

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are the manufacture and trading of electrical and electronic products.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Goodwill arising on consolidation

Goodwill arising on consolidation, which represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary or an associate, is written off to reserves immediately on acquisition.

On disposal of a subsidiary or an associate, the attributable amount of goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal of the subsidiary or associate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

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

Investments in subsidiaries

A subsidiary is an enterprise in which the Company holds, directly or indirectly, more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

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

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in associates are stated at cost, as reduced by any decline in value of the associate that is other than temporary. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

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

Service income is recognized when services are provided.

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation or amortization. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Any subsequent expenditure on improvements which result in an increase in future economic benefits derived from the asset is capitalized and added to the carrying amount of the asset. All other subsequent expenditure, such as repairs and maintenance, is recognized as an expense in the year in which it is incurred.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds, if any, and the carrying amount of the asset and is recognized in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

Depreciation and amortisation is provided to write off the cost of property, plant and equipment other than contribution in progress over their estimated useful lives, using the straight line method, at the following rates per annum:

Freehold land	Nil
Leasehold land and land use rights	2% or over the term of the relevant lease, if shorter
Buildings	4%
Leasehold improvements	25%
Office equipment, furniture and fixtures	16 ² / ₃ % – 25%
Plant and machinery	25%
Motor vehicles	16 ² / ₃ % – 25%
Moulds and tooling	20% – 33 ¹ / ₃ %
Vessel	20%

Depreciation is not provided on construction in progress. When construction in progress is ready for their intended use, they will be reclassified into the appropriate classes of property, plant and equipment and depreciation will be provided accordingly.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Assets held under hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in securities

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

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

Other investments are measured at fair value, with unrealized gains and losses included in the income statement for the period.

Assets held under finance leases and hire purchase contracts

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

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight line basis over the term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

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

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of overseas operations which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out cost method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

Research and development costs

Expenditure on research and development is charged to the income statement in the year in which it is incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are deferred and written off over the life of the project from the date of commencement of commercial operation.

Patents and trademarks

Costs incurred in the acquisition of patents and trademarks are capitalized and amortized on a straight line basis over their estimated useful lives.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

Cash equivalents

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 advances.

Retirement benefits schemes

Retirement benefit arrangements are made in accordance with the relevant laws and regulations. Payments to defined contribution retirement benefit schemes are charged as expenses as they fall due. For defined benefit schemes, the projected future cost of providing retirement benefits is recognized as employees render services instead of when claims are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

3. TURNOVER

Turnover represents the net amounts received and receivable for goods sold, less returns and allowances, to outside customers during the year.

4. SEGMENTAL INFORMATION

	Turnover		Contribution to results from ordinary activities before taxation	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
By principal activity:				
Manufacture and trading of:				
Power tools products	3,076,822,291	1,576,912,884	244,324,837	123,313,937
Floor care appliance products	1,083,796,753	861,643,540	43,885,489	47,776,342
Solar powered and electronic products	173,495,306	140,974,860	11,302,626	3,292,443
Other products	217,368,005	119,806,226	(1,411,616)	18,583,913
	<u>4,551,482,355</u>	<u>2,699,337,510</u>	298,101,336	192,966,635
Finance costs			(75,631,701)	(26,001,649)
Contribution from associates			(1,221,250)	227,612
Profit before taxation			<u>221,248,385</u>	<u>167,192,598</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

4. SEGMENTAL INFORMATION (Cont'd)

	Turnover		Contribution to results from ordinary activities before taxation	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
By geographical market location:				
North America	3,838,282,830	2,135,405,123	252,696,930	169,088,455
Europe	410,363,362	459,407,862	18,417,773	16,524,431
Other countries	302,836,163	104,524,525	26,986,633	7,353,749
	<u>4,551,482,355</u>	<u>2,699,337,510</u>	298,101,336	192,966,635
Finance costs			(75,631,701)	(26,001,649)
Contribution from associates			<u>(1,221,250)</u>	<u>227,612</u>
Profit before taxation			<u>221,248,385</u>	<u>167,192,598</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

5. OTHER REVENUE

	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
Included in other revenue is interest income analysed as follows:		
Interest earned on bank deposits	8,505,136	5,288,124
Interest earned on amounts due from associates	442,017	1,016,314
	<hr/>	<hr/>
Interest income for the year	<u>8,947,153</u>	<u>6,304,438</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

6. PROFIT FROM OPERATIONS

	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
Profit from operations has been arrived at after charging (crediting):		
Amortization and write-off on intangible assets	865,779	4,511,826
Auditors' remuneration	4,807,485	1,467,276
Depreciation and amortisation on property, plant and equipment		
Owned assets	174,816,371	122,869,297
Assets held under finance leases and hire purchase contracts	7,670,799	6,978,818
Operating lease charges:		
Premises	25,038,689	15,402,327
Motor vehicles	3,077,434	342,090
Retirement benefits scheme contributions	1,765,012	404,207
Research and development costs	21,723,164	7,695,780
Less: amounts capitalized	(1,199,533)	(2,163,124)
	20,523,631	5,532,656
Staff costs:		
Directors' remuneration:		
Fees	50,000	50,000
Other emoluments	19,958,542	14,353,976
Others	168,400,399	118,160,383
	168,400,399	118,160,383

Staff costs disclosed above do not include an amount of HK\$13,534,020 (1999: Nil) relating to research and development activities, which is included under research and development costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

7. FINANCE COSTS

	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
Interest on:		
Bank loans and overdrafts wholly repayable within five years	74,246,694	23,142,242
Obligations under finance leases and hire purchase contracts	1,385,007	2,859,407
	75,631,701	26,001,649
	75,631,701	26,001,649

8. DIRECTORS' EMOLUMENTS

	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
Directors' fees:		
Executive	40,000	40,000
Non-executive	10,000	10,000
Independent non-executive	—	—
Other emoluments:		
Directors' salaries and other benefits		
Executive	18,727,456	14,353,976
Non-executive	1,231,086	—
	20,008,542	14,403,976
Total emoluments	20,008,542	14,403,976

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

8. DIRECTORS' EMOLUMENTS (Cont'd)

The emoluments of the directors were within the following bands:

	2000 No. of Directors	1999 No. of Directors
Nil to HK\$1,000,000	6	6
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$2,000,001 to HK\$2,500,000	—	2
HK\$4,000,001 to HK\$4,500,000	3	1
HK\$5,000,001 to HK\$5,500,000	—	1
HK\$5,500,001 to HK\$6,000,000	1	—
	<u>1</u>	<u>—</u>

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (1999: four) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining one (1999: one) individual are as follows:

	2000 HK\$	1999 HK\$
Salaries and other benefits	<u>1,860,504</u>	<u>1,838,976</u>

During each of the two years ended 31st December 2000 and 1999, no emoluments had been paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. No director had waived any emoluments during those years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

10. TAXATION

	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
The total taxation charge comprises:		
Hong Kong Profits Tax calculated at 16%		
of the estimated assessable profit for the year	15,000,000	9,329,045
Under(over) provision in prior years	2,025,297	(972,067)
Tax refund	—	(682,169)
Deferred taxation charge	1,394,545	—
	18,419,842	7,674,809
Overseas taxation on profit for the year		
	28,833,237	914,995
Under(over) provision in prior years	35,047	(51,846)
Deferred taxation credit	(16,066,913)	—
	12,801,371	863,149
	31,221,213	8,537,958

In accordance with the Hong Kong Inland Revenue Departmental Interpretation and Practice Note No. 21, certain Group companies with manufacturing operations carried out in the PRC are subject to apportionment of chargeable profits. Accordingly, in providing Hong Kong Profits Tax for the year, 50% of the profits for the year in respect of those companies have been apportioned as not subject to Hong Kong Profits Tax.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

10. TAXATION (Cont'd)

The deferred taxation credit represents the amount of deferred tax asset on timing differences arising overseas from the use of the receipts and payments basis for tax purposes and the accruals basis for the financial statements. The deferred tax asset has been recognized to the extent that the timing differences will be realized in the near future.

Details of the potential deferred tax credit provided for the year are set out in note 26.

11. PROFIT FOR THE YEAR

Of the Group's profit for the year, a profit of HK\$187,059,461 (1999: HK\$145,091,522) has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
Interim paid:		
4.0 cents (1999: 3.8 cents) per share	22,547,923	21,396,939
Final proposed:		
6.0 cents (1999: 5.5 cents) per share	<u>33,679,010</u>	<u>30,743,175</u>
	<u>56,226,933</u>	<u>52,140,114</u>

The final dividend of 6.0 cents (1999: 5.5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting. This has been calculated by reference to 561,316,826 shares in issue at the date of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2000	1999
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year	<u>HK\$190,530,708</u>	<u>HK\$156,880,827</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	560,015,593	557,376,167
Effect of dilutive potential ordinary shares:		
Options	<u>3,652,395</u>	<u>1,753,961</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>563,667,988</u>	<u>559,130,128</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

14. PROPERTY, PLANT AND EQUIPMENT

	Land and land use rights and buildings outside Hong Kong	Leasehold improvements	Office equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Moulds and tooling	Vessel in progress	Construction in progress	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
THE GROUP									
COST									
At 1st January 2000	72,393,500	55,970,422	91,748,529	190,141,085	10,332,369	523,526,368	3,278,797	—	947,391,070
Currency realignment	24,720	(1,023,609)	(2,182,336)	(2,196,277)	(317,745)	(4,856,774)	—	582	(10,551,439)
Additions	—	8,988,362	20,278,579	36,008,340	—	73,122,645	43,000	152,439	138,593,365
Acquisition of business and subsidiaries	192,786,998	—	44,604,287	67,915,923	1,145,200	95,579,549	—	4,484,430	406,516,387
Disposals	—	(153,320)	(10,195,996)	(1,874,273)	—	(117,821,359)	—	—	(130,044,948)
At 31st December 2000	265,205,218	63,781,855	144,253,063	289,994,798	11,159,824	569,550,429	3,321,797	4,637,451	1,351,904,435
DEPRECIATION AND AMORTIZATION									
At 1st January 2000	8,601,691	40,933,266	64,405,946	122,826,733	7,846,850	390,451,994	2,903,782	—	637,970,262
Currency realignment	405	(766,946)	(1,881,186)	(2,173,054)	(203,475)	(4,378,711)	—	—	(9,402,967)
Provided for the year	9,093,517	7,873,749	19,154,152	43,918,346	1,115,313	101,124,356	207,737	—	182,487,170
Acquisition of subsidiaries	—	—	163,313	10,272	369,682	—	—	—	543,267
Eliminated on disposals	—	(46,164)	(10,100,679)	(1,491,147)	—	(113,375,421)	—	—	(125,013,411)
At 31st December 2000	17,695,613	47,993,905	71,741,546	163,091,150	9,128,370	373,822,218	3,111,519	—	686,584,321
NET BOOK VALUES									
At 31st December 2000	247,509,605	15,787,950	72,511,517	126,903,648	2,031,454	195,728,211	210,278	4,637,451	665,320,114
At 31st December 1999	63,791,809	15,037,156	27,342,583	67,314,352	2,485,519	133,074,374	375,015	—	309,420,808

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Leasehold land and land use rights and buildings outside Hong Kong HK\$	Leasehold improvements HK\$	Office equipment, furniture and fixtures HK\$	Plant and machinery HK\$	Motor vehicles HK\$	Moulds and tooling HK\$	Total HK\$
THE COMPANY							
COST							
At 1st January 2000	72,393,500	52,594,207	45,832,833	117,268,697	7,674,665	381,297,095	677,060,997
Additions	—	8,892,241	12,551,287	16,138,295	—	68,499,132	106,080,955
Disposals	—	(73,201)	(121,403)	—	—	—	(194,604)
At 31st December 2000	<u>72,393,500</u>	<u>61,413,247</u>	<u>58,262,717</u>	<u>133,406,992</u>	<u>7,674,665</u>	<u>449,796,227</u>	<u>782,947,348</u>
DEPRECIATION AND AMORTIZATION							
At 1st January 2000	8,601,691	38,918,315	29,201,557	76,817,401	6,576,412	255,293,672	415,409,048
Provided for the year	2,766,773	7,137,890	8,642,210	20,564,563	621,412	79,096,958	118,829,806
Eliminated on disposals	—	(6,100)	(45,566)	—	—	—	(51,666)
At 31st December 2000	<u>11,368,464</u>	<u>46,050,105</u>	<u>37,798,201</u>	<u>97,381,964</u>	<u>7,197,824</u>	<u>334,390,630</u>	<u>534,187,188</u>
NET BOOK VALUES							
At 31st December 2000	<u>61,025,036</u>	<u>15,363,142</u>	<u>20,464,516</u>	<u>36,025,028</u>	<u>476,841</u>	<u>115,405,597</u>	<u>248,760,160</u>
At 31st December 1999	<u>63,791,809</u>	<u>13,675,892</u>	<u>16,631,276</u>	<u>40,451,296</u>	<u>1,098,253</u>	<u>126,003,423</u>	<u>261,651,949</u>

The net book values of the Group's and the Company's property, plant and equipment include amounts of HK\$19,534,428 (1999: HK\$20,332,037) and HK\$7,935,849 (1999: HK\$10,443,030), respectively, in respect of assets held under finance leases and hire purchase contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
The net book value of land and land use rights and buildings are situated outside Hong Kong and are analyzed as follows:		
Freehold	186,484,569	—
Long lease	28,379,160	29,626,596
Medium-term lease	32,645,876	34,165,213
	<u>247,509,605</u>	<u>63,791,809</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

15. INTANGIBLE ASSETS

	Deferred development cost <i>HK\$</i>	Patents and trademarks <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP			
COST			
At 1st January 2000	23,481,019	10,647,282	34,128,301
Currency realignment	(1,048,353)	—	(1,048,353)
Additions	1,199,533	449,764	1,649,297
Write-off	(18,078,375)	(620,940)	(18,699,315)
	<hr/>	<hr/>	<hr/>
At 31st December 2000	5,553,824	10,476,106	16,029,930
AMORTIZATION			
At 1st January 2000	21,124,948	6,727,284	27,852,232
Currency realignment	(836,078)	—	(836,078)
Provided for the year	—	865,779	865,779
Eliminated on write-off	(18,078,375)	(620,940)	(18,699,315)
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At 31st December 2000	2,210,495	6,972,123	9,182,618
NET BOOK VALUES			
At 31st December 2000	<u>3,343,329</u>	<u>3,503,983</u>	<u>6,847,312</u>
At 31st December 1999	<u>2,356,071</u>	<u>3,919,998</u>	<u>6,276,069</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

15. INTANGIBLE ASSETS (Cont'd)

	Patents
	<i>HK\$</i>
THE COMPANY	
COST	
At 1st January 2000 and 31st December 2000	<u>1,037,010</u>
AMORTIZATION	
At 1st January 2000	697,957
Provided for the year	<u>103,701</u>
At 31st December 2000	<u>801,658</u>
NET BOOK VALUES	
At 31st December 2000	<u><u>235,352</u></u>
At 31st December 1999	<u><u>339,053</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

16. INVESTMENTS IN SUBSIDIARIES

	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
Investment in unlisted shares, at cost	<u>343,502,057</u>	<u>109,441,150</u>

Particulars of the principal subsidiaries of the Company at 31st December 2000 are set out in note 36.

17. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	—	—	46,268,248	46,268,248
Share of net assets	2,267,061	3,488,311	—	—
Amounts due from associates	<u>77,565,993</u>	<u>46,312,813</u>	<u>38,430,034</u>	<u>30,037,585</u>
	<u>79,833,054</u>	<u>49,801,124</u>	<u>84,698,282</u>	<u>76,305,833</u>

Particulars of the associates at 31st December 2000 are set out in note 37.

The amounts due from associates are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of directors, no part of the amounts will be repaid within the next twelve months and the amounts are therefore presented as non-current.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

18. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current assets				
Unlisted investment securities				
(equity), at cost less provision	<u>54,520,278</u>	<u>6,306,053</u>	<u>21,707,720</u>	<u>800,000</u>
Current assets				
Unlisted other investments				
(equity securities)	<u>7,891,827</u>	<u>44,480,060</u>	<u>—</u>	<u>36,588,233</u>

The Group's investments above included investments in Nack Products USA Limited ("Nack") and in America Direct, Inc. ("ADI"), with the carrying values of HK\$20,907,720 and HK\$11,006,839, respectively. The Company's investments included its investment in Nack of the same amount. Both companies are incorporated in the United States of America ("U.S.A."). Nack has the exclusive rights to market and distribute a registered product in the U.S.A. Its principal activity is the marketing and distribution of the registered product and other related products in the U.S.A. ADI is engaged in the development of innovative houseware and personal care products, which it markets through a combination of direct response television and retail distribution in the U.S.A. and selected international markets.

The shares in ADI are restricted in terms of transferability. In addition, certain of such shares held are subject to a right granted to ADI or its assignee to enable ADI or its assignee to repurchase such shares from the Group at the original subscription price.

The Group's investment represents approximately 25% of Nack's issued shares held directly by the Company and 26% of ADI's common stocks in issue held by a 51% subsidiary of the Company. Both Nack and ADI are not regarded as associates of the Group because the Group has no significant influence over their affairs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

19. INVENTORIES

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Raw materials	244,177,366	211,102,758	155,141,333	140,466,472
Work in progress	47,238,102	24,095,242	36,636,245	18,897,635
Finished goods	565,534,984	88,998,626	25,701,231	53,926,705
	<u>856,950,452</u>	<u>324,196,626</u>	<u>217,478,809</u>	<u>213,290,812</u>

The value of inventories carried at net realisable value at the balance sheet date was insignificant.

20. TRADE RECEIVABLES

The Group has a policy of allowing credit periods ranging from 60 days to 120 days. The aging analysis of trade receivables is as follows:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
0 to 60 days	372,952,987	47,440,740	48,778,768	30,071,697
61 to 120 days	79,400,633	71,960,879	2,241,851	10,245,203
121 days or above	35,503,588	23,052,585	35,642,205	20,383,193
	<u>487,857,208</u>	<u>142,454,204</u>	<u>86,662,824</u>	<u>60,700,093</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

21. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
0 to 30 days	192,091,697	94,570,657	110,295,940	78,084,202
31 to 60 days	136,246,220	88,574,504	84,251,500	80,033,235
61 to 90 days	81,057,198	23,101,116	60,000,151	18,501,668
91 days or above	102,497,867	52,161,897	16,249,890	15,531,286
	<hr/>	<hr/>	<hr/>	<hr/>
Total trade payables	<u>511,892,982</u>	<u>258,408,174</u>	<u>270,797,481</u>	<u>192,150,391</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

22. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within one year	7,887,525	7,677,877	3,829,828	3,147,220
More than one year but not exceeding two years	7,050,298	5,970,707	2,698,625	3,186,989
More than two years but not exceeding five years	<u>262,130</u>	<u>2,189,751</u>	<u>262,130</u>	<u>2,060,765</u>
	15,199,953	15,838,335	6,790,583	8,394,974
<i>Less:</i> Amount due within one year shown under current liabilities	<u>7,887,525</u>	<u>7,677,877</u>	<u>3,829,828</u>	<u>3,147,220</u>
Amount due after one year	<u><u>7,312,428</u></u>	<u><u>8,160,458</u></u>	<u><u>2,960,755</u></u>	<u><u>5,247,754</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

23. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trust receipt loans	88,971,487	54,054,209	69,575,274	21,636,551
Bank loans	864,689,000	106,901,384	274,859,000	94,449,040
Bank overdrafts	54,333,043	57,807,385	—	277,166
	<u>1,007,993,530</u>	<u>218,762,978</u>	<u>344,434,274</u>	<u>116,362,757</u>

All bank borrowings of the Group and the Company are unsecured and are repayable as follows:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
On demand or within one year	155,154,530	155,912,978	69,575,274	53,512,757
More than one year but not exceeding two years	40,859,000	—	40,859,000	—
Two to five years	811,980,000	62,850,000	234,000,000	62,850,000
	<u>1,007,993,530</u>	<u>218,762,978</u>	<u>344,434,274</u>	<u>116,362,757</u>
Less: Amount due within one year shown under current liabilities	155,154,530	155,912,978	69,575,274	53,512,757
Amount due after one year	<u>852,839,000</u>	<u>62,850,000</u>	<u>274,859,000</u>	<u>62,850,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

24. SHARE CAPITAL

	Number of shares		Share capital	
	2000	1999	2000 <i>HK\$</i>	1999 <i>HK\$</i>
Ordinary shares of HK\$0.20 each				
Authorized	<u>800,000,000</u>	<u>800,000,000</u>	<u>160,000,000</u>	<u>160,000,000</u>
Issued and fully paid:				
At 1st January	558,866,826	555,666,826	111,773,365	111,133,365
Issue of shares during the year	<u>2,350,000</u>	<u>3,200,000</u>	<u>470,000</u>	<u>640,000</u>
At 31st December	<u>561,216,826</u>	<u>558,866,826</u>	<u>112,243,365</u>	<u>111,773,365</u>

The shares issued during the year rank pari passu in all respects with the existing shares.

Share options

In accordance with the Company's Share Option Scheme for employees, adopted pursuant to a resolution passed on 28th November 1990, the Board of Directors of the Company may grant options to eligible employees, including full-time executive directors or consultants of the Company and its subsidiaries, at nil consideration, to subscribe for shares in the Company. Any options granted can be exercised within the period commencing on the first anniversary of the date of grant of such option and expiring at the close of business on the tenth anniversary thereof. The subscription price is set at not less than the higher of the nominal value of the shares and 80% of the average of the last dealt prices on the five trading days immediately preceding the date of offer of the option. The maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company from time to time but excluding shares issued pursuant to the share option scheme, and shall not exceed 1% of the issued share capital in any one financial year.

The scheme has expired on 27th November 2000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

24. SHARE CAPITAL (Cont'd)

Share options (Cont'd)

At 31st December 2000, the Company had 16,800,000 outstanding share options granted to certain directors of the Company and employees of the Group, details of which are as follows:

Date share options granted	Number of share options outstanding	Exercise price HK\$
4.2.1994	500,000	1.2800
24.6.1994	3,000,000	1.2140
24.1.1997	1,000,000	0.9136
27.10.1997	100,000	1.1504
1.4.1998	900,000	1.7440
7.4.1998	3,800,000	1.7360
7.9.1998	100,000	1.1664
28.1.1999	1,000,000	1.0864
3.2.1999	1,000,000	1.0896
30.3.1999	500,000	1.0640
20.9.1999	100,000	1.1584
27.11.1999	1,100,000	1.0800
30.12.1999	100,000	0.9776
4.1.2000	1,900,000	1.0000
5.6.2000	1,500,000	1.0144
26.6.2000	100,000	1.4768
25.9.2000	100,000	1.4976
	16,800,000	
	16,800,000	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

25. RESERVES

	Share premium <i>HK\$</i>	(Goodwill) reserve arising on consolidation <i>HK\$</i>	Translation reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP					
At 1st January 1999	223,039,630	(96,482,330)	(1,591,727)	402,682,618	527,648,191
Exchange differences on translation of overseas operations	—	—	3,687,041	—	3,687,041
Premium on shares issued	2,316,000	—	—	—	2,316,000
Goodwill arising on acquisition of subsidiaries	—	(82,641,369)	—	—	(82,641,369)
Profit for the year	—	—	—	156,880,827	156,880,827
Dividends	—	—	—	(52,140,114)	(52,140,114)
At 31st December 1999	225,355,630	(179,123,699)	2,095,314	507,423,331	555,750,576
Exchange differences on translation of overseas operations	—	—	(5,772,006)	—	(5,772,006)
Premium on shares issued	2,247,599	—	—	—	2,247,599
Reserve arising on acquisition of subsidiaries	—	18,519,651	—	—	18,519,651
Profit for the year	—	—	—	190,530,708	190,530,708
Dividends	—	—	—	(56,226,933)	(56,226,933)
At 31st December 2000	<u>227,603,229</u>	<u>(160,604,048)</u>	<u>(3,676,692)</u>	<u>641,727,106</u>	<u>705,049,595</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

25. RESERVES (Cont'd)

	Share premium HK\$	(Goodwill) reserve arising on consolidation HK\$	Translation reserve HK\$	Retained profits HK\$	Total HK\$
THE COMPANY					
At 1st January 1999	223,039,630	—	—	388,975,326	612,014,956
Premium on shares issued	2,316,000	—	—	—	2,316,000
Profit for the year (note 11)	—	—	—	145,091,522	145,091,522
Dividends (note 12)	—	—	—	(52,140,114)	(52,140,114)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December 1999	225,355,630	—	—	481,926,734	707,282,364
Premium on shares issued	2,247,599	—	—	—	2,247,599
Profit for the year (note 11)	—	—	—	187,059,461	187,059,461
Dividends (note 12)	—	—	—	(56,226,933)	(56,226,933)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December 2000	<u>227,603,229</u>	<u>—</u>	<u>—</u>	<u>612,759,262</u>	<u>840,362,491</u>

The Group's retained profits include the Group's share of the post acquisition losses of associates of HK\$12,704,589 (1999: HK\$11,483,339), and the Group's goodwill/reserve arising on consolidation and translation reserve include a debit balance of HK\$26,095,022 (1999: HK\$26,095,022) and a credit balance of HK\$459,857 (1999: HK\$352,170), respectively, in respect of associates.

At 31st December 2000, the Company's reserves available for distribution to shareholders comprised the retained profits of HK\$612,759,262 (1999: HK\$481,926,734).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

26. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Balance at 1st January	208,013	208,075	—	—
Currency realignment	(3,379)	(62)	—	—
Charge for the year (<i>note 10</i>)	1,394,545	—	1,394,545	—
Credit for the year (<i>note 10</i>)	(16,066,913)	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st December	<u>(14,467,734)</u>	<u>208,013</u>	<u>1,394,545</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

26. DEFERRED TAXATION (Cont'd)

At the balance sheet date, the major components of the net deferred taxation (asset) liability provided were as follows:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	1,600,687	161,175	1,394,545	—
Accruals and provisions	(16,068,421)	46,838	—	—
	<u>(14,467,734)</u>	<u>208,013</u>	<u>1,394,545</u>	<u>—</u>
Representing:				
Deferred tax liability	1,600,687	208,013	1,394,545	—
Deferred tax asset	(16,068,421)	—	—	—
	<u>(14,467,734)</u>	<u>208,013</u>	<u>1,394,545</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

26. DEFERRED TAXATION (Cont'd)

At the balance sheet date, the major components of the potential deferred taxation (asset) liability unprovided were as follows:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	4,911,329	8,928,819	13,130,073	11,093,375
Taxation losses	(91,056,837)	(86,046,698)	—	—
Other timing differences	(3,601,437)	(5,973,782)	—	—
	<u>(89,746,945)</u>	<u>(83,091,661)</u>	<u>13,130,073</u>	<u>11,093,375</u>

No provision for deferred taxation liability has been recognized in the financial statements in respect of timing differences on the excess of tax allowances over depreciation for certain group companies as it is not expected that the potential deferred taxation liability will crystallise in the foreseeable future, after taking into account the Group's medium-term financial plans and projections on these companies.

Deferred tax assets of certain group companies in respect of tax losses available to offset future profits and other timing differences have not been recognized in the financial statements as it is not certain that the tax losses will be utilized in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

26. DEFERRED TAXATION (Cont'd)

The major components of the unprovided deferred tax (credit) charge of the Group for the year were as follows:

	THE GROUP	
	2000	1999
	HK\$	HK\$
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	(4,017,490)	(1,979,426)
Taxation losses	(5,010,139)	(82,696,653)
Other timing differences	2,372,345	(6,586,035)
	<u>(6,655,284)</u>	<u>(91,262,114)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

27. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
Profit before taxation	221,248,385	167,192,598
Share of results of associates	1,221,250	(227,612)
Interest expense	75,631,701	26,001,649
Interest received	(8,947,153)	(6,304,438)
Amortization and write-off on intangible assets	865,779	4,511,826
Depreciation and amortisation on property, plant and equipment	182,487,170	129,848,115
Provision for impairment loss of investment securities	1,943,495	852,539
(Gain) loss on disposal of property, plant and equipment	(2,411,709)	122,621
Increase in inventories	(183,037,884)	(16,778,608)
Increase in trade and other receivables, deposits and prepayments	(483,531,397)	(7,484,347)
Increase in bills receivable	(21,871,956)	(67,056,561)
Decrease (increase) in trade receivable from an associate	453,768	(7,742,149)
Decrease in amount due from a related company	—	3,888,628
Increase in trade and other payables	464,564,481	29,561,080
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>248,615,930</u>	<u>256,385,341</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

28. PURCHASE OF BUSINESS AND SUBSIDIARIES

	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
NET ASSETS ACQUIRED		
Property, plant and equipment	405,973,120	14,133,693
Intangible assets	—	2,629,289
Investments in securities	—	3,243,580
Inventories	353,765,263	45,344,143
Trade and other receivables, deposits and prepayments	55,217,612	48,944,725
Tax recoverable	364,445	—
Bank balances and cash	7,980,865	6,777,378
Trade and other payables	(123,920,315)	(110,120,530)
Bank overdrafts	—	(8,028,320)
Minority interests	—	(2,785,603)
	699,380,990	138,355
(Reserve) goodwill arising on acquisition	(18,519,651)	82,641,369
	680,861,339	82,779,724
SATISFIED BY		
Cash	680,861,339	82,779,724

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

28. PURCHASE OF BUSINESS AND SUBSIDIARIES (Cont'd)

Net cash outflow arising on acquisition:

	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
Cash consideration	(680,861,339)	(82,779,724)
Bank balances and cash acquired	7,980,865	6,777,378
Bank overdrafts acquired	—	(8,028,320)
	<hr/>	<hr/>
Net outflow of cash and cash equivalents in respect of the purchase of business and subsidiaries	<u>(672,880,474)</u>	<u>(84,030,666)</u>

The cash flows of the Group attributable to the business and subsidiaries acquired during the year are as follows:

	<i>HK\$</i>
Net cash outflow from operating activities	(9,694,205)
Net cash outflow from returns on investments and servicing of finance	(20,818,230)
Tax paid	(14,456,752)
Net cash utilised in investing activities	(7,033,126)
Net cash inflow from financing	<u>143,621,109</u>

The business and subsidiaries acquired during the year contributed HK\$1,403,869,000 to the Group's turnover, and HK\$32,326,000 to the Group's profit from operations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

29. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium <i>HK\$</i>	Bank loans <i>HK\$</i>	Obligations under finance leases and hire purchase contracts <i>HK\$</i>
Balance at 1st January 1999	334,172,995	71,947,936	11,875,598
Proceeds from issue of shares for cash	2,956,000	—	—
Inception of finance leases and hire purchase contracts	—	—	13,083,294
New bank loans obtained	—	62,850,000	—
Repayment	—	(27,896,552)	(9,120,557)
	<hr/>	<hr/>	<hr/>
Balance at 31st December 1999	337,128,995	106,901,384	15,838,335
Proceeds from issue of shares for cash	2,717,599	—	—
Inception of finance leases and hire purchase contracts	—	—	9,405,998
New bank loans obtained	—	823,830,000	—
Repayment	—	(66,042,384)	(10,044,380)
	<hr/>	<hr/>	<hr/>
Balance at 31st December 2000	<u>339,846,594</u>	<u>864,689,000</u>	<u>15,199,953</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

30. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease and hire purchase arrangements in respect of assets with a total capital value at the inception of the leases and hire purchase contracts of HK\$9,405,998 (1999: HK\$13,083,294).

31. LEASE COMMITMENTS

At the balance sheet date, there were annual commitments payable under non-cancellable operating leases for rented premises as follows:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Operating leases which expire:				
Within one year	8,648,675	4,657,765	1,816,623	3,220,328
In the second to fifth year inclusive	20,457,013	6,303,507	11,616,374	3,516,624
Over five years	6,897,874	6,915,851	1,049,422	645,684
	36,003,562	17,877,123	14,482,419	7,382,636
	36,003,562	17,877,123	14,482,419	7,382,636

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

32. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Guarantees given to banks and an independent third party in respect of credit facilities utilised by:				
Associates	10,082,386	8,436,127	10,082,386	8,436,127
Subsidiaries	—	—	34,075,904	14,311,386
Bills discounted with recourse	370,106,115	399,228,854	369,767,299	395,885,147
	<u>380,188,501</u>	<u>407,664,981</u>	<u>413,925,589</u>	<u>418,632,660</u>

The extent of guarantees utilised as shown above relates to guarantees given by the Group and the Company to secure bank facilities granted to associates and subsidiaries amounting to HK\$163,500,000 (1999: HK\$156,000,000) and HK\$1,409,205,000 (1999: HK\$648,601,500), respectively, at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

33. RETIREMENT BENEFIT SCHEMES

The Company and its subsidiaries operating in Hong Kong have participated in the monetary provident fund schemes ("MPF Schemes") registered under the Monetary Provident Fund Ordinance since December 2000. No contribution was paid or payable for the MPF Schemes for the year.

At 31st December 2000, the Group had a number of employees who have completed the required number of years of services under Hong Kong Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments if the termination meets the circumstances which are specified in the Ordinance.

Under the circumstances specified by the Ordinance, had the employment of all eligible employees been terminated on 31st December 2000 the maximum potential exposure would have been approximately HK\$14,741,000 (1999: HK\$13,029,000). No provision has been made in the financial statements in respect of such long service payments.

The Group's overseas subsidiaries operate a number of defined contribution schemes and defined benefit schemes which cover substantially all of their employees. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees' payroll. Contributions to defined benefit schemes are made in accordance with advice of qualified actuaries based on annual actuarial valuations.

34. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Capital expenditure contracted for but not provided in the financial statements in respect of the purchase of property, plant and equipment	<u>36,408,668</u>	<u>19,634,183</u>	<u>26,352,760</u>	<u>18,340,979</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

35. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	Associates	
	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
Purchases	27,215,896	37,259,246
Management fee income	8,340,000	2,170,538
Management fee expenses	1,613,953	1,083,749
Modification charges	—	155,424
Salary charges	—	602,000
Interest income received	442,017	1,106,314
Sales income	18,062,294	7,523,116
Subcontracting expenses	919,291	—
Rental income	562,284	—
Equipment charge income	47,846	—
Service expenses	40,000	—
	<u> </u>	<u> </u>

The above transactions were carried out based on market price/rate, or where no market price/rate was available, at cost plus a percentage profit markup.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31st December 2000 are as follows:

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity interest held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Digiwireless Limited	Hong Kong	HK\$2	100	—	Investment holding
Full Team International Limited	Hong Kong	HK\$2	100	—	Investment holding
Gimelli Industries Company Limited	Hong Kong	HK\$3,000,000	51	—	Trading of electrical and health care products
Marco Polo Industries & Merchandising Company Limited	Hong Kong	HK\$100,000	100	—	Trading of household electronic and electrical products
One World Technologies Limited	Bermuda	US\$12,000	100	—	Investment holding
One World Technologies Inc.	United States of America	US\$10	—	100	Investment holding
OWT Industries, Inc.	United States of America	US\$10	—	100	Manufacture of electric components and power tools products
Ryobi Technologies Canada, Inc.	Canada	C\$600,000	—	100	Trading of electric power tools products

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity interest held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Ryobi Technologies, Inc.	United States of America	US\$10	—	100	Trading of electric power tools products
Ryobi Taiwan Corporation	Taiwan	NT\$5,000,000	100	—	Liaison and quality assurance
Royal Appliance International GmbH	Germany	DEM2,000,000	51	—	Trading of household electronic and electrical products
Santo Industries Limited	Hong Kong	HK\$2,000,000	100	—	Trading of household electronic and electrical products
Sang Tech Industries Limited	Hong Kong	HK\$1,000,000	100	—	Manufacture of plastic parts
Solar Wide Industrial Limited	Hong Kong	HK\$2,000,000	75.725	—	Manufacture of electronic products
Solar Wide (Overseas) Limited	The British Virgin Islands/ The PRC	US\$1	—	75.725	Manufacture of electronic products
Techtronic Appliances Co. Pte Ltd.	Republic of Singapore	S\$250,000	100	—	Liaison office

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity interest held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Techtronic Appliances International Limited	The British Virgin Islands/Republic of Indonesia	US\$1	100	—	Trading of electronic and electrical products
P.T. Techtronic Appliances	Republic of Indonesia	US\$300,000	1	99	Manufacture of electronic and electrical products
Techtronic Appliances Holdings Company Limited	Bermuda	US\$12,000	100	—	Investment holding
Techtronic Appliances (Hong Kong) Limited	Hong Kong	HK\$2	100	—	Trading and manufacture of floor care appliance products
Vax Limited	The United Kingdom	£33,000	100	—	Assembly, procurement and distribution of floor care appliance products
Vax Appliances (Australia) Pty. Ltd.	Australia	A\$1,200,008	100	—	Assembly and distribution of floor care appliance products

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

None of the subsidiaries had any loan capital outstanding at the end of the year, or at any time during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

37. PARTICULARS OF ASSOCIATES

Particulars of the associates at 31st December 2000 are as follows:

Name of associate	Place of incorporation/ registration and operation	Issued and fully paid share/registered capital	Percentage of equity interest held by the Company		Principal activities
			Directly %	Indirectly %	
Polytron Enterprises Limited (formerly known as "Advanced Component Labs (HK) Limited")	Hong Kong	HK\$1,650,000	25.0	—	Inactive
Gimelli International (Holdings) Limited	The Cayman Islands	US\$6,250	40.8	—	Investment holding
Gimelli Laboratories Company Limited	Hong Kong	HK\$5,000,000	—	40.8	Manufacture and trading of electrical and dental care products
Gimelli Produktions A.G.	Switzerland	SFR930,000	—	40.8	Marketing and research and development
Gimelli Precision Moulding Company Limited	Hong Kong	HK\$2	—	40.8	Manufacture of plastic parts
North (Shenyang) Chinetek Techtronic Industries Ltd.	The PRC	US\$1,200,000	50.0	—	Inactive