

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2001

1. CORPORATE INFORMATION

During the year, the Group was principally involved in the manufacturing and sale of plastic injection moulding machines and related products.

In the opinion of the directors, the ultimate holding company is Cititrust (Bahamas) Limited, a company incorporated in the Bahamas. Chen Hsong Investments Limited ("CH Investments"), a company incorporated in Hong Kong, is the Company's immediate holding company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

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

Subsidiaries

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

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been diminutions in values other than those considered to be temporary, when they are written down to values determined by the directors.

Jointly-controlled entity

A joint venture is a contractual arrangement whereby 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.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entity (continued)

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different from the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interest in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values other than those considered to be temporary in nature, deemed necessary by the directors.

Associates

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

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

Capital reserve or goodwill

The capital reserve or goodwill arising on acquisition of subsidiaries/associates represents the excess or shortfall of fair values ascribed to the underlying net assets acquired over the purchase consideration. The capital reserve arising on acquisition is credited directly to reserves arising on consolidation. The goodwill arising on acquisition is either eliminated against reserves in the year in which it arises or amortised on the straight-line method over a period of up to 10 years.

Upon disposal of subsidiaries/associates, the relevant portion of attributable goodwill previously eliminated against reserves is realised and accounted for in arriving at the gain or loss on disposal.

Fixed assets and depreciation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over the following estimated useful lives:

Medium term leasehold land and buildings in Hong Kong	–	Over the lease terms
Medium term leasehold land outside Hong Kong	–	25 years
Buildings outside Hong Kong	–	15 to 60 years
Plant, machinery, furniture and other equipment	–	2 to 15 years

Freehold land is not depreciated.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the sales proceeds and the carrying amount of the relevant asset.

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

Research and development costs

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

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

Operating leases

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in securities

Investments in debt securities which are intended to be held until their maturity for redemption are classified as held-to-maturity securities and are stated at amortised cost less provisions for impairments in the recoverable amounts of the securities.

Investments in listed and unlisted equity securities which are intended to be held for a continuing strategic reasons or long term purpose are classified as investment securities and are stated at cost less provisions for impairments in values other than those considered to be temporary, on an individual basis.

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

Securities investments, other than investment securities and held-to-maturity securities, are classified as other investments and are carried at their fair values as at the balance sheet date. The unrealised gains or losses arising from changes in fair values of these investments are included in the profit and loss account for the period in which they arise.

Investment securities and held-to-maturity securities with a remaining maturity of more than one year are classified as long term investments. Other investments and held-to-maturity securities with a remaining maturity within one year are classified as short term investments.

Inventories

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

Deferred tax

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entity and associates are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the costs of those assets. Capitalisation 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 capitalised.

Pre-operating expenses

Pre-operating expenses represent expenses incurred prior to the commencement of commercial operations and are charged to the profit and loss account when incurred.

Retirement benefits scheme

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

Prior to the MPF Scheme being effective, the Group operated a defined contributions retirement benefits scheme (the "DCRB Scheme") for those employees who were eligible and have elected to participate in the DCRB Scheme. The DCRB Scheme operates in a similar way as the MPF Scheme, except that when an employee leaves the Group prior to his/her interest in the DCRB Scheme vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. The Group has obtained a certificate of exemption issued by the Mandatory Provident Fund Scheme Authority pursuant to Section 5 of the MPFS Ordinance which allows exemption of the DCRB Scheme from the operation of all provisions of the MPFS Ordinance. The Group's employees who participated in the DCRB Scheme may elect to either join the MPF Scheme or stay in the DCRB Scheme.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme (continued)

The Company's subsidiaries in the People's Republic of China (the "PRC"), except Hong Kong, are members of the state-managed retirement benefits scheme operated by the PRC government. The amount of contributions payable by these PRC subsidiaries to the scheme, which are based on a certain percentage of the salaries of the PRC subsidiaries' employees, are charged to the profit and loss account in the period to which they relate.

As required by the Labor Standard Law of the Republic of China, the Company's subsidiaries in Taiwan, in addition to set up a defined benefit pension plan covering all employees, make a monthly contributions to a retirement fund to meet employees' retirement benefit entitlements. The fund is administered by Employees' Retirement Fund Committee (the "Committee") and is deposited under the Committee's name with a government approved financial institution, which acts as the trustee. The contributions are set and approved by the government authorities at 2% of the total salaries and wages paid during the year. The Company's contributions to the fund are charged to the profit and loss account in the period to which they relate.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) services fee income, when the services have been provided;
- (c) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and
- (d) dividends, when the shareholders' right to receive payment is established.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

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

3. TURNOVER

Turnover represents the net invoiced value of goods sold during the year, after allowances for returns and trade discounts, but excludes intra-group transactions.

4. PROFIT FROM OPERATING ACTIVITIES

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

	2001	<i>2000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	789,624	735,573
Depreciation	38,025	35,818
Write off of fixed assets	6,099	–
Pre-operating expenses	10,401	366
Write off of inventories	5,103	–
Amortisation of goodwill	89	136
Operating lease rentals in respect of land and buildings	5,365	6,521
Research and development costs	11,998	16,920
Auditors' remuneration	1,672	1,472
Staff costs, excluding directors' emoluments – note 6:		
Wages and salaries	153,034	144,583
Pension contributions	3,050	1,643
Less: Forfeited contributions	(904)	(2,020)
Net pension contributions*	2,146	(377)
Provision for impairment in values of investments	3,000	52,892
Provision for bad and doubtful debts	5,809	1,947
Provision for inventories	12,426	2,044
Loss on disposal of fixed assets	511	11,706
Exchange (gains)/losses, net	(721)	3,984
Dividend income from listed investments	(36)	(31)
Interest income	(24,951)	(21,882)

* At 31 March 2001, forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years amounted to approximately HK\$37,000 (2000: HK\$287,000).

5. FINANCE COSTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	13,932	6,982
Interest capitalised	(1,746)	(1,115)
	12,186	5,867

Interest capitalised during the year was calculated at a rate of approximately 5.95% (2000: 5.875%) per annum.

6. DIRECTORS' EMOLUMENTS

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Fees:		
Non-executive directors	190	190
Independent non-executive directors	190	190
Other emoluments, executive directors:		
Salaries, allowances and benefits in kind	11,261	11,859
Performance related bonuses	2,924	2,482
	14,565	14,721

There were no other emoluments paid and payable to the non-executive directors during the year (2000: Nil).

6. DIRECTORS' EMOLUMENTS (continued)

The remuneration of the directors during the year fell within the following bands:

	<i>Number of directors</i>	
	2001	2000
Nil – HK\$1,000,000	4	4
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	–	1
HK\$5,500,001 – HK\$6,000,000	–	1
HK\$6,500,001 – HK\$7,000,000	1	–
	8	7

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

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2000: three) directors, details of whose remuneration are set out in note 6 above. The details of the remuneration of the remaining one (2000: two) non-director, highest paid employee are as follows:

	<i>Group</i>	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,453	2,550

The remuneration of the non-director, highest paid employees during the year fell within the following band:

	<i>Number of employees</i>	
	2001	2000
HK\$1,000,001 – HK\$1,500,000	1	2

8. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2001 <i>HK\$'000</i>	<i>2000</i> <i>HK\$'000</i>
Current:		
Hong Kong	2,236	10,282
Elsewhere	28,508	19,194
Over-provision in the prior year	(258)	(83)
Deferred – <i>note 24</i>	8,689	2,438
	39,175	31,831
Tax charge for the year	39,175	31,831

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the financial statements of the Company is HK\$43,018,000 (2000: HK\$13,604,000).

10. DIVIDENDS

	2001 <i>HK\$'000</i>	<i>2000</i> <i>HK\$'000</i>
Interim dividend of HK\$0.04 (2000: HK\$0.04) per ordinary share	24,352	24,352
Proposed final dividend of HK\$0.06 (2000: HK\$0.02) per ordinary share	36,529	12,176
	60,881	36,528

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders for the year of HK\$121,226,000 (2000: HK\$54,058,000) and on 608,807,600 (2000: 608,807,600) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit attributable to shareholders for the year of HK\$121,226,000 and on 608,935,771 ordinary shares, being the weighted average number of ordinary shares outstanding during the year adjusted for the effect of dilutive potential ordinary shares outstanding during the year. Diluted earnings per share for the prior year has not been calculated as there were no diluting events existed during the year.

12. FIXED ASSETS

	<i>Group</i>			<i>Total</i>
	<i>Land and buildings</i>	<i>Construction in progress</i>	<i>Plant, machinery, furniture and other equipment</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:				
At beginning of year	274,020	112,407	392,745	779,172
Additions	76,018	34,865	37,676	148,559
Acquisition of a subsidiary	–	–	21,511	21,511
Disposals	–	–	(6,036)	(6,036)
Written off	–	–	(6,099)	(6,099)
Transfers	124,164	(125,808)	1,644	–
Exchange realignment	(1,586)	334	(3,811)	(5,063)
At 31 March 2001	<u>472,616</u>	<u>21,798</u>	<u>437,630</u>	<u>932,044</u>
Accumulated depreciation:				
At beginning of year	54,097	–	217,736	271,833
Acquisition of a subsidiary	–	–	6,786	6,786
Provided during the year	9,860	–	28,165	38,025
Disposals	–	–	(2,732)	(2,732)
Exchange realignment	(250)	–	(2,500)	(2,750)
At 31 March 2001	<u>63,707</u>	<u>–</u>	<u>247,455</u>	<u>311,162</u>
Net book value:				
At 31 March 2001	<u><u>408,909</u></u>	<u><u>21,798</u></u>	<u><u>190,175</u></u>	<u><u>620,882</u></u>
At 31 March 2000	<u><u>219,923</u></u>	<u><u>112,407</u></u>	<u><u>175,009</u></u>	<u><u>507,339</u></u>

12. FIXED ASSETS (continued)

The Group's land and buildings included in the above are analysed as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Leasehold land and buildings held under:		
Medium term leases in Hong Kong	145,768	145,768
Medium term leases outside Hong Kong	223,510	97,192
	369,278	242,960
Freehold land and buildings held outside Hong Kong	103,338	31,060
	472,616	274,020

The Group's construction in progress is situated outside Hong Kong and are held under medium term leases.

	Company
	Furniture and other equipment
	HK\$'000
Cost:	
At beginning of year	11,910
Additions	35
At 31 March 2001	11,945
Accumulated depreciation:	
At beginning of year	6,330
Provided during the year	1,497
At 31 March 2001	7,827
Net book value:	
At 31 March 2001	4,118
At 31 March 2000	5,580

13. GOODWILL

	Group
	<i>HK\$'000</i>
Cost:	
At beginning of year and at 31 March 2001	<u>7,359</u>
Accumulated amortisation:	
At beginning of year	6,904
Provided during the year	<u>89</u>
At 31 March 2001	<u>6,993</u>
Net book value:	
At 31 March 2001	<u><u>366</u></u>
At 31 March 2000	<u><u>455</u></u>

14. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	172,370	172,370
Due from subsidiaries	661,171	692,948
Due to subsidiaries	(318,528)	(306,659)
	<u>515,013</u>	<u>558,659</u>

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are set out on pages 65 to 68.

15. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2001 <i>HK\$'000</i>	<i>2000</i> <i>HK\$'000</i>
Share of net assets	–	7,283
Due to a jointly-controlled entity	–	(463)
	<u>–</u>	<u>6,820</u>

The prior year's balance represented the Group's 40% equity interest in Intra-Italia Hydraulics (Shunde) Company, Ltd. ("Intra-Italia").

On 8 April 2000, the Group entered into a share transfer agreement (the "Agreement") under which the Group acquired an additional 30% equity interest in Intra-Italia. After the completion of the transaction and at 31 March 2001, the Group held a total of 70% equity interest in Intra-Italia. Accordingly, the interest in Intra-Italia was classified as a subsidiary in the current year.

The amount due to a jointly-controlled entity for the prior year was unsecured, interest-free and had no fixed terms of repayment.

16. INTERESTS IN ASSOCIATES

	Group	
	2001 <i>HK\$'000</i>	<i>2000</i> <i>HK\$'000</i>
Share of net assets	17,186	10,581
Loans to associates	–	1,881
Due from associates	9,559	9,322
	<u>26,745</u>	<u>21,784</u>

The Group's share of net profits retained by associates for the year amounted to HK\$5,659,000 (2000: HK\$2,645,000).

The Group's share of the post-acquisition retained profits of associates at 31 March 2001 was HK\$1,309,000 (2000: accumulated deficits of HK\$4,350,000).

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

16. INTERESTS IN ASSOCIATES (continued)

Particulars of the associates are as follows:

<i>Name</i>	<i>Business Structure</i>	<i>Place of registration and operations</i>	<i>Percentage of ownership interest attributable to the Group</i>		<i>Principal activities</i>
			<i>2001</i>	<i>2000</i>	
Shunde Battenfeld Chen Extrusion Systems Limited	Corporate	People's Republic of China	40	34	Manufacture and sale of extrusion machines
Shunde Fuxiong Machinery Company, Limited	Corporate	People's Republic of China	25	25	Iron casting
Shunde Krupp Chen Plastics Technology Company, Limited	Corporate	People's Republic of China	30	30	Manufacture and sale of blow moulding machines

17. INVESTMENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Long term investments		
Listed equity investments, at cost	346	346
Unlisted equity investment securities, at cost	162,345	154,555
Unlisted held-to-maturity securities, at amortised cost	7,800	7,800
	170,145	162,355
Provisions for impairment in values	(51,276)	(48,276)
	118,869	114,079
	119,215	114,425
Short term investments		
Unlisted held-to-maturity securities, at amortised cost	17,425	17,425
Provisions for impairment in values	(17,425)	(17,425)
	–	–
Market value of listed investments	661	578

The unlisted long term equity investments represent investment in a Taiwanese company, which is engaged in the manufacture and sale of spare parts, sub-assembly metal parts, mouldings products, etc. for the aerospace industry, and an indirect interest in a joint venture company, which is engaged in the development of a commercial property in Shanghai, the PRC.

Unlisted short term investments comprise commercial papers and overseas debentures.

18. INVENTORIES

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Raw materials	140,242	138,045
Work in progress	109,589	100,339
Finished goods	83,250	65,297
	333,081	303,681

The carrying amount of inventories included in the above that are carried at net realisable value was HK\$16,954,000 as at 31 March 2001 (2000: HK\$12,131,000).

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Cash and bank balances	140,306	207,295	9,063	26,107
Time deposits	373,797	199,739	255,176	102,303
	514,103	407,034	264,239	128,410

20. TRADE RECEIVABLES

Trading terms with customers are mostly on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well-established customers where the terms are extended to 90 days or longer. Each customer has a credit limit. The Group seeks to maintain strict control over its outstanding receivables and its credit terms serve to minimise credit risk. Overdue balances are regularly reviewed by management.

An ageing analysis of the trade receivables is as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Current	256,479	190,214
1 - 90 days	36,545	37,268
91 - 180 days	26,012	12,714
Over 180 days	10,267	33,844
	329,303	274,040

21. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables is as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Current	133,663	80,922
1 - 90 days	37,115	20,114
91 - 180 days	13,724	14,598
Over 180 days	1,019	1,168
	185,521	116,802

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Deposit received	36,723	39,424	–	–
Loan from a minority shareholder of a subsidiary	1,650	1,650	–	–
Accruals and other liabilities	172,554	152,519	11,903	4,687
Proposed final dividend – <i>note 10</i>	36,529	12,176	36,529	12,176
	247,456	205,769	48,432	16,863

23. BANK LOANS

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Bank loans repayable within one year or on demand:		
Secured	–	101,408
Unsecured	227,720	53,899
	227,720	155,307

As at 31 March 2001, the Group's bank loans were supported by corporate guarantees executed by the Company.

24. DEFERRED TAX

	Group	
	2001 <i>HK\$'000</i>	<i>2000</i> <i>HK\$'000</i>
At beginning of year	16,853	18,063
Charge for the year – note 8	8,689	4,611
Write back – note 8	–	(2,173)
Withholding tax paid on repatriation of earnings from overseas subsidiaries	(1,371)	(3,591)
Exchange realignment	78	(57)
At 31 March	24,249	16,853

The principal components of the Group's provision for deferred tax, and the net deferred tax asset position not recognised in the financial statements are as follows:

	Provided		Not provided	
	2001 <i>HK\$'000</i>	<i>2000</i> <i>HK\$'000</i>	2001 <i>HK\$'000</i>	<i>2000</i> <i>HK\$'000</i>
Accelerated depreciation allowances	3,597	2,294	681	960
Tax losses	(1,218)	–	(9,418)	(10,296)
Earnings retained overseas	21,870	14,559	–	–
	24,249	16,853	(8,737)	(9,336)

25. SHARE CAPITAL

	2001 <i>HK\$'000</i>	<i>2000</i> <i>HK\$'000</i>
Authorised: 1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid: 608,807,600 ordinary shares of HK\$0.10 each	60,881	60,881

25. SHARE CAPITAL (continued)**Share options**

Under the terms of the share option scheme adopted by the Company on 30 August 1996 (the "Scheme"), the board of directors may, at its discretion, invite employees, including the directors of the Company and its subsidiaries, to take up options to subscribe for shares in the share capital of the Company. The subscription price for the Company's shares under the Scheme is determined by the board of directors and will not be less than 80% of the average of the closing prices of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares, whichever is the higher. The maximum number of shares in respect of which options may be granted may not exceed 10% of the issued share capital of the Company (excluding shares issued under the Scheme) from time to time.

During the year, options to subscribe for 3,200,000 shares of the Company were granted to eligible employees including a director of the Company at the subscription price of HK\$1.008 per share. A nominal consideration of HK\$1.00 was paid by the employees for each lot of share options granted. No share options were exercisable nor lapsed during the year ended 31 March 2001.

At 31 March 2001, the Company had outstanding options granted to eligible employees to subscribe for shares of the Company as follows:

<i>Date of grant</i>	<i>No. of shares over which options were granted</i>	<i>Subscription price per share</i>	<i>Exercisable period</i>	
			<i>From</i>	<i>To</i>
10 January 2001	2,800,000	1.008	10 July 2002	9 January 2006
10 January 2001	400,000	1.008	10 July 2003	9 January 2006

26. RESERVES

	Group							Total
	Capital		Capital reserves	Statutory reserve	Exchange		Retained profits	
	Share premium	redemption reserve			General reserves	fluctuation reserve		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 1999	476,755	295	33,128	–	2,351	(36,365)	598,641	1,074,805
Transfer from retained profits*	–	–	521	–	–	–	(521)	–
Exchange realignment	–	–	–	–	–	7,174	–	7,174
Retained profit for the year	–	–	–	–	–	–	17,530	17,530
At 31 March 2000 and beginning of the year	476,755	295	33,649	–	2,351	(29,191)	615,650	1,099,509
Acquisition of a subsidiary	–	–	1,465	–	–	–	–	1,465
Acquisition of additional interest in an associate	–	–	781	–	–	–	–	781
Transfer from retained profits*	–	–	350	1,544	–	–	(1,894)	–
Exchange realignment	–	–	–	–	–	(10,487)	–	(10,487)
Retained profit for the year	–	–	–	–	–	–	60,345	60,345
At 31 March 2001	<u>476,755</u>	<u>295</u>	<u>36,245</u>	<u>1,544</u>	<u>2,351</u>	<u>(39,678)</u>	<u>674,101</u>	<u>1,151,613</u>
Reserves retained by:								
Company and subsidiaries	476,755	295	36,245	1,544	2,351	(39,885)	672,792	1,150,097
Associates	–	–	–	–	–	207	1,309	1,516
At 31 March 2001	<u>476,755</u>	<u>295</u>	<u>36,245</u>	<u>1,544</u>	<u>2,351</u>	<u>(39,678)</u>	<u>674,101</u>	<u>1,151,613</u>
Company and subsidiaries	476,755	295	33,659	–	2,351	(29,259)	622,043	1,105,844
A jointly-controlled entity	–	–	(10)	–	–	32	(2,043)	(2,021)
Associates	–	–	–	–	–	36	(4,350)	(4,314)
At 31 March 2000	<u>476,755</u>	<u>295</u>	<u>33,649</u>	<u>–</u>	<u>2,351</u>	<u>(29,191)</u>	<u>615,650</u>	<u>1,099,509</u>

* In accordance with the Company Law of Taiwan, Asian Plastic Machinery Company, Limited and Chen Hsong Machinery Taiwan Company, Limited are required to transfer a portion of their profit after tax to a capital reserve, which is non-distributable. When the capital reserve has accumulated to 50% of the capital, up to 50% of the capital reserve may be capitalised. The capital reserve may be utilised at any time to offset any deficit. At the balance sheet date, such capital reserve amounted to HK\$33,118,000 (2000: HK\$32,768,000).

In accordance with the law of the PRC on Sole Foreign Investment Enterprises, certain of the Company's PRC subsidiaries are required to transfer a portion of their profit after tax to the statutory reserve fund until the accumulated total reaches 50% of their registered capital.

26. RESERVES (continued)

	Company				Total
	Share premium	Capital redemption reserve	Contributed surplus	Retained profits	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 1999	476,755	295	134,120	105,334	716,504
Profit for the year	–	–	–	13,604	13,604
Dividends	–	–	–	(36,528)	(36,528)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000 and beginning of year	476,755	295	134,120	82,410	693,580
Profit for the year	–	–	–	43,018	43,018
Dividends	–	–	–	(60,881)	(60,881)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	<u>476,755</u>	<u>295</u>	<u>134,120</u>	<u>64,547</u>	<u>675,717</u>

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation in September 1991 over the nominal value of the Company's shares issued in exchange therefore. Under The Companies Act 1981 of Bermuda, the Company may make distributions to its members out of contributed surplus in certain circumstances.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	HK\$'000	HK\$'000
Profit from operating activities	201,490	118,953
Interest income	(24,951)	(21,882)
Dividends from listed investments	(36)	(31)
Write off of fixed assets	6,099	–
Write off of inventories	5,103	–
Depreciation	38,025	35,818
Amortisation of goodwill	89	136
Loss on disposal of fixed assets	511	11,706
Provision for bad and doubtful debts	5,809	1,947
Provision for inventories	12,426	2,044
Provisions for impairments in value:		
Long term investments	3,000	48,276
Short term investments	–	4,616
Increase in inventories	(44,003)	(14,840)
Increase in trade receivables	(71,579)	(44,593)
Decrease/(increase) in deposits, prepayments and other receivables	(28,621)	3,376
Increase in trade and bills payables	71,908	29,568
Increase in accruals and other liabilities	18,534	7,272
Decrease in deposit received	(2,701)	(14,090)
Decrease/(increase) in amount due from associates	(237)	2,995
Increase/(decrease) in amount due to a jointly-controlled entity	(463)	146
Loss on disposal of short term investments	–	195
	190,403	171,612

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the years

	<i>Share capital and share premium</i>	<i>Bank loans</i>	<i>Loan from a minority shareholder of a subsidiary</i>	<i>Minority interests</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 1999	537,636	80,893	1,650	79,099
Net cash inflow from financing activities	–	68,074	–	–
Share of currency translation on overseas subsidiaries	–	–	–	350
Cash contributed by minority equity holders of a subsidiary	–	–	–	2,538
Share of net profits	–	–	–	30,052
Proposed dividend to a minority equity holder of a subsidiary	–	–	–	(46,990)
Effect of foreign exchange rate changes, net	–	6,340	–	–
At 31 March 2000 and 1 April 2000	537,636	155,307	1,650	65,049
Acquisition of a subsidiary	–	1,887	–	–
Cash contribution by minority equity holder of a subsidiary	–	–	–	311
Net cash inflow from financing activities	–	75,316	–	–
Share of currency translation on overseas subsidiaries	–	–	–	236
Share of net assets on acquisition of a subsidiary	–	–	–	6,727
Share of net profits	–	–	–	36,225
Effect of foreign exchange rate changes, net	–	(4,790)	–	–
At 31 March 2001	<u>537,636</u>	<u>227,720</u>	<u>1,650</u>	<u>108,548</u>

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Acquisition of a subsidiary

	2001 <i>HK\$'000</i>	<i>2000</i> <i>HK\$'000</i>
Net assets acquired:		
Fixed assets	14,725	20,310
Inventories	9,233	–
Trade receivables	4,723	–
Deposits, prepayments and other receivables	2,498	–
Cash and bank balances	1,296	7,800
Trade and bills payables	(2,735)	–
Other payables and accruals	(5,428)	–
Bank loans	(1,887)	–
	22,425	28,110
Net assets	(6,727)	–
Minority interests	15,698	28,110
Capital reserve	(1,465)	–
	14,233	28,110
Satisfied by:		
Cash	5,287	28,110
Transfer from interest in a jointly-controlled entity	8,946	–
	14,233	28,110

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary:

	2001 <i>HK\$'000</i>	<i>2000</i> <i>HK\$'000</i>
Cash consideration	(5,287)	(28,110)
Cash and bank balances acquired	1,296	7,800
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(3,991)	(20,310)

The subsidiary acquired during the year made no significant contribution to the Group in respect of the cash flows, turnover and contribution to the consolidated profit after tax and before minority interests for the year.

28. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2001	2000
	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	375,370	157,190

As at 31 March 2001, the guarantees given by the Company to banks in connection with facilities granted to subsidiaries were utilised to the extent of approximately HK\$225,833,000 (2000: HK\$95,619,000).

29. COMMITMENTS

- (i) As at 31 March 2001, the Group had entered into agreements to invest up to approximately HK\$ 23,942,000 (2000: HK\$72,363,000) in associates and subsidiaries in the PRC. The Group had capital commitments, which were contracted, but not provided for, in respect of the construction of industrial buildings in the PRC amounting to approximately HK\$2,239,000 (2000: HK\$4,903,000) related to these subsidiaries.
- (ii) As at 31 March 2001, the Group had an outstanding investment commitment at the amount of HK\$15,000,000 (2000: HK\$23,000,000) in a joint venture which is involved in the development of a commercial property in the PRC.

At the balance sheet date, the Company had no significant commitments (2000: Nil).

30. RELATED PARTY TRANSACTIONS

During the year, the Group purchased raw materials amounting to HK\$59,878,000 (2000: HK\$52,387,000) from a jointly-controlled entity and an associate at prices and conditions similar to those offered by unrelated suppliers of the Group.

During the prior year, the Group acquired Diamond Heart Limited ("Diamond Heart"), a wholly-owned subsidiary of CH Investments at a consideration of HK\$28,110,008 and advanced loans amounting to HK\$5,465,000 (the "Loans") in aggregate to a jointly-controlled entity and certain associates. Except for certain loans to associates in the aggregate amount of HK\$1,881,000 which bore interest at a rate of 7.032% per annum and were repayable within one year, the Loans were unsecured, interest-free and had no fixed terms of repayment.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 17 July 2001.