1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 21 April 1989 as Elec & Eltek (Bermuda) Company Limited as an exempt company with limited liability. Its registered office is located at Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda. On 22 December 1992, the name of the Company was changed to Elec & Eltek International Holdings Limited.

The principal activities of the subsidiaries of the Group are the manufacture and sale of electronic components, including double-sided and multi-layered printed circuit boards, liquid crystal displays and magnetic products, and the provision of information technology consultancy and software development services. There were no significant changes in the nature of the Group's principal activities during the year.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised) : "Events after the balance sheet date"
- SSAP 18 (Revised) : "Revenue"
- SSAP 26 : "Segment reporting"
- SSAP 28 : "Provisions, contingent liabilities and contingent assets"
- SSAP 29 : "Intangible assets"
- SSAP 30 : "Business combinations"
- SSAP 31 : "Impairment of assets"
- SSAP 32 : "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12 : "Business combinations - subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13 : "Goodwill - continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

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 and Interpretations which have had a significant effect on the financial statements are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 11 to the financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from a subsidiary that are declared and approved by that subsidiary after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in notes 10 and 24 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has resulted in prior year adjustments, further details of which are included in note 24 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 June 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 intercompany transactions and balances within the Group are eliminated on consolidation.

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

(c) Subsidiaries

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

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

(d) Joint venture companies

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

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

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

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

(e) Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Associates

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

In the prior year, the Group's share of the post-acquisition results of Elec & Eltek International Company Limited ("EEICL") and its subsidiaries was included in the consolidated profit and loss account. On 15 June 2001, the Company acquired additional interests in EEICL, thereby increasing its equity interest in EEICL from 43.65% to 52.15% at that date. EEICL and its subsidiaries have therefore been accounted for as subsidiaries thereafter.

(g) Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 July 2001 to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy described above.

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

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

(i) Fixed assets and depreciation

Fixed assets, other than construction in progress, 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 the working condition and location for its intended use. Expenditure incurred after the asset has 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 clearly be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation, except for plant & machinery as further detailed below, is calculated on the straight-line basis to write off the cost of each asset over its estimated useful economic life. The principal annual rates used for this purpose are as follows:

Freehold buildings	5.0%
Furniture and office equipment	20.0%
Motor vehicles	14.3% - 20.0%

No depreciation is provided on freehold land.

Leasehold land and buildings situated in Hong Kong are amortised and depreciated, respectively, at the rate of 2% per annum or on the straight-line basis over the unexpired lease terms, whichever is shorter. Leasehold land and buildings situated in the People's Republic of China (the "PRC") are depreciated over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Fixed assets and depreciation (continued)

With effect from 1 July 2001, improvements to leasehold properties are depreciated on the straight-line basis over 10 years or the unexpired lease term, whichever is the shorter. Previously they were depreciated over 5 years or the unexpired lease term, whichever is the shorter. The change in estimated useful life was made to reflect more accurately the expected consumption pattern of economic benefits from these assets. Had the estimated useful life of leasehold improvements remained unchanged from the previous year, the depreciation charge in respect of these assets for the current year would have increased by approximately HK$9,549,000, which is attributable solely to EEICL and its subsidiaries. The change in estimated useful life of leasehold improvements has had no significant impact on the depreciation charge for other Group companies.

With effect from 1 July 2001, the unit-of-production depreciation method was implemented for all plant and machinery. This method was adopted to better reflect the consumption pattern of the expected economic benefits over the expected useful lives of the plant and machinery of either 5 or 7 years. The unit-of-production method determines the depreciation of items of plant and machinery based on their actual utilisation. Utilisation is measured by comparing actual output against the expected total output as determined by the assets' optimum capacity over their estimated useful lives. Full utilisation is assumed unless an asset's utilisation falls below its optimal production capacity. Previously, items of plant and machinery were depreciated on the straight-line basis over their estimated useful lives of either 5 or 7 years. The change in depreciation method has been applied prospectively, commencing with the current year. Had the depreciation method for plant and machinery remained unchanged from the previous year, the depreciation charge in respect of plant and machinery for the current year would have increased by approximately HK$37,300,000, which is attributable solely to EEICL and its subsidiaries. The change in depreciation method for plant and machinery has had no significant impact on the depreciation charge for other Group companies.

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.

Construction in progress mainly consists of a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

(j) Intangible assets

Intangible assets comprise technical know-how acquired from third parties and are stated at their purchase cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on the straight-line basis to write off the cost of each intangible asset over its estimated useful life of five years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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 payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

(l) Inventories

Inventories comprise raw materials, work in progress and finished goods relating to the manufacture of printed circuit boards, liquid crystal displays, magnetic and other electronic products and are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Cost in respect of printed circuit boards is determined on the first-in, first-out basis and for all inventories other than printed circuit boards is determined on the weighted average basis. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate portion of manufacturing overheads. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

(m) 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.

(n) 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 results of subsidiaries, associates and a jointly-controlled entity denominated in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange arising during the financial year. The net assets of such overseas subsidiaries, associates and jointly-controlled entity 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 reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries or of the relevant income, subject to the statutory maximum amount, 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 except for the Group's employer voluntary contributions, which are refunded to the Group when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

Prior to the Scheme being effective, the Group operated a defined contribution retirement benefits scheme (the "Prior Scheme") for those employees who were eligible to participate in this scheme. This Prior Scheme operated in a similar way to the Mandatory Provident Fund retirement benefits 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 the forfeited employer contributions. With effect from 1 December 2000, no further contributions were made to the Prior Scheme but the assets of this scheme are still held separately from those of the Group and of the Scheme in an independently administered fund, until the relevant employees leave the Group when the relevant assets will be returned to the employees.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute 8 to 20% of their payroll costs to the central pension scheme. Subsidiaries in Singapore and Thailand are required to contribute 16% and 5% of their payroll costs to their defined contribution retirement benefits schemes, respectively.

(p) 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:

(i) 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;

(ii) information technology consultancy and software development services fee income, in the period in which the services are rendered;

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

(iv) dividend income, when the shareholders' right to receive payment has been established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 3% and 12% has been applied to the expenditure on the individual assets.

(r) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within 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.

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The Company also recognised the proposed final dividend of a subsidiary, which was declared and approved after the balance sheet date, as income in its profit and loss account for the year. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) and SSAP 18 (Revised), have given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in notes 10, 11 and 24 to the financial statements.

(s) 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.

(t) 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 the balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the printed circuit boards ("PCB") segment engages in the manufacture and sale of double-sided and multi-layered PCBs mainly for use in the communication/networking sector including mobile products, computers and peripherals sector, automotive sector and other electronic products;

(b) the liquid crystal displays ("LCD") segment engages in the manufacture and sale of various LCD and LCD modules and accessories mainly for use in telecommunications, automotive, multi-media and electrical appliances;

(c) the magnetic products ("Magnetic") segment engages in the manufacture and sale of magnetic products, including transformers, converters, power products and noise filters used in telecommunications, broadband access and local area networks;

(d) the information technology ("IT") segment provides information technology consultancy and software development services; and

(e) the corporate and other segment includes unallocated general corporate income and expense items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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

4. SEGMENT INFORMATION (continued)

(a) *Business segments*

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

Group

	PCB		LCD	
	2002 HK$'000	2001 HK$'000	**2002 HK$'000**	2001 HK$'000
Segment revenue:				
Sales to external customers	**1,904,242**	116,315	**216,394**	199,963
Inter-segment sales	**—**	—	**—**	—
Other revenue	**—**	—	**—**	358
Total	**1,904,242**	116,315	**216,394**	200,321
Segment results	**220,775**	21,181	**12,288**	(28,014)
Interest income				
Gain on disposal of other investments				
Unallocated expenses				
Profit/(loss) from operating activities				
Finance costs				
Share of profits and losses of:				
Associates	**—**	186,197	**—**	—
Jointly-controlled entity	**—**	—	**—**	—
Profit before tax				
Tax				
Profit before minority interests				
Minority interests				
Net profit from ordinary activities attributable to shareholders				
Segment assets	**2,504,674**	2,596,905	**195,185**	220,284
Interest in a jointly-controlled entity	**—**	—	**—**	—
Bank overdrafts and trust receipt loans with maturity of less than three months included in segment assets	**278**	10,218	**3,648**	18,378
Unallocated assets				
Total assets				
Segment liabilities	**367,978**	442,743	**40,800**	42,046
Bank overdrafts and trust receipt loans with maturity of less than three months included in segment assets	**278**	10,218	**3,648**	18,378
Unallocated liabilities				
Total liabilities				
Other segment information:				
Capital expenditure	**175,340**	—	**5,075**	23,214
Depreciation and amortisation	**217,698**	10,336	**17,579**	23,009
Provision/(write back of provision) for obsolete inventories	**(6,558)**	1,107	**4,291**	5,499
Provision/(write back of provision) for doubtful debts	**(8,368)**	388	**4,841**	1,924
Impairment of fixed assets	**—**	—	**—**	—
Loss on disposal of fixed assets	**234**	—	**600**	10
Loss on deemed disposal of interests in subsidiaries	**2,813**	—	**—**	—
Write back of provision for management bonus	**(15,274)**	—	**—**	—
Gain on disposal of other investments	**—**	—	**—**	—

Magnetic		IT		Corporate and other		Eliminations		Consolidated	
2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
102,562	83,902	**456**	1,123	**—**	—	**—**	—	**2,223,654**	401,303
—	—	**1,145**	1,462	**—**	—	**(1,145)**	(1,462)	**—**	—
279	602	**—**	—	**4,964**	16,164	**(4,531)**	(15,864)	**712**	1,260
102,841	84,504	**1,601**	2,585	**4,964**	16,164	**(5,676)**	(17,326)	**2,224,366**	402,563
6,162	3,021	**(11,562)**	(15,690)	**(18,178)**	(34,073)	**—**	—	**209,485**	(53,575)
								1,191	4,971
								—	4,731
								(2,813)	—
								207,863	(43,873)
								(23,339)	(11,386)
—	—	**—**	—	**—**	(266)	**—**	—	**—**	185,931
—	—	**(904)**	(2,144)	**—**	—	**—**	—	**(904)**	(2,144)
								183,620	128,528
								(30,329)	(13,575)
								153,291	114,953
								(105,819)	(9,700)
								47,472	105,253
									(Restated)
52,108	42,752	**1,024**	6,079	**(640)**	11,017	**—**	—	**2,752,351**	2,877,037
—	—	**9,651**	10,499	**—**	—	**—**	—	**9,651**	10,499
—	2,344	**—**	—	**28,283**	40,341	**—**	—	**32,209**	71,281
								1,570	53,266
								2,795,781	3,012,083
15,444	7,852	**287**	1,458	**15,545**	42,255	**—**	—	**440,054**	536,354
—	2,344	**—**	—	**28,283**	40,341	**—**	—	**32,209**	71,281
								681,026	792,022
								1,153,289	1,399,657
2,255	3,505	**107**	3,540	**478**	667	**—**	—	**183,255**	30,926
4,034	3,992	**542**	288	**498**	18	**—**	—	**240,351**	37,643
1,076	997	**—**	—	**—**	—	**—**	—	**(1,191)**	7,603
2,103	—	**—**	—	**—**	—	**—**	—	**(1,424)**	2,312
—	—	**959**	—	**—**	—	**—**	—	**959**	—
36	47	**1,713**	—	**4**	125	**—**	—	**2,587**	182
—	—	**—**	—	**—**	—	**—**	—	**2,813**	—
—	—	**—**	—	**—**	—	**—**	—	**(15,274)**	—
—	—	**—**	—	**—**	(4,731)	**—**	—	**—**	(4,731)

4. SEGMENT INFORMATION (continued)

(b) *Geographical segments*

The following table presents revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Singapore		PRC		Malaysia	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers:								
PCB	125,950	12,089	152,140	24,627	247,945	9,446	484,658	—
LCD and Magnetic	150,249	175,491	23,066	24,070	1,348	2,246	18,218	4,305
Total	276,199	187,580	175,206	48,697	249,293	11,692	502,876	4,305
Segment results	12,724	(36,674)	16,815	4,837	43,073	1,456	47,822	(453)
Other geographical information:								
Segment assets	728,933	714,156	4,953	(7,584)	1,732,870	1,853,862	—	—
Bank overdrafts and trust receipt loans with maturity of less than three months included in segment assets	32,103	61,200	—	9,969	—	—	—	—
Unallocated assets								
Capital expenditure	20,249	5,384	142	—	158,735	24,529	—	—

	Thailand		North and Central America		Europe		Other countries		Corporate & other		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	61,825	3,853	300,495	20,596	455,533	35,816	75,696	9,888	—	—	1,904,242	116,315
	1,063	794	20,703	23,035	36,519	40,246	68,246	14,801	—	—	319,412	284,988
	62,888	4,647	321,198	43,631	492,052	76,062	143,942	24,689	—	—	2,223,654	401,303
	7,548	704	26,648	3,579	60,744	4,442	12,289	2,607	(18,178)	(34,073)	209,485	(53,575)
	292,980	325,175	2,266	1,927	—	—	—	—	—	—	2,762,002	2,887,536
	106	112	—	—	—	—	—	—	—	—	32,209	71,281
											1,570	53,266
											2,795,781	3,012,083
	3,725	—	404	1,013	—	—	—	—	—	—	183,255	30,926

5. TURNOVER AND REVENUE

Turnover represents the net invoiced value of sales during the year, after allowances for returns and trade discounts, and information technology consultancy and software development services fee income, but excludes intra-group transactions. An analysis of the Group's revenue is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Turnover:		
Sales of goods	**2,223,198**	400,180
Services fee income	**456**	1,123
	2,223,654	401,303
Other revenue:		
Interest income	**1,191**	4,971
Other	**712**	5,991
	1,903	10,962
	2,225,557	412,265

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Group	
	2002	2001
	HK$'000	HK$'000
Depreciation	**239,586**	37,610
Amortisation of intangible assets*	**765**	33
Minimum lease payments under operating leases in respect of land and buildings	**12,951**	6,888
Auditors' remuneration	**2,623**	919
Staff costs (including directors' remuneration, note 8):		
Wages and salaries	**331,139**	107,284
Pension scheme contributions	**8,290**	1,824
Less: Forfeited contributions	**(562)**	(77)
Net pension contributions	**7,728**	1,747
Total staff costs	**338,867**	109,031
Loss on disposal of fixed assets	**2,587**	182
Impairment of fixed assets**	**959**	—
Loss on deemed disposal of interests in subsidiaries	**2,813**	—
Exchange (gains)/losses, net	**(1,239)**	827
Provision/(write back of provision) for doubtful debts	**(1,424)**	2,312
Provision/(write back of provision) for obsolete inventories	**(1,191)**	7,603
Write back of provision for management bonus	**(15,274)**	—
Gain on disposal of other investments	**—**	(4,731)

* The amortisation of intangible assets for the year is included in "Cost of sales" on the face of the consolidated profit and loss account.

** The impairment of fixed assets for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

7. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**33,413**	11,386
Less: Interest capitalised	**(10,074)**	—
	23,339	11,386

8. DIRECTORS' REMUNERATION AND REMUNERATION OF THE FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2002	2001
	HK$'000	HK$'000
Fees:		
Executive directors	**534**	374
Independent non-executive directors	**480**	480
	1,014	854
Other emoluments:		
Salaries, allowances and benefits in kind	**11,579**	5,460
Performance related bonuses	**304**	4,899
Pension scheme contributions	**631**	256
	12,514	10,615
Total directors' remuneration	**13,528**	11,469

There were no other emoluments payable to the independent non-executive directors during the year (2001: Nil).

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

	Number of directors	
	2002	2001
Nil - HK$1,000,000	**2**	6
HK$1,500,001 - HK$2,000,000	**1**	—
HK$2,000,001 - HK$2,500,000	**1**	—
HK$2,500,001 - HK$3,000,000	**3**	—
HK$3,500,001 - HK$4,000,000	**—**	1
HK$5,500,001 - HK$6,000,000	**—**	1
	7	8

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

8. DIRECTORS' REMUNERATION AND REMUNERATION OF THE FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Group	
	2002	2001
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,773**	4,443
Performance related bonuses	**142**	—
Pension scheme contributions	**96**	76
	2,011	4,519

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2002	2001
HK$1,000,001 - HK$1,500,000	**—**	2
HK$1,500,001 - HK$2,000,000	**—**	1
HK$2,000,001 - HK$2,500,000	**1**	—
	1	3

9. TAX

	Group	
	2002	2001
	HK$'000	HK$'000
Current year's provision for tax:		
The People's Republic of China:		
Hong Kong	**16,181**	202
Mainland	**13,360**	942
Overseas	**555**	13
Deferred tax - note 22	**233**	133
	30,329	1,290
Share of tax of associates	**—**	12,285
Tax charge for the year	**30,329**	13,575

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in other jurisdictions have been calculated at rates of tax prevailing in the jurisdictions in which the Group operates.

9. TAX (continued)

The share of tax of the associates in the prior year represented the Group's attributable share of profits tax and deferred tax of the associates. Hong Kong profits tax for the associates had been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable in other jurisdictions had been calculated at the rate of tax prevailing in the jurisdictions in which the associates operated.

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 30 June 2002 dealt with in the financial statements of the Company was HK$52,888,000 (2001 - restated: net loss of HK$30,480,000).

The comparative amount for 2001 has been restated by a prior year adjustment resulting in a net debit of HK$20,362,000 to the Company's net loss for that year, and a net credit of HK$64,983,000 to the dividends receivable in the Company's balance sheet. The prior year adjustment reversed dividends from a subsidiary which were declared and approved by that subsidiary after the prior year's balance sheet date, but which were recognised by the Company as revenue in its financial statements for that year. The prior year adjustment resulted in a decrease in the amount of retained profits as at 1 July 2000, by HK$44,621,000 to HK$228,568,000. This change in accounting policy has arisen from the adoption of revisions to SSAP 18, as further detailed in notes 2 and 24 to the financial statements.

The effect of this change in accounting policy on the Company's net profit for the current year, was to increase the net profit by HK$4,915,000 to HK$52,888,000 as disclosed above, representing the net effect of the prior year adjustment of HK$64,983,000 and the dividends declared by that subsidiary after the current balance sheet date of HK$60,068,000.

11. DIVIDENDS

	Group	
	2002	2001
	HK$'000	HK$'000
Interim dividend of 1.0 cent (2001: 3.0 cents) per ordinary share	**11,751**	29,284
Proposed final dividend of 1.5 cents (2001: 2.0 cents) per ordinary share	**17,626**	23,501
Adjustments to dividends payable in prior years as a result of options exercised and shares repurchased during the year	**—**	180
	29,377	52,965

11. DIVIDENDS (continued)

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 30 June 2001 of HK$23,501,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 30 June 2001, by HK$23,501,000.

The effect of this change in accounting policy as at 30 June 2002, is that the current year's proposed final dividend of HK$17,626,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date whereas in previous years, it would have been recognised as a current liability at the balance sheet date.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK$47,472,000 (2001: HK$105,253,000) and the weighted average of 1,175,062,408 (2001: 1,172,220,579) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to shareholders for the year of HK$47,364,000 (2001: HK$99,682,000) and the weighted average of 1,175,062,408 (2001: 1,172,788,828) ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares.

The adjusted net profit attributable to shareholders is calculated based on the net profit attributable to shareholders for the year of HK$47,472,000 (2001: HK$105,253,000) less the dilution in the results of EEICL attributable to the Group by HK$108,000 (2001: HK$5,571,000) arising from the deemed exercise of all of the outstanding employee share options of EEICL.

In the prior year, the weighted average number of shares used in the calculation of diluted earnings per share was based on the weighted average of 1,172,220,579 ordinary shares in issue during the prior year plus the weighted average of 568,249 ordinary shares deemed to be issued at no consideration as if all of the Company's outstanding share options had been exercised.

13. FIXED ASSETS

Group

	1 July 2001 HK$'000	Currency realignment HK$'000	Additions HK$'000	Disposals HK$'000	Arising from disposal of a subsidiary HK$'000	Impairment during the year recognised in the profit and loss account HK$'000	Reclassificaton HK$'000	30 June 2002 HK$'000
Cost:								
Land and buildings	649,095	13,377	8,019	—	—	—	(65,711)	**604,780**
Improvements to leasehold properties	88,555	(1,081)	8,737	(11,198)	—	—	67,494	**152,507**
Construction in progress	95,084	619	57,372	(194)	—	—	(34,585)	**118,296**
Plant and machinery	1,777,027	22,259	86,358	(69,797)	—	—	47,520	**1,863,367**
Furniture and office equipment	225,244	3,130	21,279	(10,076)	(112)	—	(14,718)	**224,747**
Motor vehicles	18,729	176	1,490	(2,833)	—	—	—	**17,562**
	2,853,734	38,480	183,255	(94,098)	(112)	—	—	**2,981,259**
Accumulated depreciation and impairment:								
Land and buildings	143,579	4,324	12,099	—	—	—	(47,432)	**112,570**
Improvements to leasehold properties	33,724	(886)	14,597	(10,195)	—	—	47,432	**84,672**
Plant and machinery	762,500	12,704	191,477	(62,770)	—	—	11,006	**914,917**
Furniture and office equipment	121,982	1,740	19,650	(7,054)	(108)	959	(11,006)	**126,163**
Motor vehicles	13,879	205	1,763	(2,585)	—	—	—	**13,262**
	1,075,664	18,087	239,586	(82,604)	(108)	959	—	**1,251,584**
Net book value	1,778,070							**1,729,675**

The land and buildings at cost included above are held as follows:

	People's Republic of China Hong Kong HK$'000	People's Republic of China Mainland HK$'000	Overseas HK$'000	Total HK$'000
Freehold	—	—	175,375	175,375
Medium term leasehold	103,556	325,849	—	429,405
	103,556	325,849	175,375	604,780

14. INTANGIBLE ASSETS

Group

	HK$'000
Cost:	
At beginning and end of year	3,820
Accumulated amortisation:	
At beginning of year	1,087
Provided during the year	765
Balance at end of year	1,852
Net book value:	
At 30 June 2002	1,968
At 30 June 2001	2,733

15. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	HK$'000
Shares, at cost:		
Listed in Singapore	**646,393**	646,393
Unlisted	**287,232**	287,232
	933,625	933,625
Due from subsidiaries	**428,645**	428,654
Due to subsidiaries	**(317,679)**	(389,936)
	1,044,591	972,343
Provisions for impairment	**(440,026)**	(392,232)
	604,565	580,111
Market value of listed shares at balance sheet date	**1,203,233**	1,781,325

All balances with subsidiaries are unsecured, interest-free and are repayable on demand.

15. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Elec & Eltek Display Technology Limited	British Virgin Islands/Hong Kong	US$100,000	—	100	Sale of liquid crystal displays ("LCDs")
Elec & Eltek Display Technology (Guangzhou) Company Limited	People's Republic of China#	US$14,700,000	—	98	Manufacture and sale of LCDs
E & E Magnetic Products Limited	British Virgin Islands/Hong Kong	US$100,000	—	100	Manufacture and sale of magnetic products
Avatex (Guangzhou) Communication Company Limited	People's Republic of China@	US$5,400,000	—	98	Manufacture of magnetic products
Elec & Eltek Corporate Services Limited	Hong Kong	HK$2	100	—	Provision of corporate services
Elec & Eltek Computers Limited	Hong Kong	HK$15,000,000	100	—	Property holding and provision of treasury services
Elec & Eltek Treasury Company Limited	British Virgin Islands/Hong Kong	HK$10,000	—	100	Provision of treasury services
Elec & Eltek Technology Investment Limited	British Virgin Islands/Hong Kong	US$1	100	—	Investment holding
Elec & Eltek Technology Center (Holdings) Limited	British Virgin Islands/Hong Kong	HK$32,000,000	—	95	Promotion of technology
Elec & Eltek e-Business Technology Limited	British Virgin Islands/Hong Kong	US$1	—	100	Investment holding
Elec & Eltek International Company Limited	Singapore	S$116,780,318	52	—	Investment holding
Elec & Eltek Company Limited	Hong Kong	HK$98,123,732	—	52	Trading of printed circuit boards ("PCBs")

15. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Elec & Eltek Multilayer PCB Limited	Hong Kong	HK$5,000,000	—	52	Manufacture and distribution of PCBs
Kai Ping Elec & Eltek Company Limited	People's Republic of China#	US$11,650,000	—	47*	Manufacture and distribution of PCBs
Kaiping Elec & Eltek No.2 Company Limited	People's Republic of China#	US$15,250,000	—	47*	Manufacture and distribution of PCBs
Kaiping Elec & Eltek No.3 Company Limited	People's Republic of China#	US$30,550,000	—	47*	Manufacture and distribution of PCBs
Elec & Eltek (Guangzhou) Electronic Company Limited	People's Republic of China@	US$33,000,000	—	50*	Manufacture and distribution of PCBs
Elec & Eltek (Guangzhou) Technology Company Limited	People's Republic of China@	US$6,000,000	—	51	Research and development, manufacture and distribution of PCBs
Guangzhou Elec & Eltek Microvia Technology Limited	People's Republic of China@	US$12,800,000	—	51	Manufacture and distribution of PCBs
Guangzhou Elec & Eltek High Density Interconnect Technology No.1 Company Limited	People's Republic of China@	US$8,750,000	—	51	Manufacture and distribution of PCBs
Nanjing Elec & Eltek Electronic Co., Ltd.	People's Republic of China#	US$7,541,069	—	38*	Manufacture and distribution of PCBs

15. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Elec & Eltek (Thailand) Limited	Thailand	Baht780,000,000	—	52	Manufacture and distribution of PCBs
Pacific Insulating Material (Thailand) Limited	Thailand	Baht650,000,000	—	52	Manufacture and distribution of PCB related materials
Shenzhen Pacific Insulating Material Co., Ltd.	People's Republic of China#	RMB67,491,458	—	48*	Manufacture and trading of copper clad laminate
PIC Corporate Services Limited	Hong Kong	HK$10,000	—	52	Trading of copper clad laminate
Elec & Eltek International Limited	Hong Kong	HK$150,000	—	52	Provision of marketing and corporate services
Elec & Eltek Technology Research & Marketing Pte Ltd.	Singapore	S$2	—	52	Technology research and marketing

* These companies are subsidiaries of EEICL and, accordingly, are accounted for as subsidiaries of the Group by virtue of control over those entities.

\# Registered as an equity joint venture under the law of the People's Republic of China.

@ Registered as a cooperative joint venture under the law of the People's Republic of China.

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

16. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2002	2001
	HK$'000	HK$'000
Share of net assets	**9,651**	10,499

Details of the indirectly held jointly-controlled entity are as follows:

Name of company	Business structure	Place of registration and operations	Percentage of ownership interest	voting power	profit sharing	Principal activity
Beijing Yilaida Information Technology Company Limited ("Yilaida")	Equity joint venture	People's Republic of China	57	57	57	Promotion of information technology

Under the joint venture agreement of Yilaida, the joint venture partners have joint control over the entity's daily operating and financial decisions.

17. INVENTORIES

	Group	
	2002	2001
	HK$'000	HK$'000
Raw materials	**135,843**	175,663
Work in progress	**59,858**	75,368
Finished goods	**46,679**	66,464
	242,380	317,495

The amount of inventories carried at net realisable value included in the above is HK$15,891,000 (2001: HK$40,666,000).

18. TRADE RECEIVABLES

An aged analysis of trade receivables at the balance sheet date, based on the invoice due dates, and net of provisions, is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Within credit period	**467,793**	412,665
Overdue 1-30 days	**72,087**	58,739
Overdue 31-60 days	**25,755**	23,814
Overdue 61-90 days	**10,680**	25,949
Overdue more than 90 days	**6,679**	11,959
	582,994	533,126

The Group operates a credit control policy and allows an average credit period of 30 to 90 days to its trade customers who satisfy credit evaluation. Each customer has a maximum credit limit. To maintain control over its outstanding receivables, the Group has set up credit control departments to minimise credit risk. Overdue balances are regularly reviewed by senior management.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**127,633**	176,089	**874**	25,923
Time deposits	**5,896**	41,499	**—**	—
	133,529	217,588	**874**	25,923

20. TRADE AND BILLS PAYABLES

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

	Group	
	2002	2001
	HK$'000	HK$'000
Less than 30 days	**131,193**	184,803
31-60 days	**87,537**	67,181
61-90 days	**56,378**	43,954
Over 90 days	**41,790**	62,905
	316,898	358,843

21. BANKING FACILITIES

	Group 2002 HK$'000	Group 2001 HK$'000
Trust receipt and export loans	**4,199**	34,807
Bank overdrafts	**28,561**	65,300
Bank loans	**650,232**	725,026
	682,992	825,133

The bank loans, overdrafts and other borrowings are all unsecured and repayable as follows:

	Group 2002 HK$'000	Group 2001 HK$'000
Within one year:		
Trust receipt and export loans	**4,199**	34,807
Bank overdrafts	**28,561**	65,300
Bank loans	**218,900**	263,825
	247,461	329,125
In the second year:		
Bank loans	**172,100**	134,666
In the third to fifth years, inclusive:		
Bank loans	**259,232**	326,535
	682,992	825,133
Portion classified as current liabilities	**(251,660)**	(363,932)
Long term portion	**431,332**	461,201

22. DEFERRED TAX

	Group	
	2002	2001
	HK$'000	HK$'000
Balance at beginning of year	**12,242**	—
Arising on acquisition of interests in subsidiaries	**—**	12,109
Charge for the year - note 9	**233**	133
Exchange realignment	**23**	—
At balance sheet date	**12,498**	12,242

The principal components of the Group's provision for deferred tax and the net deferred tax asset position not recognised in the financial statements, calculated at 16% (2001: 16%) on the cumulative timing differences at the balance sheet date, are as follows:

	Provided		Not provided	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated depreciation allowances	**(12,498)**	(12,242)	**(9,016)**	(2,903)
Tax losses available for future relief	**—**	—	**43,833**	46,157
Deferred tax assets/(liabilities)	**(12,498)**	(12,242)	**34,817**	43,254

The Company had no unprovided deferred tax at the balance sheet date (2001: Nil).

23. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	HK$'000
Authorised:		
At beginning and end of year	2,500,000,000	250,000
Issued and fully paid:		
At beginning and end of year	1,175,062,408	117,506

24. RESERVES

Group

	Share premium account HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Statutory and other reserves* HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2000	50,834	(61,375)	26,004	12,431	594,530	622,424
Currency translation differences	—	(9,421)	—	—	—	(9,421)
Issue of new shares	6,625	—	—	—	—	6,625
Repurchase of shares	(1,431)	—	174	—	(174)	(1,431)
Bonus issue of shares	(19,584)	—	—	—	—	(19,584)
Net profit attributable to shareholders	—	—	—	—	105,253	105,253
Interim 2001 dividend	—	—	—	—	(29,284)	(29,284)
Proposed final 2001 dividend	—	—	—	—	(23,501)	(23,501)
Adjustments to 2000 dividend as a result of options exercised and shares repurchased	—	—	—	—	(180)	(180)
Goodwill eliminated on acquisition of additional interests in:						
EEICL	—	—	—	—	(222,350)	(222,350)
A subsidiary	—	—	—	—	(41)	(41)
Transfers from/(to) retained profits	—	—	—	(3,869)	3,869	—
At 30 June 2001 and 1 July 2001	36,444	(70,796)	26,178	8,562	428,122	428,510
Currency translation differences	—	11,998	—	—	—	11,998
Exchange reserve released upon:						
Disposal of a subsidiary	—	(133)	—	—	—	(133)
Deemed disposal of interests in subsidiaries	—	537	—	—	—	537
Goodwill released upon deemed disposal of interests in subsidiaries	—	—	—	—	1,760	1,760
Net profit attributable to shareholders	—	—	—	—	47,472	47,472
Interim 2002 dividend	—	—	—	—	(11,751)	(11,751)
Proposed final 2002 dividend	—	—	—	—	(17,626)	(17,626)
At 30 June 2002	36,444	(58,394)	26,178	8,562	447,977	460,767

24. RESERVES (continued)

	Share premium account HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Statutory and other reserves* HK$'000	Retained profits HK$'000	Total HK$'000
Retained by:						
Company and subsidiaries	36,444	(58,451)	26,178	8,562	451,025	463,758
Jointly-controlled entity	—	57	—	—	(3,048)	(2,991)
At 30 June 2002	36,444	(58,394)	26,178	8,562	447,977	460,767
Company and subsidiaries	36,444	(70,796)	26,178	8,562	430,266	430,654
Jointly-controlled entity	—	—	—	—	(2,144)	(2,144)
At 30 June 2001	36,444	(70,796)	26,178	8,562	428,122	428,510

* Included in this category is a reserve which arises pursuant to the relevant laws and regulations in the PRC whereby a portion of the profits of the Group's PRC subsidiaries is transferred to a separate reserve which is restricted as to its use. Pursuant to the approval of the board of directors of a PRC subsidiary, an amount of HK$3,869,000 was transferred from the reserve to retained profits in the prior year. Also included is a statutory reserve required under the company law of Thailand.

As detailed in note 3 to the financial statements, the Group has adopted the transitional provisions of SSAP 30 which permit goodwill in respect of acquisitions which occurred prior to 1 July 2001, to remain eliminated against consolidated reserves.

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. As a result, the Group has recognised an impairment of the goodwill previously eliminated against consolidated reserves, of HK$1,163,000 and HK$24,863,000 in the years ended 1995 and 1996, respectively, as detailed in the table below. This change of accounting policy has been accounted for retrospectively as prior year adjustments in accordance with the transitional provisions of SSAP 30. Because the goodwill was eliminated against consolidated retained profits, these prior year adjustments have resulted in no net overall effect on the amounts of consolidated retained profits previously reported in consolidated reserves in all the prior years. These prior year adjustments have had no effect on the current year.

24. RESERVES (continued)

The amounts of the goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries prior to 1 July 2001, are as follows:

Group

	Goodwill eliminated against consolidated retained profits HK$'000
Cost:	
At beginning of year	292,518
Deemed disposal of interests in subsidiaries	(1,760)
At 30 June 2002	290,758
Accumulated impairment:	
At beginning of year:	
As previously reported	—
Prior year adjustments	26,026
As restated and balance at 30 June 2002	26,026
Net amount:	
At 30 June 2002	264,732
At 30 June 2001, as restated	266,492

24. RESERVES (continued)

Company

	Share premium account HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 July 2000				
As previously reported	50,834	26,004	273,189	350,027
Prior year adjustment:				
SSAP 18 (Revised) - net year-on-year effect of dividends from a subsidiary no longer recognised as income for the year (notes 2 and 10)	—	—	(44,621)	(44,621)
As restated	50,834	26,004	228,568	305,406
Issue of new shares	6,625	—	—	6,625
Repurchase of shares	(1,431)	174	(174)	(1,431)
Bonus issue of shares	(19,584)	—	—	(19,584)
Net loss from ordinary activities attributable to shareholders (as restated)	—	—	(30,480)	(30,480)
Interim 2001 dividend	—	—	(29,284)	(29,284)
Proposed final 2001 dividend	—	—	(23,501)	(23,501)
Ajustments to 2000 dividend as a result of options exercised and shares repurchased	—	—	(180)	(180)
	36,444	26,178	144,949	207,571
At 30 June 2001 and 1 July 2001				
As previously reported	36,444	26,178	209,932	272,554
Prior year adjustment:				
SSAP 18 (Revised) - net year-on-year effect of dividends from a subsidiary no longer recognised as income for the year (notes 2 and 10)	—	—	(64,983)	(64,983)
As restated	36,444	26,178	144,949	207,571
Net profit from ordinary activities attributable to shareholders	—	—	52,888	52,888
Interim 2002 dividend	—	—	(11,751)	(11,751)
Proposed final 2002 dividend	—	—	(17,626)	(17,626)
At 30 June 2002	36,444	26,178	168,460	231,082

25. CONTRIBUTED SURPLUS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning and end of year	**80,490**	80,490	**239,008**	239,008

The contributed surplus of the Company arose from a reorganisation on 21 June 1989. The balance represents the difference between the nominal value of the Company's shares allotted or transferred under a scheme of arrangement and the consolidated shareholders' equity of Elec & Eltek Company Limited and its subsidiaries as at 21 June 1989. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus in certain circumstances.

The contributed surplus of the Group arose from the aforementioned reorganisation and represents the difference between the nominal value of the shares and the share premium account of Elec & Eltek Company Limited acquired over the nominal value of the Company's shares allotted or transferred.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from operating activities to net cash inflow/(outflow) from operating activities:

	Group	
	2002	2001
	HK$'000	HK$'000
Profit/(loss) from operating activities	**207,863**	(43,873)
Interest income	**(1,191)**	(4,971)
Depreciation	**239,586**	37,610
Amortisation of intangible assets	**765**	33
Loss on disposal of fixed assets	**2,587**	182
Gain on disposal of other investments	**—**	(4,731)
Impairment of fixed assets	**959**	—
Loss on deemed disposal of interests in subsidiaries	**2,813**	—
Decrease in inventories	**78,799**	62,468
Increase in trade receivables	**(40,270)**	(112,583)
Decrease/(increase) in prepayments, deposits and other receivables	**52,717**	(56,404)
Decrease in trade and bills payables	**(45,693)**	(12,744)
Increase/(decrease) in other payables and accruals	**(61,697)**	54,949
Increase/(decrease) in trust receipt and export loans with maturity of more than three months from the date of advance	**(28,275)**	6,842
Net cash inflow/(outflow) from operating activities	**408,963**	(73,222)

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

(b) Acquisition of interests in subsidiaries:

	2002 HK$'000	2001 HK$'000
Net assets acquired:		
Fixed assets	—	1,636,891
Intangible assets	—	2,766
Cash and bank balances	—	181,080
Inventories	—	325,182
Trade receivables	—	354,804
Prepayments, deposits, and other receivables	—	75,409
Trade and bills payables	—	(325,044)
Tax payable	—	(15,008)
Other payables and accruals	—	(106,563)
Interest-bearing bank loans and other borrowings	—	(212,021)
Bank overdrafts	—	(10,218)
Long term bank loans	—	(55,188)
Deferred tax	—	(12,109)
Minority interests	—	(951,446)
	—	888,535
Goodwill	—	222,350
	—	1,110,885
Satisfied by:		
Cash	—	415,796
Reclassification of interests in associates to interests in subsidiaries	—	695,089
	—	1,110,885

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of interests in subsidiaries is as follows:

	2002 HK$'000	2001 HK$'000
Cash consideration	—	(415,796)
Cash and bank balances acquired	—	181,080
Bank overdrafts acquired	—	(10,218)
Net outflow of cash and cash equivalents in respect of the acquisition	—	(244,934)

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

(b) Acquisition of interests in subsidiaries: (continued)

In respect of the cash flows for the year ended 30 June 2001, the subsidiaries acquired in that year contributed HK$20,515,000 to the Group's net operating cash flows, paid HK$643,000 in respect of the net returns on investments and servicing of finance, paid HK$5,520,000 in respect of investing activities, but had no significant impact in respect of tax and financing activities.

The subsidiary acquired in the prior year contributed HK$116,315,000 to turnover and HK$19,225,000 to the consolidated profit before minority interests of the Group for the year ended 30 June 2001.

(c) Disposal of a subsidiary:

	2002 **HK$'000**	2001 HK$'000
Net assets disposed of:		
Fixed assets	**4**	—
Prepayments, deposits and other receivables	**4,559**	—
Other payables and accruals	**(2,932)**	—
Release of exchange reserve	**(133)**	—
	1,498	—
Satisfied by:		
Cash	**1,498**	—

The subsidiary disposed of during the year had no significant impact on the Group's cash flows, turnover, or profit before minority interests for the year.

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

(d) Analysis of changes in financing during the year:

	Issued capital (including share premium account) HK$'000	Bank loans* HK$'000	Minority interests HK$'000 (Restated)
Balance at 1 July 2000	148,010	—	—
Net cash inflow from financing activities	5,940	457,817	1,600
Arising on acquisition of interests in subsidiaries	—	267,209	951,446
Share of profit for the year	—	—	9,700
Currency realignments, net	—	—	(327)
Balance at 30 June 2001	153,950	725,026	962,419
Balance at 1 July 2001			
As previously reported	153,950	725,026	902,314
Prior year adjustment**	—	—	60,105
As restated	153,950	725,026	962,419
Net cash outflow from financing activities	—	(78,107)	(6,310)
Share of profit for the year	—	—	105,819
Deemed disposal of interests in subsidiaries	—	—	528
Currency realignments, net	—	3,313	15,927
Dividends paid to minority shareholders	—	—	(111,411)
Dividend declared and payable to minority shareholders of a subsidiary	—	—	(869)
Balance at 30 June 2002	153,950	650,232	966,103

* Excluding bank overdrafts, trust receipt loans and export loans.

** During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statements. The change in accounting policy of recognising proposed dividends has been made retrospectively, and accordingly, a dividend of HK$60,105,000 proposed by a subsidiary for the year ended 30 June 2001 attributable to minority shareholders, was no longer recognised as a current liability of the Group at that date. Accordingly, a prior year adjustment has been made to reclassify the proposed final dividend to minority shareholders of HK$60,105,000 from other payables and accruals to minority interests in the 30 June 2001 balance sheet. The results of this has been to reduce the Group's current liabilities and increase the minority interests previously reported as at 30 June 2001 by HK$60,105,000.

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

(e) Analysis of the balances of cash and cash equivalents:

	2002 HK$'000	2001 HK$'000
Cash and bank balances	**127,633**	176,089
Time deposits	**5,896**	41,499
Bank overdrafts	**(28,561)**	(65,300)
Trust receipt loans with maturity of less than three months from the date of advance	**(3,648)**	(5,981)
	101,320	146,307

27. COMMITMENTS

	Group	
	2002 HK$'000	2001 HK$'000
Capital commitments:		
Contracted for	**38,096**	55,725
Authorised, but not contracted for	**19,078**	5,136
	57,174	60,861
Commitments for capital contributions in subsidiaries	**280,215**	354,026
	337,389	414,887

	Group	
	2002 HK$'000	2001 HK$'000
Future guaranteed profit payment to minority shareholders pursuant to joint venture agreements	**22,849**	19,345

Capital commitments at the balance sheet date included contracted for commitments of HK$34,666,000 (2001: HK$55,540,000), and commitments authorised, but not contracted for, of HK$19,078,000 (2001: HK$5,136,000) in relation to the acquisition of property, plant and equipment.

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

27. COMMITMENTS (continued)

At 30 June 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Within one year	**6,934**	9,235
In the second to fifth years, inclusive	**3,599**	6,119
	10,533	15,354

At the balance sheet date, the Company had no commitments (2001: Nil).

28. CONTINGENT LIABILITIES

At the balance sheet date, the Company had contingent liabilities in respect of unlimited guarantees given to a bank for general banking facilities granted to subsidiaries.

29. POST BALANCE SHEET EVENT

On 9 July 2002, the Group contributed a further US$1,210,931 (approximately HK$9,445,262) to the capital in Nanjing Elec & Eltek Electronic Co., Ltd.

30. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 September 2002.