1. FUNDAMENTAL ACCOUNTING CONCEPT

The Group recorded a consolidated net loss from ordinary activities attributable to shareholders of HK$77,504,000 for the year ended 30 June 2002. The Group also had net cash outflows from operations of HK$74,607,000 and overall net cash outflow of HK$204,200,000 for the same period. Accordingly, the directors have been in negotiations with (i) Group's major bankers with a view to renew the existing banking facilities granted to the Group by these bankers and also with (ii) the Group's major suppliers to extend the credit terms granted by the suppliers. Although no banker has indicated that it will not renew the Group's existing banking facilities and no supplier has indicated that it will withdraw its support, the Group has neither received any written confirmation of renewal of banking facilities from any of its bankers nor written confirmation of extended credit terms from any of its suppliers as of the date on which these financial statements were approved and authorised for issue. Should the Group fail to renew its existing banking facilities, to continue to obtain extended credit terms from its suppliers and to continue in business as a going concern, adjustments would have to be made to restate the values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify its non-current liabilities as current liabilities.

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

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") 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 are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustments to the financial statements, and which require disclosure, but no adjustments. 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 profits on a separate line within the capital and reserves section of the balance sheet.

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

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised as a liability at the balance sheet date, but are disclosed as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheet in the Company's own financial statements for the year. The prior year adjustment arising from the adoption of this revised SSAP is detailed in notes 11 and 26 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 5 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. This SSAP requires the disclosure of goodwill and negative 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. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements below. 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 this SSAP and Interpretation has not resulted in a prior year adjustment for the reasons detailed in note 26 to the financial statements. The required new additional disclosures are included in note 26 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of 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 2002. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

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.

Retirement benefits 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 has been effective since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the 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.

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.

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.

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.

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

Joint venture companies *(continued)*

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.

Associates

An associate is a company, not being a subsidiary or a joint-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.

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

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of not more than 15 years. In the case of associates, 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 acquisition, which occurred prior to 1 July 2001 to remain eliminated against consolidated reserves. Goodwill on subsequent acquisition is treated according to the new accounting policy above.

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

Goodwill *(continued)*

On disposal of subsidiaries or associates, 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.

Negative goodwill

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

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

To the extent that negative goodwill does not relate to identifiable expected future loss and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 which permits negative goodwill on acquisition which occurred prior to 1 July 2001, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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

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

Impairment of assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than freehold land and construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses.

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

Long term leasehold land	–	Over the lease terms
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 stated at cost less any impairment losses and not depreciated.

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

Fixed assets and depreciation *(continued)*

Construction in progress represents a building under construction and is stated at cost less any impairment losses, 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.

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

Long term investments

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

Long term investments are stated at cost less any impairment losses. 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.

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

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.

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.

4. CORPORATE INFORMATION AND RELATED PARTY TRANSACTIONS

The principal activity of the Company is investment holding. During the year, the Group was principally 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"). Mr. Yang Long-san, Rowell, a director and a substantial shareholder of the Company, is a shareholder of Isystems. A summary of the transactions is as follows:

	2002 **HK$'000**	2001 HK$'000
Operating lease rentals paid to Isystems in respect of:		
Land and buildings	**1,216**	1,210
Machinery	**343**	228

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 also included under the heading "Connected transactions" in the Report of the Directors.

Details of certain guarantee arrangements entered into the benefit of the Group by various related parties are set out in note 22 to the financial statements.

The amount due to a related company was unsecured, interest-free and had no fixed term of repayment.

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

(a) the CRT computer monitors segment, which engages in the manufacturing, trading and distribution of CRT computer monitors;

(b) the LCD monitors segment, which engages in the manufacturing, trading and distribution of LCD monitors; and

(c) the computer monitor components and parts segment, which engages in the manufacturing, trading and distribution of computer monitor components and parts.

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 prevailing market prices.

5. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

Group	CRT computer monitors		LCD monitors		Computer monitor components and parts		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
Segment revenue:										
Sales to external customers	2,384,313	2,827,009	1,707,787	229,845	540,900	643,712	–	–	4,633,000	3,700,566
Inter-segment sales	–	–	–	–	81,346	56,901	(81,346)	(56,901)	–	–
	2,384,313	2,827,009	1,707,787	229,845	622,246	700,613	(81,346)	(56,901)	4,633,000	3,700,566
Segment results	99,186	69,313	(18,735)	18,240	(10,595)	2,303	–	–	69,856	89,856
Unallocated income									7,235	8,661
Unallocated expenses									(85,056)	(26,217)
Profit/(loss) from operating activities									(7,965)	72,300
Finance costs									(49,211)	(61,759)
Share of loss of an associate									(58)	–
Profit/(loss) before tax									(57,234)	10,541
Tax									(13,263)	(7,317)
Profit/(loss) before minority interests									(70,497)	3,224
Minority interests									(7,007)	(587)
Net profit/(loss) from ordinary activities attributable to shareholders									(77,504)	2,637

5. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group	CRT computer monitors 2002 HK$'000	CRT computer monitors 2001 HK$'000	LCD monitors 2002 HK$'000	LCD monitors 2001 HK$'000	Computer monitor components and parts 2002 HK$'000	Computer monitor components and parts 2001 HK$'000	Consolidated 2002 HK$'000	Consolidated 2001 HK$'000
Segment assets	**1,208,935**	1,128,036	**621,231**	88,713	**259,776**	269,022	**2,089,942**	1,485,771
Interests in associates							**1,979**	-
Unallocated assets							**311,494**	425,580
Total assets							**2,403,415**	1,911,351
Segment liabilities	**824,775**	766,258	**543,883**	60,494	**90,161**	181,482	**1,458,819**	1,008,234
Unallocated liabilities							**320,619**	254,532
Total liabilities							**1,779,438**	1,262,766
Other segment information:								
Capital expenditure:								
Segment	**97,491**	51,384	**17,263**	3,923	**8,411**	11,768	**123,165**	67,075
Unallocated							**1,464**	486
							124,629	67,561
Depreciation:								
Segment	**23,929**	32,567	**15,235**	2,486	**8,907**	10,374	**48,071**	45,427
Unallocated							**995**	810
							49,066	46,237
Impairment of long term listed/ unlisted investments								
Unallocated							**65,099**	3,767
Provision for bad and doubtful debts	**17,506**	13,260	**-**	-	**-**	-	**17,506**	13,260
Provision for obsolete inventories	**13,000**	-	**-**	-	**-**	-	**13,000**	-

(b) Geographical segments

The following table presents revenue, results and certain assets and expenditure information for the Group's geographical segments.

Group	North America 2002 HK$'000	North America 2001 HK$'000	Western Europe* 2002 HK$'000	Western Europe* 2001 HK$'000	Asia** 2002 HK$'000	Asia** 2001 HK$'000	Other 2002 HK$'000	Other 2001 HK$'000	Consolidated 2002 HK$'000	Consolidated 2001 HK$'000
Segment revenue:										
Sales to external customers	**1,217,285**	1,298,255	**1,284,938**	754,593	**1,649,287**	1,460,332	**481,490**	187,386	**4,633,000**	3,700,566
Segment results	**38,752**	48,179	**38,743**	17,864	**6,280**	37,211	**(13,919)**	(13,398)	**69,856**	89,856
Segment assets	**251,450**	110,344	**16,812**	29,077	**1,952,811**	1,656,217	**182,342**	115,713	**2,403,415**	1,911,351
Other segment information:										
Capital expenditure	**5,018**	253	**22**	373	**116,921**	64,814	**2,668**	2,121	**124,629**	67,561

* Western Europe mainly includes Belgium and France.

** Asia mainly includes Taiwan and the People's Republic of China (the "PRC") (not including Hong Kong and Macau).

6. TURNOVER

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

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2002	2001
	HK$'000	HK$'000
Cost of inventories sold	**4,279,354**	3,300,936
Depreciation	**49,066**	46,237
Staff costs (excluding directors' remuneration – note 8)		
Wages and salaries	**121,178**	134,388
Retirement benefits scheme contributions	**587**	866
	121,765	135,254
Auditors' remuneration	**1,123**	1,185
Research and development costs*	**22,118**	26,023
Minimum lease payments under operating leases:		
Land and buildings	**15,756**	21,473
Machinery	**343**	228
	16,099	21,701
Deficit on revaluation of land and buildings	**3,505**	2,651
Provision for bad and doubtful debts	**17,506**	13,260
Provision for amount due from an associate	**835**	–
Provision for obsolete inventories	**13,000**	–
Impairment of unlisted investment	**–**	3,767
Impairment of long term listed investment	**65,099**	–
Exchange losses, net	**26,905**	21,436
Loss on disposal of fixed assets	**118**	196
Interest income	**(7,235)**	(8,661)

* These amounts are included in "Other operating expenses" on the face of the profit and loss account.

Cost of inventories sold includes HK$106,097,200 (2001: HK$89,119,000) 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$10,608,000 (2001: HK$12,106,000) 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.

8. 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	
	2002	2001
	HK$'000	HK$'000
Fees:		
Executive directors	**–**	–
Non-executive directors	**–**	–
Independent non-executive directors	**480**	420
Other emoluments-executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	**8,651**	4,738
Retirement benefits scheme contributions	**165**	24
	9,296	5,182

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

	Number of directors	
	2002	2001
Nil – HK$1,000,000	**8**	8
HK$1,000,001 – HK$1,500,000	**2**	–
HK$3,000,001 – HK$3,500,000	**1**	1

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

8. DIRECTORS' REMUNERATION AND THE SIX HIGHEST PAID EMPLOYEES *(continued)*

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

	Group	
	2002	2001
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**1,967**	4,060

	Number of employees	
	2002	2001
Nil – HK$1,000,000	**1**	2
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.

9. FINANCE COSTS

	2002	2001
	HK$'000	HK$'000
Interest expense on:		
Bank overdrafts and loans	**30,924**	46,437
Other loans wholly repayable within five years	**493**	1,029
Finance lease	**349**	534
Convertible bonds	**7,092**	7,730
	38,858	55,730
Provision for premium on redemption of convertible bonds	**10,353**	6,029
	49,211	61,759

10. TAX

	Group	
	2002	2001
	HK$'000	HK$'000
Current:		
Hong Kong	**5,034**	2,176
Overseas	**8,229**	6,890
Overprovision in prior years – Hong Kong	**–**	(1,749)
Tax charge for the year	**13,263**	7,317

10. TAX *(continued)*

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 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 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 PRC 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 second profit-making year. Income tax on assessable profits of another PRC subsidiary has been calculated at the applicable rates of tax prevailing in the PRC during the period from 16 July 2001 (date of issuance of its business licence) to 31 December 2001. As this PRC subsidiary elected its first profit-making year commencing from 1 January 2002, no provision for income tax has been made for the period from 1 January 2002 to 30 June 2002. No provision for income tax has been made for the other subsidiaries because they did not generate any assessable profits for the year.

The subsidiary operating in Brazil is eligible for a 75%, 50% and 25% relief from income tax for the period from November 1999 to 31 December 2003, for the five years ending 31 December 2009 and for the five years ending 31 December 2013, respectively.

The revaluation surplus of the Group's long term and 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 (2001: Nil).

11. NET LOSS 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$10,614,000 (2001: HK$10,204,000 (restated)).

During each of the two years ended 30 June 2000 and 2001, the Company recorded dividend income of HK$25,000,000 and HK$16,000,000, respectively, from a subsidiary which were declared and approved by the subsidiary after the respective balance sheet dates. The comparative amount for 2001 has been restated by prior year adjustments resulting in a net credit of HK$9,000,000 to the Company's net profit for the year ended 30 June 2001, and a credit of HK$16,000,000 to the dividends receivable in the Company's balance sheet. The prior year adjustments resulted in a decrease of the Company's retained profits as at 1 July 2001 by HK$16,000,000 and the net profit of the Company for the year ended 30 June 2002 has been increased by HK$16,000,000. This change in accounting policy has arisen from the adoption of revisions to SSAP 18, as further detailed in notes 2 and 26 to the financial statements.

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$77,504,000 (2001: net profit of HK$2,637,000) and on the weighted average of 635,514,000 (2001: 635,514,000) shares in issue during the year.

No diluted loss per share is presented for the year as the effect is anti-dilutive during the year. No diluted earnings per share has been shown for the year ended 30 June 2001 because the exercise price of the dilutive potential shares during that 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.

13. 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 2001	181,600	28,838	35,310	276,185	56,123	578,056
Additions	29,635	714	8,510	71,718	14,052	124,629
Deficit on revaluation, net	(4,645)	–	–	–	–	(4,645)
Disposals	–	–	(655)	–	(79)	(734)
Transfer	28,838	(28,838)	–	–	–	–
Exchange adjustments	932	–	80	(1,492)	599	119
At 30 June 2002	236,360	714	43,245	346,411	70,695	697,425
Accumulated depreciation:						
At 1 July 2001	–	–	15,595	96,755	29,643	141,993
Provided during the year	4,676	–	3,823	33,386	7,181	49,066
Reversal upon revaluation	(4,676)	–	–	–	–	(4,676)
Disposals	–	–	(91)	–	(33)	(124)
Exchange adjustments	–	–	7	(213)	422	216
At 30 June 2002	–	–	19,334	129,928	37,213	186,475
Net book value:						
At 30 June 2002	236,360	714	23,911	216,483	33,482	510,950
At 30 June 2001	181,600	28,838	19,715	179,430	26,480	436,063

13. FIXED ASSETS *(continued)*

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

	Group	
	2002	2001
	HK$'000	HK$'000
At valuation:		
Long term land and buildings outside Hong Kong	**28,977**	–
Medium term land and buildings in Hong Kong	**47,000**	51,000
Medium term land and buildings outside Hong Kong	**145,383**	116,200
	192,383	167,200
Freehold land and buildings outside Hong Kong	**15,000**	14,400
Total	**236,360**	181,600

At 30 June 2002, the leasehold land and buildings in Hong Kong were valued on an open market, existing use basis by FPDSavills (Hong Kong) Limited ("FPD"), an independent firm of professional valuers, at HK$47,000,000 (2001: HK$51,000,000). A deficit of approximately HK$2,988,000 (2001: HK$2,651,000) was charged to the profit and loss account.

At 30 June 2002, the leasehold land and buildings in the PRC were valued on an open market, existing use basis by FPD at HK$174,360,000 (2001: HK$116,200,000). A surplus of approximately HK$3,679,000 (2001: HK$1,840,000) was recognised in the asset revaluation reserve.

At 30 June 2002, the freehold land and buildings in Taiwan were valued on an open market, existing use basis by FPD at HK$15,000,000. A deficit of HK$143,000 was charged to the asset valuation reserve and a deficit of HK$517,000 was charged to the profit and loss account.

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$207,275,000 (2001: HK$153,332,000).

At the balance sheet date, land and buildings situated in Hong Kong and Taiwan, and certain land and buildings in the PRC were pledged as security for banking facilities granted to the Group (notes 21 and 22).

Certain machinery with a net book value of approximately HK$15,158,000 (2001: HK$17,123,000) was pledged to secure the other loan granted to the Group at the balance sheet date (notes 21 and 22).

The net book value of the fixed assets of the Group held under finance leases included in the total amount of plant and machinery at 30 June 2002 amounted to approximately HK$8,571,000 (2001: HK$9,677,000).

14. INTERESTS IN SUBSIDIARIES

	Company 2002 HK$'000	2001 HK$'000
Unlisted shares, at cost	**162,574**	162,574

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

The table below 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.

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up shares/ registered capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
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
A Link Limited #	British Virgin Islands	Ordinary US$1	**100**	–	Investment holding
Bonwick Limited	British Virgin Islands/PRC	Ordinary US$1	**100**	100	Provision of management system consultancy services
Castle Lion Group Limited	British Virgin Islands/PRC	Ordinary US$1	**100**	100	Provision of marketing services
Diamond Victory Limited	British Virgin Islands	Ordinary US$1	**100**	100	Investment holding
Eastern Hawk Limited	British Virgin Islands/PRC	Ordinary US$1	**100**	100	Provision of procurement services

14. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up shares/ registered capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Indirectly held *(continued)*					
Essex Monitor (H.K.) Company Limited	Hong Kong	Non-voting deferred HK$40,000,000 Ordinary HK$100	100	100	Investment holding and leasing of machinery
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 services
Golden Kiddon Limited	British Virgin Islands/PRC	Ordinary US$1	100	100	Provision of quality control services
Hengguan Electronic (Wuhan) Co., Ltd. ("Hengguan") **	PRC	Registered capital US$12,000,000 Paid-up share RMB 45,806,400	51	–	Manufacture and trading of computer monitors
Proview Enterprise Limited	British Virgin Islands	Ordinary US$1	100	100	Investment holding
Proview Group (L) Limited	Labuan	Ordinary US$2	100	100	Manufacture and trading of computer monitors and monitor components and parts
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

14. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up shares/ registered capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Indirectly held *(continued)*					
Proview Electronics Co., Ltd. ("PET") ***	Taiwan	Registered NT$80,000,000	**100**	100	Manufacture and trading of computer monitors and monitor components and parts
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 services
Proview Technology (Shenzhen) Co., Ltd.	PRC	Registered US$10,000,000	**100**	100	Provision of sub-contracting services
Syncrown Technology (Shenzhen) Co., Ltd.	PRC	Registered US$750,000	**100**	100	Provision of administrative services
Yanger International Investment Limited***	Taiwan	Registered NT$10,000,000	**100**	100	Investment holding
Yoke Technology (Shenzhen) Co., Ltd. ("Yoke") *#	PRC	Registered US$3,076,000	**100**	77	Manufacture and trading of computer monitor components

Notes:

Yoke was owned as to 77% by the Group as at 30 June 2001. During the year, the Group acquired additional 23% equity interest in Yoke by acquiring the entire share capital of A Link Limited of which the sole asset is investment in 23% equity interest in Yoke. As a result, Yoke became a wholly-owned subsidiary of the Group. A Link Limited made no significant contribution to the Group in respect of cash flows, turnover and net loss from ordinary activities attributable to the shareholders since it was acquired by the Group.

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

** Hengguan is an equity joint venture established by the Group and a joint venture partner (the "Joint Venture Partner") in the PRC for a period of 10 years commencing from the date of issuance of its business licence on 13 June 2001.

*** Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

15. INTERESTS IN ASSOCIATES

	Group 2002 HK$'000	Group 2001 HK$'000
Share of net asset	–	–
Due from an associate	2,814	–
Provision for amount due from an associate	(835)	–
	1,979	–

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group	Principal activities
Finmek HKG Limited	Corporate	Hong Kong	25	Investment holding
Finmek Electronic (Shenzhen) Co., Limited	Corporate	PRC	25	Manufacture and trading of electronic components

The associates are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

16. LONG TERM INVESTMENTS

	Group 2002 HK$'000	Group 2001 HK$'000
Listed equity investment outside Hong Kong, at cost	78,245	78,245
Provision for impairment	(65,099)	–
Exchange adjustments	(4,533)	(9,014)
	8,613	69,231
Unlisted investment outside Hong Kong, at cost	3,767	3,767
Provision for impairment	(3,767)	(3,767)
	–	–
	8,613	69,231

The market value of the Group's long term listed equity investment as at 30 June 2002 were approximately HK$10,557,000.

16. LONG TERM INVESTMENTS *(continued)*

Subsequent to the balance sheet date, the Group disposed of its entire equity interest in Proview Enterprise Limited, which in turn indirectly holds 95% of the Group's long term listed equity investment for a final consideration of approximately HK$8 million, further details of which are set out in note 31(ii) to the financial statements.

Particulars of the unlisted investment are as follows:

Name	Place of incorporation and operations	Nominal value of 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 Group's investment in Proview Scandinavia A/S is accounted for as a long term investment.

17. INVENTORIES

	Group	
	2002	2001
	HK$'000	HK$'000
Raw materials	**408,380**	276,748
Work in progress	**70,707**	65,151
Finished goods	**467,826**	258,529
	946,913	600,428

At the balance sheet date, no inventories were stated at net realisable value (2001: Nil).

18. ACCOUNTS AND BILLS RECEIVABLE

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.

An aged analysis of the Group's accounts and bills receivable as at the balance sheet date, based on the date of goods delivery and net of provision, is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Within 90 days	**461,488**	343,173
Between 91 to 180 days	**130,030**	48,031
Over 181 days	**34,663**	50,863
	626,181	442,067

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**190,838**	205,029	**299**	297
Time deposits	**12,140**	96,662	**–**	–
	202,978	301,691	**299**	297

20. ACCOUNTS AND BILLS PAYABLE

The aged analysis of the Group's accounts and bills payable as at the balance sheet date, based on the date of goods received, is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Within 90 days	**786,187**	375,538
Between 91 to 180 days	**210,018**	177,578
Over 181 days	**18,677**	5,922
	1,014,882	559,038

21. BANK AND OTHER BORROWINGS

	Group	
	2002	2001
	HK$'000	HK$'000
Bank loans:		
Secured	**57,716**	72,691
Unsecured	**142,811**	38,967
	200,527	111,658
Bank loans repayable:		
Within one year	**180,872**	81,597
In the second year	**6,768**	10,932
In the third to fifth years, inclusive	**5,203**	11,064
After five years	**7,684**	8,065
	200,527	111,658

21. BANK AND OTHER BORROWINGS *(continued)*

	Group	
	2002	2001
	HK$'000	HK$'000
Secured other loan repayable:		
Within one year	**5,663**	5,139
In the second year	**1,504**	5,663
In the third to fifth years, inclusive	**–**	1,504
Total secured other loan	**7,167**	12,306
Total bank and other borrowings	**207,694**	123,964
Portion classified as current liabilities	**(186,535)**	(86,736)
Non-current portion	**21,159**	37,228

The other loan is a secured loan from a financial institution (note 22), bears interest at commercial rates and is repayable over a period of three years by monthly instalments.

22. BANKING AND OTHER LOAN FACILITIES

At 30 June 2002, the Group's banking facilities and other loan were supported by the following pledges, charges and guarantees:

(i) a pledge of certain machinery with a net book value of approximately HK$15,158,000 (2001: HK$17,123,000) of the Group;

(ii) pledges of bank deposits aggregating HK$70,740,000 (2001: HK$22,214,000);

(iii) a pledge of accounts receivable of NT$42,611,000 (equivalent to approximately HK$10,163,000) (2001: Nil);

(iv) first legal charges over certain land and buildings of the Group;

(v) personal guarantees from a director of the Company and two directors of a subsidiary of the Company; and

(vi) corporate guarantees from the Company and certain of its subsidiaries.

23. FINANCE LEASE PAYABLES

The Group leases certain of its machinery for its computer monitors business. The lease is classified as a finance lease and has remaining lease terms of two years.

At 30 June 2002, the total future minimum lease payments under the finance lease and their present value are as follows:

	Group			
	Minimum lease payments 2002 HK$'000	**Present value of minimum lease payments 2002 HK$'000**	Minimum lease payments 2001 HK$'000	Present value of minimum lease payments 2001 HK$'000
Amounts payable:				
Within one year	**3,545**	**3,318**	3,831	3,601
In the second year	**841**	**829**	3,545	3,133
In the third to fifth years, inclusive	**–**	**–**	841	731
		4,147		7,465
Total minimum finance lease payments	**4,386**		8,217	
Future finance charges	**(239)**		(752)	
Total net finance lease payables	**4,147**		7,465	
Portion classified as current liabilities	**(3,318)**		(3,318)	
Long term portion	**829**		4,147	

24. CONVERTIBLE BONDS

	2002 HK$'000	2001 HK$'000
US$20,000,000 5% convertible bonds:		
Principal	**135,283**	155,498
Provision for premium on redemption of convertible bonds	**14,409**	6,029
	149,692	161,527
Portion classified as current liabilities	**(149,692)**	–
Non-current portion	**–**	161,527

24. CONVERTIBLE BONDS *(continued)*

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 (the "Bondholders"). The Bonds bear interest at 5% per annum. At the option of the Bondholders, the Bonds are convertible into the 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 so 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 which represent 5% of the total number of shares, they also have the right to send representatives to attend board meetings as observers.

On 16 January 2002, the Company entered into a supplemental deed poll (the "Deed Poll") relating to the Bonds with the Bondholders. Pursuant to the Deed Poll, the Bonds are now repayable in 12 monthly instalments commencing from January 2002. As a result, the remaining outstanding balance of the Bonds has been reclassified as current liabilities as at 30 June 2002.

25. SHARE CAPITAL

	Company	
	2002	2001
	HK$'000	HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
635,514,000 ordinary shares of HK$0.10 each	**63,551**	63,551

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors.

At the beginning of the year, there were 15,075,000 options which are exercisable at an exercise price of HK$1.20, outstanding under the Scheme, which entitled the holders thereof to subscribe for a total of 15,075,000 ordinary shares of the Company.

25. SHARE CAPITAL *(continued)*

A total of 300,000 share options were lapsed upon termination of the employees' employment during the year.

At the balance sheet date, the Company had 14,775,000 share options outstanding at an exercise price of HK$1.20. 7,350,000 of the share options are exercisable at any time from 1 January 2000 to 31 December 2004, and the remaining 7,425,000 share options are exercisable at any time from 1 January 2001 to 31 December 2005. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 14,775,000 additional shares of HK$0.10 each and proceeds of approximately HK$17,730,000.

26. RESERVES

	Share premium account HK$'000	**Contributed surplus** HK$'000	**Asset revaluation reserve** HK$'000	**Exchange fluctuation reserve** HK$'000	**Capital reserve** HK$'000	**Retained profits** HK$'000	**Statutory reserve*** HK$'000	**Total** HK$'000
Group								
At 1 July 2000	160,458	40,824	30,800	173	–	356,331	–	588,586
Revaluation surplus on fixed assets	–	–	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 and 1 July 2001	160,458	40,824	31,535	(10,269)	1,184	358,968	–	582,700
Revaluation surplus on fixed assets, net – note 13	–	–	3,536	–	–	–	–	3,536
Arising on consolidation of overseas subsidiaries	–	–	–	8,863	–	–	–	8,863
Transfer to capital reserve	–	–	–	–	54,400#	(54,400)#	–	–
Transfer to statutory reserve	–	–	–	–	–	(9,494)	9,494	–
Net loss for the year	–	–	–	–	–	(77,504)	–	(77,504)
At 30 June 2002	160,458	40,824	35,071	(1,406)	55,584	217,570	9,494	517,595
Reserves retained by:								
Company and subsidiaries	160,458	40,824	35,071	(1,406)	55,584	217,628	9,494	517,653
An associate	–	–	–	–	–	(58)	–	(58)
At 30 June 2002	160,458	40,824	35,071	(1,406)	55,584	217,570	9,494	517,595

At 30 June 2001, all reserves are retained by the Company and its subsidiaries.

\# During the year, retained profits of a subsidiary of approximately HK$54,400,000 (2001: Nil) were capitalised as its additional paid-up capital, and this amount was transferred to the capital reserve on consolidation.

26. RESERVES *(continued)*

* Pursuant to the relevant PRC regulations, certain subsidiaries of the Group in the PRC are required to transfer a portion of the profits after tax to statutory reserve. The statutory reserve is non-distributable.

As detailed in note 2 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions of subsidiaries which occurred prior to the Group's accounting period beginning on 1 July 2001 to remain eliminated against consolidated reserves.

The amounts of negative goodwill remaining in capital reserve, arising from the acquisition of additional interest in a subsidiary and goodwill remaining in the consolidated retained profits arising from the acquisition of certain of the Group's subsidiaries prior to the Group's accounting period beginning on 1 July 2001, were HK$1,184,000 (2001: HK$1,184,000) and HK$406,000 (2001: HK$406,000), respectively, as at 30 June 2002. The amounts of negative goodwill and goodwill are stated at cost.

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
Company				
At 1 July 2000				
As previously reported	160,458	162,374	6,113	328,945
Prior year adjustment (note 11)	–	–	(25,000)	(25,000)
As restated	160,458	162,374	(18,887)	303,945
Net profit for the year (as restated) (note 11)	–	–	10,204	10,204
At 30 June 2001	160,458	162,374	(8,683)	314,149
At 1 July 2001				
As previously reported	160,458	162,374	7,317	330,149
Prior year adjustment (note 11)	–	–	(16,000)	(16,000)
As restated	160,458	162,374	(8,683)	314,149
Net profit for the year	–	–	10,614	10,614
At 30 June 2002	160,458	162,374	1,931	324,763

26. 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.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002	2001
	HK$'000	HK$'000
Profit/(loss) from operating activities	**(7,965)**	72,300
Interest income	**(7,235)**	(8,661)
Depreciation	**49,066**	46,237
Loss on disposal of fixed assets	**118**	196
Provision for bad and doubtful debts	**17,506**	13,260
Provision for amount due from an associate	**835**	–
Impairment against long term listed investment	**65,099**	–
Impairment of unlisted investment	**–**	3,767
Deficit on revaluation of land and buildings	**3,505**	2,651
Decrease/(increase) in inventories	**(346,485)**	46,437
Increase in accounts and bills receivable	**(201,620)**	(29,986)
Increase in prepayments, deposits and other receivables	**(2,012)**	(2,320)
Increase/(decrease) in accounts and bills payable	**455,844**	(11,327)
Increase/(decrease) in import loans with original maturity of more than three months	**(139,215)**	6,252
Increase/(decrease) in accrued liabilities and other payables	**40,770**	(13,484)
Increase/(decrease) in an amount due to a related company	**(2,818)**	2,818
Net cash inflow/(outflow) from operating activities	**(74,607)**	128,140

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(continued)

(b) Analysis of changes in financing during the year

	Issued capital and share premium account 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 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 and 1 July 2001	224,009	123,964	7,465	161,527	2,334
Premium on convertible bonds	–	–	–	8,380	–
Acquisition of additional interest in a subsidiary	–	–	–	–	(2,381)
Capital contributed by a minority equity holder by way of fixed assets additions	–	–	–	–	29,183
Share of net profit	–	–	–	–	7,007
Exchange differences	–	680	–	–	–
Net cash inflow/(outflow) from financing	–	83,050	(3,318)	(20,215)	6,688
Balance at 30 June 2002	224,009	207,694	4,147	149,692	42,831

(c) Major non-cash transactions

(i) During the year ended 30 June 2001, 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.

(ii) During the year, a minority equity holder of a subsidiary in the PRC satisfied a portion of its capital contribution of HK$29,183,000 by injection of land and buildings.

(iii) During the year, Hong Kong profits tax payable of approximately HK$6,608,000 was settled by redeeming tax certificates purchased by the Group, and was included in prepayments, deposits and other receivables as at 30 June 2001.

28. OPERATING LEASE ARRANGEMENTS

The Group leased certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from one to four years.

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
Land and buildings expiring:		
Within one year	**15,741**	12,816
In the second to fifth years, inclusive	**31,580**	31,377
After five years	**–**	3,880
	47,321	48,073
Machinery expiring:		
Within one year	**343**	323
In the second to fifth years, inclusive	**100**	94
	443	417
	47,764	48,490

29. COMMITMENTS

(i) At the balance sheet date, the Group had contracted commitments in respect of purchases of certain fixed assets of HK$4,085,000 (2001: HK$10,980,000).

(ii) At the balance sheet date, the Group had a contracted commitment in respect of an investment in a subsidiary of approximately US$5,161,000 (equivalent to approximately HK$39,895,000) (2001: US$6,120,000 (equivalent to approximately HK$47,308,000)).

(iii) At the balance sheet date, the Group had a contracted commitment in respect of an investment in an associate of approximately US$867,500 (equivalent to approximately HK$6,706,000) (2001: Nil).

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

30. CONTINGENT LIABILITIES

	Company	
	2002	2001
	HK$'000	HK$'000
Guarantees provided for banking facilities utilised at the balance sheet date by certain subsidiaries	**515,476**	504,786
Guarantees provided for other loan facilities utilised at the balance sheet date by a subsidiary	**7,167**	12,306
	522,643	517,092

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

31. POST BALANCE EVENTS

(i) On 2 July 2002, the Group entered into a sale and purchase agreement with the Joint Venture Partner and two new joint venture partners in the PRC (the "New Partners"). Pursuant to the sale and purchase agreement, the Group acquired additional 11% equity interest in Hengguan from the Joint Venture Partner for a total cash consideration of US$1,320,000 (equivalent to approximately HK$10 million) and the remaining 38% equity interest held by the Joint Venture Partner was transferred to the New Partners. As a result of the above transaction, the Group's equity interest in Hengguan increased from 51% to 62%.

(ii) Proview Enterprise Limited ("PEL"), via its subsidiaries, indirectly holds 95% of the Group's listed equity investment outside Hong Kong. On 19 September 2002, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire interest in PEL, an indirectly wholly-owned subsidiary of the Company. The disposal, which was subject to certain warranties which have been resolved with the purchaser, was ultimately finalised on 18 October 2002 for a net cash consideration of approximately HK$8 million (note 16), which was approximated to the then market value of the listed equity investment.

32. 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.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 October 2002.