaries	-	-	-	1,959	-	-	1,959
Elimination of goodwill	-	-	-	-	-	(182)	(182)
Net profit for the year	-	-	-	-	-	121,706	121,706
Dividends	-	-	-	-	-	(19,065)	(19,065)
At 30 June 2000 and 1 July 2000	160,458	40,824	30,800	173	-	356,331	588,586
Revaluation surplus on fixed assets, net - note 11	-	-	735	-	-	-	735
Arising on consolidation of overseas subsidiaries	-	-	-	(10,442)	-	-	(10,442)
Arising on acquisition of additional interest of a subsidiary	-	-	-	-	1,184	-	1,184
Net profit for the year	-	-	-	-	-	2,637	2,637
At 30 June 2001	160,458	40,824	31,535	(10,269)	1,184	358,968	582,700
Company							
At 1 July 1999	146,591	162,374	-	-	-	4,406	313,371
Scrip dividend	13,784	-	-	-	-	-	13,784
Exercise of share options	83	-	-	-	-	-	83
Net profit for the year	-	-	-	-	-	20,772	20,772
Dividends	-	-	-	-	-	(19,065)	(19,065)
At 30 June 2000 and 1 July 2000	160,458	162,374	-	-	-	6,113	328,945
Net profit for the year	-	-	-	-	-	1,204	1,204
At 30 June 2001	160,458	162,374	-	-	-	7,317	330,149

Notes to Financial Statements

30 June 2001

24. RESERVES (CONTINUED)

The contributed surplus of the Group arose as a result of the Group reorganisation in 1997 and represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired under the reorganisation scheme, over the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus of the Company arose as a result of the same Group reorganisation scheme and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefor. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of the contributed surplus in certain circumstances.

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) RECONCILIATION OF PROFIT FROM OPERATING ACTIVITIES TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit from operating activities	72,300	170,710
Interest income	(8,661)	(7,235)
Depreciation	46,237	36,501
Loss/(gain) on write-off of fixed assets	196	(415)
Provision for diminution in value of unlisted investment	3,767	-
Deficit on revaluation of land and buildings	2,651	-
Decrease/(increase) in inventories	46,437	(143,962)
Increase in accounts receivable	(16,726)	(262,949)
Increase in prepayments, deposits and other receivables	(2,320)	(12,247)
Increase/(decrease) in accounts and bills payable	(11,327)	172,186
Increase in import loans with original maturity of more than three months	6,252	255,367
Increase/(decrease) in accrued liabilities and other payables	(13,484)	14,462
Increase in amount due to a related company	2,818	-
Net cash inflow from operating activities	128,140	222,418

Notes to Financial Statements

30 June 2001

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Bank and other loans HK\$'000	Finance lease obligations HK\$'000	Convertible bonds HK\$'000	Minority interests HK\$'000
Balance at 1 July 1999	208,991	66,813	-	-	4,394
Share of net profit	-	-	-	-	3
Scrip dividend	14,928	-	-	-	-
Net cash inflow/(outflow) from financing	90	(13,667)	-	155,498	-
Balance at 30 June 2000 and 1 July 2000	224,009	53,146	-	155,498	4,397
Inception of a finance lease	-	-	11,059	-	-
Premium on convertible bonds	-	-	-	6,029	-
Acquisition of additional interest in a subsidiary	-	-	-	-	(4,397)
Share of net profit	-	-	-	-	587
Exchange differences	-	(1,320)	-	-	-
Net cash inflow/(outflow) from financing	-	72,138	(3,594)	-	1,747
Balance at 30 June 2001	224,009	123,964	7,465	161,527	2,334

Notes to Financial Statements

30 June 2001

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(c) ACQUISITION OF A SUBSIDIARY

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	-	2,260
Cash and bank balances	-	2,675
Accounts receivable	-	16,877
Inventories	-	25,527
Prepayments, deposits and other receivables	-	1,803
Accounts payable	-	(811)
Accrued liabilities and other payables	-	(3,918)
Tax payable	-	(1,593)
Due to immediate holding company	-	(40,296)
	-	2,524
Goodwill on acquisition	-	182
	-	2,706
Satisfied by:		
Cash	-	2,706

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary:

	2001 HK\$'000	2000 HK\$'000
Cash consideration	-	(2,706)
Cash and bank balances acquired	-	2,675
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	-	(31)

The subsidiary acquired during the year ended 30 June 2000 contributed HK\$8,055,000 to the Group's net operating cash flows, utilised HK\$3,691,000 for investing activities but had no significant impact in respect of the financing activities.

Notes to Financial Statements

30 June 2001

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(d) MAJOR NON-CASH TRANSACTIONS

- (i) During the year ended 30 June 2000, the scrip dividend of HK\$14,928,000 for the year ended 30 June 1999 was settled by issuing 11,439,000 shares of HK\$0.10 each of the Company to the shareholders.
- (ii) During the year, the Group entered into a finance lease arrangement in respect of fixed assets with a total capital value of the lease of HK\$11,059,000 (2000: Nil).

26. COMMITMENTS

(a) OPERATING LEASE COMMITMENTS

The total future minimum lease payments in respect of non-cancellable operating leases committed at the balance sheet date to be made by the Group was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Land and buildings expiring:		
Within one year	12,816	15,099
In the second to fifth years, inclusive	31,377	30,592
After five years	3,880	10,227
	48,073	55,918
Machinery expiring:		
Within one year	323	577
In the second to fifth years, inclusive	94	625
	417	1,202
	48,490	57,120

- (b) At the balance sheet date, the Group had contracted commitments in respect of purchases of certain fixed assets of HK\$10,980,000 (2000: HK\$24,168,000).
- (c) At the balance sheet date, the Group had a contracted commitment in respect of an investment in a joint venture company in the PRC of US\$6,120,000 (equivalent to approximately HK\$47,308,000) (2000: NT\$154,000,000 equivalent to approximately HK\$38,987,000)).

The Company had no significant commitments as at the balance sheet date (2000: Nil).

Notes to Financial Statements

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27. CONTINGENT LIABILITIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Guarantees provided for banking facilities utilised at the balance sheet date by certain subsidiaries	504,786	500,396
Guarantees provided for other loan facilities utilised at the balance sheet date by a subsidiary	12,306	1,374
	517,092	501,770

The Group had no other significant contingent liabilities as at the balance sheet date (2000: Nil).

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 23 October 2001.