

Notes to the Financial Statements

for the year ended 30 June 2003

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated as an exempted company with limited liability in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company act as an investment holding company. The principal activities of the Company's principal subsidiaries and associates are set out in notes 13 and 14, respectively

Although the Group had net cash outflow from operating activities of HK\$563,828,000 for the year ended 30 June 2003, the directors are satisfied that with the existing resources and bank facilities available to the Group, the Group has sufficient working capital for its current requirement. Accordingly, the financial statements have been prepared on a going concern basis.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of statement of changes in equity, but had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign currencies

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements of subsidiaries outside Hong Kong at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

In the current year, the Group adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. Cash flows of subsidiaries outside Hong Kong have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The re-definition of cash and cash equivalents has resulted in a restatement in the comparative amounts shown in the cash flow statement.

Notes to the Financial Statements

for the year ended 30 June 2003

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(continued)*

Employee benefits

In the current year, the Group adopted SSAP 34 "Employee benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

The consolidated financial statements incorporated the financial statements of the Company and its subsidiaries made up to 30 June each year.

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Goodwill

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

Goodwill arising on acquisitions prior to 1 July 2001 continues to be held in the reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

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

Notes to the Financial Statements

for the year ended 30 June 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Negative goodwill

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

Negative goodwill arising on acquisitions prior to 1 July 2001 continues to be held in reserves, and will be credited to the income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisitions after 1 July 2001 is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Investments in subsidiaries

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

Interests in associates

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

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and amortisation and accumulated impairment losses.

Construction in progress is stated at cost. No depreciation or amortisation is provided for construction in progress until construction is completed and the assets are ready for their intended uses. Costs of completed construction works are transferred to the appropriate categories of property, plant and equipment.

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

Notes to the Financial Statements

for the year ended 30 June 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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

Depreciation and amortisation is provided to write off the cost or valuation of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Freehold land	Nil
Leasehold land	Over the term of the lease
Buildings	Over the term of the lease, or 50 years, whichever is the shorter
Leasehold improvements	10% – 20%
Moulds and machinery	10% – 20%
Furniture, equipment and motor vehicles	10% – 30%

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

Assets held under finance leases

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

Research and development expenditure

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

Notes to the Financial Statements

for the year ended 30 June 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Convertible bonds

Convertible bonds are regarded as liabilities unless conversion actually occurs. The finance costs recognised in the income statement in respect of the convertible bonds, including the premium payable upon the final redemption of the convertible bonds, are calculated using effective interest rate method over the period from the date of issue of the convertible bonds to the date of redemption.

The costs incurred in connection with the issue of convertible bonds are deferred and amortised using effective interest method over the lives of the convertible bonds from the date of issue of the bonds to their final redemption dates. If any of the bonds are purchased and cancelled, redeemed or converted prior to the final redemption date, an appropriate portion of any remaining unamortised costs will be charged immediately to the income statement.

Notes to the Financial Statements

for the year ended 30 June 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Turnover

Turnover represents the gross amount received and receivable for goods sold, net of returns, to outsiders during the year.

Revenue recognition

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

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

Taxation

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

Foreign currencies

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

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

Operating leases

Rental payables on properties under operating leases are charged to the income statement on a straight-line basis over the term of the relevant leases.

Retirement benefits costs

Payments retirement benefits schemes are charged as an expense as they fall due.

Notes to the Financial Statements

for the year ended 30 June 2003

4. SEGMENTAL INFORMATION

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.

Notes to the Financial Statements

for the year ended 30 June 2003

4. SEGMENTAL INFORMATION *(continued)*

For the year ended 30 June 2003

	CRT computer monitors HK\$'000	LCD monitors HK\$'000	Computer monitor components and parts HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER					
Sales to external customers	3,393,222	3,385,859	166,170	-	6,945,251
Inter-segment sales *	-	-	160,367	(160,367)	-
	3,393,222	3,385,859	326,537	(160,367)	6,945,251
RESULTS					
Segment results	106,687	108,818	28,783	-	244,288
Unallocated corporate income					18,718
Unallocated corporate expenses					(79,238)
Profit from operations					183,768
Finance costs					(55,536)
Gain on disposal of subsidiaries					2,739
Profit before taxation					130,971
Taxation					(17,428)
Profit before minority interests					113,543
Minority interests					(3,968)
Net profit for the year					109,575
BALANCE SHEET					
ASSETS					
Segment assets	1,719,743	1,351,317	63,199	-	3,134,259
Unallocated corporate assets					557,370
Consolidated total assets					3,691,629
LIABILITIES					
Segment liabilities	631,623	724,087	61,541	-	1,417,251
Bank and other borrowings					1,399,387
Obligations under finance leases					1,218
Unallocated corporate liabilities					138,764
Consolidated total liabilities					2,956,620
OTHER INFORMATION					
Capital additions	37,733	38,206	13,957	-	89,896
Depreciation and amortisation	30,171	21,006	6,030	-	57,207
Allowance for bad and doubtful debts	16,642	-	-	-	16,642
Allowance for inventories	14,990	2,971	193	-	18,154

* Inter-segment sales were charged with reference to the prevailing market prices.

Notes to the Financial Statements

for the year ended 30 June 2003

4. SEGMENTAL INFORMATION *(continued)*

For the year ended 30 June 2002

	CRT computer monitors HK\$'000	LCD monitors HK\$'000	Computer monitor components and parts HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER					
Sales to external customers	2,384,313	1,707,787	540,900	–	4,633,000
Inter-segment sales *	–	–	81,346	(81,346)	–
	<u>2,384,313</u>	<u>1,707,787</u>	<u>622,246</u>	<u>(81,346)</u>	<u>4,633,000</u>
RESULTS					
Segment results	<u>99,186</u>	<u>(18,735)</u>	<u>(10,595)</u>	<u>–</u>	<u>69,856</u>
Unallocated corporation income					7,235
Unallocated corporate expenses					<u>(85,056)</u>
Loss from operations					(7,965)
Finance costs					(49,211)
Share of results of an associate					<u>(58)</u>
Loss before taxation					(57,234)
Taxation					<u>(13,263)</u>
Loss before minority interests					(70,497)
Minority interests					<u>(7,007)</u>
Net loss for the year					<u>(77,504)</u>
BALANCE SHEET					
ASSETS					
Segment assets	1,208,935	621,231	259,776	–	2,089,942
Interests in associates					1,979
Unallocated corporate assets					<u>311,494</u>
Consolidated total assets					<u>2,403,415</u>
LIABILITIES					
Segment liabilities	337,066	543,883	90,161	–	971,110
Bank and other borrowings					487,709
Obligations under finance leases					4,147
Unallocated corporate liabilities					<u>316,472</u>
Consolidated total liabilities					<u>1,779,438</u>
OTHER INFORMATION					
Capital additions	98,955	17,263	8,411	–	124,629
Depreciation and amortisation	24,924	15,235	8,907	–	49,066
Allowance for bad and doubtful debts	17,506	–	–	–	17,506
Allowance for obsolete inventories	13,000	–	–	–	13,000

* Inter-segment sales were charged with reference to the prevailing market prices.

Notes to the Financial Statements

for the year ended 30 June 2003

4. SEGMENTAL INFORMATION *(continued)*

Geographical segments

The following tables provide an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market		Contribution to profit (loss) from operations	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
North America	2,868,939	1,217,285	81,212	38,752
Western Europe	2,055,838	1,284,938	49,271	38,743
Asia	1,637,278	1,649,287	95,930	6,280
Others	383,196	481,490	17,875	(13,919)
	6,945,251	4,633,000	244,288	69,856
Unallocated corporate income			18,718	7,235
Unallocated corporate expenses			(79,238)	(85,056)
			183,768	(7,965)

Notes:

- (i) Western Europe mainly includes Belgium and France.
- (ii) Asia mainly includes Taiwan and the People's Republic of China (the "PRC").

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
North America	390,081	251,450	463	5,018
Western Europe	119,604	16,812	678	22
Asia	2,989,304	1,952,811	88,224	116,921
Others	192,640	182,342	531	2,668
	3,691,629	2,403,415	89,896	124,629

Notes to the Financial Statements

for the year ended 30 June 2003

5. OTHER OPERATING INCOME

Other operating income includes interest income of approximately HK\$1,426,000 (2002: HK\$7,235,000).

6. PROFIT (LOSS) FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit (loss) from operations has been arrived at after charging (crediting):		
Staff costs including directors' remuneration (<i>note 7</i>)	158,381	130,309
Retirement benefits scheme contributions	4,330	1,293
	162,711	131,602
Allowance for bad and doubtful debts	16,642	17,506
Allowance for obsolete inventories	18,154	13,000
Auditors' remuneration		
Current year	950	1,123
Underprovision in previous years	300	–
Deficit on revaluation of land and buildings	914	3,505
Depreciation and amortisation	57,207	49,066
(Gain) loss on disposal of property, plant and equipment	(1,532)	118
Net exchange (gain) loss	(13,931)	26,905

Notes to the Financial Statements

for the year ended 30 June 2003

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2003 HK\$'000	2002 HK\$'000
Directors fees		
Non-executive directors	60	–
Independent non-executive directors	480	480
	540	480
Other emoluments		
Executive directors		
Salaries and other benefits	11,170	8,651
Retirement benefits scheme contributions	154	165
	11,324	8,816
Total emoluments	11,864	9,296

	2003 No. of directors	2002 No. of directors
Emoluments of the directors were within the following bands:		
Nil to HK\$1,000,000	6	8
HK\$1,000,001 to HK\$1,500,000	3	2
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$4,000,000	1	–

Of the five individuals with the highest emoluments in the Group, four (2002: four) individuals were directors of the Company whose emoluments are included in the disclosure set out above. The aggregate emoluments of the five highest paid individuals were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	12,140	8,107
Retirement benefits scheme contributions	154	165
	12,294	8,272

Notes to the Financial Statements

for the year ended 30 June 2003

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

	2003 No. of individuals	2002 No. of individuals
Emoluments of the five highest paid individuals were within the following bands:		
Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	2	3
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$3,500,000	2	1

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

8. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank overdrafts and borrowings wholly repayable within five years	49,986	30,924
Other borrowings wholly repayable within five years	178	493
Finance leases	131	349
Convertible bonds	2,673	7,092
	52,968	38,858
Provision for premium on redemption of convertible bonds	2,568	10,353
	55,536	49,211

Notes to the Financial Statements

for the year ended 30 June 2003

9. TAXATION

	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	600	5,034
Overprovision in previous years	(115)	–
	485	5,034
Other jurisdictions	16,943	8,229
	17,428	13,263

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the year.

Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, all of the Group's subsidiaries operating in the PRC are entitled to an exemption from the PRC enterprise income tax for two years commencing from their first profit-making year of operation and, followed by a 50% relief from the PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is 7.5%. Accordingly, provision for the PRC enterprise income tax has been made after taking account of these tax incentives during the year.

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

Deferred taxation has not been provided on the accumulated surplus arising on the revaluation of land and buildings as profits arising on future disposal of these assets would not be subject to taxation. Accordingly, the surplus arising on revaluation does not constitute a timing difference for tax purposes.

There was no significant unprovided deferred taxation during the year or at the balance sheet date.

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10. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Interim dividend paid for the year ended 30 June 2003: HK1.7 cents (2002: Nil)	10,991	–
Final dividend proposed for the year ended 30 June 2003: HK2.0 cents (2002: Nil)	12,792	–
	23,783	–

The final dividend of HK2.0 cents per share (2002: Nil) has been proposed by the directors and is subject to approval by the shareholders in general meeting.

11. EARNINGS (LOSS) PER SHARE

The calculation of the basis and diluted earnings (loss) per share for the year is based on the following data:

	2003 HK\$'000	2002 HK\$'000
Earnings (loss) for the purposes of basic earnings (loss) per share	109,575	(77,504)
Effect of dilutive potential ordinary shares in respect of convertible bonds	2,673	
Earnings (loss) for the purposes of diluted earnings (loss) per share	112,248	
	2003 Number of shares	2002 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	635,514,129	635,514,129
Effect of dilutive potential ordinary shares in respect of convertible bonds	30,051,852	
Weighted average number or ordinary shares for the purposes of diluted earnings (loss) per share	665,565,981	

For the year ended 30 June 2003, the computation of diluted earnings per share does not assume the conversion of the Company's share options as the exercise price was higher than the average fair value per share.

For the year ended 30 June 2002, no diluted loss per share had been presented as the conversion of the Company's convertible bonds and share options would result in a decrease in loss per share.

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for the year ended 30 June 2003

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Moulds and machinery HK\$'000	Furniture, equipment and motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP						
COST OR VALUATION						
At 1 July 2002	236,360	43,245	346,411	70,695	714	697,425
Exchange difference	(440)	(88)	(114)	(199)	-	(841)
Additions	82	1,903	66,165	18,497	3,249	89,896
Transfer	625	-	-	-	(625)	-
Revaluation deficit	(8,357)	-	-	-	-	(8,357)
Disposals	-	-	(1,283)	(7,378)	-	(8,661)
At 30 June 2003	228,270	45,060	411,179	81,615	3,338	769,462
Comprising:						
At cost	-	45,060	411,179	81,615	3,338	541,192
At valuation – 2003	228,270	-	-	-	-	228,270
	228,270	45,060	411,179	81,615	3,338	769,462
DEPRECIATION AND AMORTISATION						
At 1 July 2002	-	19,334	129,928	37,213	-	186,475
Exchange difference	-	(32)	(47)	(159)	-	(238)
Provided for the year	5,077	3,663	41,614	6,853	-	57,207
Eliminated on revaluation	(5,077)	-	-	-	-	(5,077)
Eliminated on disposals	-	-	(4,921)	(1,200)	-	(6,121)
At 30 June 2003	-	22,965	166,574	42,707	-	232,246
NET BOOK VALUE						
At 30 June 2003	228,270	22,095	244,605	38,908	3,338	537,216
At 30 June 2002	236,360	23,911	216,483	33,482	714	510,950

Notes to the Financial Statements

for the year ended 30 June 2003

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The net book value of properties shown above comprises:

	2003 HK\$'000	2002 HK\$'000
At valuation:		
Long-term land and buildings outside Hong Kong	30,370	28,977
Medium-term land and buildings in Hong Kong	45,000	47,000
Medium-term land and buildings outside Hong Kong	137,900	145,383
	182,900	192,383
Freehold land and buildings outside Hong Kong	15,000	15,000
Total	228,270	236,360

At 30 June 2003, the leasehold land and buildings of the Group in Hong Kong were valued on an open market, existing use basis by FPD Savills (Hong Kong) Limited ("FPD"), a firm of independent professional valuers, at HK\$45,000,000 (2002: HK\$47,000,000). A revaluation deficit of approximately HK\$1,068,000 (2002: HK\$2,988,000) has been charged to the income statement.

At 30 June 2003, the leasehold land and buildings of the Group in the PRC were valued on an open market, existing use basis by FPD at HK\$168,270,000 (2002: HK\$174,360,000). A revaluation deficit, net of the minority interests, of approximately HK\$2,496,000 (2002: a revaluation surplus of HK\$3,679,000) has been charged to the asset revaluation reserve and a revaluation deficit of approximately HK\$363,000 (2002: Nil) has been charged to the income statement.

At 30 June 2003, the freehold land and buildings in Taiwan were valued on an open market, existing use basis by FPD at HK\$15,000,000 (2002: HK\$15,000,000). A revaluation surplus of approximately HK\$62,000 has been credited to the asset valuation reserve and a revaluation surplus of approximately HK\$517,000 has been credited to the income statement (2002: a revaluation deficit of approximately HK\$143,000 was charged to the asset valuation reserve and a deficit of HK\$517,000 was charged to the income statement).

If the land and buildings of the Group had not been revalued, they would have been included in these financial statements at historical cost less depreciation and amortisation and accumulated impairment losses at approximately HK\$202,182,000 (2002: HK\$207,275,000).

The net book value of moulds and machinery of the Group includes an amount of HK\$7,465,000 (2002: HK\$8,571,000) in respect of assets held under finance leases.

The Company did not have any property, plant and equipment at the balance sheet date.

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for the year ended 30 June 2003

13. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	162,574	162,574

The cost of the unlisted shares is based on the book value of the underlying combined net assets of the subsidiaries attributable to the Group on the date of the Group reorganisation.

Particulars of the Company's principal subsidiaries as at 30 June 2003 are as follows:

Name of subsidiary	Principal place of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activity
			Directly	Indirectly	
Aceton Limited	British Virgin Islands/PRC	Ordinary US\$1	–	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%	Provision of management system consultancy services
Castle Lion Group Limited	British Virgin Islands/PRC	Ordinary US\$1	–	100%	Provision of marketing services
Eastern Hawk Limited	British Virgin Islands/PRC	Ordinary US\$1	–	100%	Provision of procurement services
Essex Monitor (H.K.) Company Limited	Hong Kong	Non-voting deferred HK\$40,000,000 Ordinary HK\$100	–	100%	Investment holding and leasing of machinery
EMC Industria e Comercio Do Amazonas Ltda.	Brazil	Registered R\$900,200	–	100%	Manufacture and trading of computer monitors
Gaintle Limited	Hong Kong	Ordinary HK\$2	–	100%	Provision of shipping services

Notes to the Financial Statements

for the year ended 30 June 2003

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Principal place of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activity
			Directly	Indirectly	
Golden Kiddon Limited	British Virgin Islands/PRC	Ordinary US\$1	–	100%	Provision of quality control services
Proview Technology (Wuhan) Company Limited (formerly known as Hengguan Electronic (Wuhan) Co., Ltd.) ("Proview Wuhan") <i>(note i)</i>	PRC	Registered capital US\$12,000,000 Paid-up capital RMB99,590,400	–	62%	Manufacture and trading of computer monitors
Proview Group Limited	British Virgin Islands	Ordinary US\$3,000	100%	–	Investment holding
Proview Group (L) Limited	Labuan	Ordinary US\$2	–	100%	Manufacture and trading of computer monitors and monitor components and parts
Proview Technology, Inc.	United States of America	Ordinary US\$2,300,000	–	100%	Trading of computer monitors
Proview Electronics Co., Ltd. ("PET")	Taiwan	Registered NT\$80,000,000	–	100%	Manufacture and trading of computer monitors and monitor components and parts
Proview International (U.K.) Limited	United Kingdom	Ordinary GBP2	–	100%	Trading of computer monitors
Proview Services Limited	Labuan	Ordinary US\$1	–	100%	Provision of financial services
Proview Technology (Shenzhen) Co., Ltd. ("PTS") <i>(note i)</i>	PRC	Registered US\$10,000,000	–	100%	Provision of sub-contracting services

Notes to the Financial Statements

for the year ended 30 June 2003

13. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Principal place of incorporation/ establishment and operations	Issued and fully paid share/ registered capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activity
			Directly	Indirectly	
Proview Optronics (Shenzhen) Co., Ltd. (formerly known as Syncrown Technology (Shenzhen) Co., Ltd.) ("POS") (note ii)	PRC	Registered US\$750,000	–	100%	Provision of administrative services
Suncrown Industrial (Shenzhen) Co Ltd ("SC")	PRC	Registered US\$1,400,000	–	100%	Manufacture and trading of computer monitor components
Yoke Technology (Shenzhen) Co., Ltd. ("Yoke") (note iii)	PRC	Registered US\$3,076,000	–	100%	Manufacture and trading of computer monitor components

Notes:

- (i) Proview Wuhan is an equity joint venture established by the Group and a joint venture partner in the PRC. During the year ended 30 June 2003, the Group acquired and additional 11% equity interest in Proview Wuhan held by the joint venture partner.
- (ii) PTS, SC and POS are established in the PRC as wholly foreign owned enterprises.
- (iii) Yoke is an equity joint venture established by the Group and a joint venture partner in the PRC. During the year ended 30 June 2002, the Group acquired all the remaining 23% equity interest in Yoke held by the joint venture partner, and therefore Yoke became a wholly-owned subsidiary of the Group.
- (iv) None of the subsidiaries had any debt securities outstanding at the end of the year or any time during the year.

The above table includes 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.

Notes to the Financial Statements

for the year ended 30 June 2003

14. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net asset	–	–
Advance to an associate	3,789	2,814
Less: allowances for advance to an associate	(3,789)	(835)
	–	1,979

The advance to an associate is unsecured, interest-free and has no fixed repayment terms. In the opinion of the directors, the Group will not demand for repayment within twelve months from the balance sheet date and the advance is therefore shown as non-current.

Particulars of the associates as at 30 June 2003 are as follows:

Name of associate	Form of business structure	Principal place of incorporation/ establishment and operation	Class of share held	Proportion of nominal value of issued/registered capital held by the Company		Principal activity
				Directly	Indirectly	
Finmek HKG Limited	Incorporated	Hong Kong	Ordinary	25%	–	Investment holding
Finmek Electronic (Shenzhen) Co., Limited	Established	PRC	Registered capital	–	25%	Manufacture and trading of electronic components

Notes to the Financial Statements

for the year ended 30 June 2003

15. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Equity securities		
Overseas listed equity, at cost net of impairment loss	278	13,146
Exchange adjustments	(96)	(4,533)
	182	8,613
Overseas unlisted equity, at cost net of impairment loss	2,546	–
	2,728	8,613
Market value of listed securities	182	10,557
Carrying value analysed for reporting purpose as:		
Current	2,546	–
Non-Current	182	8,613
	2,728	8,613

The Group holds a 50% interest in the share capital of Proview Scandinavia A/S ("Proview Scandinavia"), a company incorporated in Denmark which is engaged in trading in computer monitors. In the opinion of the directors, despite the 50% interest in Proview Scandinavia, the Group is not in a position to exercise significant influence in the financial and operating decision of Proview Scandinavia. Consequently, the Group's investment in Proview Scandinavia is accounted for as an investment security and included in the Group's overseas unlisted equity securities.

In the opinion of the directors, the carrying value of the Group's overseas unlisted equity securities is approximate to their fair values.

At 30 June 2002, through Proview Enterprise Limited and Proview Electronics Co., Ltd., wholly-owned subsidiaries of the Company, the Group owned approximately a 13.81% equity interest in MAG Technology Co., Ltd. 美格科技股份有限公司 ("MAG"), a company listed in Taiwan. During the year ended 30 June 2003, the Group disposed of its entire equity interest in Proview Enterprise Limited at a consideration of approximately HK\$8,119,000. As a result, Group's equity interest in MAG is reduced from approximately 13.81% to approximately 0.1%. Further details of this disposal are set out in note 26.

Notes to the Financial Statements

for the year ended 30 June 2003

16. PREPAYMENTS AND DEPOSITS

The prepayments and deposits were paid by the Group in connection with the acquisition of property, plant and equipment for new production facilities in the PRC. The related capital commitments are set out in note 28.

17. INVENTORIES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Raw materials	582,752	408,380
Work in progress	42,947	70,707
Finished goods	617,232	467,826
	1,242,931	946,913

Included above are finished goods of approximately HK\$27,914 (2002: HK\$19,000) which are carried at net realisable value.

18. TRADE AND BILLS RECEIVABLES

The Group's payment terms with customers are normally 90 days of issuance of invoices, except for certain well established customers, where the terms are extended to 180 days. An aging analysis of trade and bills receivables at the balance sheet date is as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within 90 days	976,851	461,488
Between 91 to 180 days	113,541	130,030
Over 181 days	109,083	34,663
	1,199,475	626,181

Notes to the Financial Statements

for the year ended 30 June 2003

19. TRADE AND BILLS PAYABLES

An aging analysis of trade and bills payables at the balance sheet date is as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within 90 days	1,368,072	786,187
Between 91 to 180 days	38,683	210,018
Over 181 days	17,887	18,677
	1,424,642	1,014,882

20. BANK AND OTHER BORROWINGS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Bank and other borrowings comprise:		
Bank loans	1,338,839	200,527
Other loans	1,504	7,167
Trust receipt loans	59,044	280,015
	1,399,387	487,709
Analysed as:		
Secured	78,680	344,898
Unsecured	1,320,707	142,811
	1,399,387	487,709
The bank and other borrowings are repayable as follows:		
Within one year	1,364,605	466,550
More than one year, but not exceeding two years	33,603	8,272
More than two years, but not exceeding five years	1,179	5,203
Over five years	-	7,684
	1,399,387	487,709
Less: Amount due within one year shown under current liabilities	(1,364,605)	(466,550)
Amount due after one year	34,782	21,159

Notes to the Financial Statements

for the year ended 30 June 2003

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE GROUP				
Amounts payable under finance leases:				
Within one year	1,028	3,545	946	3,318
In the second year	303	841	272	829
	1,331	4,386	1,218	4,147
Less: future finance charges	(113)	(239)	N/A	N/A
Present value of lease obligations	1,218	4,147	1,218	4,147
Less: Amount due within one year shown under current liabilities			(946)	(3,318)
Amount due after one year			272	829

It is the Group's policy to lease certain of its mould and equipment under finance leases. The average lease term is three years. For the year ended 30 June 2003, the average effective borrowing rate was 3.3%. Interest rates were fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

Notes to the Financial Statements

for the year ended 30 June 2003

22. CONVERTIBLE BONDS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
US\$20,000,000 5% convertible bonds	–	135,283
Provision for premium on redemption	–	14,409
	–	149,692
Less: Amount due within one year shown under current liabilities	–	(149,692)
Amount due after one year	–	–

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 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 became repayable in 12 monthly installments commencing from January 2002. As a result, the remaining outstanding balance of the Bonds was reclassified as current liabilities as at 30 June 2002 and fully redeemed during the year ended 30 June 2003.

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for the year ended 30 June 2003

23. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
Authorised:		
At 1 July 2001, 30 June 2002 and 30 June 2003	2,000,000,000	200,000
Issued and fully paid:		
At 1 July 2001, 30 June 2002 and 30 June 2003	635,514,129	63,551

24. SHARE OPTION SCHEME

Initial Share Option Scheme

The Company adopted a share option scheme (the "Initial Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Initial Scheme include any employee of the Company or any of its subsidiaries (including any director of the Company or any of its subsidiaries). The Initial Scheme became effective on 26 May 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which options may be granted under the Initial Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point in time. The number of shares in respect of which options may be granted to any individual at the grant date is not permitted to exceed 25% of the number of shares issued and issuable under the Initial Scheme. Options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 for each lot of share options granted. Options may generally be exercised at any time from the date of offer to the 10th anniversary of the date of offer. In each grant of options, the Board of Directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the shares of the Company nor 80% of the average closing price of the shares for the five business days immediately preceding the date of grant.

As at 30 June 2003, the number of shares in respect of which options had been granted and remained outstanding under the Initial Scheme at an exercise price of HK\$1.20 was 14,775,000 (2002: 14,775,000), representing 2.3% (2002: 2.3%) of the shares of the Company in issue at that date, 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.

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24. SHARE OPTION SCHEME (continued)

Initial Share Option Scheme (continued)

The following table disclosed details of the Company's options under the Initial Scheme held by employees (including directors) and movements in such holdings during the year.

Date of grant of share options (note i)	Exercise period of share options	Exercise price of share options HK\$ (note ii)	As at 1 July 2002	Granted during the year	Lapsed during the year	As at 30 June 2003
25 June 1999	1 January 2000 – 31 December 2004	1.20	7,350,000	–	–	7,350,000
25 June 1999	1 January 2001 – 31 December 2005	1.20	7,425,000	–	–	7,425,000
			14,775,000	–	–	14,775,000

Date of grant of share options (note i)	Exercise period of share options	Exercise price of share options HK\$ (note ii)	As at 1 July 2001	Granted during the year	Lapsed during the year	As at 30 June 2002
25 June 1999	1 January 2000 – 31 December 2004	1.20	7,500,000	–	(150,000)	7,350,000
25 June 1999	1 January 2001 – 31 December 2005	1.20	7,575,000	–	(150,000)	7,425,000
			15,075,000	–	(300,000)	14,775,000

Notes to the Financial Statements

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24. SHARE OPTION SCHEME (continued)

Initial Share Option Scheme (continued)

Details of the share options held by the directors included in the above table are as follows:

Date of grant of share options (note i)	Exercise period of share options	Exercise price of share options HK\$ (note ii)	As at 1 July 2002	Granted during the year	Lapsed during the year	As at 30 June 2003
25 June 1999	1 January 2000 – 31 December 2004	1.20	4,775,000	–	–	4,775,000
25 June 1999	1 January 2001 – 31 December 2005	1.20	4,850,000	–	–	4,850,000
			9,625,000	–	–	9,625,000

Date of grant of share options (note i)	Exercise period of share options	Exercise price of share options HK\$ (note ii)	As at 1 July 2001	Granted during the year	Lapsed during the year	As at 30 June 2002
25 June 1999	1 January 2000 – 31 December 2004	1.20	4,775,000	–	–	4,775,000
25 June 1999	1 January 2001– 31 December 2005	1.20	4,850,000	–	–	4,850,000
			9,625,000	–	–	9,625,000

Notes:

- (i) The vesting period of share options is from the date of the grant until the commencement of the exercise period.
- (ii) The exercise price of share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

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24. SHARE OPTION SCHEME *(continued)*

New Share Option Scheme

In compliance with the amendments to the Listing Rules, the directors consider that it is in the interest of the Company to terminate the Initial Scheme and to adopt a new share option scheme (the "New Scheme"). An ordinary resolution was passed at the Special General Meeting of the Company held on 12 February 2003 for the approval of the said adoption of the New Scheme and termination of the Initial Scheme.

The New Scheme is adopted for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity"). Eligible participants of the New Scheme include the directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity. The New Scheme should, unless otherwise terminated or amended, remain in force for ten years from 18 February 2003.

The maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. The total number of shares which may be issued upon exercise of all share options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 12 February 2003. Share options lapsed in accordance with the terms of the New Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit. The Company may seek approval of the shareholders in general meeting for refreshing the 10% limit under the New Scheme save that the total number of shares which may be issued upon exercise of all share options to be granted under the New Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as refreshed. Share options previously granted under the New Scheme or any other share option schemes of the Company (including share options outstanding, cancelled, lapsed or exercised in accordance with the terms of the New Scheme or any other share option scheme of the Company) will not be counted for the purpose of calculating the limit as refreshed. The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Each grant of the share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, under the New Scheme must comply with the requirements of Rule 17.04 of the Listing Rules and must be subject to approval by the independent non-executive directors to whom share options have not been granted. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the total number of share of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5 million, are subject to prior approval from shareholders in a general meeting.

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for the year ended 30 June 2003

24. SHARE OPTION SCHEME *(continued)*

New Share Option Scheme *(continued)*

The offer of a grant of share options shall be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than ten years from the date of the offer of the share options subject to the provisions for early termination set out in the New Scheme. There is no minimum period for which an option must be held before the exercise of the subscription right attaching thereto except otherwise imposed by the board of directors.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer, and (iii) the nominal value of the Company's shares.

During the year ended 30 June 2003, a total of 19,950,000 share options at an exercise price of HK\$1.04 had been granted under the New Scheme and all of them remained outstanding at 30 June 2003, representing 3.1% of the shares of the Company in issue at that date. 9,975,000 of the share options are exercisable at any time from 24 September 2003 to 23 March 2013, and the remaining 9,975,000 share options are exercisable at any time from 24 March 2004 to 23 March 2013. Nominal consideration was received by the Company during the year for the options granted under the New Scheme.

The following table discloses details of the Company's options under the New Scheme held by employees (including directors) and movements in such holdings during the year:

Date of grant of share options (note i)	Exercise period of share options	Exercise price of share options HK\$ (note ii)	As at 1 July 2002	Granted during the year	Lapsed during the year	As at 30 June 2003
24 March 2003	24 September 2003 – 23 March 2013	1.04	–	9,975,000	–	9,975,000
24 March 2003	24 March 2004 – 23 March 2013	1.04	–	9,975,000	–	9,975,000
			–	19,950,000	–	19,950,000

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24. SHARE OPTION SCHEME *(continued)*

New Share Option Scheme *(continued)*

Details of the share options held by the directors included in the above table are as follows:

Date of grant of share options <i>(note i)</i>	Exercise period of share options	Exercise price of share options HK\$ <i>(note ii)</i>	As at 1 July 2002	Granted during the year	Lapsed during the year	As at 30 June 2003
24 March 2003	24 September 2003 – 23 March 2013	1.04	–	8,225,000	–	8,225,000
24 March 2003	24 March 2004 – 23 March 2013	1.04	–	8,225,000	–	8,225,000
			–	16,450,000	–	16,450,000

Notes:

- (i) The vesting period of share options is from the date of the grant until the commencement of the exercise period.
- (ii) The exercise price of share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

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25. RESERVES

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.

The capital reserve comprises approximately HK\$1,184,000 (2002: HK\$1,184,000) in respect of negative goodwill and approximately HK\$63,310,000 (2002: HK\$54,400,000) in respect of capitalisation of accumulated profits of a subsidiary as its paid up capital.

The accumulated profits of the Group include an accumulated loss of approximately HK\$58,000 (2002: HK\$58,000) attributable to an associate of the Group and goodwill arising from acquisition of certain of the Company's subsidiaries of approximately HK\$406,000 (2002: HK\$406,000).

As stipulated by the relevant laws and regulations in the PRC, certain subsidiaries of the Group in the PRC are required to maintain a statutory reserve fund which is non-distributable. Appropriations to this reserve fund is made out of net profit after taxation of the subsidiaries' PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC. The amount and allocation basis are decided by the board of directors of the subsidiaries annually and is not less than 10% of the net profit after taxation of the subsidiaries for that year.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if

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

In the opinion of the directors, as at 30 June 2003, the Company's reserves available for distribution consisted of contributed surplus of approximately HK\$162,374,000 (2002: HK\$162,374,000) and accumulated profits of approximately HK\$12,096,000 (2002: HK\$1,931,000). In addition, the Company's share premium account of approximately HK\$160,458,000 (2002: HK\$160,458,000) as at 30 June 2003 is available for distribution in the form of fully paid bonus shares.

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26. DISPOSAL OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of		
Investments in securities	5,327	–
Prepayments, deposits and other receivable	61	–
Bank balances and cash	10	–
Trade and bills payables	(18)	–
	5,380	–
Profit on disposal of subsidiaries	2,739	–
Total consideration	8,119	–
Satisfied by:		
Cash	8,119	–
Net cash inflow arising on disposal:		
Cash received	8,119	–
Bank balances and cash disposed of	(10)	–
	8,109	–

The subsidiaries disposed of during the year ended 30 June 2003 did not contribute significantly to the turnover, operating results or cash flows of the Group.

27. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2002, the Group had the following major non-cash transactions:

- (i) a minority shareholder of a subsidiary in the PRC satisfied a portion of its capital contribution of HK\$29,183,000 by injection of land and buildings.
- (ii) 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.

Notes to the Financial Statements

for the year ended 30 June 2003

28. CAPITAL COMMITMENTS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Capital commitment contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	5,619	4,085
Investment in associates	6,706	6,706
	12,325	10,791

29. OPERATING LEASE COMMITMENTS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Minimum lease payments paid under operating leases during the year		
Land and buildings	21,322	15,756
Plant and machinery	494	343
	21,816	16,099

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Land and buildings		
Within one year	15,251	15,741
In the second to fifth year inclusive	26,211	31,580
	41,462	47,321
Plant and machinery		
Within one year	–	343
In the second to fifth year	–	100
	–	443
	41,462	47,764

Operating lease payments represent rentals payable by the Group for certain of its office properties, factory land and buildings and plant and machinery. The lease term is range from one to four years and for its plant and machinery is three years. Rentals are fixed and no arrangements have been entered into for contingent rental payments.

Notes to the Financial Statements

for the year ended 30 June 2003

30. PLEDGE OF ASSETS

As 30 June 2003, the Group's bank and other loans facilities were secured by:

- (i) certain plant and machinery of the Group with a net book value of approximately HK\$13,193,000 (2002: HK\$15,158,000);
- (ii) pledge of bank deposits with an aggregate amount of approximately HK\$41,970,000 (2002: HK\$70,740,000);
- (iii) pledge of trade receivable of NT\$43,115,000 (equivalent to approximately HK\$10,003,000) (2002: NT\$42,611,000 (equivalent to approximately HK\$10,163,000));
- (iv) first legal charges over certain land and buildings of the Group of approximately HK\$152,600,000 (2000: HK\$153,200,000); and
- (v) personal guarantees from a director of the Company and two directors of a subsidiary of the Company.

31. CONTINGENT LIABILITIES

The Company

The Company has given limited guarantees at the aggregate amount of approximately HK\$1,954,464,000 (2002: HK\$522,643,000) to various banks to secure general banking and loan facilities granted to certain subsidiaries of the Group.

The Group

The Group had no significant contingent liabilities as at the balance sheet date.

Notes to the Financial Statements

for the year ended 30 June 2003

32. RETIREMENT BENEFITS SCHEMES

Effective from 1 December 2000, the Group has participated in a Mandatory Provident Fund Scheme ("MPF Scheme") for all its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contribution payable in the future years.

The Group is also required to make contributions to state pension schemes in the PRC and a pension plan in Taiwan based on certain percentages of the monthly salaries of the employees of the Group's subsidiaries operating in the PRC and in Taiwan, respectively. The Group has no other obligations under these pension schemes/plan other than the contribution payments.

During the year, the total amount contributed by the Group to the relevant retirement benefits schemes are as follows:

	2003 HK\$'000	2002 HK\$'000
MPF Scheme	318	261
State Pension	3,280	491
Pension Plan	732	541
	4,330	1,293

Notes to the Financial Statements

for the year ended 30 June 2003

33. RELATED PARTY DISCLOSURES

(a) Related party transactions

During the year, the Group paid operating lease rentals in respect of land and buildings and machinery of approximately HK\$1,448,000 (2000: HK\$1,559,000) to Isystems Technology Inc. ("Isystems") a company of which Messrs Yang Long-sam, Rowell and Yang Yun-tsai (father of Yang Long-sam, Rowell) own 19.4% and 16.8% of the issued share capital of Isystems respectively.

The rental were charged in accordance with terms of the tenancy agreement entered into between the Group and Isystems.

(b) Related party balances

Details of the Group's outstanding balances with related parties are set out on the balance sheet and in note 14.

(c) Bank facilities

In addition to the pledge of the Group's assets as set out in note 30, certain of the Group's bank facilities as at the balance sheet date were also secured by the personal guarantees from a director of the Company and two directors of a subsidiary of the Company.