

NOTES TO THE ACCOUNTS

1 Principal accounting policies

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of certain investment properties and investments in securities using the following principal accounting policies:

(a) CONSOLIDATION

The consolidated accounts include the accounts of the company and its subsidiaries made up to 31st March and the group's share of post-acquisition profits less losses, and reserves, of its associated companies and jointly controlled entities. The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from the effective date of acquisition as appropriate.

All significant intercompany transactions and balances within the group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(b) REVENUE RECOGNITION

(i) SALES OF GOODS

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) INTEREST INCOME

Interest income is recognised on a time proportion basis.

(iii) GROSS EARNINGS FROM INVESTMENTS IN FINANCE LEASES

Gross earnings from investments in finance leases are recognised on the basis as set out in note 1(m).

(iv) RENTAL INCOME

Rental income is recognised on a straight line basis over the period of the lease.

(v) ROYALTY INCOME

Royalty income is recognised on an accrual basis.

(c) SUBSIDIARIES

Investments in subsidiaries are carried at cost. Provision is made when, in the opinion of the directors, there is a permanent diminution in value.

1 Principal accounting policies (Cont'd)

(d) JOINTLY CONTROLLED ENTITIES

A jointly controlled entity is an entity in which the group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the group's share of the net assets of the jointly controlled entities.

In the company's balance sheet, the investment in the jointly controlled entity is stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The result of the jointly controlled entity is accounted for by the company on the basis of dividends received and receivable.

(e) ASSOCIATED COMPANIES

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the group's share of the results of associated companies for the year, and the consolidated balance sheet includes the group's share of the net assets of the associated companies.

(f) GOODWILL

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries, associated companies and jointly controlled entities acquired and is charged to reserves in the year of acquisition.

(g) PROPERTIES, PLANT AND EQUIPMENT

Properties, plant and equipment other than investment properties (note 1(h)) are stated at cost less accumulated depreciation. Freehold land is not amortised. No depreciation is provided for assets under construction.

Depreciation of other properties, plant and equipment is calculated to write off the cost of assets over their estimated useful lives on the following bases:

| | |
|--|---|
| Leasehold land and buildings outside the New Territories, Hong Kong | On reducing balance at 10% per annum |
| Leasehold land in the New Territories, Hong Kong | On straight line basis over the unexpired term of lease |
| Buildings situated on freehold land outside Hong Kong and buildings situated on leasehold land in the New Territories, Hong Kong | On straight line basis at 4% per annum |
| Leasehold land and buildings outside Hong Kong - medium term | On straight line basis over the unexpired term of lease |
| Motor vehicles and moulds | On reducing balance at 20% per annum |
| Plant and machinery, equipment, furniture and fixtures, and tools | On reducing balance at 20% per annum for the first 5 years, remaining net book value written off by equal instalments over the next 5 years |

1 Principal accounting policies (Cont'd)

(g) PROPERTIES, PLANT AND EQUIPMENT (Cont'd)

The initial costs of moulds and tools are capitalised as other assets. Subsequent replacements of moulds and tools are charged to the manufacturing account as production overheads.

Gains or losses arising from the retirement or disposal of properties, plant and equipments are determined as the difference between the net disposal proceeds and the carrying amounts of those assets and are recognised as income or expense in the profit and loss account.

(h) INVESTMENT PROPERTIES

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential.

Investment properties held on leases with unexpired periods greater than 20 years are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified executives of the group. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve; decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(i) STOCKS AND WORK IN PROGRESS

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost, calculated on a weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(j) FOREIGN EXCHANGE

The rates of exchange at which foreign currencies are translated for accounting purposes are as follows:

- (i) In respect of foreign currency denominated assets and liabilities and the balance sheets of subsidiaries, the rates ruling at the balance sheet date; and
- (ii) In respect of foreign currency transactions entered into during the year, the market rates ruling at the relevant transaction dates.

Exchange differences arising on the translation of foreign currencies into US Dollars are reflected in the profit and loss account except that unrealised differences on net investments in foreign subsidiaries (including intra-group balances of an equity nature) are taken directly to reserves.

1 Principal accounting policies (Cont'd)

(k) DEFERRED TAXATION

Deferred taxation is accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or asset is expected to be payable or recoverable in the foreseeable future.

(l) INVESTMENTS IN SECURITIES

(i) INVESTMENT SECURITIES

Debt securities expected to be held until maturity and equity shares intended to be held for the long term are included under investment securities and are stated at cost less any provision for diminution in value.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities is reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

(ii) OTHER INVESTMENTS

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(m) INVESTMENTS IN FINANCE LEASES

Leases that transfer substantially all the risks and rewards incident to ownership of the relevant assets, other than legal title, to the lessees are accounted for as investments in finance leases. Finance lease debtors are included in the balance sheet net of gross earnings allocated to future periods.

Gross earnings under finance leases are allocated to accounting periods to give a constant periodic rate of return on the net investment in the leases in each period.

(n) ASSETS UNDER LEASES

(i) FINANCE LEASES

Leases that substantially transfer to the group all the rewards and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the profit and loss account in proportion to the capital balances outstanding.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods.

1 Principal accounting policies (Cont'd)**(n) ASSETS UNDER LEASES (Cont'd)****(ii) OPERATING LEASES**

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rental applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

(o) RETIREMENT BENEFIT COSTS**(i) DEFINED CONTRIBUTION SCHEMES**

Contributions are expensed as incurred and, except for the Mandatory Provident Fund, are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the group in an independently administered fund.

(ii) OTHER PENSION COSTS

Other pension costs represent employment service payments payable to certain employees outside Hong Kong upon termination of their services. The amount is provided in accordance with the existing legal requirements, national labour contract, individual company agreements and is determined with reference to a formula that takes into account years of service, compensation and inflation.

(p) WARRANTY PROVISION

Warranty provision is made to cover product repairs and replacement which is not covered by product liability insurance policies. The provision is reviewed annually and any excess or shortfall is recognised in the profit and loss account.

2 Revenues and turnover

The group is principally engaged in the manufacture of micromotors. Revenues recognised during the year are as follows:

| | 2001 US\$'000 | 2000 US\$'000 |
|---|------------------|------------------|
| Turnover | | |
| Sales of goods | 790,190 | 677,144 |
| Other revenues | | |
| Scrap sales | 5,407 | 4,455 |
| Interest income | 3,820 | 5,520 |
| Gross earnings from investments in finance leases | 1,271 | 1,571 |
| Gross rental income from investment properties | 1,536 | 1,586 |
| Royalty income | 165 | 110 |
| | 12,199 | 13,242 |
| Total revenues | 802,389 | 690,386 |

2 Revenues and turnover (Cont'd)

An analysis of the group's turnover and contribution to operating profit for the year by operating activities and geographical area by origin is as follows:

| | Turnover | | Operating profit / (loss) | |
|------------------------------------|------------------|------------------|---------------------------|------------------|
| | 2001 US\$'000 | 2000 US\$'000 | 2001 US\$'000 | 2000 US\$'000 |
| Operating activities | | | | |
| Sales of motors | 790,190 | 677,144 | 138,915 | 157,287 |
| Geographical area by origin | | | | |
| Asia | 471,908 | 425,021 | 120,446 | 119,142 |
| North America | 127,105 | 101,104 | (17,431)* | 10,719 |
| Europe | 191,177 | 151,019 | 35,900 | 27,426 |
| | 790,190 | 677,144 | 138,915 | 157,287 |

| | 2001 US\$'000 | 2000 US\$'000 |
|---|------------------|------------------|
| Turnover by geographical destination | | |
| Asia | 228,320 | 197,279 |
| North America | 248,952 | 210,864 |
| Europe | 312,918 | 269,001 |
| | 790,190 | 677,144 |

* The amount is after provision for costs of restructuring of US\$26,661,000. Excluding the provision for costs of restructuring, the operating profit is US\$9,230,000.

3 Selling and administrative expenses

| | 2001 US\$'000 | 2000 US\$'000 |
|-------------------------|------------------|------------------|
| Selling expenses | 28,093 | 29,053 |
| Administrative expenses | 78,650 | 62,253 |
| | 106,743 | 91,306 |

4 Provision for costs of restructuring

Provision for costs of restructuring has been made for the closing of the manufacturing plant in Columbus, Mississippi, USA which is expected to be completed by end of October 2001. Total provision includes severance wages and associated costs, costs relating to environmental issues, plant and equipment write-offs, and other normal relocation and closure expenses.

| | 2001 US\$'000 | 2000 US\$'000 |
|------------------------|------------------|------------------|
| Asset write-offs | 15,321 | - |
| Other costs | 11,340 | - |
| Total provision | 26,661 | - |

Net provision for costs of restructuring is US\$17,128,000, after deduction of deferred tax benefits of US\$9,533,000.

5 Operating profit

Operating profit is stated after crediting and charging the following:

| | 2001 US\$'000 | 2000 US\$'000 |
|---|------------------|------------------|
| Crediting | | |
| Interest income | | |
| - listed investments | - | 637 |
| - unlisted investments | 186 | 645 |
| - deposits | 3,634 | 4,238 |
| Net realised and unrealised gain on other investments and investment securities | 2,855 | 4,591 |
| Net exchange gain | - | 3,268 |
| Charging | | |
| Depreciation on owned properties, plant and equipment | 38,274 | 37,536 |
| Depreciation on leased properties, plant and equipment | 54 | 32 |
| Less : amounts capitalised on machinery under construction | (2,633) | (284) |
| | 35,695 | 37,284 |
| Staff costs | 107,028 | 95,448 |
| Retirement benefit costs | | |
| - defined contribution schemes (note 11) | 1,634 | 1,475 |
| - other pension costs (note 24) | 3,745 | 1,053 |
| Auditors' remuneration | 421 | 364 |
| Loss on disposal of properties, plant and equipment | 497 | 251 |
| Outgoings in respect of investment properties | - | - |
| Net exchange loss | 1,083 | - |

6 Finance costs

| | 2001 | 2000 |
|---|-----------------|----------|
| | US\$'000 | US\$'000 |
| Interest on bank loans and overdrafts | 198 | 1,935 |
| Interest on other loans, wholly repayable within five years | 172 | - |
| Interest on other loans, not wholly repayable within five years | - | 24 |
| Interest element of finance leases | 6 | 9 |
| Other incidental borrowing costs | 88 | 94 |
| | 464 | 2,062 |

7 Taxation credit / (charge)

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year. Overseas tax has been provided at the applicable rate on the estimated assessable profit for the year.

| | 2001 | 2000 |
|-----------------------------|-----------------|----------|
| | US\$'000 | US\$'000 |
| Current taxation | | |
| Hong Kong profits tax | (8,925) | (10,616) |
| Overseas taxation | (8,809) | (11,262) |
| | (17,734) | (21,878) |
| Deferred taxation (note 25) | 26,933 | 2,177 |
| | 9,199 | (19,701) |

The deferred tax benefit for provision for costs of restructuring is US\$9,533,000.

No provision for taxation has been made by the associated companies and the jointly controlled entities as they do not have any assessable profit for the year (2000: Nil).

There was no material unprovided deferred taxation for the year.

8 Profit attributable to shareholders

Profit attributable to shareholders is dealt with in the accounts of the company to the extent of US\$23,406,000 (2000: US\$360,821,000).

9 Dividends

| | 2001 US\$'000 | 2000 US\$'000 |
|--|------------------|------------------|
| Interim, paid, of 0.38 US cents per share (2000: 1.30 US cents*) | 14,130 | 11,823 |
| Final, proposed, of 0.94 US cents per share (2000: 3.64 US cents*) | 34,383 | 33,620 |
| | 48,513 | 45,443 |

* Before four-for-one share split on 14th August 2000

10 Earnings per share

The calculation of earnings per share is based on the group's profit attributable to shareholders of US\$145,368,000 (2000: US\$135,558,000) and 3,673,788,920 shares currently in issue after subdivision of each of the issued and unissued shares into four subdivided shares on 14th August 2000. The earnings per share for 2000 has been adjusted accordingly.

11 Defined contribution schemes

The group operates two defined contribution schemes (2000: one scheme) in Hong Kong which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance (ORSO) and Mandatory Provident Fund (MPF) Ordinance. All the assets under the schemes are held separately from the group under independently administered funds. Contributions to the MPF Scheme follow the MPF Ordinance while contributions to the ORSO Scheme are based on 5% of the basic salary of the employees.

The group also operates other defined contribution retirement schemes which are available to certain employees in Thailand and the United States of America.

Contributions are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. At 31st March 2001, the balance of the forfeited contributions was US\$1,208,000 (2000: US\$790,000). The group did not utilise any of the forfeited contributions (2000: US\$328,000) during the year to offset its required contributions to the retirement scheme.

12 Directors' emoluments and senior management compensation**(a) DIRECTORS' EMOLUMENTS**

| | 2001 US\$'000 | 2000 US\$'000 |
|---------------------------------|------------------|------------------|
| Fees | 121 | 109 |
| Salaries and allowances | 2,048 | 2,086 |
| Retirement scheme contributions | 8 | 8 |
| Bonuses | 14 | 14 |
| | 2,191 | 2,217 |

The emoluments were paid to the directors as follows:

| Emoluments band | Number of directors | |
|---|---------------------|------|
| | 2001 | 2000 |
| US\$0 - US\$128,000 (HK\$0 - HK\$1,000,000) | 7 | 7 |
| US\$514,001 - US\$578,000 (HK\$4,000,001 - HK\$4,500,000) | 1 | 1 |
| US\$706,001 - US\$771,000 (HK\$5,500,001 - HK\$6,000,000) | 2 | 1 |
| US\$771,001 - US\$835,000 (HK\$6,000,001 - HK\$6,500,000) | - | 1 |

Emoluments paid to independent non-executive directors amounted to US\$80,000 during the year (2000: US\$76,000).

(b) SENIOR MANAGEMENT COMPENSATION

The emoluments of the five highest paid individuals, including three directors (2000: three), are analysed as follows:

| | 2001 US\$'000 | 2000 US\$'000 |
|---|------------------|------------------|
| Salaries, allowances and other benefits | 2,861 | 2,922 |
| Retirement scheme contributions | 43 | 39 |
| Bonuses | 288 | 79 |
| | 3,192 | 3,040 |

| Emoluments band | Number of individuals | |
|---|-----------------------|------|
| | 2001 | 2000 |
| US\$385,001 - US\$450,000 (HK\$3,000,001 - HK\$3,500,000) | - | 1 |
| US\$514,001 - US\$578,000 (HK\$4,000,001 - HK\$4,500,000) | 2 | 2 |
| US\$642,001 - US\$706,000 (HK\$5,000,001 - HK\$5,500,000) | 1 | - |
| US\$706,001 - US\$771,000 (HK\$5,500,001 - HK\$6,000,000) | 2 | 1 |
| US\$771,001 - US\$835,000 (HK\$6,000,001 - HK\$6,500,000) | - | 1 |

13 Properties, plant and equipment

| Group | Investment properties US\$'000 | Other properties US\$'000 | Buildings under construction US\$'000 | Plant and machinery US\$'000 | Machinery under construction US\$'000 | Other assets* | Total US\$'000 |
|---|--------------------------------------|---------------------------------|--|------------------------------------|--|------------------|-------------------|
| Cost or valuation | | | | | | | |
| At 1st April 2000 | 17,110 | 97,891 | 1,291 | 333,966 | 8,237 | 161,289 | 619,784 |
| Exchange adjustments | - | (1,834) | - | (4,035) | (3,123) | (933) | (9,925) |
| Additions | - | 11,439 | 625 | 15,775 | 21,899 | 13,034 | 62,772 |
| Transfers | - | 1,479 | (1,479) | 7,835 | (11,413) | 3,578 | - |
| Disposals | (128) | (8,568) | - | (31,931) | (2,129) | (10,305) | (53,061) |
| Revaluation deficit (note 27) | (2,441) | - | - | - | - | - | (2,441) |
| At 31st March 2001 | 14,541 | 100,407 | 437 | 321,610 | 13,471 | 166,663 | 617,129 |
| Accumulated depreciation | | | | | | | |
| At 1st April 2000 | - | 28,639 | - | 227,820 | - | 116,601 | 373,060 |
| Exchange adjustments | - | (894) | - | (4,981) | - | (1,287) | (7,162) |
| Charge for the year | - | 3,129 | - | 24,813 | - | 10,386 | 38,328 |
| Provision for additional depreciation (note 4) | - | 3,699 | - | 11,281 | - | 341 | 15,321 |
| Written back on disposals | - | (450) | - | (22,883) | - | (13,372) | (36,705) |
| At 31st March 2001 | - | 34,123 | - | 236,050 | - | 112,669 | 382,842 |
| Net book value | | | | | | | |
| At 31st March 2001 | 14,541 | 66,284 | 437 | 85,560 | 13,471 | 53,994 | 234,287 |
| At 31st March 2000 | 17,110 | 69,252 | 1,291 | 106,146 | 8,237 | 44,688 | 246,724 |
| The analysis of cost or valuation of the above assets is as follows: | | | | | | | |
| At cost | - | 100,407 | 437 | 321,610 | 13,471 | 166,663 | 602,588 |
| At professional valuation - 2001 | 14,541 | - | - | - | - | - | 14,541 |
| | 14,541 | 100,407 | 437 | 321,610 | 13,471 | 166,663 | 617,129 |

* Other assets comprise equipment, furniture and fixtures, motor vehicles, moulds and tools.

13 Properties, plant and equipment (Cont'd)

Investment properties and other properties are analysed as follows:

| Group | 2001 | | 2000 | |
|--|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| | Investment properties US\$'000 | Other properties US\$'000 | Investment properties US\$'000 | Other properties US\$'000 |
| In Hong Kong: | | | | |
| On long-term lease (over 50 years) | 6,180 | 229 | 6,730 | 514 |
| On medium-term lease (between 10 to 50 years) | 8,361 | 27,594 | 10,380 | 27,034 |
| Outside Hong Kong: | | | | |
| Freehold | - | 27,438 | - | 31,163 |
| On medium-term lease (between 10 to 50 years) | - | 11,023 | - | 10,541 |
| | 14,541 | 66,284 | 17,110 | 69,252 |

The investment properties were revalued on an open market value basis as at 31st March 2001 by an independent valuer, DTZ Debenham Tie Leung Limited, Registered Professional Surveyors.

14 Subsidiaries

| Company | 2001 US\$'000 | 2000 US\$'000 |
|-------------------------------|------------------|------------------|
| Unlisted shares, at cost | 460,596 | 459,590 |
| Amounts due from subsidiaries | 166,389 | 193,007 |
| | 626,985 | 652,597 |
| Amounts due to subsidiaries | (80,235) | (67,673) |
| | 546,750 | 584,924 |

Details of principal subsidiaries at 31st March 2001 are shown in note 32.

15 Jointly controlled entities

| Group | 2001 US\$'000 | 2000 US\$'000 |
|---------------------|--------------------------|--------------------------|
| Share of net assets | 12,006 | 11,668 |
| Loan | 7,500 | - |
| | 19,506 | 11,668 |

| Company | 2001 US\$'000 | 2000 US\$'000 |
|--------------------------|--------------------------|--------------------------|
| Unlisted shares, at cost | 510 | - |
| Loan | 7,500 | - |
| | 8,010 | - |

The group's share of losses of these jointly controlled entities during the year amounts to US\$996,000 (2000: share of profits of US\$641,000).

The loan to a jointly controlled entity is unsecured and bears interest at 0.5% above 3-month LIBOR, and has no fixed terms of repayment.

Details of principal jointly controlled entities at 31st March 2001 are shown in note 32.

16 Associated companies

| Group | 2001 US\$'000 | 2000 US\$'000 |
|---------------------|--------------------------|--------------------------|
| Share of net assets | 7,361 | 9,172 |
| | 7,361 | 9,172 |

The group's share of losses of these associated companies during the year amounts to US\$1,284,000 (2000: US\$598,000).

Details of principal associated companies at 31st March 2001 are shown in note 32.

17 Investment securities

| Group and Company | 2001 US\$'000 | 2000 US\$'000 |
|----------------------------|--------------------------|--------------------------|
| Unlisted equity securities | 11,136 | 7,641 |
| | 11,136 | 7,641 |

18 Investments in finance leases

| Group | 2001 US\$'000 | 2000 US\$'000 |
|--|--------------------------|--------------------------|
| Gross rental receivable | 25,578 | 36,005 |
| Less: gross earnings allocated to future period | (4,152) | (6,973) |
| | 21,426 | 29,032 |
| Less: amounts due within one year included in trade and other receivables | (904) | (1,131) |
| | 20,522 | 27,901 |

The finance leases are receivable in the following years:

| | Net investment | | Gross earnings | | Gross rental | |
|-----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2001 US\$'000 | 2000 US\$'000 | 2001 US\$'000 | 2000 US\$'000 | 2001 US\$'000 | 2000 US\$'000 |
| Within one year | 904 | 1,131 | 1,051 | 1,361 | 1,955 | 2,492 |
| In the second to fifth year | 15,227 | 5,429 | 2,771 | 5,125 | 17,998 | 10,554 |
| After the fifth year | 5,295 | 22,472 | 330 | 487 | 5,625 | 22,959 |
| | 21,426 | 29,032 | 4,152 | 6,973 | 25,578 | 36,005 |

The group has entered into agreements with its employees whereby certain leasehold property assets of the group which are located in Hong Kong are leased to these employees. Under the terms of these agreements, substantially all the risks and rewards of ownership of the assets are transferred to the employees. Consequently, these transactions are accounted for as finance leases. The aggregate cost of assets acquired for the purpose of letting under finance leases as at 31st March 2001 is US\$26,064,000 (2000: US\$33,689,000).

19 Stocks and work in progress

| Group | 2001 US\$'000 | 2000 US\$'000 |
|------------------|--------------------------|--------------------------|
| Raw materials | 32,640 | 28,389 |
| Work in progress | 21,444 | 13,006 |
| Finished goods | 30,883 | 30,239 |
| | 84,967 | 71,634 |

At 31st March 2001, the carrying amount of stocks and work in progress that are pledged as security for long term bank loans amounted to US\$19,139,000 (2000: US\$19,212,000).

At 31st March 2001, the carrying amounts of all stocks and work in progress were stated at cost.

20 Trade and other receivables

(a) The group allows an average credit period of 30 to 60 days to its trade customers.

The trade and other receivables included trade receivables balance of US\$154,368,000 (2000: US\$140,065,000). The ageing analysis of trade receivables is as follows:

| Group | 2001 US\$'000 | 2000 US\$'000 |
|--------------|------------------|------------------|
| 0-60 days | 123,273 | 94,600 |
| 61-90 days | 16,215 | 21,436 |
| Over 90 days | 14,880 | 24,029 |
| Total | 154,368 | 140,065 |

(b) Included in trade and other receivables was an advance to the company secretary and the details are as follows:

| | 31st March 2001 US\$'000 | 31st March 2000 US\$'000 | Maximum outstanding during year US\$'000 |
|--------------|--------------------------------|--------------------------------|---|
| Yip Chee Lan | 96 | 112 | 112 |

The advance is unsecured, bears interest at 5% per annum and is repayable in fixed monthly instalments of US\$1,747 (HK\$13,600) commencing October 1991.

(c) At 31st March 2001, the trade receivables of US\$21,477,000 (2000: US\$19,048,000) are pledged as security for long term bank loans.

21 Other investments

| Group | 2001 US\$'000 | 2000 US\$'000 |
|----------------------|------------------|------------------|
| Unlisted investments | 11,413 | 2,495 |

Other investments mainly comprise bonds and floating rate notes.

22 Trade and other payables

The trade and other payables included trade payables balance of US\$73,844,000 (2000: US\$70,208,000). The ageing analysis of trade payables is as follows:

| Group | 2001 US\$'000 | 2000 US\$'000 |
|--------------|------------------|------------------|
| 0-60 days | 51,355 | 42,260 |
| 61-90 days | 12,010 | 12,044 |
| Over 90 days | 10,479 | 15,904 |
| Total | 73,844 | 70,208 |

23 Long term loans and obligations under finance leases

| Group | 2001 US\$'000 | 2000 US\$'000 |
|---|------------------|------------------|
| Loans | | |
| Secured | 4,643 | 3,000 |
| Unsecured | 1,826 | 1,953 |
| | 6,469 | 4,953 |
| Obligations under finance leases | - | 172 |
| | 6,469 | 5,125 |
| Current portion of long term loans and obligations under finance leases | (547) | (3,365) |
| | 5,922 | 1,760 |

The analysis of the above is as follows :

| | | |
|---|-------|---------|
| Wholly repayable within five years | | |
| Bank loans | 3,000 | 3,896 |
| Obligations under finance leases | - | 172 |
| | 3,000 | 4,068 |
| Not wholly repayable within five years | | |
| Other loans | 3,469 | 1,057 |
| | 6,469 | 5,125 |
| Current portion of long term loans and obligations under finance leases | (547) | (3,365) |
| | 5,922 | 1,760 |

23 Long term loans and obligations under finance leases (Cont'd)

At 31st March 2001, the group's loans and obligations under finance leases are repayable as follows :

| | Bank loans | | Other loans and obligations under finance leases | |
|----------------------------|------------------|------------------|--|------------------|
| | 2001 US\$'000 | 2000 US\$'000 | 2001 US\$'000 | 2000 US\$'000 |
| Within one year | - | 3,120 | 547 | 246 |
| In the second year | - | 136 | 763 | 79 |
| In the third to fifth year | 3,000 | 640 | 1,144 | 276 |
| After the fifth year | - | - | 1,015 | 628 |
| | 3,000 | 3,896 | 3,469 | 1,229 |

Other loans not wholly repayable within five years are repayable by instalments starting from 1st July 2000 to 31st March 2010. Interest is charged on the outstanding balances at 1.9875% to 7.95% per annum (2000: 1.9875% to 7.95% per annum).

24 Other provisions

| Group | Other pension costs US\$'000 | Warranty provision US\$'000 | Sundries US\$'000 | Total US\$'000 |
|--|------------------------------------|-----------------------------------|----------------------|-------------------|
| At 1st April 1999 | - | - | - | - |
| Acquisition of subsidiaries | 9,123 | 5,267 | 2,107 | 16,497 |
| Exchange adjustments | (1,061) | (612) | 2 | (1,671) |
| Transferred from profit and loss | 1,053 | - | 500 | 1,553 |
| Utilised | (744) | (26) | (485) | (1,255) |
| At 1st April 2000 | 8,371 | 4,629 | 2,124 | 15,124 |
| Exchange adjustments | (304) | (168) | (5) | (477) |
| Transferred from / (to) profit and loss | 3,745 | (2,006) | 74 | 1,813 |
| Utilised | (1,394) | (1,174) | (1,571) | (4,139) |
| At 31st March 2001 | 10,418 | 1,281 | 622 | 12,321 |

25 Deferred taxation

| Group | 2001 US\$'000 | 2000 US\$'000 |
|--|------------------|------------------|
| At beginning of year | 6,581 | 13,930 |
| Acquisition of subsidiaries | - | (5,436) |
| Exchange adjustments | 524 | 264 |
| Transfer to profit and loss account (note 7) | (26,933) | (2,177) |
| At end of year | (19,828) | 6,581 |
| Provided in accounts | | |
| Accelerated depreciation allowances | 13,918 | 15,457 |
| Other timing differences | (33,746) | (8,876) |
| At end of year | (19,828) | 6,581 |
| Represented by | | |
| Deferred tax assets | (30,752) | (5,587) |
| Deferred tax liabilities | 10,924 | 12,168 |
| At end of year | (19,828) | 6,581 |

There are no significant potential deferred tax liabilities for which provision has not been made. Deferred tax has not been provided on the revaluation surplus for investment properties in Hong Kong as this does not constitute a timing difference for deferred taxation purposes.

26 Share capital

| | 2001 US\$'000 | 2000 US\$'000 |
|--|------------------|------------------|
| Authorised: | | |
| 7,040,000,000 ordinary shares of HK\$0.0125 each (2000: 1,760,000,000 ordinary shares of HK\$0.05 each) | 11,355 | 11,355 |
| Issued and fully paid: | | |
| 3,673,788,920 ordinary shares of HK\$0.0125 each (2000: 918,447,230 ordinary shares of HK\$0.05 each) | 5,925 | 5,925 |
| | | |

On 11th August 2000, an ordinary resolution was passed to subdivide the issued and unissued share of HK\$0.05 each of the company into four shares of HK\$0.0125 each with effect from 14th August 2000.

27 Reserves

| Group | Share premium US\$'000 | Investment property revaluation reserve US\$'000 | Capital reserve US\$'000 | (Goodwill)/ reserve on consolidation US\$'000 | Exchange reserve US\$'000 | Contributed surplus US\$'000 | Retained earnings US\$'000 | Total US\$'000 |
|--|------------------------------|--|--------------------------------|--|---------------------------------|------------------------------------|----------------------------------|-------------------|
| At 1st April 1999 | 77,855 | 12,548 | 38,917 | 60 | (9,369) | 15,499 | 390,030 | 525,540 |
| Adjustment arising on translation of foreign subsidiaries, associated companies and jointly controlled entities | - | - | - | - | (10,813) | - | - | (10,813) |
| Revaluation surplus | - | 994 | - | - | - | - | - | 994 |
| Goodwill on acquisition of subsidiaries, associated companies and jointly controlled entities | - | - | - | (226,604) | - | - | - | (226,604) |
| Retained profit for the year | - | - | - | - | - | - | 90,115 | 90,115 |
| At 31st March 2000 | 77,855 | 13,542 | 38,917 | (226,544) | (20,182) | 15,499 | 480,145 | 379,232 |
| Adjustment arising on translation of foreign subsidiaries, associated companies and jointly controlled entities | - | - | - | - | (5,065) | - | - | (5,065) |
| Revaluation deficit (note 13) | - | (2,441) | - | - | - | - | - | (2,441) |
| Goodwill adjustment on previously acquired subsidiaries | - | - | - | (7,341) | - | - | - | (7,341) |
| Revaluation surplus realised upon disposal | - | (128) | - | - | - | - | 128 | - |
| Retained profit for the year | - | - | - | - | - | - | 96,855 | 96,855 |
| At 31st March 2001 | 77,855 | 10,973 | 38,917 | (233,885) | (25,247) | 15,499 | 577,128 | 461,240 |

Group retained earnings includes accumulated losses from jointly controlled entities and associated companies of US\$355,000 (2000: retained earnings of US\$641,000) and US\$1,882,000 (2000: US\$598,000) respectively.

27 Reserves (Cont'd)

| Company | Share premium US\$'000 | Contributed surplus US\$'000 | Retained earnings US\$'000 | Total US\$'000 |
|------------------------------|------------------------------|------------------------------------|----------------------------------|-------------------|
| At 1st April 1999 | 77,855 | 95,273 | 65,426 | 238,554 |
| Retained profit for the year | - | - | 360,821 | 360,821 |
| Dividends | - | - | (45,443) | (45,443) |
| At 31st March 2000 | 77,855 | 95,273 | 380,804 | 553,932 |
| Retained profit for the year | - | - | 23,406 | 23,406 |
| Dividends | - | - | (48,513) | (48,513) |
| At 31st March 2001 | 77,855 | 95,273 | 355,697 | 528,825 |

Distributable reserves of the company at 31st March 2001 amounted to US\$450,970,000 (2000: US\$476,077,000).

28 Contingent liabilities

| (a) | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2001 US\$'000 | 2000 US\$'000 | 2001 US\$'000 | 2000 US\$'000 |
| Bills discounted | 2,527 | 2,094 | - | - |
| Guarantee for credit facilities granted to | | | | |
| - subsidiaries | - | - | 13,898 | 10,064 |
| - a jointly controlled entity | 3,000 | - | 3,000 | - |
| | 5,527 | 2,094 | 16,898 | 10,064 |

(b) The company has given guarantees for a subsidiary in respect of future payment of operating lease rentals amounting US\$2,964,000 (2000: US\$3,265,000).

29 Commitments**(a) CAPITAL COMMITMENTS**

| Group | 2001 US\$'000 | 2000 US\$'000 |
|--|------------------|------------------|
| Capital commitments for property, plant and equipment | | |
| Authorised but not contracted for | 7,247 | 2,855 |
| Contracted but not provided for | 10,540 | 7,478 |
| | 17,787 | 10,333 |

(b) OPERATING LEASE COMMITMENTS

At 31st March 2001, the group had commitments to make payments in the next twelve months under operating leases which expire as follows:

| | 2001 | | 2000 | |
|--|-----------------------------------|--------------------|-----------------------------------|--------------------|
| | Land and buildings US\$'000 | Others US\$'000 | Land and buildings US\$'000 | Others US\$'000 |
| Within one year | 366 | 41 | 1,070 | 74 |
| In the second to fifth year inclusive | 1,205 | 37 | 3,640 | 123 |
| After the fifth year | 725 | - | 1,803 | - |
| | 2,296 | 78 | 6,513 | 197 |

30 Consolidated cash flow statement**(a) RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

| | 2001 | 2000 |
|--|-----------------|----------|
| | US\$'000 | US\$'000 |
| Profit before taxation | 136,171 | 155,268 |
| Share of profits less losses of jointly controlled entities / associated companies | 2,280 | (43) |
| Depreciation charges | 35,695 | 37,284 |
| Loss on sale of properties, plant and equipment | 497 | 251 |
| Interest and dividends | (3,356) | (3,458) |
| Gross earnings from investments in finance leases | (1,271) | (1,571) |
| Net realised and unrealised gain on other investments and investment securities | (2,855) | (4,591) |
| Exchange translation differences | (1,510) | (7,725) |
| Increase in stocks and work in progress | (13,333) | (10,488) |
| Increase in trade and other receivables | (21,856) | (18,044) |
| Increase in trade and other payables | 26,040 | 9,248 |
| Net cash inflow from operating activities | 156,502 | 156,131 |

(b) ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

| | 2001 | 2000 |
|---|-----------------|----------|
| | US\$'000 | US\$'000 |
| Loans and obligations under finance leases | | |
| At beginning of year | 5,125 | 3,000 |
| Effect of foreign exchange rate changes | (77) | (326) |
| Net cash inflow / (outflow) from financing | 1,421 | (278) |
| Loans and obligations under finance leases of subsidiaries acquired | - | 2,729 |
| At end of year | 6,469 | 5,125 |

31 Approval of accounts

The accounts were approved by the directors on 8th June 2001.

32 Principal subsidiaries, jointly controlled entities and associated companies

The following list contains particulars of subsidiaries, jointly controlled entities and associated companies of the group which in the opinion of the directors, materially affect the results and assets of the group:

| Name | Principal activities | Place of incorporation and operation | Issued and paid up capital | Effective shareholding by company | by subsidiary |
|---|--|--------------------------------------|---|-----------------------------------|---------------|
| SUBSIDIARIES | | | | | |
| Bernie International Ltd. | Manufacturing and Trading | Malaysia | 1 share of US\$1 each | - | 100% |
| Bloor Company Ltd. | Property holding | British Virgin Islands | 50,000 shares of US\$1 each | - | 100% |
| Crown Trend Ltd. | Property holding | British Virgin Islands | 1 share of US\$1 each | - | 100% |
| Easy Fortune (H.K.) Ltd. | Property holding | British Virgin Islands | 50,000 shares of US\$1 each | - | 100% |
| Gate Deutschland GmbH | Trading | Germany | DM100,000 | - | 100% |
| Gate Espana Automocion, S.A. | Manufacturing | Spain | PTS25,000,000 | - | 100% |
| Gate France S.A. | Manufacturing | France | FFR2,500,000 | - | 99.98% |
| Gate S.p.A. | Manufacturing | Italy | 5,000,000 shares ITL5,000,000,000 | - | 100% |
| Gate U.K. Ltd. | Manufacturing | United Kingdom | GBP50,000 | - | 100% |
| Gentlegain Company Inc. | Trading | Liberia | 2 shares with no par value issued at US\$200 | 100% | - |
| Gether Success Ltd. | Investment holding and trading | British Virgin Islands | 30,000 shares of US\$1 each | 100% | - |
| Harbour Sky (Asia) Ltd. | Property holding | British Virgin Islands | 50,000 shares of US\$1 each | - | 100% |
| Hwa Sun Electric Company Ltd. | Subcontractor | Hong Kong | 10,000 shares of HK\$1 each | - | 100% |
| JE Automotive Holdings, Inc. | Investment holding | United States of America | 100 shares of US\$0.01 each | - | 100% |
| JEA Gate Holdings S.r.l. | Investment holding | Italy | ITL63,400,000 | - | 100% |
| JEA Limited | Investment holding | British Virgin Islands | 1 share of US\$1 each | 100% | - |
| Johnson and Associates Ltd. | Investment holding | Hong Kong | 20,000 shares of HK\$100 each | - | 100% |
| Johnson Electric Automotive, Inc. | Manufacturing | United States of America | 100 shares of US\$0.01 each | - | 100% |
| Johnson Electric Consulting, Inc. | Technical services | United States of America | 1,000 shares with no par value issued at US\$10,000 | 100% | - |
| Johnson Electric Engineering GmbH | Research and development and technical support | Germany | 500 shares of DM100 each | 100% | - |
| Johnson Electric Engineering Ltd. | Technical support | Hong Kong | 100,000 shares of HK\$1 each | 100% | - |
| Johnson Electric (France) SAS | Trading | France | 1,910 shares of EUR20 each | - | 100% |
| Johnson Electric Industrial Manufactory, Ltd. | Manufacturing | Hong Kong | 308,000,000 shares of HK\$0.5 each | 100% | - |
| Johnson Electric Industrial (Thailand) Ltd. | Manufacturing | Thailand | 4,500,050 shares of BHT100 each | 100% | - |
| Johnson Electric Intellectual Property Ltd. | Licensing | Bermuda | 1,000,000 shares of HK\$0.1 each | 100% | - |
| Johnson Electric North America, Inc. | Sales distributor | United States of America | 12 shares with no par value issued at US\$120,000 | - | 100% |

32 Principal subsidiaries, jointly controlled entities and associated companies (Cont'd)

| Name | Principal activities | Place of incorporation and operation | Issued and paid up capital | Effective shareholding by company | by subsidiary |
|--|--|--------------------------------------|---|-----------------------------------|---------------|
| SUBSIDIARIES | | | | | |
| Johnson Electric S.A. | Research and development | Switzerland | 500 shares of SFR1,000 each | - | 100% |
| Johnson Electric (Shenzhen) Co. Ltd. | Manufacturing | China | HK\$30,000,000 | 100% | - |
| Johnson Electric Trading Ltd. | Trading | Hong Kong | 100,000 shares of HK\$1 each | 100% | - |
| Johnson Electric (UK) Ltd. | Trading | United Kingdom | 100 shares of GBP1 each | - | 100% |
| Johnson Electric World Trade Ltd. | Marketing, sales agent and distributor | Hong Kong | 100,000 shares of HK\$1 each | 100% | - |
| Johnson Properties Ltd. | Investment holding | British Virgin Islands | 50,000 shares of US\$1 each | 100% | - |
| Main Country Ltd. | Property holding | British Virgin Islands | 1 share of US\$1 each | - | 100% |
| Nanjing Hop Keung Industrial Co. Ltd. | Manufacturing | China | US\$2,500,000 | - | 100% |
| Nison Trading Ltd. | Trading | Malaysia | 1 share of US\$1 each | - | 100% |
| Sun View Group (Denmark) ApS | Investment holding | Denmark | DKK1,301,000 distributed on shares of DKK1,000 or multiples | - | 100% |
| Sun View Group (Denmark) Holdings ApS | Investment holding | Denmark | DKK1,301,000 distributed on shares of DKK1,000 or multiples | - | 100% |
| Teknik Development Inc. | Licensing | British Virgin Islands | 15,000 shares of US\$1 each | 100% | - |
| Tinkerbelle Investments Ltd. | Investment holding | Hong Kong | 100 shares of HK\$10 each | - | 100% |
| Triowell Ltd. | Property holding | British Virgin Islands | 50,000 shares of US\$1 each | - | 100% |
| Unicorn International Ltd. | Manufacturing and Trading | Malaysia | 1 share of US\$1 each | 100% | - |
| Vaucluse Industries Ltd. | Manufacturing and Trading | Malaysia | 1 share of US\$1 each | - | 100% |
| JOINTLY CONTROLLED ENTITIES | | | | | |
| Manufactura de Motores Argentinos S.r.l. | Manufacturing | Argentina | Peso2,880,000 | - | 51% |
| Nidec Johnson Electric (Hong Kong) Ltd. | Investment holding | Hong Kong | 1,000,000 shares of US\$1 each | 51% | - |
| Nidec Johnson Electric Corporation | Sales and Marketing | Japan | 2,000 shares of JPY50,000 each | - | 49% |
| Nidec Johnson Electric (Malaysia) Ltd. | Manufacturing | Malaysia | 1 share of US\$1 each | - | 51% |
| Shanghai Ri Yong-JEA Gate Electric Co., Ltd. | Manufacturing | China | US\$17,000,000 | - | 50% |
| ASSOCIATED COMPANIES | | | | | |
| Brushless Technology Motors S.r.l. | Technical support and manufacturing | Italy | EUR20,000,000 | - | 51%* |
| FG Microdesign S.r.l. | Technical support and manufacturing | Italy | ITL100,000,000 | - | 40% |

* The group has 51% equity interest and 60% interest in voting power. However, 80% of the votes are required for approval of strategic decisions.