



Contents

2-3	Corporate Information
4-7	Notice of Annual General Meeting
8-10	Chairman's Statement
11-13	Management Discussion and Analysis
14-15	Biographical Details of Directors and Senior Management
16-24	Report of the Directors
25	Report of the Auditors
26	Consolidated Profit and Loss Account
27	Consolidated Statement of Recognised Gains and Losses
28-29	Consolidated Balance Sheet
30-31	Consolidated Cash Flow Statement
32	Balance Sheet
33-68	Notes to the Financial Statements



Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

YAU Tak Wah, Paul (*Chairman*)
TAM Ping Wah
LOUIE Mei Po
WONG Shin Ling, Irene
TAM Wing Kin

NON-EXECUTIVE DIRECTORS

NG Wai Hung
CHEUNG Chung Leung, Richard

COMPANY SECRETARY

MA Wing Kuen, Ricky

AUDITORS

Ernst & Young

LEGAL ADVISERS IN HONG KONG

Vincent T.K. Cheung, Yap & Co.
Julia Wong & Partners
Heller Ehrman White & McAuliffe

LEGAL ADVISERS ON BERMUDA LAW

Conyers, Dill & Pearman

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

27th Floor, Henley Building
5 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda



Corporate Information (Continued)

HONG KONG BRANCH SHARE REGISTRAR

Central Registration Hong Kong Limited
Shops 1712-16
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
International Bank of Asia
Bank of China (Hong Kong) Limited
UBS
Fortis Bank
Dao Heng Bank



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at Unit 903–906, 9th Floor, Tower I, Harbour Centre, 1 Hok Cheung Street, Hungghom, Kowloon, Hong Kong on Wednesday, 29 May 2002 at 11:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2001.
2. To re-elect retiring directors and to authorise the board of directors to fix the directors' remuneration.
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

(A) **“THAT:**

- (i) subject to sub-paragraph (iii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (ii) the approval in sub-paragraph (i) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in sub-paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined); (b) the exercise of rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into shares of the Company; (c) any share option scheme of the Company; and (d) any scrip dividend or similar arrangement providing for the allotment of shares in the Company in lieu of the whole or part of a dividend on shares in accordance with the Bye-laws of the Company in force from time to time; shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution and the approval granted under (A)(i) and A(ii) shall be limited accordingly; and



Notice of Annual General Meeting (Continued)

(iv) for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or
- (c) the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares, or offer or issue of warrants, options or other securities giving rights to subscribe for shares of the Company open for a period fixed by the directors of the Company to holders of shares of the Company whose names appear on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory applicable to the Company).”

(B) **“THAT:**

- (i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares in the capital of the Company subject to and in accordance with all applicable laws and the Bye-laws of the Company, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of shares in the capital of the Company which the Company is authorised to repurchase pursuant to the approval in sub-paragraph (i) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution and the approval granted under paragraph (B)(i) shall be limited accordingly; and



Notice of Annual General Meeting (Continued)

(iii) for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or
- (c) the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

(C) “**THAT** the general mandate granted to the directors to exercise the powers of the Company to allot, issue and otherwise deal with shares of the Company pursuant to resolution numbered 4(A) above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution numbered 4(B) above.”

5. As special business, to consider and, if thought fit, pass with or without modification, the following resolutions as ordinary resolutions:

(A) “**THAT** subject to and conditional upon The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the approval for the new Share Option Scheme of the Company (the “Scheme”), the rules of which are contained in the document marked “A” produced to the meeting and for the purposes of identification signed by the Chairman thereof, and subject to such amendments to the Scheme as the Stock Exchange may request, the Scheme (as may be amended as aforesaid) be approved and adopted to be the new share option scheme of the Company and that the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give effect to the Scheme notwithstanding that they or any of them may be interested in the same.”

(B) “**THAT** subject to and conditional upon the passing of Resolution no. 5(A) and the condition referred to therein being satisfied or fulfilled, the operation of the existing share option scheme of the Company adopted on 21 July 1995 be hereby terminated with effect from the adoption of the Scheme (such that no further options could thereafter be offered



Notice of Annual General Meeting (Continued)

under the existing share option scheme of the Company but in all other respects the provisions of the existing share option scheme of the Company shall remain in full force and effect).”

6. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as special resolution:

“**THAT** “明日國際集團有限公司” be adopted as the chinese corporate name of the Company for registration under Part XI of the Hong Kong Companies Ordinance (Cap. 32).”

7. To transact any other business of the Company.

By Order of the Board
Yau Tak Wah, Paul
Chairman

Hong Kong, 23 April 2002

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of Business:
27th Floor
Henley Building
5 Queen’s Road Central
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the head office and principal place of business of the Company at 27th Floor, Henley Building, 5 Queen’s Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. With regards to Resolution 5(A), a circular setting out the terms and conditions of the Scheme will be sent to shareholders in due course.



Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the annual results of the Group for the year ended 31 December 2001.

RESULTS

The Group's profit attributable to shareholders for the year was HK\$31.1 million, representing a decrease of 4.2% over the previous year. Basic earnings per share amounted to HK2.63 cents, compared with that of HK4.27 cents in the previous year. We reported a solid cash and balance sheet position. At 31 December 2001, the Group's net cash position amounted to HK\$373.8 million (2000: HK\$138.5 million), represented 62.4% of the shareholders' fund of HK\$598.6 million (2000: 36.7%).

The Board of Directors does not recommend the payment of any final dividend (2000: Nil).

BUSINESS REVIEW

It was a difficult year for the electronics industry in 2001. The market demand was slowing down as a result of the correction of excessive supply in previous year. Coupled with the slow recovery in the global economy and the "11 September" event in the United States of America, the electronics industry confronted with an unfavourable business environment during the year under review.

In spite of the severe business environment, the Group's electronics business as a whole was still profitable in 2001 although the turnover reduced by 8% to HK\$420.6 million compared with last year.

For the manufacture and sale of electronic products, in view of the slowdown economy in 2001, the total sales to North America decreased by about 24%. In the Hong Kong local market, it was continually affected by the depressed market condition that leading to a decrease of about 23% in its turnover compared with 2000. Although it succeeded to maintain a growth in the OEM business with Japanese customers and was also benefited from the preliminary recovery of the European markets, the total turnover of the electronic products division dropped by approximately 8% for the year 2001. Nevertheless, under the effective cost controls, the electronic products division of the Group was still profitable for the year under review and recorded a profit contribution of HK\$48.1 million.

The year of 2001 was a hard time for the printed circuit board ("PCB") industry. The contraction of the electronics industry and the worldwide over-supply of PCBs led to a very keen competition. The turnover of the PCB division of the Group decreased by over 38% compared with last year and suffered a loss of approximately HK\$12.1 million for the year of 2001.

In view of the continuing unfavourable market condition, the trading and distribution of electronic components and parts business of the Group became dormant commencing from second quarter of the year 2001.

Regarding trading of listed equity investments, turnover for the year amounted to HK\$31.6 million, compared to that of HK\$9.7 million in year 2000 and the Group had disposed substantial part of its investment in Cedar Base Electronic (Group) Limited.



Chairman's Statement (Continued)

As the market condition was not favourable, interest income from loan financing decreased by 33% to HK\$6.4 million compared with last year.

Pursuant to two separate placing agreements dated 8 May 2001 and 11 March 2002, Winspark Venture Limited ("Winspark"), the major shareholder of the Company, placed 69 million and 178 million shares through independent placing agents to independent investors at a price of HK\$0.17 and HK\$0.15 per share, respectively. Moreover, pursuant to two top-up subscription agreements between the Company and Winspark on the same corresponding dates, Winspark subscribed for 69 million and 178 million new shares of the Company at a price of HK\$0.17 and HK\$0.15 per share, respectively. The net proceeds of approximately HK\$11.5 million and HK\$26 million from the share placement were used for general working capital of the Group.

On 10 August 2001, the Directors announced that the Company proposed to raise a gross proceeds of HK\$178.8 million by issuing not less than 1,788,457,630 new shares by way of rights issue at a price of HK\$0.10 per rights share on the basis of two rights shares for every existing share held on the record date. 936,884,000 rights shares were accepted and the balance of 851,573,630 rights shares were underwritten by Winspark.

The rights issue raised the net proceeds of HK\$177.5 million which are mainly used to finance any possible acquisition of listed or non-listed assets and the expansion and/or diversification of the Group's existing operations and businesses. The expansion plan may include widening of the Group's product range, upgrading of technical knowledge and expansion of production capacity of the electronic product business. However, the funds raised under the rights issue are not currently earmarked for any specific projects or any specific business.

On 16 July 2001, the Company entered into an exclusivity agreement with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), the trust agent of Optiset Limited ("Optiset"), the then major shareholder of Swank International Manufacturing Company Limited ("Swank"), the beneficiaries of the trust being the individual bank creditors of Swank, in relation to, among others, the Company's proposed acquisition of the entire interests of Optiset in Swank. Swank is a Hong Kong listed company principally engaged in the manufacture and sale of optical products.

Subsequently, in January 2002, Probest Holdings Inc. ("Probest"), an indirect wholly owned subsidiary of the Company, signed a sale and purchase agreement with Optiset to acquire from it the majority stake in Swank and the related bank loans. The transaction was completed in March 2002 whereby the creditors banks agreed to sell its majority stake in Swank and the related bank loan of HK\$250 million to Probest for a total consideration of HK\$68 million. Full amount was paid as deposit in August 2001. Moreover, following a General Offer made by Probest in compliance with The Codes on Takeovers and Mergers, which was completed in early April 2002, Probest totally acquired 1,641,638,651 Swank shares, representing 73.5% interest in Swank.



Chairman's Statement (Continued)

FUTURE PLANS

For the manufacture of electronic products, it is anticipated that more well-known overseas electronic manufacturers are on the way to move their manufacturing bases from their home countries to the Southern China. This is intended to reduce the production costs and to develop the potential market in the Greater China. It will create a room for the further development of our OEM business in the coming future. To cope with this market trend, the Group will allocate more resources to enhance its manufacturing capabilities on new technologies, especially the application of advanced packages for product miniaturization in mobile computing and electronic products. Based on the existing strength in research and development, the Group will upgrade and expand its capabilities to handle the advanced packages and processes to equip for the future development of OEM business.

The PCBs industry is still under keen competition. The Group will place more efforts to streamline its PCB operations in order to maintain its competitiveness in the market. With the result of stringent cost control, it is expected to resume its profitability in the nearest future.

Regarding the new investment in Swank, Swank continues to be a strong market player in the eyewear industry, with well-known products covering a full range from metal, plastics to handmade, and include anything from sunglasses, optical frames to readers. To enhance its competitiveness in the market place, Swank needs to improve all aspects of operation, including but not limited to better linkages between sales, manufacturing and support functions. Swank's future will likely to be remarkably different from the past few years, during which Swank had to generate cash from operations to repay bank loan interest, while not being able to make significant improvements to the company's profitability.

The Group continues to be in a position of solid base and will continue to explore suitable investment opportunities to enhance its earning base and acts promptly as and when suitable opportunities arise. Currently, the Group is under a very preliminary discussion with various independent parties for acquisition of various projects including pharmaceutical businesses and that no detailed terms have yet been finalized.

On behalf of the Board of Directors, I would like to thank all our employees, for their dedication and support throughout the year, as well as our suppliers, customers, bankers and shareholders.

On behalf of the Board

Yau Tak Wah, Paul

Chairman

Hong Kong, 23 April 2002



Management Discussion and Analysis

FINANCIAL REVIEW

In spite of the unfavourable economic condition in 2001, the Group was still profitable. Together with the stringent assets control and the effective financial management for the year ended 31 December 2001, coupled with placement of new shares and rights issue during the year, the Group's total net assets increased by HK\$221.5 million compared with last year. The Group's total turnover recorded at HK\$544.2 million, representing 17.5 per cent decrease compared with the same period of last year. Net profit attributable to shareholders amounted to HK\$31.1 million. Basic earnings per share for the year was HK2.63 cents. Details of variance are summarised as follows:

	Increase/(Decrease) in the Group's total net assets HK\$ million
Fixed assets	3.0
Prepaid rental	(0.7)
Deferred product development costs	0.3
Cash and bank balances and time deposits	229.2
Accounts receivable, bills receivable, prepayments, deposits and other receivable	33.4
Loans and loan interest receivables	(43.8)
Short term investments	(34.9)
Properties held for sale	(4.6)
Inventories	(25.1)
Bank borrowings	6.1
Accounts payable, bills payable, accrued liabilities and other payables	55.9
Taxation (including tax payable and deferred tax)	(3.0)
Minority interests	5.7
Net increase in Group's total net assets	221.5

As at 31 December 2001, the Group's properties in both Hong Kong and the Mainland China were revalued by a professional surveyor in accordance with the open market values. Under this valuation, the property value as a whole was appreciated by approximately HK\$1.1 million and HK\$1.3 million out of which was transferred to the revaluation reserve. Moreover, during the year, the Group has invested about 15.3 million assets in the manufacturing plants in Mainland China.



Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (Continued)

As a result of the effective financial management during the year, the accounts receivable balance as at the balance sheet date decreased by HK\$26.2 million. On the other hand, the inventory balance also dropped by HK\$25.1 million compared with last year. This is to avoid the asset deterioration in the period of economic recession.

The accounts payable balance was reduced by HK\$43.1 million. It was mainly due to the implementation of a stringent purchase policy which aimed to reduce the inventory balance. In addition, as one of our cost control measures, shorter credit term with lower purchase price was continually negotiated with various suppliers.

Through a placement of new shares in May 2001, the Group raised funds of HK\$11.5 million.

Following a 2:1 rights issue in November 2001, additional funds of HK\$177.5 million were raised.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had a strong financial position. The gearing of the Group, measured as total debts to total assets, has improved from 33.5% in year 2000 to 17.3% in year 2001. Together with the placement of 69.0 million shares totalling HK\$11.5 million in May 2001 and a 2:1 rights issue raising funds of HK\$177.5 million in November 2001, cash and bank balances (including time deposits) as at 31 December 2001 were HK\$373.8 million, representing an increase of HK\$229.2 million compared with last year. On the other hand, the Group had no outstanding bank borrowings as at the balance sheet date compared with HK\$6.1 million trade finance borrowings at the end of last year.

The Group has available banking facilities of HK\$47.3 million for the normal working capital requirements. Together with the net positive cash and bank balances, it is believed that it has adequate cash resources to meet working capital requirements and all commitments for future expansion should the opportunities arises.

CAPITAL STRUCTURE

Pursuant to a placing agreement between the Company and a placing agent, a total of 69.0 million new shares were issued to independent investors in May 2001. Following a 2:1 rights issue in November 2001, additional 1,788.5 million new shares were issued to the then shareholders. The issued share capital of the Company had increased to 2,682.7 million shares by 31 December 2001. Moreover, the Company's issued share capital will be increased by 91.5 million shares should the options granted to three directors in 2000 be fully exercised.

Subsequent to the balance sheet date, pursuant to another placing agreement between the Company and a placing agent, a total of 178.0 million new shares were issued to independent investors in March 2002.



Management Discussion and Analysis (Continued)

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2001, the Group employed approximately 2,300 full time employees, more than 2,200 in the PRC and 90 in Hong Kong.

The Group remunerates its employees largely based on industry practice. In the PRC, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including medical scheme, performance related bonuses and mandatory provident fund.

SHARE OPTION SCHEME

The Board proposes to adopt a new share option scheme (the “Scheme”) at the forthcoming annual general meeting to be held on 29 May 2002. A circular setting out the terms and conditions of the Scheme will be sent to shareholders.



Biographical Details of Directors and Senior Management

Executive Directors

Mr. YAU Tak Wah, Paul — *Chairman*, aged 46, is the founder of the Group and is primarily responsible for corporate strategic planning. He holds a bachelor of science degree in mechanical engineering and has more than 20 years' experience in the electronics industry. Before he established the Group, Mr. Yau worked as design engineer in a renowned US electronics company operating in Hong Kong where he gained invaluable experience in production design and established close business relationships with various electronics manufacturers in Hong Kong.

Mr. TAM Ping Wah — *Director*, aged 46, has more than 20 years' experience in electronics business. Being a graduate from Simon Fraser University in Canada in 1979, Mr. Tam first worked at a leading electronics company operating in Hong Kong as regional marketing manager and obtained extensive exposure to the North American and European markets. He joined the Group in 1983 and is responsible for the manufacturing and sales operations of the Group's Electronic Products Division.

Ms. LOUIE Mei Po — *Director*, aged 34, is responsible for business investment and development of the Group. Ms. Louie holds a master's degree in Business Administration and a bachelor's degree in Social Science from the Chinese University of Hong Kong. Prior to joining the Group, Ms. Louie was the executive director of two listed companies in Hong Kong specialising in mortgage loan financing, property investment and development. She has over ten years' experience in business investment and development. She joined the Group in February 2000.

Ms. WONG Shin Ling, Irene — *Director*, aged 41, is responsible for management and administration of the Group. Ms. Wong has over 12 years of experience in the field of property development and management. Prior to joining the Group, she was an executive director of two listed companies in Hong Kong specialising in mortgage loan financing, property investment and development. She joined the Group in February 2000.

Mr. TAM Wing Kin — *Director*, aged 36, is responsible for finance of the Group. He is a member of The Chartered Institute of Management Accountants, The Association of Chartered Certified Accountants and The Hong Kong Society of Accountants. He is also a Certified Public Accountant. Prior to joining the Group, he worked for an international accountancy firm and two listed companies in Hong Kong. He has over 13 years of experience in accounting field. He joined the Group in February 2000.

Non-executive Directors

Mr. NG Wai Hung — *Director*, aged 38, is a practicing solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors and notaries. Mr. Ng has extensive experience in the area of securities law, corporate law and commercial law in Hong Kong and has been involved in initial public offerings of securities in Hong Kong as well as corporate restructuring, mergers and acquisitions and takeovers of listed companies. He frequently advises multinational and Hong Kong corporations on private equity investments, joint ventures as well as regulatory compliance. He joined the Group in March 2000.



Biographical Details of Directors and Senior Management (Continued)

Non-executive Directors (Continued)

Mr. CHEUNG Chung Leung, Richard — *Director*, aged 48, has over 20 years of experience as an architect and real estate investment adviser. He is also the Executive Chairman of China SMS Limited. He graduated from the University of Hong Kong with degrees of Bachelor of Arts (Architectural Studies) and Bachelor in Architecture. He is a member of the Hong Kong Institute of Architects and a Registered Architect pursuant to the Architects Registration Ordinance. He joined the Group in March 2000.

Senior Management

Mr. MA Wing Kuen, Ricky, aged 42, is the group financial controller and company secretary, responsible for financial, accounting and corporate secretarial functions. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. Prior to joining the Group in 1995, he had accumulated more than 12 years' relevant experience in working with an international accounting firm, a major merchant bank and also holding senior financial positions in various trading and manufacturing companies in Hong Kong.

Mr. HUI Wing Ki, aged 57, is the operation director of the Group's Electronic Products Division, responsible for manufacturing and engineering functions. He has over 30 years' experience in the electronics industry. Prior to joining the Group in 1996, he was one of the founders in an electronic company listed in Hong Kong.

Mr. YEUNG Kam Tong, aged 48, is the director and general manager of E-Top PCB Limited and is responsible for the overall PCB operations of the Group. He holds a bachelor degree in chemical engineering. Prior to joining the Group in 1991, he worked for several PCB manufacturers at management level and had over 13 years' operation and management experience in PCB business.

Mr. WONG Tak Chung, aged 35, is the chief operation officer responsible for the Group's sales and marketing activities relating to electronic products. Before he joined the Group in 1993, he worked as merchandising manager with a sizeable electronic consumer products manufacturer for 2 years. He holds a bachelor degree in economics.

Mr. Paul NG, aged 47, is the senior marketing manager responsible for the Group's sales and marketing activities relating to electronic products. He has over 20 years' experience in sales and marketing. He joined the Group in 1988.

Mr. YIU Hei Man, aged 48, is the deputy factory manager, responsible for the Group's PCB manufacturing operations. Before joining the Group in 1995, he worked in an international electronic company in the USA for 16 years. He holds a bachelor degree in mechanical engineering.

Mr. FONG Wing Hon, aged 36, is the R&D manager, responsible for the Group's product design and development and technical support. He holds a bachelor degree in electronic engineering and has over 10 years' experience in production engineering. He joined the Group in 1996.



Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal activities consisted of the design, development, manufacture and sale of electronic products, the manufacture and sale of printed circuit boards, the trading and distribution of electronic components and parts, the trading of listed equity investments and the provision of loan financing. There were no changes in the nature of the Group's principal activities during the year.

Subsequent to the balance sheet date, the Group acquired 73.5% equity interest in Swank International Manufacturing Company Limited. The principal activities of Swank consisted of the design, manufacture and marketing of frames, sunglasses and lenses. Details of this post balance sheet event are set out in note 32(a) to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2001 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2001 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 26 to 68.

The directors do not recommend the payment of any dividend in respect of the year.



Report of the Directors (Continued)

SUMMARY FINANCIAL INFORMATION

A summary of the results of the Group for the last five financial reporting years/period and of its assets and liabilities at the respective financial reporting year/period end dates, as extracted from the published audited financial statements of the Group, is set out below.

	Year ended 31 December 2001 HK\$'000	Year ended 31 December 2000 HK\$'000	Year ended 31 December 1999 HK\$'000	Year ended 31 December 1998 HK\$'000	14 month period from 1 November 1996 to 31 December 1997 HK\$'000
RESULTS					
TURNOVER	544,174	659,807	601,609	483,557	557,056
PROFIT/(LOSS) BEFORE TAX	28,462	36,943	(38,603)	(27,470)	13,737
Tax	(3,079)	(5,424)	(6,265)	988	(2,715)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	25,383	31,519	(44,868)	(26,482)	11,022
Minority interests	5,734	976	(30)	(4)	5
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	31,117	32,495	(44,898)	(26,486)	11,027



Report of the Directors (Continued)

SUMMARY FINANCIAL INFORMATION (Continued)

	As at 31 December				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
ASSETS AND LIABILITIES					
FIXED ASSETS	138,811	135,800	132,476	185,810	192,164
PREPAID RENTAL	4,851	5,588	6,324	7,061	7,798
RENTAL DEPOSITS	517	397	—	—	—
DEFERRED PRODUCT DEVELOPMENT COSTS	4,459	4,131	3,684	5,829	3,954
DEFERRED PRE-OPERATING EXPENSES	—	—	—	3,363	4,466
INTERESTS IN ASSOCIATES	—	—	42	23	—
CURRENT ASSETS	575,477	421,444	252,277	200,805	258,862
TOTAL ASSETS	724,115	567,360	394,803	402,891	467,244
CURRENT LIABILITIES	87,647	146,674	191,152	140,960	167,173
LONG TERM BANK BORROWINGS	—	—	—	13,247	16,944
DEFERRED TAX	1,433	1,433	600	—	1,196
TOTAL LIABILITIES	89,080	148,107	191,752	154,207	185,313
MINORITY INTERESTS	36,443	42,177	8,836	8,806	8,802
NET ASSETS	598,592	377,076	194,215	239,878	273,129

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 13 to the financial statements.



SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 26 to the financial statements.

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2001, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus of HK\$84,917,000 is distributable to shareholders in certain circumstances. In addition, the Company's share premium in the amount of HK\$192,518,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 37% of the total sales for the year and sales to the largest customer included therein amounted to 20% of the total sales. Purchases from the Group's five largest suppliers accounted for approximately 42% of the total purchases for the year and purchases from the largest supplier included therein amounted to 11% of the total purchases.

As far as the directors are aware, neither the directors, their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) nor those shareholders (which, to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.



Report of the Directors (Continued)

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Yau Tak Wah, Paul (*Chairman*)

Mr. Tam Ping Wah

Ms. Louie Mei Po

Ms. Wong Shin Ling, Irene

Mr. Tam Wing Kin

Independent non-executive directors:

Mr. Ng Wai Hung

Mr. Cheung Chung Leung, Richard

In accordance with clause 87 of the Company's bye-laws, Ms. Louie Mei Po and Mr. Cheung Chung Leung, Richard will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 14 to 15 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

Mr. Yau Tak Wah, Paul and Mr. Tam Ping Wah have entered into service contracts with the Company for a fixed term of three years from 26 April 2000 to 25 April 2003, which thereafter are terminable by either party upon the giving of six months' notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment other than statutory compensation.



Report of the Directors (Continued)

DIRECTORS' INTERESTS IN SHARES

At 31 December 2001, the interests of the directors in the listed securities of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) were as follows:

Director	Notes	Nature of interest	Number of shares
Mr. Yau Tak Wah, Paul	1	Corporate	148,474,000
Mr. Tam Ping Wah	2	Corporate	80,000

Notes:

1. These shares were held through Pacific Shore Profits Limited, a company beneficially owned by Mr. Yau Tak Wah, Paul.
2. These shares were held through Strong Trend International Limited, a company beneficially owned by Mr. Tam Ping Wah.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the equity securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose for providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme included full-time employees (including executive directors) of the Group. The Scheme became effective on 21 July 1995 and, unless otherwise amended or altered, will remain in force for a period of 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, up to 10% of the shares of the Company in issue at any time. As at 31 December 2001, the number of shares issuable under share options granted under the Scheme was 91,500,000, which represented approximately 3.4% of the shares of the Company in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Scheme is limited to 25% of the aggregate number of shares issuable under the Scheme.

The offer of a grant of share options may 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. An option may be exercised under the Scheme at any time during a period not exceeding 3 years after the date when the option is granted and expiring on the last date of such period.



Report of the Directors (Continued)

SHARE OPTION SCHEME (Continued)

The exercise price of the share option is determinable by the directors at their discretion based on the higher of 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the offer date, and the nominal value of the shares of the Company.

Details of movements in the share options granted to the directors during the year are as follows:

Directors	Date of grant of share options	Exercise period of share options	Number of share options outstanding at 1 January 2001 '000	Number of share options outstanding at 31 December 2001 '000*	Exercise price of share options at 1 January 2001 HK\$	Exercise price of share options at 31 December 2001 HK\$*
Ms. Louie Mei Po	11/2/2000	11/8/2000– 10/8/2003	7,900	23,700	0.680	0.227
	20/3/2000	20/9/2000– 19/9/2003	6,600	19,800	0.488	0.163
	2/5/2000	2/11/2000– 1/11/2003	3,000	9,000	0.270	0.090
Ms. Wong Shin Ling, Irene	20/3/2000	20/9/2000– 19/9/2003	3,600	10,800	0.488	0.163
	2/5/2000	2/11/2000– 1/11/2003	6,400	19,200	0.270	0.090
Mr. Tam Ping Wah	2/5/2000	2/11/2000– 1/11/2003	3,000	9,000	0.270	0.090
			30,500	91,500		

* Pursuant to rights issue of shares on 12 November 2001, the number of share options and the exercise price were adjusted on the basis of two rights shares for every one share held. Further details are set out in note 26 to the financial statements.

None of the share options was exercised, granted, cancelled or lapsed during the year.

Summary details of the Company's share option scheme are also set out in note 26 to the financial statements.



Report of the Directors (Continued)

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the headings "Directors' interests in shares" and "Share option scheme" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2001, the following interest of 10% or more in the issued share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of ordinary shares held	Percentage of issued share capital
Winspark Venture Limited (<i>Note</i>)	1,648,359,630	61.44%

Note: The entire issued share capital of Winspark Venture Limited is beneficially owned by Mr. Chan Yuen Ming.

Save as disclosed above, no other person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

CONNECTED PARTY TRANSACTIONS

Details of the connected party transactions are set out in note 31 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 32 to the financial statements.



Report of the Directors (Continued)

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's bye-laws.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Yau Tak Wah, Paul

Chairman

Hong Kong

23 April 2002



ERNST & YOUNG
安永會計師事務所

To the members

Tomorrow International Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 26 to 68 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

23 April 2002

Consolidated Profit and Loss Account

Year ended 31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000
TURNOVER	5	544,174	659,807
Cost of sales		(436,012)	(529,310)
Gross profit		108,162	130,497
Other revenue		9,512	10,305
Write-back of provisions against loans receivable/ (provisions against loans receivable)		9,449	(12,500)
Gain on disposal of partial interest in subsidiaries		—	33,409
Surplus on revaluation of leasehold land and buildings, net	13	5,927	848
Provision for properties held for sale		(4,833)	—
Distribution costs		(10,129)	(11,910)
Administrative expenses		(87,919)	(77,517)
Net unrealised holding losses on short term investments		(31)	(32,170)
Other operating expenses		(1,333)	(2,555)
PROFIT FROM OPERATING ACTIVITIES	6	28,805	38,407
Finance costs	7	(343)	(1,464)
PROFIT BEFORE TAX		28,462	36,943
Tax	10	(3,079)	(5,424)
PROFIT BEFORE MINORITY INTERESTS		25,383	31,519
Minority interests		5,734	976
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	11, 27	31,117	32,495
EARNINGS PER SHARE	12		
Basic		2.63 cents	4.27 cents
Diluted		2.61 cents	4.27 cents

Consolidated Statement of Recognised Gains and Losses

Year ended 31 December 2001

	Note	2001 HK\$'000	2000 HK\$'000
Exchange differences on translation of the financial statements of foreign subsidiaries	27	—	920
Surplus on revaluation of leasehold land and buildings	27	1,321	—
Net gain not recognised in the profit and loss account		1,321	920
Net profit for the year		31,117	32,495
Total recognised gains and losses		32,438	33,415

Consolidated Balance Sheet

31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	13	138,811	135,800
Prepaid rental	14	4,851	5,588
Rental deposits		517	397
Deferred product development costs	15	4,459	4,131
		148,638	145,916
CURRENT ASSETS			
Cash and bank balances		62,966	36,181
Time deposits		310,853	108,406
Accounts receivable	17	37,279	64,309
Bills receivable		4,240	3,440
Loans receivable	18	1,461	44,000
Interest receivable on loans		285	1,572
Deposit paid	19	68,000	—
Prepayments, deposits and other receivables		18,256	26,751
Short term investments	20	603	35,500
Properties held for sale	21	15,200	19,802
Inventories	22	56,334	81,483
		575,477	421,444
CURRENT LIABILITIES			
Bank borrowings	23	—	6,105
Accounts payable	24	55,916	99,065
Bills payable		—	1,049
Accrued liabilities and other payables		14,473	26,158
Tax payable		17,258	14,297
		87,647	146,674
NET CURRENT ASSETS		487,830	274,770

Consolidated Balance Sheet (Continued)

31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		636,468	420,686
NON-CURRENT LIABILITY			
Deferred tax	25	1,433	1,433
MINORITY INTERESTS		36,443	42,177
		598,592	377,076
CAPITAL AND RESERVES			
Share capital	26	268,269	82,523
Reserves	27	330,323	294,553
		598,592	377,076

Yau Tak Wah, Paul
Director

Tam Ping Wah
Director

Consolidated Cash Flow Statement

Year ended 31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	28(a)	126,021	(48,657)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		4,209	6,053
Interest paid		(343)	(1,464)
Dividend received		8	—
Net cash inflow from returns on investments and servicing of finance		3,874	4,589
TAX			
Hong Kong profits tax refunded/(paid)		(118)	1,997
PRC tax paid		—	(198)
Taxes refunded/(paid)		(118)	1,799
INVESTING ACTIVITIES			
Purchases of fixed assets		(15,335)	(20,195)
Proceeds from disposals of fixed assets		168	554
Payment of rental deposits		(120)	(397)
Additions to properties held for sale		(231)	(12,802)
Proceeds from disposals of properties held for sale		—	22,000
Proceeds from disposal of associates		—	1,200
Deposit paid		(68,000)	—
Net cash outflow from investing activities		(83,518)	(9,640)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		46,259	(51,909)

Consolidated Cash Flow Statement (Continued)

Year ended 31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000
FINANCING ACTIVITIES	28(b)		
Proceeds from issue of share capital		190,576	152,780
Share issue expenses		(1,498)	(3,334)
Repayment of mortgage loan		—	(13,247)
Net cash inflow from financing activities		189,078	136,199
INCREASE IN CASH AND CASH EQUIVALENTS		235,337	84,290
Cash and cash equivalents at beginning of year		138,482	54,103
Effect of foreign exchange rate changes, net		—	89
CASH AND CASH EQUIVALENTS AT END OF YEAR		373,819	138,482
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		62,966	36,181
Time deposits		310,853	108,406
Trust receipt loans		—	(6,105)
		373,819	138,482

Balance Sheet

31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	13	99	83
Interests in subsidiaries	16	177,661	237,375
Rental deposits		517	—
		178,277	237,458
CURRENT ASSETS			
Cash and bank balances		110	152
Time deposits		287,594	108,406
Deposit paid	19	68,000	—
Prepayments, deposits and other receivables		2,236	1,295
Tax recoverable		14	52
		357,954	109,905
CURRENT LIABILITIES			
Accrued liabilities and other payables		1,630	1,816
NET CURRENT ASSETS			
		356,324	108,089
		534,601	345,547
CAPITAL AND RESERVES			
Share capital	26	268,269	82,523
Reserves	27	266,332	263,024
		534,601	345,547

Yau Tak Wah, Paul
Director

Tam Ping Wah
Director

Notes to the Financial Statements

31 December 2001

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. During the year, the Group's principal activities consisted of the design, development, manufacture and sale of electronic products, the manufacture and sale of printed circuit boards ("PCBs"), the trading and distribution of electronic components and parts, the trading of listed equity investments and the provision of loan financing. There were no changes in the nature of the Group's principal activities during the year.

Subsequent to the balance sheet date, the Group acquired 73.5% equity interest in Swank International Manufacturing Company Limited ("Swank"). The principal activities of Swank consisted of the design, manufacture and marketing of frames, sunglasses and lenses. Details of this post balance sheet event are set out in note 32(a) to the financial statements.

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

The following recently-issued and revised Hong Kong Statements of Standard Accounting Practice ("HKSSAPs") and related Interpretations are effective for the first time in the preparation of the current year's financial statements.

HKSSAP 9 (Revised):	"Events after the balance sheet date"
HKSSAP 14 (Revised):	"Leases"
HKSSAP 18 (Revised):	"Revenue"
HKSSAP 26:	"Segment reporting"
HKSSAP 28:	"Provisions, contingent liabilities and contingent assets"
HKSSAP 29:	"Intangible assets"
HKSSAP 30:	"Business combinations"
HKSSAP 31:	"Impairment of assets"
HKSSAP 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"

Notes to the Financial Statements (Continued)

31 December 2001

2. IMPACT OF NEW/REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

These HKSSAPs prescribe new accounting measurement and disclosure practices. Except for the HKSSAP 14 (Revised), HKSSAP 26, HKSSAP 29, HKSSAP 30 and Interpretation 13, all these HKSSAPs and Interpretation 12 have no major impact for these financial statements. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of HKSSAP 14 (Revised), HKSSAP 26, HKSSAP 29, HKSSAP 30 and Interpretation 13 are summarised as follows:

HKSSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The principal impact of this HKSSAP on the preparation of these financial statements is that all future minimum lease payments under non-cancellable operating leases are disclosed in note 30 to the financial statements.

HKSSAP 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 HKSSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

HKSSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this HKSSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements. The HKSSAP does, however, require that impairment losses on intangible assets are aggregated with the accumulated amortisation (see note 15), whereas previously they were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of intangible assets in the balance sheet.

HKSSAP 30 prescribes the treatment for business combinations, including the determination of the date of acquisition and the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill on acquisition. The HKSSAP 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. Interpretation 13 prescribes the application of HKSSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the HKSSAP and Interpretation 13 has not resulted in a prior year adjustment, for the reasons detailed in the accounting policy for negative goodwill disclosed in note 3 to the financial statements.

Notes to the Financial Statements (Continued)

31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with HKSSAPs, accounting principles generally accepted in Hong Kong 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 fixed assets and short term investments as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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.

Goodwill

Goodwill arising on acquisition of subsidiaries 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.

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

Negative goodwill

Negative goodwill arising on acquisition of subsidiaries 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.

Notes to the Financial Statements (Continued)

31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Negative goodwill (Continued)

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 losses 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 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 HKSSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 January 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, 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 the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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.

Notes to the Financial Statements (Continued)

31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Fixed assets and depreciation**

Fixed assets, other than 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 the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

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

Land held under medium term leases	Over the remaining lease terms
Buildings	4%
Leasehold improvements	10 – 20%
Plant and machinery	10 – 20%
Furniture, fixtures and office equipment	10 – 20%
Motor vehicles	20%

Changes in the values of fixed assets resulting from revaluations are dealt with, on an individual asset basis, as movements in the asset revaluation reserve. Deficits arising from revaluation, to the extent they cannot be offset against the revaluation surplus in respect of the same asset, are charged to the profit and loss account. Any subsequent revaluation surplus is credited to profit and loss account to the extent of the deficit previously charged.

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, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

Construction in progress, which represents production facilities and buildings under construction, is stated at cost less any impairment losses and is not depreciated. Cost comprises direct costs of construction and interest charges on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Notes to the Financial Statements (Continued)

31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line method over the commercial lives of the underlying products not exceeding seven years, commencing from the date when the products are put into commercial production.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values at the balance sheet date on an individual investment basis. Fair values are determined by reference to quoted market prices net of any discount which is deemed necessary by the directors to reflect the potential impact of the disposal of such shares in the case of substantial shareholdings. The gains or losses arising from changes in the fair value of a security are credited to or charged to the profit and loss account in the period in which they arise.

Properties held for sale

Properties held for sale are stated at the lower of carrying amount and net realisable value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax

Deferred tax is provided, under 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.

Notes to the Financial Statements (Continued)

31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Operating leases**

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

Staff retirement scheme

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 operated since 1 December 2000. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the 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, except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group’s subsidiaries in the People’s Republic of China (the “PRC”) are members of the state-sponsored retirement scheme operated by the government of the PRC.

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 and bank balances and time deposits represent assets which are not restricted as to use.

Notes to the Financial Statements (Continued)

31 December 2001

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;
- (b) interest, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (c) from the sale of listed equity investments, on the trade day;
- (d) from the sale of property, when the legally binding sales contract is signed; and
- (e) dividends, when the shareholders' right to receive payment has been established.

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 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.

4. SEGMENTAL INFORMATION

HKSSAP 26 was adopted during the year as detailed in note 2 to the financial statements. The Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format.

Notes to the Financial Statements (Continued)

31 December 2001

4. SEGMENTAL INFORMATION (Continued)

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

- (a) the electronic products segment consisted of manufacture and sale of electronic products;
- (b) the PCBs segment consisted of manufacture and sale of PCBs;
- (c) the electronic components and parts segment consisted of trading and distribution of electronic components and parts;
- (d) the listed equity investments segment consisted of trading of listed equity investments; and
- (e) the provision of finance segment consisted of provision of loan financing services.

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 the third parties at the then prevailing market prices.

Notes to the Financial Statements (Continued)

31 December 2001

4. SEGMENTAL INFORMATION (Continued)

(a) Business segments

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

	Electronic products		PCBs		Electronic components and parts		Listed equity investments		Provision of finance		Eliminations		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Segment revenue:														
Sales to external customers	420,554	455,973	84,692	137,454	950	47,164	31,556	9,690	6,422	9,526	—	—	544,174	659,807
Inter-segment sales	—	—	12,070	18,023	32,703	52,846	—	—	—	—	(44,773)	(70,869)	—	—
Other revenue	3,105	1,940	1,474	954	261	387	414	—	—	—	—	—	5,254	3,281
Total	423,659	457,913	98,236	156,431	33,914	100,397	31,970	9,690	6,422	9,526	(44,773)	(70,869)	549,428	663,088
Segment results	48,061	52,417	(12,085)	(6,197)	729	2,912	(13,298)	(33,244)	7,098	(7,409)	(45)	(127)	30,460	8,352
Interest, dividend income and unallocated gains													4,258	7,024
Gain on disposal of partial interest in subsidiaries													—	33,409
Unallocated expenses													(5,913)	(10,378)
Profit from operating activities													28,805	38,407
Finance costs													(343)	(1,464)
Profit before tax													28,462	36,943
Tax													(3,079)	(5,424)
Profit before minority interests													25,383	31,519
Minority interests													5,734	976
Net profit attributable to shareholders													31,117	32,495
Segment assets	199,965	183,804	102,748	138,219	9,816	19,967	16,553	60,520	24,543	45,573	(9,424)	(12,467)	344,201	435,616
Unallocated assets													379,914	131,744
Total assets													724,115	567,360
Segment liabilities	47,236	69,686	27,147	47,177	2,662	13,277	197	5,734	30	30	(9,424)	(12,467)	67,848	123,437
Unallocated liabilities													21,232	24,670
Total liabilities													89,080	148,107
Other segment information:														
Depreciation and amortisation	9,336	7,980	9,228	8,766	257	516	—	—	—	—	—	—	18,821	17,262
Impairment losses recognised in the profit and loss account	95	496	—	—	—	—	—	—	—	—	—	—	95	496
Unallocated amounts													2,028	1,934
													20,944	19,692
Capital expenditure	14,322	16,486	1,929	3,837	—	119	—	—	—	—	—	—	16,251	20,442
Unallocated amounts													478	1,542
													16,729	21,984
Provisions against loans receivable/(write-back of provisions against loans receivable)	—	—	—	—	—	—	—	—	(9,449)	12,500	—	—	(9,449)	12,500
Provision for properties held for sale	—	—	—	—	—	—	4,833	—	—	—	—	—	4,833	—
Surplus on revaluation of leasehold land and buildings	6,141	462	—	—	—	—	—	—	—	—	—	—	6,141	462
Unallocated amounts													(214)	386
													5,927	848
Surplus on revaluation recognised directly in equity	1,321	—	—	—	—	—	—	—	—	—	—	—	1,321	—

Notes to the Financial Statements (Continued)

31 December 2001

4. SEGMENTAL INFORMATION (Continued)

(b) Geographical segments

The following tables present revenue, results and certain asset and expenditure information for the Group's geographical segments.

Group

	Europe		North America		Hong Kong		Japan		Others		Eliminations		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Segment revenue:														
Sales to external customers	57,764	54,080	134,974	177,360	188,914	244,766	138,078	115,557	24,444	68,044	—	—	544,174	659,807
Segment results	3,233	685	7,555	2,245	10,574	3,098	7,729	1,463	1,369	861	—	—	30,460	8,352

	Hong Kong		Elsewhere in PRC		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:								
Segment assets	528,198	351,021	195,917	216,339	—	—	724,115	567,360
Capital expenditure	2,041	4,068	14,688	17,916	—	—	16,729	21,984

5. TURNOVER

Turnover represents the invoiced value of goods sold, net of returns and allowances, the proceeds from sales of listed equity investments and the interest income from the provision of loan financing. Revenue from the following activities has been included in turnover:

	2001 HK\$'000	2000 HK\$'000
Manufacture and sale of electronic products	420,554	455,973
Manufacture and sale of PCBs	84,692	137,454
Trading and distribution of electronic components and parts	950	47,164
Trading of listed equity investments	31,556	9,690
Provision of loan financing	6,422	9,526
	544,174	659,807

Notes to the Financial Statements (Continued)

31 December 2001

6. PROFIT FROM OPERATING ACTIVITIES

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

	2001 HK\$'000	2000 HK\$'000
Cost of inventories sold	400,565	520,534
Depreciation	19,141	17,614
Amortisation of prepaid rental	737	736
Deferred product development costs:		
Amortisation for the year*	971	846
Impairment arising during the year*	95	496
	1,066	1,342
Minimum lease payments under operating leases:		
Land and buildings	8,037	2,249
Office equipment	604	718
Staff costs (including directors' remuneration — note 8):		
Wages and salaries	57,178	55,424
Bonuses	2,960	6,300
Pension contributions	2,245	1,271
Less: Forfeited contributions	—	(153)
	62,383	62,842
Auditors' remuneration	1,150	1,130
Provisions for doubtful accounts receivable	1,050	128
Provisions against inventories/(write-back of provisions against inventories)	(4,419)	8,049
Provisions against loans receivable/(write-back of provisions against loans receivable)	(9,449)	12,500
Loss on disposals of fixed assets	263	379
Exchange losses/(gains), net	(188)	550
Interest income on bank deposits	(4,209)	(6,053)
Net losses/(gains) on disposals of listed equity investments	3,891	(914)
Gain on disposal of associates	—	(10)
Dividend income from listed investment	(8)	—

Notes to the Financial Statements (Continued)

31 December 2001

6. PROFIT FROM OPERATING ACTIVITIES (Continued)

The cost of inventories sold includes HK\$25,280,000 (2000: HK\$47,531,000) relating to direct staff costs, amortisation of prepaid rental, amortisation and impairment of deferred product development costs, write-back of provisions against inventories, operating lease rentals of land and buildings and depreciation of the manufacturing activities, which are also included in the respective total amounts disclosed above for each of these types of expenses.

The Group did not have any forfeited contributions to the pension scheme for the year. The effect of forfeited contributions on the Group's contributions to the pension scheme in the prior year was not material.

* The amortisation and impairment of deferred product development costs for the year are included in "Cost of sales" on the face of the consolidated profit and loss account.

7. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on bank borrowings wholly repayable within five years	343	1,464

8. DIRECTORS' REMUNERATION

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

	2001 HK\$'000	2000 HK\$'000
Directors' fees:		
Executive	—	—
Independent non-executive	330	318
Other emoluments:		
Executive:		
Salaries and other benefits	8,254	8,275
Bonuses	2,960	6,300
Pension contributions	361	274
Independent non-executive:		
Salaries and other benefits	—	—
	11,905	15,167

Notes to the Financial Statements (Continued)

31 December 2001

8. DIRECTORS' REMUNERATION (Continued)

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil – HK\$1,000,000	4	8
HK\$1,000,001 – HK\$1,500,000	1	2
HK\$4,000,001 – HK\$4,500,000	2	—
HK\$5,500,001 – HK\$6,000,000	—	2
	7	12

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2000: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2000: three) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining two (2000: two) non-director, highest paid employees are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Salaries, allowances and benefits in kind	3,210	3,120
Pension contributions	56	134
	3,266	3,254

The remuneration of the non-director, highest paid employees fell within the following bands:

	Number of employees	
	2001	2000
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	1
	2	2

Notes to the Financial Statements (Continued)

31 December 2001

10. TAX

	Group	
	2001 HK\$'000	2000 HK\$'000
The PRC:		
Hong Kong:		
Current year provision	4,089	4,746
Overprovision in prior year	(1,250)	(202)
Deferred (note 25)	—	833
Mainland China	240	47
Tax charge for the year	3,079	5,424

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year.

In accordance with the applicable enterprise income tax law of the PRC, the Group's subsidiaries registered in Mainland China, Dongguan Yifu Circuit Board Factory ("Yifu") and Gaojin Electronics (Shenzhen) Co., Ltd. ("Gaojin"), are exempt from income tax for their first two profitable years of operations and are entitled to 50% relief on the income tax that would otherwise be charged for the succeeding three years.

The foregoing tax concession for Yifu has expired. Pursuant to a further tax concession granted in the current year, the income tax rate applicable to Yifu was reduced from the standard rate of 24% to 15% for 2001. Gaojin has yet to achieve profitable operations and so its income tax exemption holiday has not yet commenced.

11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK\$24,000 (2000: net profit of HK\$1,886,000).

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$31,117,000 (2000: HK\$32,495,000) and the weighted average of 1,183,527,852 (2000: 760,291,915) ordinary shares in issue during the year.

The comparative basic and diluted earnings per share amounts have been adjusted to reflect the rights issue of shares, as further detailed in note 26 to the financial statements.

Notes to the Financial Statements (Continued)

31 December 2001

12. EARNINGS PER SHARE (Continued)

The calculation of diluted earnings per share for the year is based on the net profit attributable to shareholders for the year of HK\$31,117,000 (2000: HK\$32,495,000) and the weighted average of 1,193,943,852 (2000: 761,197,264) ordinary shares in issue during the year.

A reconciliation of the weighted average number of shares used in the basic earnings per share calculation to that used in the diluted earnings per share calculation is as follows:

	2001	2000
Weighted average number of shares used in the basic earnings per share calculation	1,183,527,852	760,291,915
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year	10,416,000	905,349
Weighted average number of shares used in the diluted earnings per share calculation	1,193,943,852	761,197,264

Notes to the Financial Statements (Continued)

31 December 2001

13. FIXED ASSETS

Group

	Leasehold land and buildings	Leasehold improve- ments	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:							
At beginning of year	33,000	25,765	111,503	16,880	3,230	3,555	193,933
Additions	—	1,857	9,262	2,158	—	2,058	15,335
Disposals	—	(223)	(680)	(776)	—	—	(1,679)
Surplus on revaluation	6,400	—	—	—	—	—	6,400
Transfers	—	5,613	—	—	—	(5,613)	—
At 31 December 2001	39,400	33,012	120,085	18,262	3,230	—	213,989
Accumulated depreciation:							
At beginning of year	—	5,999	41,106	8,497	2,531	—	58,133
Provided during the year	848	3,619	11,973	2,399	302	—	19,141
Disposals	—	(75)	(405)	(768)	—	—	(1,248)
Write-back on revaluation	(848)	—	—	—	—	—	(848)
At 31 December 2001	—	9,543	52,674	10,128	2,833	—	75,178
Net book value:							
At 31 December 2001	39,400	23,469	67,411	8,134	397	—	138,811
At 31 December 2000	33,000	19,766	70,397	8,383	699	3,555	135,800
An analysis of cost or valuation:							
At cost	—	33,012	120,085	18,262	3,230	—	174,589
At 2001 valuation	39,400	—	—	—	—	—	39,400
	39,400	33,012	120,085	18,262	3,230	—	213,989

Notes to the Financial Statements (Continued)

31 December 2001

13. FIXED ASSETS (Continued)

Company

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
Cost:			
At beginning of year	—	97	97
Additions	13	27	40
At 31 December 2001	13	124	137
Accumulated depreciation:			
At beginning of year	—	14	14
Provided during the year	2	22	24
At 31 December 2001	2	36	38
Net book value:			
At 31 December 2001	11	88	99
At 31 December 2000	—	83	83

The analysis of the Group's leasehold land and buildings at 31 December 2001 is as follows:

	At valuation HK\$'000
Medium term leasehold land and buildings situated in Mainland China	27,000
Medium term leasehold land and buildings situated in Hong Kong	12,400
	39,400

The leasehold land and buildings have been valued on an open market value basis, based on their existing use by B.I. Appraisals Limited, an independent firm of professional valuers, on 31 December 2001 at HK\$39,400,000. The revaluation surplus of HK\$5,927,000 were credited to the profit and loss account for the year to offset the revaluation deficit charged to the profit and loss account in the prior year and the remaining of HK\$1,321,000 were credited to the property revaluation reserve.

Notes to the Financial Statements (Continued)

31 December 2001

13. FIXED ASSETS (Continued)

Had the Group's land and buildings stated at valuation been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK\$43,066,000 (2000: HK\$44,176,000).

Certain of the Group's leasehold land and buildings were pledged to secure banking facilities granted to the Group (note 23). The net book values of the pledged assets included in the total amount of fixed assets at 31 December 2001 amounted to HK\$12,400,000 (2000: HK\$13,000,000).

14. PREPAID RENTAL

	Group	
	2001	2000
	HK\$'000	HK\$'000
Cost:		
At beginning and end of the year	10,500	10,500
Amortisation:		
At beginning of the year	4,912	4,176
Provided during the year	737	736
At end of the year	5,649	4,912
Net book value:		
At end of the year	4,851	5,588

The prepaid rental represents the capital contribution made by the joint venture partner of Yifu in the form of a right to use the property owned by the joint venture partner within the terms of the joint venture.

The prepaid rental is amortised on a straight-line basis over the underlying initial term of the joint venture of 15 years.

Notes to the Financial Statements (Continued)

31 December 2001

15. DEFERRED PRODUCT DEVELOPMENT COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Cost:		
At beginning of the year:		
As previously reported	15,359	8,149
Reclassified to accumulated amortisation and impairment (Note)	—	5,421
As restated	15,359	13,570
Additions	1,394	1,789
At end of the year	16,753	15,359
Accumulated amortisation and impairment:		
At beginning of the year:		
As previously reported	11,228	4,465
Reclassified from cost (Note)	—	5,421
As restated	11,228	9,886
Amortisation during the year	971	846
Impairment provided during the year	95	496
At end of the year	12,294	11,228
Net book value:		
At end of the year	4,459	4,131

Note: Accumulated impairment losses are aggregated with accumulated amortisation under the disclosure requirements of HKSSAP 29, which was adopted during the year as detailed in note 2 to the financial statements, whereas previously they were disclosed as an adjustment to the cost of the assets. This change has been disclosed as a retrospective reclassification.

Notes to the Financial Statements (Continued)

31 December 2001

16. INTERESTS IN SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	93,316	93,316
Due from subsidiaries	123,450	193,669
Due to subsidiaries	(477)	(10,982)
	216,289	276,003
Provisions for impairment	(38,628)	(38,628)
	177,661	237,375

The balances with the subsidiaries are unsecured, interest-free and are not repayable within the next twelve months from the balance sheet date.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2001	2000	
Account Centre Limited	Hong Kong	HK\$2	100%	100%	Provision of management services
Active Base Limited	Hong Kong	HK\$2	100%	100%	Provision of loan financing
Asiacorp Group Co., Ltd.	The British Virgin Islands/Hong Kong	US\$1	100%	100%	Securities investment
Central Technology Limited	Hong Kong	HK\$100	100%	100%	Trading of electronic components and parts

Notes to the Financial Statements (Continued)

31 December 2001

16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2001	2000	
Connion Limited	Hong Kong	HK\$2	100%	100%	Securities investment and property holding
E-Top PCB Limited	Hong Kong	HK\$100	55%	55%	Trading of printed circuit boards
Eastec Property Holding Limited	Hong Kong	HK\$100	100%	100%	Dormant
Eastec Purchasing Limited	The British Virgin Islands/Japan	US\$1	100%	100%	Trading of electronic components and parts
Eastec Technology (China) Limited	The British Virgin Islands/The PRC	US\$1	100%	100%	Investment holding
Eastec Technology Limited	Hong Kong	HK\$2	100%	100%	Trading of electronic components and parts
Electronics Tomorrow Holdings Corporation	The British Virgin Islands	US\$100	100%	100%	Investment holding
Electronics Tomorrow International Limited	The British Virgin Islands	US\$600	100%	100%	Investment holding

Notes to the Financial Statements (Continued)

31 December 2001

16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Electronics Tomorrow Limited	Hong Kong	HK\$500,000	100%	100%	Manufacture and sale of electronic products
Electronics Tomorrow Manufactory Inc.	The British Virgin Islands	US\$200	55%	55%	Investment holding
Electronics Tomorrow Property Holdings Limited	The British Virgin Islands	US\$100	100%	100%	Investment holding
Fortune Dynamic Group Corp.*	The British Virgin Islands	US\$1	100%	—	Investment holding
Good Order International Inc.	The British Virgin Islands	US\$100	100%	100%	Investment holding
Ingersoll Incorporated**	The British Virgin Islands	US\$100	100%	100%	Dormant
Issegon Company Limited	Hong Kong	HK\$300,000	100%	100%	Property holding
Master Base Limited	The British Virgin Islands	US\$1	100%	100%	Investment holding

Notes to the Financial Statements (Continued)

31 December 2001

16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Maxson Services Limited	Hong Kong	HK\$2	100%	100%	Provision of management services
Maxwood Limited	Hong Kong	HK\$2	100%	100%	Securities investment
Plentiful Light Ltd.	The British Virgin Islands/The PRC	US\$100	55%	55%	Manufacture of printed circuit boards
Probest Holdings Inc.*	The British Virgin Islands	US\$1	100%	—	Not yet commenced business
Products Tomorrow Limited***	Hong Kong	HK\$2	100%	100%	Dormant
Protech Holdings Limited**	The British Virgin Islands	US\$100	100%	100%	Dormant
Team Force Corporation	The British Virgin Islands	US\$100	100%	100%	Investment holding
Dongguan Yifu Circuit Board Factory (“Yifu”)****	The PRC	HK\$64,160,000	46%	46%	Manufacture of printed circuit boards
Gaojin Electronics (Shenzhen) Co., Ltd. (“Gaojin”)*****	The PRC	US\$2,000,000	100%	100%	Manufacture of electronic products

Notes to the Financial Statements (Continued)

31 December 2001

16. INTERESTS IN SUBSIDIARIES (Continued)

Other than Electronics Tomorrow International Limited, Fortune Dynamic Group Corp. and Master Base Limited, which are held directly by the Company, all subsidiaries are held indirectly by the Company.

* Incorporated during the year.

** Deregistered during the year.

*** In the progress of deregistration during the year.

**** Yifu is a sino-foreign owned joint venture enterprise under the PRC law, and a subsidiary of a non wholly-owned subsidiary of the Company, and accordingly, is accounted for as a subsidiary by virtue of control over the entity.

***** Gaojin is registered as a wholly foreign owned enterprise under the PRC law.

17. ACCOUNTS RECEIVABLE

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

	2001		2000	
	HK\$'000	Percentage	HK\$'000	Percentage
Current to three months	35,453	77	58,189	79
Four to six months	2,017	4	8,735	12
Seven months to one year	709	2	534	1
Over one year	7,774	17	6,093	8
	45,953	100	73,551	100
Provision	(8,674)		(9,242)	
Total after provision	37,279		64,309	

The normal credit period granted by the Group to customers ranges from 21 days to 90 days.

18. LOANS RECEIVABLE

The loans receivable are repayable within one year, bear interest ranging from prime rate plus 0.5% to 12% per annum and are unsecured, except for an amount of HK\$461,000 which is secured. In the prior year, the loans receivable were secured, borne interest ranging from 18% to 42% per annum and are repayable within one year.

Notes to the Financial Statements (Continued)

31 December 2001

19. DEPOSIT PAID

Deposit represented an escrow payment paid for the acquisition of Swank, of which are further detailed in note 32(a) to the financial statements.

20. SHORT TERM INVESTMENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong listed equity investments		
At fair value	603	35,500
At market value	603	56,928

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK\$673,000.

21. PROPERTIES HELD FOR SALE

	Group	
	2001	2000
	HK\$'000	HK\$'000
At beginning of year	19,802	22,000
Additions	231	19,802
Disposal	—	(22,000)
Provision	(4,833)	—
At end of year	15,200	19,802

The properties held for sale are situated in Hong Kong and are held under medium term lease.

Notes to the Financial Statements (Continued)

31 December 2001

22. INVENTORIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	29,746	52,109
Work in progress	14,604	14,906
Finished goods	11,984	14,468
	56,334	81,483

23. BANK BORROWINGS

The bank borrowings in prior year represented trust receipt loans which were secured and repayable within one year.

Certain leasehold land and buildings were pledged to secure banking facilities granted to the Group (note 13).

24. ACCOUNTS PAYABLE

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

	2001	2000
	HK\$'000	HK\$'000
Current to three months	51,560	97,756
Four to six months	3,755	854
Seven months to one year	68	365
Over one year	533	90
	55,916	99,065

Accounts payable aged less than four months accounted for 92.2% (2000: 98.7%) of the total accounts payable.

Notes to the Financial Statements (Continued)

31 December 2001

25. DEFERRED TAX

	Group	
	2001	2000
	HK\$'000	HK\$'000
At beginning of year	1,433	600
Charge for the year (note 10)	—	833
At end of year	1,433	1,433

The principal components of the Group's deferred tax liabilities/(assets) are as follows:

	2001	2000
	HK\$'000	HK\$'000
Accelerated depreciation allowances	1,433	1,544
Tax losses	—	(111)
	1,433	1,433

There was no significant unprovided deferred tax in respect of the year (2000: Nil).

The revaluation surplus arising on the revaluation of the Group's leasehold land and buildings does not constitute a timing difference and consequently, the amount of potential deferred tax thereon has not been quantified.

26. SHARE CAPITAL

	2001	2000
	HK\$'000	HK\$'000
<i>Authorised:</i>		
5,000,000,000 ordinary shares of HK\$0.10 each	500,000	500,000
<i>Issued and fully paid:</i>		
2,682,686,445 (2000: 825,228,815) ordinary shares of HK\$0.10 each	268,269	82,523

Notes to the Financial Statements (Continued)

31 December 2001

26. SHARE CAPITAL (Continued)

There was no repurchase of any shares during the year.

During the year, the following changes in the Company's share capital took place:

- (a) Pursuant to a subscription agreement dated 8 May 2001 between the Company and Winspark Venture Limited ("Winspark"), a substantial shareholder of the Company, a total of 69,000,000 shares of HK\$0.10 each were issued to Winspark at an issue price of HK\$0.17 per share, payable in cash, on 22 May 2001. This placement raised net cash proceeds of approximately HK\$11,548,000 for the Company for general working capital purposes. The placing price of HK\$0.17 per share represented a discount of approximately 5.6% to the closing price of HK\$0.18 per share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 May 2001.
- (b) Pursuant to an ordinary resolution passed at the special general meeting held on 18 October 2001, the Company made a rights issue of 1,788,457,630 shares of HK\$0.10 each to shareholders at an exercise price of HK\$0.10 per share, payable in cash, on the basis of two rights shares for every one share held on 18 October 2001. The transaction was completed on 12 November 2001. The net cash proceeds of approximately of HK\$177,530,000 were intended to be used to finance the potential acquisition of listed and non-listed companies, and the expansion and/or diversification of the Group's existing operations and businesses. The exercise price of HK\$0.10 per share represented a premium of approximately 3.1% to the closing price of HK\$0.097 per share as quoted on the Stock Exchange on 8 August 2001, being the last trading day before the date of the announcement of rights issue.

Subsequent to the balance sheet date, a subscription agreement was entered between the Company and Winspark on 11 March 2002 pursuant to which a total of 178,000,000 shares of HK\$0.10 each were issued to Winspark at an issue price of HK\$0.15 per share, payable in cash, on 28 March 2002. This placement raised net cash proceeds of approximately HK\$26,000,000 for the Company for general working capital purposes. The placement price of HK\$0.15 per share represented a discount of approximately 13.3% to the closing price of HK\$0.173 per share as quoted on the Stock Exchange on 11 March 2002.

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are also set out under the heading "Share option scheme" in the Report of Directors on pages 21 and 22.

Notes to the Financial Statements (Continued)

31 December 2001

26. SHARE CAPITAL (Continued)

Share options (Continued)

At the beginning of the year, there were 30,500,000 options outstanding under the Scheme with an exercise price ranging from HK\$0.270 to HK\$0.680. Pursuant to a rights issue of shares on 12 November 2001, as detailed above, the number and exercise price of share options granted to directors in the prior year were adjusted to 91,500,000 options with an exercise price ranging from HK\$0.090 to HK\$0.227. None of these options was exercised during the year and remained outstanding at 31 December 2001. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 91,500,000 additional ordinary shares of HK\$0.10 each and cash proceeds, before issue expenses, of approximately HK\$13.7 million.

27. RESERVES

Group

	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2000	78,340	(7)	801	77	—	71,081	150,292
Issue of shares	114,180	—	—	—	—	—	114,180
Share issue expenses	(3,334)	—	—	—	—	—	(3,334)
Exchange adjustments on translation of foreign subsidiaries	—	1,146	—	—	—	—	1,146
Exchange fluctuation reserve shared by minority interests	—	(226)	—	—	—	—	(226)
Profit for the year	—	—	—	—	—	32,495	32,495
At 31 December 2000 and at beginning of year	189,186	913	801	77	—	103,576	294,553
Arising from revaluation of leasehold land and buildings	—	—	—	—	1,321	—	1,321
Issue of shares	4,830	—	—	—	—	—	4,830
Share issue expenses	(1,498)	—	—	—	—	—	(1,498)
Profit for the year	—	—	—	—	—	31,117	31,117
At 31 December 2001	192,518	913	801	77	1,321	134,693	330,323
Reserves retained by: Company and subsidiaries	192,518	913	801	77	1,321	134,693	330,323

Notes to the Financial Statements (Continued)

31 December 2001

27. RESERVES (Continued)

Company

	Capital				Total HK\$'000
	Share premium HK\$'000	redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	
At 1 January 2000	78,340	77	84,917	(13,042)	150,292
Issue of shares	114,180	—	—	—	114,180
Share issue expenses	(3,334)	—	—	—	(3,334)
Profit for the year	—	—	—	1,886	1,886
At 31 December 2000 and at beginning of year	189,186	77	84,917	(11,156)	263,024
Issue of shares	4,830	—	—	—	4,830
Share issue expenses	(1,498)	—	—	—	(1,498)
Loss for the year	—	—	—	(24)	(24)
At 31 December 2001	192,518	77	84,917	(11,180)	266,332

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation at the time of the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders in certain circumstances.

Notes to the Financial Statements (Continued)

31 December 2001

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$'000	2000 HK\$'000
Profit from operating activities	28,805	38,407
Surplus on revaluation of leasehold land and buildings	(5,927)	(848)
Provision for properties held for sale	4,833	—
Gain on disposal of partial interest in subsidiaries	—	(33,409)
Interest income from bank deposits	(4,209)	(6,053)
Dividend income from listed investment	(8)	—
Depreciation	19,141	17,614
Amortisation of prepaid rental	737	736
Amortisation of deferred product development costs	971	846
Impairment of deferred product development costs	95	496
Provisions for doubtful accounts receivable	1,050	128
Provisions against inventories	—	8,049
Write-back of provisions against inventories	(4,419)	—
Provisions against loans receivable	—	12,500
Write-back of provisions against loans receivable	(9,449)	—
Loss on disposals of fixed assets	263	379
Net unrealised holding losses on short term investments	31	32,170
Gain on disposal of associates	—	(10)
Additions to deferred product development costs	(1,394)	(1,789)
Decrease in amount due from an associate	—	10
Decrease in amount due to an associate	—	(4,026)
Decrease/(increase) in accounts receivable	25,980	(5,966)
Decrease/(increase) in bills receivable	(800)	327
Decrease/(increase) in loans receivable	51,988	(56,500)
Decrease/(increase) in interest receivable on loans	1,287	(1,572)
Decrease/(increase) in prepayments, deposits and other receivables	8,495	(6,198)
Decrease/(increase) in short term investments	34,866	(7,170)
Decrease/(increase) in inventories	29,568	(13,944)
Decrease in accounts payable	(43,149)	(29,072)
Increase/(decrease) in bills payable	(1,049)	1,049
Increase/(decrease) in accrued liabilities and other payables	(11,685)	5,189
Net cash inflow/(outflow) from operating activities	126,021	(48,657)

Notes to the Financial Statements (Continued)

31 December 2001

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the years

	Share capital (including premium) HK\$'000	Mortgage loan HK\$'000	Minority interests HK\$'000
At 1 January 2000	122,263	13,247	8,836
Net cash inflow/(outflow) from financing	149,446	(13,247)	—
Disposal of partial interest in subsidiaries	—	—	34,091
Share of loss for the year	—	—	(976)
Share of exchange fluctuation reserve	—	—	226
At 31 December 2000 and at beginning of year	271,709	—	42,177
Net cash inflow from financing	189,078	—	—
Share of loss for the year	—	—	(5,734)
At 31 December 2001	460,787	—	36,443

29. CONTINGENT LIABILITIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Guarantees of banking facilities granted to subsidiaries	47,300	55,000

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

30. COMMITMENTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Capital commitments:		
Property, plant and equipment:		
Contracted for	—	2,268
Authorised, but not contracted for	865	—
	865	2,268
Deferred product development costs:		
Authorised, but not contracted for	164	239
	1,029	2,507

Notes to the Financial Statements (Continued)

31 December 2001

30. COMMITMENTS (Continued)

	Group	
	2001 HK\$'000	2000 HK\$'000
Total future minimum lease payments under non-cancellable operating leases:		
Land and buildings expiring:		
Within one year	6,395	5,796
In the second to fifth years, inclusive	14,478	11,509
After five years	5,379	7,835
	26,252	25,140
Office equipment expiring:		
Within one year	283	324
In the second to fifth years, inclusive	125	17
	408	341
	26,660	25,481
Commitments to contribute to subsidiaries registered in the PRC	18,906	7,785

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

31. CONNECTED PARTY TRANSACTIONS

During the year, the Group had the following connected party transactions:

- (i) In current year, a loan of HK\$4,000,000 (2000: HK\$4,000,000) was granted by a wholly-owned subsidiary of the Group to E-Top PCB Limited ("E-Top"), a 55% owned subsidiary of the Group, for its general working capital. The loan, which was outstanding as at 31 December 2001, was unsecured, bore interest at the one-month Hong Kong dollar time deposit rate and had no fixed terms of repayment.
- (ii) In addition, the Group had certain banking facilities, with a total limit of HK\$47.3 million, which were jointly used by E-Top, Plentiful Light Limited, a 55% owned subsidiary of the Group, and certain wholly-owned subsidiaries of the Group. These banking facilities were secured by corporate guarantees executed by the Group companies using these facilities and certain leasehold land and buildings of the Group (notes 13 and 23).

Notes to the Financial Statements (Continued)

31 December 2001

32. POST BALANCE SHEET EVENTS

- (a) On 31 January 2002, the Group entered into a conditional sale and purchase agreement (the “Agreement”) to acquire (i) 71.9% equity interest in Swank, at a cash consideration of HK\$10,000,000 and (ii) the principal aggregate amount of HK\$250,000,000 owing by Swank and its subsidiaries to its creditor banks as at 31 January 2002 at a cash consideration of HK\$58,000,000 (collectively referred to as “Acquisition”). Swank is a company incorporated in Hong Kong with limited liability and listed on the Stock Exchange. The principal activities of Swank consisted of the design, manufacture and marketing of frames, sunglasses and lenses. The total consideration of the Acquisition of HK\$68,000,000, was paid before the year end and classified as deposit paid in the current assets. Upon the completion of the Agreement on 1 March 2002, the Group has also undertaken, to provide financial assistance to Swank to discharge its liabilities towards the other identified creditors as appeared in the books of Swank on 30 November 2001, in a sum of not exceeding HK\$49,600,000. The Acquisition became unconditional and was completed on 1 March 2002. Details of the preliminary financial information of goodwill arising from the Acquisition are laid down in the joint announcement of the Company and Swank dated 31 January 2002 and the circular of Swank dated 18 March 2002.

Under Rule 26.1 of The Codes on Takeovers and Mergers, the Group is required to make a mandatory unconditional cash offer for all the then issued Swank shares not already beneficially acquired by the Group (the “Offer”). The Offer for each Swank shares is HK0.623 cent in cash, which is equivalent to the Offer price given to Optiset for the acquisition of Swank shares. In respect of this Offer, the Group received valid acceptances of 36,638,651 Swank shares upon the completion of the Offer on 3 April 2002. Immediately after the completion of the Offer, the Group held 73.5% of the issued share capital of Swank. Further to the circular of the Offer, the Group will charge interest at prime rate plus 1% for the debt acquired from the creditor banks. The principal amount of the debt will be repaid by Swank to the Group in five annual instalments commencing from 1 June 2002.

- (b) Subsequent to the balance sheet date, a share placement agreement was entered between Winspark and Kingston Securities Limited on 11 March 2002 pursuant to which a total of 178,000,000 shares of HK\$0.10 each held by Winspark were placed to independent investors at price of HK\$0.15 per share. A subscription agreement was entered between the Company and Winspark on 11 March 2002 pursuant to which a total of 178,000,000 shares of HK\$0.10 each were issued to Winspark at an issue price of HK\$0.15 per share, payable in cash, on 28 March 2002. This placement raised net cash proceeds of approximately HK\$26,000,000 for the Company for general working capital purposes.

Notes to the Financial Statements (Continued)

31 December 2001

33. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of new and revised HKSSAPs, the supporting notes for operating commitments, the segmental information, the deferred product development costs and the accounting treatment of goodwill or negative goodwill on acquisition have been revised and presented to comply with the new requirements. Accordingly, certain comparative amounts have been revised to conform with the current year's presentation.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 April 2002.