

Notes to Financial Statements

31 December 2000

1. CORPORATE INFORMATION

The principal activities of the Group consist of the manufacture and trading of electronic components, the trading of electrical products, raw materials and production machinery, as well as the provision of portal services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Subsidiaries

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

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent impairments in values, when they are written down to values determined by the directors.

Jointly controlled entities

A jointly controlled entity is an entity formed by the Group and other parties under a contractual arrangement to undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The agreements stipulate the composition of the jointly controlled entity parties' capital contributions, the duration of the jointly controlled entities, and the basis on which assets are to be realised upon its dissolution. The profits and losses from operations and any distribution of surplus assets are shared by the parties in proportion to their respective capital contributions or under the terms of the agreements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Jointly controlled entities *(Cont'd)*

The Group's interests in jointly controlled entities are initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the jointly controlled entities less any provisions for impairments in values other than temporary in nature deemed necessary by the directors. The Group's share of post-acquisition results and reserves of jointly controlled entities are included in the consolidated profit and loss account and consolidated reserves, respectively.

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for impairments in values other than temporary in nature deemed necessary by the directors.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are stated at cost less any provisions for permanent impairments in values other than temporary in nature deemed necessary by the directors.

Goodwill/capital reserve arising on consolidation

Goodwill arising on consolidation of subsidiaries and on acquisition of jointly controlled entities and associates represents the excess of the purchase consideration paid for subsidiaries and jointly controlled entities over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. Where the fair values ascribed to the net underlying assets acquired exceed the purchase consideration given, the excess is credited to capital reserve in the year of acquisition.

Upon disposal of such subsidiaries, jointly controlled entities or associates, the relevant portion of attributable goodwill/capital reserve previously eliminated against/credited to reserves is realised and included in the calculation of the gain or loss on disposal.

Notes to Financial Statements

31 December 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset. The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the proceeds on disposal and the carrying amount of the relevant asset.

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

Upon the disposal of revalued fixed assets, the relevant portion of the revaluation reserve realised in respect of the previous valuations is credited directly to the retained profits account as a movement in reserves.

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

| | |
|-------------------------|-----------|
| Leasehold land | 2% |
| Buildings | 2% |
| Machinery and equipment | 9% - 20% |
| Furniture and fixtures | 18% - 20% |
| Motor vehicles | 18% - 20% |
| Leasehold improvements | 9% |

Intangible assets

Intangible assets represent expenses incurred for the application and registration of trademarks, and website development costs.

The trademark expenses are amortised, using the straight-line basis, over periods not exceeding three years.

Costs directly relating to website development are capitalised when they are separately identifiable, can be measured reliably and that the website has commercial value. Website development costs are amortised using the straight-line basis over the commercial life of the website not exceeding three years, commencing from the date when the website is put into commercial use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leased assets

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

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

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Long term investments

Long term investments are non-trading investments in unlisted equity securities intended to be held on a long term basis. They are stated at cost less any provisions for impairments in values deemed necessary by the directors, other than those considered to be temporary in nature, on an individual investment basis.

When such impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged is credited to the profit and loss account to the extent of the amounts previously charged.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Notes to Financial Statements

31 December 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the 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 estimated selling prices less any further estimated costs to be incurred to completion and disposal.

Deferred tax

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

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries and the Group's share of net assets of jointly controlled entities expressed in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the 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.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate. The Scheme became effective from 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss accounts as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

Notes to Financial Statements

31 December 2000

31

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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) income from the trading of listed investments, on the date when the transaction takes place;
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (d) dividends, when the shareholders' right to receive payment is established; and
- (e) commissions and portal services fee income are recognised in the period in which the services are rendered.

3. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts, as well as the value of services rendered.

Revenue from the following activities has been included in turnover:

| | 2000 HK\$'000 | 1999 HK\$'000 |
|---|------------------|------------------|
| Manufacture and trading of electronic components and trading of electrical products | 304,332 | 229,832 |
| Trading of raw materials | 30,463 | 44,664 |
| Trading of production machinery | 3,856 | 11,537 |
| Provision of portal services | 87 | — |
| Turnover | <u>338,738</u> | <u>286,033</u> |

Revenue arising from other sources is disclosed in note 4 to the financial statements.

Notes to Financial Statements

31 December 2000

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

| | 2000 HK\$'000 | 1999 HK\$'000 |
|--|-------------------|-------------------|
| Provisions for slow-moving and obsolete inventories | 870 | 1,590 |
| Auditors' remuneration | 850 | 530 |
| Depreciation: | | |
| Owned fixed assets | 8,571 | 6,811 |
| Leased fixed assets | 800 | 257 |
| Staff costs (including directors' remuneration (note 6)) | 34,435 | 18,108 |
| Pension contributions | 56 | — |
| Operating lease rentals: | | |
| Land and buildings | 1,832 | 1,696 |
| Motor vehicles | — | 297 |
| Amortisation of trademark and website development costs | 226 | — |
| Revaluation (surplus)/deficit on land and buildings | (398) | 920 |
| Loss on disposal of fixed assets | — | 115 |
| Provisions for bad and doubtful debts | 6,912 | 7,215 |
| Provisions for prepayments and other receivables | 4,573 | — |
| Provision for impairments in values of associates | 1,137 | — |
| Provision for impairment in value of a jointly controlled entity | 1,800 | 2,500 |
| Provision for impairment in value of a long term investment | 1,000 | — |
| Exchange (gains)/losses, net | (213) | 489 |
| Loss on trading securities, net | 207 | 111 |
| Dividend income from a long term investment | — | (4,101) |
| Interest income | (56) | (22) |
| Preliminary expenses written off | 62 | — |
| Gain on disposal of a subsidiary | (360) | — |
| Gain on deemed disposal of a subsidiary | (610) | — |
| | <u> </u> | <u> </u> |

5. FINANCE COSTS

| | 2000 HK\$'000 | 1999 HK\$'000 |
|--|-------------------|-------------------|
| Interest expense on bank loans and overdrafts wholly repayable within five years | 7,212 | 6,543 |
| Interest on finance leases | 671 | 428 |
| | <u> </u> | <u> </u> |
| | <u>7,883</u> | <u>6,971</u> |

Notes to Financial Statements

31 December 2000

33

6. DIRECTORS' REMUNERATION

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

| | 2000 HK\$'000 | 1999 HK\$'000 |
|-------------------------------------|------------------|------------------|
| Fees: | | |
| Executive directors | — | — |
| Independent non-executive directors | — | — |
| | — | — |
| Other emoluments: | | |
| Salaries and allowances: | | |
| Executive directors | 5,704 | 2,156 |
| Independent non-executive directors | 343 | 325 |
| Discretionary bonuses paid: | | |
| Executive directors | 2,620 | 793 |
| Independent non-executive directors | — | — |
| | 8,667 | 3,274 |

The remuneration of the above directors for the year fell within the following bands:

| | Number of directors | |
|-------------------------------|---------------------|------|
| | 2000 | 1999 |
| Nil - HK\$1,000,000 | 2 | 4 |
| HK\$1,000,001 - HK\$2,000,000 | 1 | — |
| HK\$2,000,001 - HK\$3,000,000 | — | 1 |
| HK\$6,000,001 - HK\$7,000,000 | 1 | — |

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

No value is included in directors' remuneration in respect of share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted. Further details of the options granted to the directors during the year are set out in the section "Directors' rights to acquire shares" in the Report of the Directors on page 15.

Notes to Financial Statements

31 December 2000

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (1999: two) directors, details of whose remuneration are set out in note 6 above. The details of the remuneration of the remaining three (1999: three) non-director, highest paid employees are set out below:

| | 2000 HK\$'000 | 1999 HK\$'000 |
|-------------------------|------------------|------------------|
| Salaries and allowances | <u>2,215</u> | <u>1,052</u> |

The remuneration of each of the non-director, highest paid employees for the year fell within the range of Nil - HK\$1,000,000.

8. TAX

| | 2000 HK\$'000 | 1999 HK\$'000 |
|---|------------------|------------------|
| Group: | | |
| The People's Republic of China (the "PRC"): | | |
| Hong Kong, SAR: | | |
| Provided for the year | 1,391 | 1,180 |
| Underprovision in prior year | 8 | — |
| Tax rebate relating to prior years | — | (461) |
| Deferred tax (<i>note 23</i>) | — | (297) |
| Elsewhere: | | |
| Provided for the year | — | — |
| Underprovision in prior years | — | 92 |
| | <u>1,399</u> | <u>514</u> |
| Jointly controlled entities: | | |
| PRC, other than Hong Kong | <u>512</u> | <u>146</u> |
| Tax charge for the year | <u>1,911</u> | <u>660</u> |

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong for the year. Taxes on profits assessable elsewhere in the PRC have been calculated based on existing legislation, interpretations and practices at the prevailing rates of tax.

Notes to Financial Statements

31 December 2000

35

9. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$5,005,000 (1999: HK\$828,000).

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK\$21,175,000 (1999: profit of HK\$1,729,000) and the weighted average number of 340,662,797 (1999: 238,800,000) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 December 2000 has not been shown as the share options outstanding had an anti-dilutive effect on the basic loss per share during the year.

Diluted earnings per share for the year ended 31 December 1999 has not been shown because the exercise of the outstanding share options of the Group would not have a dilutive effect on the earnings per share.

Notes to Financial Statements

31 December 2000

11. FIXED ASSETS

| Group | Land and buildings HK\$'000 | Machinery and equipment HK\$'000 | Furniture and fixtures HK\$'000 | Motor vehicles HK\$'000 | Leasehold improvements HK\$'000 | Total HK\$'000 |
|----------------------------------|-----------------------------------|---|--|-------------------------------|---------------------------------------|-------------------|
| Cost or valuation: | | | | | | |
| At beginning of year | 13,150 | 53,710 | 6,381 | 1,448 | 6,151 | 80,840 |
| Exchange realignment | — | 573 | 4 | — | 17 | 594 |
| Additions | — | 47,189 | 2,451 | 279 | 13,312 | 63,231 |
| Disposals | — | — | (7) | — | — | (7) |
| Revaluation surplus | 500 | — | — | — | — | 500 |
| At 31 December 2000 | <u>13,650</u> | <u>101,472</u> | <u>8,829</u> | <u>1,727</u> | <u>19,480</u> | <u>145,158</u> |
| Analysis of cost and valuation: | | | | | | |
| At cost | — | 101,472 | 8,829 | 1,727 | 19,480 | 131,508 |
| At 31 December 2000 valuation | <u>13,650</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>13,650</u> |
| | <u>13,650</u> | <u>101,472</u> | <u>8,829</u> | <u>1,727</u> | <u>19,480</u> | <u>145,158</u> |
| Accumulated depreciation: | | | | | | |
| At beginning of year | — | 13,679 | 4,550 | 1,112 | 415 | 19,756 |
| Exchange realignment | — | 299 | 2 | — | 1 | 302 |
| Provided during the year | 263 | 6,675 | 754 | 111 | 1,568 | 9,371 |
| Disposals | — | — | — | — | — | — |
| Revaluation surplus | (263) | — | — | — | — | (263) |
| At 31 December 2000 | <u>—</u> | <u>20,653</u> | <u>5,306</u> | <u>1,223</u> | <u>1,984</u> | <u>29,166</u> |
| Net book value: | | | | | | |
| At 31 December 2000 | <u>13,650</u> | <u>80,819</u> | <u>3,523</u> | <u>504</u> | <u>17,496</u> | <u>115,992</u> |
| At 31 December 1999 | <u>13,150</u> | <u>40,031</u> | <u>1,831</u> | <u>336</u> | <u>5,736</u> | <u>61,084</u> |

The net book value of the Group's fixed assets held under finance leases included in the total amount of machinery and equipment as at 31 December 2000 amounted to HK\$21,868,000 (1999: HK\$2,257,000). The depreciation charge for the year in respect of such assets amounted to HK\$800,000 (1999: HK\$257,000).

Notes to Financial Statements

31 December 2000

37

11. FIXED ASSETS (Cont'd)

The Group's land and buildings are situated in Hong Kong and are held under medium term leases. At 31 December 2000, the land and buildings of the Group were revalued individually by Chung, Chan & Associates, independent chartered surveyors, at an aggregate open market value of HK\$13,650,000, based on their existing use.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK\$16,138,000 (1999: HK\$16,499,000). Revaluation surpluses of HK\$365,000 and HK\$398,000 resulting from the above valuations have been credited to the revaluation reserve and the profit and loss account for the year, respectively.

The Group's land and buildings were pledged to banks to secure general banking facilities granted to the Group, as set out in note 21 to the financial statements.

12. INTANGIBLE ASSETS

Group

| | Website development costs HK\$ '000 | Trademark HK\$ '000 | Total HK\$ '000 |
|---------------------------|--|------------------------|--------------------|
| Cost: | | | |
| At beginning of year | — | — | — |
| Additions | 1,706 | 186 | 1,892 |
| At 31 December 2000 | 1,706 | 186 | 1,892 |
| Accumulated amortisation: | | | |
| At beginning of year | — | — | — |
| Provided during the year | 204 | 22 | 226 |
| At 31 December 2000 | 204 | 22 | 226 |
| Net book value: | | | |
| At 31 December 2000 | 1,502 | 164 | 1,666 |
| At 31 December 1999 | — | — | — |

Notes to Financial Statements

31 December 2000

13. INTERESTS IN SUBSIDIARIES

| | Company | |
|--------------------------|-------------------|-------------------|
| | 2000 HK\$ '000 | 1999 HK\$ '000 |
| Unlisted shares, at cost | 63,823 | 63,823 |
| Due from subsidiaries | 104,357 | 60,098 |
| | 168,180 | 123,921 |

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries at the balance sheet date are as follows:

| Name | Place of incorporation/ registration and operations | Issued and paid-up capital/ registered capital | | Percentage of equity attributable to the Company | | Principal activities |
|-------------------------------------|---|---|---|--|-------|--|
| | | 2000 | 1999 | 2000 | 1999 | |
| Man Yue Holdings (BVI) Limited | British Virgin Islands | Ordinary US\$10,000 | Ordinary US\$10,000 | 100% | 100% | Investment holding |
| Adventurers International Limited | British Virgin Islands | Ordinary US\$1 | Ordinary US\$1 | 100%* | 100%* | Trading of raw materials and production machinery |
| Johnstone International Limited | British Virgin Islands | Ordinary US\$1 | Ordinary US\$1 | 100%* | 100%* | Investment holding |
| Man Yue Electronics Company Limited | Hong Kong | Ordinary HK\$2 Non-voting deferred HK\$3,000,000 | Ordinary HK\$2 Non-voting deferred HK\$3,000,000 | 100%* | 100%* | Trading of electrical products and electronic components |
| MYH Limited | Hong Kong | Ordinary HK\$2 | Ordinary HK\$2 | 100%* | 100%* | Provision of management services |

Notes to Financial Statements

31 December 2000

39

13. INTERESTS IN SUBSIDIARIES (Cont'd)

| Name | Place of incorporation/ registration and operations | Issued and paid-up capital/ registered capital | | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|-----------------------------|--|-------|---|
| | | 2000 | 1999 | 2000 | 1999 | |
| Manyue Electronics (Dongguan) Co., Ltd. | People's Republic of China | Registered HK\$1,510,000 | Registered HK\$1,510,000 | 100%* | 100%* | Manufacture and sale of electronic components |
| Man Yue Technology Limited | British Virgin Islands | Ordinary US\$1 | Ordinary US\$1 | 100%* | 100%* | Investment holding |
| TradeUNIT Limited ** | British Virgin Islands | Ordinary HK\$9,500,000 | Ordinary US\$10 | 95%* | 100%* | Provision of portal services |
| Samxon Electronics (Dongguan) Co., Ltd. | People's Republic of China | Registered US\$4,050,000 | Registered US\$4,050,000 | 100%* | 100%* | Manufacture and sale of electronic components |
| Searange Investment Limited | Hong Kong | Ordinary HK\$2 | Ordinary HK\$2 | 100%* | 100%* | Investment holding |

* Held indirectly through subsidiaries.

** TradeUNIT Limited was formerly known as Man Yue Industries Limited which was renamed as TradeUNIT.com Limited and TradeUNIT Limited on 9 March 2000 and 13 December 2000, respectively. The principal activity of TradeUNIT Limited changed from being dormant to the provision of portal services during the year.

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

Notes to Financial Statements

31 December 2000

14. INTERESTS IN JOINTLY CONTROLLED ENTITIES

| | Notes | Group | |
|--------------------------------------|-------|-------------------|-------------------|
| | | 2000 HK\$ '000 | 1999 HK\$ '000 |
| Share of net assets | | 24,984 | 23,747 |
| Due from jointly controlled entities | (a) | 95 | 593 |
| Deferred profits | (b) | (3,787) | (4,558) |
| Provisions for impairments in values | | (4,300) | (2,500) |
| | | <u>16,992</u> | <u>17,282</u> |

- (a) The amounts due from jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.
- (b) Deferred profits arising from sales of production machinery to jointly controlled entities are amortised over 10 years, which approximate the useful life of the machinery.

Particulars of the jointly controlled entities at the balance sheet date are as follows:

| Name | Business structure | Place of incorporation/ registration | Percentage of | | | Principal activities |
|--|--------------------|--------------------------------------|--------------------|--------------|----------------|---|
| | | | Ownership interest | Voting power | Profit sharing | |
| Wuxi Heli Electronic Co., Ltd. | Corporate | People's Republic of China | 48.39% | 40% | 48.39% | Manufacture and sale of electronic components |
| Guizhou Xin Yu Electronics Co., Ltd. | Corporate | People's Republic of China | 49% | 33% | 49% | Manufacture and sale of electronic components |
| Chongqing Qingon Electronics Co., Ltd. (Formerly known as Chongqing Changshou Mechanical & Electrical Co., Ltd.) | Corporate | People's Republic of China | 25% | 40% | 25% | Manufacture and sale of electronic components |

All the above investments in jointly controlled entities are held indirectly through a subsidiary.

Notes to Financial Statements

31 December 2000

41

14. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Cont'd)

The following is a condensed summary of certain additional financial information of the jointly controlled entities:

| | 2000 HK\$'000 | 1999 HK\$'000 |
|---------------------|------------------|------------------|
| Results | | |
| Turnover | 59,927 | 43,938 |
| Profit before tax | 1,805 | 1,136 |
| Profit after tax | 672 | 834 |
| Long term assets | 49,783 | 53,232 |
| Current assets | 62,177 | 52,317 |
| Current liabilities | <u>(44,823)</u> | <u>(38,017)</u> |

15. INTERESTS IN ASSOCIATES

| | Group | |
|--|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 |
| Share of net liabilities | (33) | — |
| Amount due from an associate | <u>1,170</u> | <u>—</u> |
| | 1,137 | — |
| Less: Provisions for impairments in values | <u>(1,137)</u> | <u>—</u> |
| | <u>—</u> | <u>—</u> |

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

Notes to Financial Statements

31 December 2000

15. INTERESTS IN ASSOCIATES (Cont'd)

Particulars of the associates are as follows:

| Name | Business structure | Place of incorporation/ registration/ and operations | Percentage of ownership interest attributable to the Group | | Principal activities |
|----------------------------|--------------------|--|--|------|---|
| | | | 2000 | 1999 | |
| IQ8 Communications Limited | Corporate | Hong Kong | 40% | — | Dormant |
| ECTU.com Pte Ltd. | Corporate | Singapore | 30% | — | B2B portal for the trading of electronic products |

All the above investments in associates are held indirectly through a subsidiary.

16. LONG TERM INVESTMENTS

| | Group | |
|---|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 |
| Unlisted equity investments, at cost | 23,000 | 22,000 |
| Less: Provision for impairment in value | (1,000) | — |
| | <u>22,000</u> | <u>22,000</u> |

17. SHORT TERM INVESTMENTS

| | Group | |
|--|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 |
| Hong Kong listed equity investments, at market value | <u>190</u> | <u>16</u> |

The market value of the Group's short term listed equity investments at the date of approval of these financial statements were approximately HK\$184,800.

Notes to Financial Statements

31 December 2000

43

18. INVENTORIES

| | Group | |
|----------------------|-------------------|-------------------|
| | 2000 HK\$ '000 | 1999 HK\$ '000 |
| Raw materials | 12,717 | 12,232 |
| Work in progress | 11,257 | 4,932 |
| Finished goods | 46,199 | 33,327 |
| Production machinery | 300 | 319 |
| | <u>70,473</u> | <u>50,810</u> |

The carrying amount of inventories carried at net realisable value included in the above is HK\$2,031,000 (1999: Nil).

19. TRADE RECEIVABLES

The aging analysis of trade receivables was as follows:

| | 2000 | | 1999 | |
|---------------------------------------|----------------------|-----------------|----------------------|-----------------|
| | Balance HK\$ '000 | Percentage % | Balance HK\$ '000 | Percentage % |
| Less than 3 months | 70,377 | 53 | 72,045 | 62 |
| 4 - 6 months | 29,352 | 22 | 28,233 | 24 |
| 7 - 12 months | 13,584 | 10 | 8,907 | 8 |
| Over 1 year | 19,615 | 15 | 7,876 | 6 |
| | <u>132,928</u> | <u>100</u> | 117,061 | <u>100</u> |
| Provisions for bad and doubtful debts | <u>(14,127)</u> | | <u>(7,215)</u> | |
| | <u>118,801</u> | | <u>109,846</u> | |

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 90 days of issuance, except for certain well established customers, where the credit terms are ranging from 120 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are regularly reviewed by senior management.

Notes to Financial Statements

31 December 2000

20. TRADE PAYABLES

The aging analysis of trade payables was as follows:

| | 2000 | | 1999 | |
|--------------------|---------------------|-----------------|---------------------|-----------------|
| | Balance HK\$'000 | Percentage % | Balance HK\$'000 | Percentage % |
| Less than 3 months | 20,961 | 46 | 21,857 | 64 |
| 4 - 6 months | 14,638 | 32 | 6,911 | 20 |
| 7 - 12 months | 6,508 | 14 | 3,889 | 11 |
| Over 1 year | 3,105 | 8 | 1,313 | 5 |
| Accounts payables | 45,212 | 100 | 33,970 | 100 |
| Bills payables | 11,067 | | 14,961 | |
| | <u>56,279</u> | | <u>48,931</u> | |

21. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

| | Group | |
|--|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 |
| Bank overdrafts | 6,112 | 2,465 |
| Trust receipt loans | 29,680 | 31,884 |
| Term loans | 5,107 | 5,628 |
| Bank factoring loans | 47,947 | 32,163 |
| | <u>88,846</u> | <u>72,140</u> |
| Portion classified as current liabilities: | | |
| Bank overdrafts | (6,112) | (2,465) |
| Trust receipt loans | (29,680) | (31,884) |
| Term loans (repayable within one year or on demand) | (1,075) | (5,628) |
| Bank factoring loans | (47,947) | (32,163) |
| | <u>(84,814)</u> | <u>(72,140)</u> |
| Long term portion of term loans (repayable in the second to fifth years, inclusive) | <u>4,032</u> | <u>—</u> |
| Secured | 24,832 | 31,884 |
| Unsecured | 64,014 | 40,256 |
| | <u>88,846</u> | <u>72,140</u> |

Certain of the Group's bank borrowings are secured by fixed charges over the Group's land and buildings situated in Hong Kong which had an aggregate net book value at the balance sheet date of HK\$13,650,000 (1999: HK\$13,150,000).

Notes to Financial Statements

31 December 2000

22. FINANCE LEASE PAYABLES

There were obligations under finance leases at the balance sheet date as follows:

| | Group | |
|---|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 |
| Amounts payable: | | |
| Within one year | 7,643 | 3,308 |
| In the second to fifth years, inclusive | 9,230 | — |
| | <u>16,873</u> | <u>3,308</u> |
| Total minimum finance lease payments | 16,873 | 3,308 |
| Future finance charges | (1,704) | (240) |
| | <u>15,169</u> | <u>3,068</u> |
| Total net finance lease payables | 15,169 | 3,068 |
| Portion classified as current liabilities | (5,396) | (3,068) |
| | <u>9,773</u> | <u>—</u> |
| Long term portion | <u>9,773</u> | <u>—</u> |

23. DEFERRED TAX

| | 2000 HK\$'000 | 1999 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Balance at beginning of year | — | 297 |
| Credit for the year (<i>note 8</i>) | — | (297) |
| | <u>—</u> | <u>—</u> |
| At 31 December | <u>—</u> | <u>—</u> |

There were no significant potential deferred tax liabilities for which provision has not been made in the current year.

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

Notes to Financial Statements

31 December 2000

24. SHARE CAPITAL

Shares

| | Company | |
|---|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 |
| Authorised: | | |
| 1,000,000,000 ordinary shares of HK\$0.10 each | <u>100,000</u> | <u>100,000</u> |
| Issued and fully paid: | | |
| 373,440,000 (1999: 238,800,000) ordinary shares of HK\$0.10 each | <u>37,344</u> | <u>23,880</u> |

A summary of the transactions during the year is as follows:

| | Notes | Shares issued 2000 | Carrying amount 2000 HK\$'000 |
|----------------------|-------|--------------------------|--|
| At beginning of year | | 238,800,000 | 23,880,000 |
| Issue of shares | (a) | 135,072,000 | 13,507,200 |
| Repurchase of shares | (b) | <u>(432,000)</u> | <u>(43,200)</u> |
| At end of year | | <u>373,440,000</u> | <u>37,344,000</u> |

During the year, the following movements in share capital were recorded:

- (a) On 24 January 2000, Man Yue Holdings Inc. ("MY"), the ultimate holding company placed 47,760,000 existing shares of the Company to an independent investor at HK\$0.32 per share. After completion of the placing, MY subscribed for 47,760,000 new shares of the Company at the same placing price for a total cash consideration, before expenses, of approximately HK\$15 million.

On 29 March 2000, the Company entered into a placing and subscription agreement with Kingsway SW Securities Limited ("Kingsway") and certain independent investors to place 30,000,000 existing shares of the Company held by MY to independent investors at HK\$0.40 per share, and MY subscribed for 57,312,000 new shares of the Company at the same placing price for a total cash consideration, before expenses, of approximately HK\$22 million.

Pursuant to the placing agreement dated 29 March 2000, Kingsway also had the option to request the Company to issue an additional 30,000,000 new shares at HK\$0.40 per share to independent investors. On 28 April 2000, Kingsway exercised the option for a total cash consideration of HK\$12 million.

Notes to Financial Statements

31 December 2000

47

24. SHARE CAPITAL (Cont'd)

(b) Repurchase of shares

During the year, the Company repurchased a total of 432,000 of its own shares of HK\$0.10 each on the open market. The repurchased shares were cancelled during the year and the issued share capital was reduced by the par value thereof.

Details of the repurchase of shares during the year were as follows:

| Trading months | Number of ordinary shares repurchased | Price per ordinary share | | Total cost (before expenses) HK\$ '000 |
|----------------|---|--------------------------|----------------|---|
| | | Highest HK\$ | Lowest HK\$ | |
| 2000 | | | | |
| September | 296,000 | 0.22 | 0.215 | 65 |
| October | 136,000 | 0.20 | 0.20 | 27 |
| | <u>432,000</u> | | | <u>92</u> |

The premium of approximately HK\$49,000 on the shares repurchased, being the difference between the total cost of approximately HK\$92,000, including the related repurchase expenses paid by the Company, and the aggregate amount of the nominal value of the 432,000 ordinary shares repurchased, was deducted from the share premium account of the Company.

The repurchase of the Company's shares during the year were effected by the directors, with a view to benefiting shareholders as a whole by enhancing the net asset value per share of the Group.

Notes to Financial Statements

31 December 2000

24. SHARE CAPITAL (Cont'd)

Share options

On 13 February 1997, the Company approved a share option scheme (the "Scheme") under which the board of directors of the Company may, at their discretion, invite any executive director or employee (excluding independent non-executive directors) of the Group to take up options to subscribe for shares of the Company at any time during the ten years from the date of approval. The subscription price is determined by the directors and is the higher of a price not less than 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the five trading days immediately preceding the date of grant of the option or the nominal value of the shares. The maximum number of shares on which options may be granted may not exceed 10% of the ordinary share capital of the Company in issue from time to time. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 5 March 1997.

Details of the share options granted pursuant to the Scheme are as follows:

| Date of offer of grant | Exercise price per share | Exercise period | At beginning of year | Granted/ (exercised) during the year | Lapsed or cancelled during the year | At end of year |
|------------------------|--------------------------|--------------------------------------|----------------------|--------------------------------------|-------------------------------------|-------------------|
| 13 February 1997 | HK\$0.7856 | 13 February 1997 to 12 February 2007 | 15,500,000 | — | — | 15,500,000 |
| 21 January 2000 | HK\$0.3192 | 21 January 2000 to 12 February 2007 | — | 2,880,000 | — | 2,880,000 |
| 5 June 2000 | HK\$0.432 | 5 June 2000 to 12 February 2007 | — | 16,820,000 | — | 16,820,000 |
| Total | | | <u>15,500,000</u> | <u>19,700,000</u> | <u>—</u> | <u>35,200,000</u> |

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 35,200,000 additional ordinary shares of HK\$0.10 each at a total consideration of approximately HK\$20,362,000, before the related issue expenses. 1,600,000 outstanding share options at 31 December 2000 lapsed subsequent to the balance sheet date due to the resignation of 5 employees.

Notes to Financial Statements

31 December 2000

49

25. RESERVES

Group

| | Share premium account HK\$'000 | Contributed surplus HK\$'000 | Capital reserve HK\$'000 | Revaluation reserve HK\$'000 | Exchange fluctuation reserve HK\$'000 | PRC reserve funds HK\$'000 | Retained profits/ (accumulated losses) HK\$'000 | Total HK\$'000 |
|--|---|------------------------------------|--------------------------------|------------------------------------|--|-------------------------------------|---|-------------------|
| At beginning of 1999 | 37,793 | 2,800 | 417 | 2,371 | (691) | 568 | 98,434 | 141,692 |
| Share of reserves of jointly controlled entities | — | — | — | — | — | 36 | (36) | — |
| Revaluation deficit | — | — | — | (728) | — | — | — | (728) |
| Exchange realignment | — | — | — | — | (94) | — | — | (94) |
| Net profit for the year | — | — | — | — | — | — | 1,729 | 1,729 |
| At 31 December 1999 and at 1 January 2000 | 37,793 | 2,800 | 417 | 1,643 | (785) | 604 | 100,127 | 142,599 |
| Premium on issue of shares | 36,701 | — | — | — | — | — | — | 36,701 |
| Share issue expenses | (1,804) | — | — | — | — | — | — | (1,804) |
| Repurchase of shares | (49) | — | — | — | — | — | — | (49) |
| Share of reserves of jointly controlled entities | — | — | — | — | — | 181 | (181) | — |
| Revaluation surplus | — | — | — | 365 | — | — | — | 365 |
| Exchange realignment | — | — | — | — | 941 | — | — | 941 |
| Goodwill written off on acquisition of an associate | — | — | (503) | — | — | — | — | (503) |
| Net loss for the year | — | — | — | — | — | — | (21,175) | (21,175) |
| At 31 December 2000 | <u>72,641</u> | <u>2,800</u> | <u>(86)</u> | <u>2,008</u> | <u>156</u> | <u>785</u> | <u>78,771</u> | <u>157,075</u> |
| Retained by: | | | | | | | | |
| Company and subsidiaries | 72,641 | 2,800 | (86) | 2,008 | 1,245 | 88 | 73,403 | 152,099 |
| Jointly controlled entities | — | — | — | — | (1,089) | 697 | 5,669 | 5,277 |
| Associates | — | — | — | — | — | — | (301) | (301) |
| | <u>72,641</u> | <u>2,800</u> | <u>(86)</u> | <u>2,008</u> | <u>156</u> | <u>785</u> | <u>78,771</u> | <u>157,075</u> |

Notes to Financial Statements

31 December 2000

25. RESERVES (Cont'd)

Company

| | Share premium account <i>HK\$'000</i> | Contributed surplus <i>HK\$'000</i> | Retained profits/ (accumulated losses) <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|---|--|--------------------------|
| At beginning of 1999 | 37,793 | 63,623 | (395) | 101,021 |
| Net loss for the year | <u>—</u> | <u>—</u> | <u>(828)</u> | <u>(828)</u> |
| At 31 December 1999 and at 1 January 2000 | 37,793 | 63,623 | (1,223) | 100,193 |
| Premium on issue of shares | 36,701 | — | — | 36,701 |
| Share issue expenses | (1,804) | — | — | (1,804) |
| Repurchase of shares | (49) | — | — | (49) |
| Net loss for the year | <u>—</u> | <u>—</u> | <u>(5,005)</u> | <u>(5,005)</u> |
| At 31 December 2000 | <u><u>72,641</u></u> | <u><u>63,623</u></u> | <u><u>(6,228)</u></u> | <u><u>130,036</u></u> |

The contributed surpluses of the Company and of the Group represent the difference between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the net asset value of the subsidiaries acquired, respectively. Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders in certain circumstances.

PRC reserve funds are reserves made in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment, as applicable to the Group's PRC subsidiaries and jointly controlled entities. None of the Group's PRC reserve funds as at 31 December 2000 were distributable in the form of cash dividends.

Notes to Financial Statements

31 December 2000

51

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

| | 2000 HK\$'000 | 1999 HK\$'000 |
|--|------------------|------------------|
| Profit/(loss) from operating activities | (12,781) | 8,497 |
| Interest income | (56) | (22) |
| Depreciation | 9,371 | 7,068 |
| Provisions for bad and doubtful debts | 6,912 | 7,215 |
| Provisions for prepayments and other receivables | 4,573 | — |
| Provision for impairments in values of associates | 1,137 | — |
| Provisions for slow-moving and obsolete inventories | 870 | 1,590 |
| Provision for impairment in value of a jointly controlled entity | 1,800 | 2,500 |
| Provision for impairment in value of a long term investment | 1,000 | — |
| Amortisation of trademark and website development costs | 226 | — |
| Revaluation (surplus)/deficit on land and buildings | (398) | 920 |
| Other dividend income | (3) | — |
| Gain on disposal of a subsidiary | (360) | — |
| Gain on deemed disposal of a subsidiary | (610) | — |
| Loss on disposal of fixed assets | — | 115 |
| Loss from trading of marketable securities | 207 | — |
| Increase in trade receivables | (15,867) | (22,855) |
| Increase in inventories | (20,533) | (429) |
| (Increase)/decrease in prepayments, deposits and other receivables | (3,973) | 9,475 |
| Decrease in amounts due from jointly controlled entities | 498 | 5,790 |
| Increase in amounts due from associates | (1,170) | — |
| Decrease in deferred profits | (771) | (718) |
| Increase in trade payables, other payables and accrued liabilities | 20,219 | 28,712 |
| Net cash inflow/(outflow) from operating activities | <u>(9,709)</u> | <u>47,858</u> |

Notes to Financial Statements

31 December 2000

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of changes in financing during the year

| | Share capital (including share premium) <i>HK\$ '000</i> | Bank loans <i>HK\$ '000</i> | Finance lease obligations <i>HK\$ '000</i> |
|--|--|-----------------------------------|---|
| At 1 January 1999 | 61,673 | 19,129 | 6,170 |
| Cash inflow/(outflow) from financing, net | <u>—</u> | <u>18,662</u> | <u>(3,102)</u> |
| At 31 December 1999 and at 1 January 2000 | 61,673 | 37,791 | 3,068 |
| Cash inflow/(outflow) from financing, net | 48,312 | 15,263 | (8,310) |
| Inception of finance lease contracts | <u>—</u> | <u>—</u> | <u>20,411</u> |
| At 31 December 2000 | <u><u>109,985</u></u> | <u><u>53,054</u></u> | <u><u>15,169</u></u> |

(c) Major non-cash transactions

In 2000, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of leases of HK\$20,410,823.

(d) Disposal of a subsidiary

| | 2000 <i>HK\$ '000</i> |
|-----------------------------------|---------------------------------|
| Assets/(liabilities) disposed of: | |
| Cash and bank balances | 6 |
| Creditors and accruals | <u>(366)</u> |
| | (360) |
| Gain on disposal of a subsidiary | <u>360</u> |
| | <u>—</u> |
| Satisfied by: | |
| Cash | <u><u>6</u></u> |

Notes to Financial Statements

31 December 2000

53

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(d) Disposal of a subsidiary (Cont'd)

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary:

| | 2000 HK\$'000 |
|---|------------------|
| Cash consideration | 6 |
| Cash and bank balances disposed of | (6) |
| | <hr/> |
| Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary | — |
| | <hr/> <hr/> |

In respect of cash flows for 2000, the subsidiary disposed of in the year had no significant impact in respect of the Group's net operating cash flows, investing activities, financing activities, net returns on investments and servicing of finance and taxation.

The results of the subsidiary disposed of in the year had no significant impact on the turnover or the consolidated loss after tax for the year ended 31 December 2000.

27. CONTINGENT LIABILITIES

At the balance sheet date, the Group had 20 (1999: 18) employees who had completed the required number of years of service under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong, to be eligible for long service payments on termination of their employment. The Group is liable to make such payments only where the termination of employment meets the circumstances specified in the Employment Ordinance. If the termination of employment of all of these employees met the circumstances set out in the Employment Ordinance, the Group's liability as at 31 December 2000 would be approximately HK\$2,175,000 (1999: HK\$1,881,000). No provision has been made for this amount in the financial statements.

At the balance sheet date, the Company had guarantees amounting to HK\$193.3 million (1999: HK\$133 million) to banks for facilities granted to its subsidiaries, approximately HK\$100.3 million (1999: HK\$102.9 million) of which was utilised as at the balance sheet date.

Notes to Financial Statements

31 December 2000

28. COMMITMENTS

- (i) Capital commitments:

| | Group | |
|---|-----------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Capital contributions to a jointly controlled entities: | | |
| Contracted, but not provided for | <u>26,777</u> | <u>2,654</u> |

- (ii) Annual commitments payable under non-cancellable operating leases in respect of land and buildings:

| | Group | |
|---|-----------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Land and buildings expiring: | | |
| Within one year | 45 | 74 |
| In the second to fifth years, inclusive | 3,188 | — |
| After five years | <u>6,714</u> | <u>3,594</u> |
| | <u>9,947</u> | <u>3,668</u> |

Other annual commitments payable under non-cancellable operating leases:

| | Group | |
|---|-----------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Expiring: | | |
| Within one year | 51 | — |
| In the second to fifth years, inclusive | <u>234</u> | <u>—</u> |
| | <u>285</u> | <u>—</u> |

| | Group | |
|--|-----------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (iii) Forward foreign exchange contracts | <u>—</u> | <u>3,297</u> |

At the balance sheet date, the Company did not have any significant commitments.

Notes to Financial Statements

31 December 2000

55

29. RELATED PARTY TRANSACTIONS

During the year, the Group had the following material transactions with its jointly controlled entities:

| | 2000 <i>HK\$'000</i> | 1999 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Purchases of finished goods | 25,892 | 21,494 |
| Sales of spare parts and raw materials | 3,846 | 7,557 |
| Sales of production machinery | — | 494 |
| Sales of finished goods | <u>1,369</u> | <u>113</u> |

The above sales transactions were carried out in accordance with the Group's pricing policy, which is calculated on a cost-plus basis.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 26 April 2001.