

## 1. General information

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

The Group is engaged in the import, marketing and distribution of air-conditioning products, audio-visual equipment and other electrical products, car audio and electronic products and cars and car accessories.

## 2. Basis of preparation of financial statements

In preparing the financial statements, the Directors have given careful consideration to the future liquidity of the Group in the light of the Group's net current liabilities of approximately HK\$124,783,000 at December 31, 2001.

As explained in note 51, in April 2002, the Company received net proceeds of HK\$46,800,000 from a rights issue. However, the Group is still dependent upon the continuing financial support from a supplier with which loan rescheduling is expected to be completed in May 2002 as explained in note 51.

Provided that the loan rescheduling is successfully completed, the Directors consider that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

## 3. Adoption of statements of standard accounting practice

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 4. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current and prior years.

### Leases

SSAP 14 (Revised) "Leases" ("SSAP 14") has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. Disclosures for all of the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14. Comparative amounts have been restated in order to achieve a consistent presentation.

### **3. Adoption of statements of standard accounting practice** *(continued)*

#### **Segment reporting**

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended December 31, 2000 have been amended so that they are presented on a consistent basis.

#### **Goodwill**

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill previously charged to reserves. Accordingly, goodwill arising on acquisition prior to January 1, 2001 continues to be held in reserves, and will be charged to the profit and loss account at the time of disposal of the relevant subsidiary or associate or at such time as the goodwill is determined to be impaired. Goodwill arising on acquisitions after January 1, 2001 is capitalised and amortised on a straight-line basis over its estimated useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

### **4. Significant accounting policies**

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investment in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out as follows:

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to December 31, each year.

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

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

#### **Interests in associates**

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

#### **4. Significant accounting policies** *(continued)*

##### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition. Goodwill arising on acquisition prior to January 1, 2001 continues to be held in reserves, and will be charged to the profit and loss account at the time of disposal of the relevant subsidiary or associate or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after January 1, 2001 is capitalised and amortised on a straight-line basis over its estimated useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

##### **Revenue recognition**

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

Maintenance service income is recognised when services are rendered.

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

Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Commission income is recognised when the relevant services are rendered.

##### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### **4. Significant accounting policies** *(continued)*

##### **Leasing** *(continued)*

###### *The Group as lessor*

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the terms of the relevant leases.

###### *The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs are charged to the profit and loss account over the terms of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the terms of the relevant leases.

##### **Foreign currencies**

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the profit and loss account.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

##### **Retirement benefit costs**

The retirement benefit costs charged to the profit and loss account represent the contributions payable in respect of the current year to the Group's defined contribution scheme.

#### 4. Significant accounting policies (continued)

##### 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 year from that in which they are recognised in the financial statements. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

##### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost of items or valuation of property, plant and equipment, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Land held under medium-term lease	Over the unexpired term of lease
Buildings on land held under medium-term lease	2.5-5%
Leasehold improvements	20%
Furniture, fixtures and equipment	10-20%
Machinery and tools	20-33 $\frac{1}{3}$ %
Motor vehicles	20-25%

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

##### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the profit and loss account.

#### **4. Significant accounting policies** *(continued)*

##### **Investment properties** *(continued)*

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property disposed of is credited to the profit and loss account.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

##### **Intangible assets**

Costs incurred in the acquisition of distribution and manufacturing rights are capitalised and amortised on a straight-line basis over their estimated useful lives from commencement of commercial production or sale of the related products.

##### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

##### **Investments in securities**

Investments in securities are recognised on a trade date basis and are initially measured at cost.

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

For the year ended December 31, 2001

**4. Significant accounting policies** *(continued)***Investments in securities** *(continued)*

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 unrealised gains and losses included in net profit or loss for the year.

**Properties held for sale**

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

**5. Turnover**

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Sales of goods to customers, less returns, discounts and allowance	<b>530,619</b>	373,651
Maintenance service income	<b>35,226</b>	13,215
	<b>565,845</b>	386,866

## 6. Business and geographical segments

### Business segments

For management purposes, the Group is currently organised into six operating divisions: air-conditioning products, audio-visual equipment and other electrical products, car audio and electronic products, cars and car accessories, direct marketing and property investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Air-conditioning products	Distribution and installation of air-conditioning and refrigeration products
Audio-visual equipment and other electrical products	Distribution of audio-visual equipment and home appliances
Car audio and electronic products	Distribution of car audio equipment and accessories
Cars and car accessories	Trading of cars and related accessories and provision of car repairing services
Direct marketing	Retailing of consumer electronic products and home appliances
Property investment	Rental of investment properties and properties held for sales



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**6. Business and geographical segments** (continued)**Business segments** (continued)

Segment information about these businesses is presented below.

**2001**

	Air- conditioning products HK\$'000	Audio-visual equipment and other electrical products HK\$'000	Car audio and electronic products HK\$'000	Cars and car accessories HK\$'000	Direct marketing HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Turnover</b>									
External sales	176,059	59,576	52,491	243,378	34,341	-	-	-	565,845
Inter-segment sales	7,230	4,871	-	-	326	-	-	(12,427)	-
<b>Total turnover</b>	<b>183,289</b>	<b>64,447</b>	<b>52,491</b>	<b>243,378</b>	<b>34,667</b>	<b>-</b>	<b>-</b>	<b>(12,427)</b>	<b>565,845</b>
Inter-segment sales are charged at prevailing market rates.									
<b>Result</b>									
Segment result	10,813	(26,934)	(2,654)	5,162	(2,177)	1,234	49	(389)	(14,896)
Unallocated corporate expenses									(50,544)
Loss from operations									(65,440)
Finance costs									(16,923)
Investment income									149
Deficit on revaluation of investment properties	-	-	-	-	-	(11,189)	-	-	(11,189)
Net gain (loss) on disposal or liquidation of subsidiaries	-	59	3,360	124	-	-	(974)	-	2,569
Impairment loss recognised in respect of goodwill	-	-	-	(2,789)	(670)	-	-	-	(3,459)
Share of results of associates	812	(4,984)	-	-	-	-	167	-	(4,005)
Loss before taxation									(98,298)
Taxation									(1,689)
Loss after taxation									(99,987)
Minority interests									479
Loss attributable to shareholders									(99,508)

## Notes to the Financial Statements

For the year ended December 31, 2001

### 6. Business and geographical segments (continued)

#### Business segments (continued)

	Air- conditioning products HK\$'000	Audio-visual equipment and other electrical products HK\$'000	Car audio and electronic products HK\$'000	Cars and car accessories HK\$'000	Direct marketing HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Consolidated balance sheet</b>									
<b>Assets</b>									
Segment assets	47,689	22,279	15,095	58,631	8,868	228,985	-	-	381,547
Interests in associates	48,610	141,466	-	-	-	-	-	-	190,076
Unallocated corporate assets									197,231
Consolidated total assets									768,854
<b>Liabilities</b>									
Segment liabilities	278,971	22,486	23,065	37,308	10,149	35,431	-	-	407,410
Unallocated corporate liabilities									66,999
Consolidated total liabilities									474,409
<b>Other information</b>									
Capital additions	153	1,024	28	15,198	146	-	1,469	(130)	17,888
Depreciation and amortisation	490	3,398	1,946	909	48	-	9,767	-	16,558
Impairment losses recognised in profit and loss account	-	20,008	-	2,789	670	-	-	-	23,467

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**6. Business and geographical segments (continued)****Business segments (continued)**

2000

	Air- conditioning products HK\$'000	Audio-visual equipment and other electrical products HK\$'000	Car audio and electronic products HK\$'000	Cars and car accessories HK\$'000	Direct marketing HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Turnover</b>									
External sales	191,676	68,946	74,316	-	51,928	-	-	-	386,866
Inter-segment sales	1,847	1,605	-	-	231	-	-	(3,683)	-
<b>Total turnover</b>	<b>193,523</b>	<b>70,551</b>	<b>74,316</b>	<b>-</b>	<b>52,159</b>	<b>-</b>	<b>-</b>	<b>(3,683)</b>	<b>386,866</b>

Inter-segment sales are charged at prevailing market rates.

**Result**

Segment result	21,431	(12,743)	(996)	-	(18,105)	12,113	60	109	1,869
Unallocated corporate expenses									(47,443)
Loss from operations									(45,574)
Finance costs									(18,195)
Investment income									5,543
Deficit on revaluation of investment properties	-	-	-	-	-	(8,412)	-	-	(8,412)
Net loss on liquidation of subsidiaries	-	-	-	-	-	-	(282)	-	(282)
Allowance against account receivable	-	-	-	(22,632)	-	-	-	-	(22,632)
Write-back of allowance against amounts due from associates	-	-	-	5,632	-	-	-	-	5,632
Share of results of associates	13,161	(10,610)	-	1,400	-	-	(595)	-	3,356
Loss before taxation									(80,564)
Taxation									(3,141)
Loss after taxation									(83,705)
Minority interests									(1,750)
Loss attributable to shareholders									(85,455)

## Notes to the Financial Statements

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### 6. Business and geographical segments (continued)

#### Business segments (continued)

	Air- conditioning products HK\$'000	Audio-visual equipment and other electrical products HK\$'000	Car audio and electronic products HK\$'000	Cars and car accessories HK\$'000	Direct marketing HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Consolidated balance sheet</b>									
<b>Assets</b>									
Segment assets	60,801	33,058	24,973	-	8,105	251,954	-	-	378,891
Interests in associates	46,718	149,198	-	(18,186)	1,697	-	-	-	179,427
Unallocated corporate assets									314,038
Consolidated total assets									872,356
<b>Liabilities</b>									
Segment liabilities	277,559	21,929	23,791	-	7,308	42,734	-	-	373,321
Unallocated corporate liabilities									117,995
Consolidated total liabilities									491,316
<b>Other information</b>									
Capital additions	1,265	3,298	176	-	1,492	-	979	-	7,210
Depreciation and amortisation	568	4,611	206	-	347	-	14,075	-	19,807

For the year ended December 31, 2001

**6. Business and geographical segments** (continued)**Geographical segments**

The Group's operations are mainly located in Hong Kong, Singapore, Malaysia, The People's Republic of China (other than Hong Kong and Macau) (the "PRC") and Macau. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market		Contribution to operating profit	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	<b>437,386</b>	242,786	<b>(11,603)</b>	(6,887)
Singapore	<b>40,315</b>	39,841	<b>247</b>	(5,554)
Malaysia	<b>15,978</b>	19,545	<b>(2,434)</b>	(1,896)
PRC	<b>28,267</b>	34,224	<b>(17,031)</b>	(167)
Macau	<b>31,726</b>	32,346	<b>1,386</b>	(942)
Others	<b>12,173</b>	18,124	<b>(198)</b>	(827)
	<b>565,845</b>	386,866	<b>(29,633)</b>	(16,273)
Other revenue			<b>14,737</b>	18,142
Unallocated corporate expenses			<b>(50,544)</b>	(47,443)
Loss from operations			<b>(65,440)</b>	(45,574)

## Notes to the Financial Statements

For the year ended December 31, 2001

### 6. Business and geographical segments (continued)

#### Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	<b>414,033</b>	425,471	<b>17,468</b>	5,672
Singapore	<b>20,824</b>	71,975	<b>30</b>	1,078
Malaysia	<b>6,727</b>	12,721	<b>28</b>	31
PRC	<b>326,229</b>	356,810	<b>355</b>	122
Macau	<b>1,041</b>	1,085	<b>7</b>	294
Others	<b>–</b>	4,294	<b>–</b>	13
	<b>768,854</b>	872,356	<b>17,888</b>	7,210

### 7. Other revenue

	2001 HK\$'000	2000 HK\$'000
Rental income	<b>11,834</b>	12,275
Commission income	<b>2,854</b>	5,807
Finance lease interest income	<b>49</b>	60
	<b>14,737</b>	18,142

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**8. Loss from operations**

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Loss from operations has been arrived at after charging:		
Amortisation of intangible assets included in administrative expenses	<b>1,539</b>	3,078
Auditors' remuneration	<b>936</b>	1,191
Depreciation of:		
Owned assets	<b>14,753</b>	16,476
Assets held under finance leases	<b>266</b>	253
Impairment loss recognised in respect of investment securities	<b>338</b>	–
Loss on disposal of property, plant and equipment	<b>7,852</b>	501
Staff costs, including Directors' emoluments	<b>79,237</b>	58,408
Write-down of inventories to their net realisable value	<b>3,036</b>	3,778

**9. Finance costs**

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Interest on:		
Bank loans, trust receipts and overdrafts wholly repayable within five years	<b>6,434</b>	8,003
Bank loans wholly repayable after five years	<b>2,699</b>	2,090
Other loans wholly repayable within five years	<b>5,286</b>	5,112
Other loans wholly repayable after five years	<b>2,099</b>	2,364
	<b>16,518</b>	17,569
Finance lease charges	<b>47</b>	322
Bank charges	<b>358</b>	304
	<b>16,923</b>	18,195

## Notes to the Financial Statements

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### 10. Investment income

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Interest income from bank deposits	<b>136</b>	688
Interest income from trade and other receivables	<b>12</b>	755
Dividend income from listed equity securities	<b>1</b>	2
Interest income from associates	–	4,016
Gain on disposal of listed equity securities	–	82
	<b>149</b>	5,543

### 11. Net gain (loss) on disposal or liquidation of subsidiaries

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Gain upon disposal of subsidiaries	<b>3,543</b>	–
Loss upon liquidation of subsidiaries	<b>(974)</b>	(282)
	<b>2,569</b>	(282)

### 12. Directors' and employees' emoluments

#### (a) Directors' emoluments

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Fees:		
Executive Directors	–	–
Non-executive Directors	<b>153</b>	200
	<b>153</b>	200
Other emoluments:		
Salaries and other benefits	<b>7,986</b>	5,555
Retirement benefits scheme contributions	<b>33</b>	2
	<b>8,019</b>	5,557
	<b>8,172</b>	5,757



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**12. Directors' and employees' emoluments** (continued)**(a) Directors' emoluments** (continued)

Fees paid to non-executive Directors include HK\$123,000 (2000: HK\$160,000) paid to independent non-executive Directors.

The Directors' emoluments were within the following bands:

	<b>2001</b>	2000
	<b>Number of</b>	Number of
	<b>Directors</b>	Directors
HK\$		
Nil – 1,000,000	<b>4</b>	3
1,000,001 – 1,500,000	<b>1</b>	1
1,500,001 – 2,000,000	<b>2</b>	1
2,000,001 – 2,500,000	<b>–</b>	1
3,000,001 – 3,500,000	<b>1</b>	–

**(b) Employees' emoluments**

During the year, the 5 highest paid individuals included 4 Directors (2000 : 3 Directors), details of whose emoluments are set out in note 12(a) above. The emoluments of the remaining highest paid individuals were as follows:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>2,125</b>	1,543
Retirement benefits scheme contributions	<b>176</b>	–
	<b>2,301</b>	1,543

The emoluments of the remaining highest paid individuals fell within the following bands:

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

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### 13. Retirement benefit scheme

The Group operates a Mandatory Provident Fund (“MPF”) scheme for all qualifying employees of its Hong Kong subsidiaries. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The retirement benefit cost charged to the profit and loss account during the year amounted to HK\$3,506,000 (2000: HK\$117,000), which represents contributions payable to the fund by the Group at the rates specified in the MPF Ordinance.

At December 31, 2001 and 2000, there were no forfeited contributions which arose upon employees bearing the scheme and available to reduce the contributions payable by the Group in the future years.

### 14. Taxation

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
The charge comprises:		
Profits Tax for the year:		
Hong Kong	<b>1,224</b>	790
Overseas taxation	<b>155</b>	391
	<b>1,379</b>	1,181
Deferred taxation (note 38)	-	(12)
Taxation attributable to the Company and its subsidiaries	<b>1,379</b>	1,169
Share of taxation attributable to associates	<b>310</b>	1,972
	<b>1,689</b>	3,141

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

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

### 15. Loss per share

The calculation of the basic loss per share is based on the loss attributable to shareholders of HK\$99,508,000 (2000: HK\$85,455,000) and on the weighted average number of 1,408,439,260 (2000: 1,405,444,189) ordinary shares in issue during the year.

Diluted loss per share is not presented for both years as the exercise of the outstanding share options would result in a decrease in the loss per share.

For the year ended December 31, 2001

**16. Investment properties**

	<b>Investment properties in Hong Kong held under medium-term leases</b> <i>HK\$'000</i>	<b>Investment properties outside Hong Kong held under medium- term leases</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>The Group</b>			
At January 1, 2001	87,783	47,733	135,516
Transfer from land and buildings	–	7,596	7,596
Deficit on revaluation	–	(11,189)	(11,189)
At December 31, 2001	87,783	44,140	131,923

Investment properties were revalued at December 31, 2001 by Centaline Surveyors Limited, independent professional valuers, on an open market value basis. The net deficit arising on revaluation amounting to HK\$11,189,000 (2000: HK\$8,412,000) has been charged to the profit and loss account.

The investment properties of the Group are rented or available for rent under operating leases.

## Notes to the Financial Statements

For the year ended December 31, 2001

### 17. Property, plant and equipment

	Land and buildings in Hong Kong held under medium- term leases HK\$'000	Land and buildings outside Hong Kong held under medium- term leases HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Machinery and tools HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>The Group</b>							
<b>Cost or valuation</b>							
At January 1, 2001	210,486	57,566	19,313	46,925	26,248	12,336	372,874
Exchange difference	-	(2,963)	(40)	(126)	(42)	(93)	(3,264)
Additions	-	-	734	1,092	1,143	1,305	4,274
Acquisition of subsidiaries	-	-	5,592	4,382	3,340	300	13,614
Disposals of subsidiaries	-	-	-	(2,363)	(22,205)	-	(24,568)
Disposals	-	(45,007)	(6,642)	(904)	(433)	(4,544)	(57,530)
Transfer to investment properties	-	(9,596)	-	-	-	-	(9,596)
At December 31, 2001	210,486	-	18,957	49,006	8,051	9,304	295,804
Representing:							
At cost	198,426	-	18,957	49,006	8,051	9,304	283,744
At 1996 valuation	10,640	-	-	-	-	-	10,640
At 1999 valuation	1,420	-	-	-	-	-	1,420
	210,486	-	18,957	49,006	8,051	9,304	295,804
<b>Accumulated depreciation</b>							
At January 1, 2001	22,968	8,156	15,481	40,379	22,731	10,268	119,983
Exchange difference	-	(454)	(29)	(118)	(38)	(53)	(692)
Charge for the year	4,675	2,004	1,865	4,930	813	732	15,019
Acquisition of subsidiaries	-	-	5,174	3,928	2,803	281	12,186
Disposals of subsidiaries	-	-	-	(2,164)	(18,578)	-	(20,742)
Eliminated upon disposals	-	(7,706)	(4,775)	(685)	(433)	(3,100)	(16,699)
Transfer to investment properties	-	(2,000)	-	-	-	-	(2,000)
At December 31, 2001	27,643	-	17,716	46,270	7,298	8,128	107,055
<b>Net book value</b>							
At December 31, 2001	182,843	-	1,241	2,736	753	1,176	188,749
At December 31, 2000	187,518	49,410	3,832	6,546	3,517	2,068	252,891

For the year ended December 31, 2001

**17. Property, plant and equipment** (continued)

The net book value of the Group's property, plant and equipment includes an amount of HK\$486,000 (2000 : HK\$762,000) in respect of assets held under finance leases.

The land and buildings reclassified from investment properties are stated at valuation at the time of their reclassification. No further valuation of these properties is carried out thereafter.

If the land and buildings which are stated at valuation had not been revalued, they would have been included in the financial statements at historical cost less accumulated depreciation of HK\$11,751,000 (2000: HK\$12,043,000).

**The Company**

	<b>Leasehold improvements</b> <i>HK\$'000</i>	<b>Furniture, fixtures and equipment</b> <i>HK\$'000</i>	<b>Motor vehicles</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost</b>				
At January 1, 2001	6,606	21,652	2,632	30,890
Additions	–	–	683	683
Disposals	–	(121)	(930)	(1,051)
At December 31, 2001	6,606	21,531	2,385	30,522
<b>Accumulated depreciation</b>				
At January 1, 2001	4,990	17,950	2,273	25,213
Charge for the year	1,273	2,733	277	4,283
Eliminated on disposals	–	(83)	(930)	(1,013)
At December 31, 2001	6,263	20,600	1,620	28,483
<b>Net book value</b>				
At December 31, 2001	343	931	765	2,039
At December 31, 2000	1,616	3,702	359	5,677

The net book value of the Company's property, plant and equipment includes an amount of HK\$24,000 (2000: HK\$47,000) in respect of assets held under finance leases.

For the year ended December 31, 2001

**18. Goodwill**

	<b>The Group</b> <i>HK\$'000</i>
<b>Cost</b>	
Arising on acquisitions during the year and at December 31, 2001	3,459
<b>Amortisation and impairment</b>	
Impairment loss recognised during the year and at December 31, 2001	3,459
<b>Net book value</b>	
At December 31, 2001	–
At December 31, 2000	–

The goodwill arose on the Group's acquisition of additional interests in ebuystore.com Limited, Mega Warehouse (B.V.I.) Limited and Technorient Limited during the year. At the balance sheet date, the Directors have reconsidered the value of goodwill and determined that the amount is on longer recoverable. Accordingly, the goodwill has been written off in full in the current year. An impairment loss of HK\$3,459,000 has been included in the profit and loss account for the current year by reference to the excess of the carrying value of these assets over the estimated discounted future cash flows at rate of 5.31% expected to be generated from them.

For the year ended December 31, 2001

**19. Intangible assets**

	<b>Distribution and manufacturing rights</b>
	<i>HK\$'000</i>
<hr/>	
<b>The Group</b>	
<b>Cost</b>	
At January 1, 2001 and December 31, 2001	30,781
<hr/>	
<b>Amortisation and impairment</b>	
At January 1, 2001	9,234
Charge for the year	1,539
Impairment loss recognised during the year	20,008
<hr/>	
At December 31, 2001	30,781
<hr/>	
<b>Net book value</b>	
At December 31, 2001	–
<hr/>	
At December 31, 2000	21,547
<hr/>	

Intangible assets represented the Group's distribution and manufacturing rights of its audio-visual products acquired from a third party in previous years.

At the balance sheet date, the Group considered that there had been a decline in the recoverable amount of the intangible assets under these distribution and manufacturing rights. An impairment loss of HK\$20,008,000 has been included in the profit and loss account for the current year by reference to the excess of the carrying value of these intangible assets over the estimated discounted future cash flows at rate of 5.31% expected to be generated from them.

## Notes to the Financial Statements

For the year ended December 31, 2001

### 20. Investments in subsidiaries

	<b>The Company</b>	
	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Unlisted shares, at cost	<b>293,504</b>	293,504

Particulars of the Company's principal subsidiaries at December 31, 2001 are shown in note 49.

### 21. Interests in associates

	<b>The Group</b>	
	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Share of net assets	<b>133,622</b>	117,317
Amounts due from associates	<b>56,454</b>	62,110
	<b>190,076</b>	179,427

Particulars of the Group's principal associates at December 31, 2001 are shown in note 50.

The following details have been extracted from the audited financial statements of the Group's significant associate:

	<b>Jin Ling Electrical Company Limited</b>	
	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
<b>Operating results</b>		
Turnover	<b>401,099</b>	530,212
Depreciation	<b>17,595</b>	15,946
(Loss) profit before taxation	<b>(8,344)</b>	5,047
(Loss) profit before taxation attributable to the Group	<b>(4,172)</b>	2,523



For the year ended December 31, 2001

**21. Interests in associates** (continued)

	<b>Jin Ling Electrical Company Limited</b>	
	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
<b>Financial position</b>		
Non-current assets	<b>383,259</b>	415,525
Current assets	<b>312,876</b>	350,654
Current liabilities	<b>(293,906)</b>	(337,308)
Non-current liabilities	<b>(134,986)</b>	(147,598)
Shareholders' funds	<b>267,243</b>	281,273
Shareholders' funds attributable to the Group	<b>133,622</b>	140,636

**22. Investment securities**

	<b>The Group</b>	
	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Unlisted equity shares, at cost	<b>75</b>	75
Club debentures, at net realisable value	<b>1,372</b>	1,767
	<b>1,447</b>	1,842

In the opinion of the Directors, investment securities are worth at least their carrying values.

For the year ended December 31, 2001

**23. Finance lease receivable****The Group**

	Minimum lease payments		Present value of minimum lease payments	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Amount receivable under finance lease:				
Within one year	<b>376</b>	376	<b>355</b>	335
In the second to fifth year inclusive	–	376	–	355
	<b>376</b>	752	<b>355</b>	690
Less: unearned finance income	<b>21</b>	62	<b>N/A</b>	N/A
Present value of minimum lease payments receivable	<b>355</b>	690	<b>355</b>	690
Analysed as:				
Non-current finance lease receivable (recoverable after one year)			–	355
Current finance lease receivable (recoverable within one year)			<b>355</b>	335
			<b>355</b>	690

The Group enters into finance leasing arrangements for certain of its equipment. The term of finance lease entered into is 5 years. The interest rate inherent in the lease is fixed at the contract date for the lease terms. The interest rate on finance lease receivable at December 31, 2001 was 6% (2000: 6%) per annum.

For the year ended December 31, 2001

**24. Account receivable**

	<b>The Group</b>	
	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Within one year	–	39,823
Over one year but not exceeding two years	–	–
	–	39,823
Less: Allowance against account receivable	–	22,632
Less: Amount due within one year shown under current assets (included in trade and other receivables (note 26))	–	17,191
Amount due after one year	–	–

**25. Inventories**

	<b>The Group</b>	
	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Finished goods	<b>74,693</b>	51,884
Spare parts	<b>11,176</b>	5,304
	<b>85,869</b>	57,188

Included above are finished goods of HK\$22,225,000 (2000: HK\$4,101,000) and spare parts of HK\$380,000 (2000: HK\$246,000), which are carried at net realisable value.

## Notes to the Financial Statements

For the year ended December 31, 2001

### 26. Trade and other receivables

#### The Group

The Group allows an average credit period of 30 to 90 days to its customers. The aged analysis of trade receivables is as follows:

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Within 30 days	<b>20,403</b>	18,771
Over 30 days	<b>11,131</b>	6,329
Over 60 days	<b>498</b>	1,848
Over 90 days	<b>2,236</b>	2,943
Over 1 year	<b>753</b>	3,390
Total trade receivables	<b>35,021</b>	33,281
Account receivable (note 24)	–	17,191
Deposits, prepayments and other receivables	<b>24,247</b>	25,319
	<b>59,268</b>	75,791

### 27. Amounts due from related companies

Details of the amounts due from related companies are as follows:

Name of related company	The Group			The Company		
	Balance at December 31, 2001 HK\$'000	Balance at January 1, 2001 HK\$'000	Maximum amount outstanding during the year HK\$'000	Balance at December 31, 2001 HK\$'000	Balance at January 1, 2001 HK\$'000	Maximum amount outstanding during the year HK\$'000
Best & Original Production Limited	2,015	–	4,015	1,134	–	3,134
B & O Web Studio Limited	82	–	82	25	–	25
	<b>2,097</b>	–		<b>1,159</b>	–	

The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The related companies are controlled by Mr. Wing Sum Lee, a Director of the Company.

For the year ended December 31, 2001

**28. Other investments**

	The Group		The Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Listed equity securities	<b>184</b>	36	<b>36</b>	36

The securities are listed on The Stock Exchange of Hong Kong Limited and are carried at market value.

**29. Trade and other payables****The Group**

At the balance sheet date, the aged analysis of trade payables is as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Within 30 days	<b>6,598</b>	7,974
Over 30 days	<b>1,218</b>	2,777
Over 60 days	<b>1,278</b>	2,623
Over 90 days	<b>1,044</b>	5,063
Over 1 year	<b>25,749</b>	27,972
Total trade payables	<b>35,887</b>	46,409
Accruals and other payables	<b>67,152</b>	41,533
	<b>103,039</b>	87,942

## Notes to the Financial Statements

For the year ended December 31, 2001

### 30. Issued capital

	<b>The Group and the Company</b>	
	<b>Number of shares of HK\$0.10 each</b>	<b>Nominal value HK\$'000</b>
Authorised:		
At January 1, 2000 and January 1, 2001 and December 31, 2001	3,500,000,000	350,000
Issued and fully paid:		
At January 1, 2000	1,400,553,178	140,055
Issue of shares upon exercise of share options	6,092,000	609
Cancellation upon repurchase of own shares	(1,574,000)	(157)
At January 1, 2001	1,405,071,178	140,507
Issue of shares upon exercise of share options	5,000,000	500
Cancellation upon repurchase of own shares	(1,200,000)	(120)
At December 31, 2001	1,408,871,178	140,887

During the year, the Company repurchased a total of 1,200,000 shares of HK\$0.10 each of the Company ("Repurchased Shares") on The Stock Exchange of Hong Kong Limited with details as follows:

<b>Month of repurchase</b>	<b>No. of shares repurchased</b>	<b>Price per share</b>		<b>Total consideration paid HK\$</b>
		<b>Highest HK\$</b>	<b>Lowest HK\$</b>	
January 2001	200,000	0.095	0.095	19,000
February 2001	800,000	0.097	0.090	72,700
March 2001	100,000	0.092	0.092	9,200
April 2001	100,000	0.079	0.077	7,888

The Repurchased Shares were cancelled upon repurchase and, accordingly, the issued share capital of the Company was diminished by the nominal value of these shares.

Details of the share option information are set out on pages 93 to 97.

Details of the changes in share capital of the Company subsequent to the balance sheet date are set out in Note 51.

For the year ended December 31, 2001

**31. Capital reserves**

	<b>Share premium</b>	<b>Capital redemption reserve</b>	<b>Contributed surplus</b>	<b>Capital reserve</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>The Group</b>					
At January 1, 2000	725,537	639	–	1,434	727,610
Premium on issue of shares	456	–	–	–	456
Arising upon repurchase of own shares	–	157	–	–	157
At January 1, 2001	725,993	796	–	1,434	728,223
Arising upon repurchase of own shares	–	120	–	–	120
At December 31, 2001	725,993	916	–	1,434	728,343
<b>The Company</b>					
At January 1, 2000	725,537	639	210,255	–	936,431
Premium on issue of shares	456	–	–	–	456
Arising upon repurchase of own shares	–	157	–	–	157
At January 1, 2001	725,993	796	210,255	–	937,044
Arising upon repurchase of own shares	–	120	–	–	120
At December 31, 2001	725,993	916	210,255	–	937,164

## Notes to the Financial Statements

For the year ended December 31, 2001

### 32. Exchange reserve

	<i>HK\$'000</i>
<b>The Group</b>	
At January 1, 2000	(14,400)
Exchange differences, less minority interests on translation of financial statements of overseas operations	8,318
At January 1, 2001	(6,082)
Exchange differences, less minority interests on translation of financial statements of overseas operations	8,391
Realised on disposal of subsidiaries	(251)
At December 31, 2001	2,058

### 33. Accumulated losses

	<i>HK\$'000</i>
<b>The Group</b>	
At January 1, 2000	(392,182)
Premium on repurchase of own shares	(180)
Loss attributable to shareholders	(85,455)
At January 1, 2001	(477,817)
Premium on repurchase of own shares	(109)
Loss attributable to shareholders	(99,508)
At December 31, 2001	(577,434)

Included in the above is the Group's share of post-acquisition reserves of associates, as follows:

	<i>HK\$'000</i>
At January 1, 2000	5,851
Profit attributable to shareholders	1,384
Dividend received	(14,115)
At January 1, 2001	(6,880)
Reclassification upon acquisition of subsidiaries	18,300
Loss attributable to shareholders	(4,315)
At December 31, 2001	7,105



For the year ended December 31, 2001

**33. Accumulated losses (continued)**

	<i>HK\$'000</i>
<b>The Company</b>	
At January 1, 2000	(614,352)
Premium on repurchase of own shares	(180)
Loss attributable to shareholders	(88,943)
At January 1, 2001	(703,475)
Premium on repurchase of own shares	(109)
Loss attributable to shareholders	(88,853)
At December 31, 2001	(792,437)

The Company has no reserves available for distribution to shareholders at the balance sheet date.

**34. Obligations under finance leases**

	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
	<b>2001 HK\$'000</b>	2000 <i>HK\$'000</i>	<b>2001 HK\$'000</b>	2000 <i>HK\$'000</i>
<b>The Group</b>				
Amounts payable under finance leases:				
Within one year	<b>165</b>	174	<b>132</b>	139
In the second to fifth year inclusive	<b>483</b>	591	<b>367</b>	447
Over five years	<b>60</b>	161	<b>50</b>	136
	<b>708</b>	926	<b>549</b>	722
Less: future finance charges	<b>(159)</b>	(204)	<b>N/A</b>	N/A
Present value of lease obligations	<b>549</b>	722	<b>549</b>	722

## Notes to the Financial Statements

For the year ended December 31, 2001

### 34. Obligations under finance leases (continued)

	Minimum lease payments		Present value of minimum lease payments	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Analysed as:				
Amounts due within one year shown under current liabilities			<b>132</b>	139
Amounts due after one year			<b>417</b>	583
			<b>549</b>	722
<b>The Company</b>				
Amounts payable under finance leases:				
Within one year	<b>33</b>	33	<b>24</b>	24
In the second to fifth year inclusive	<b>14</b>	46	<b>10</b>	33
Less: future finance charges	<b>47</b> <b>(13)</b>	79 (22)	<b>34</b> <b>N/A</b>	57 N/A
Present value of lease obligations	<b>34</b>	57	<b>34</b>	57
Analysed as:				
Amounts due within one year shown under current liabilities			<b>24</b>	24
Amounts due after one year			<b>10</b>	33
			<b>34</b>	57

For the year ended December 31, 2001

**34. Obligations under finance leases** (continued)

It is the Group's policy to lease certain of its furniture, fixtures and equipment under finance leases. The average lease term is 6 years. For the year ended December 31, 2001, the average effective borrowing rate was 7% (2000: 7%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

**35. Borrowings**

	<b>The Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Bank loans and overdrafts		
Secured	<b>88,167</b>	115,515
Unsecured	<b>7,477</b>	16,035
	<b>95,644</b>	131,550
Unsecured loans advanced from Directors (note a)	<b>14,932</b>	16,210
Unsecured loans advanced from related companies (note b)	<b>15,232</b>	4,337
Unsecured loan advanced from a supplier (note c)	<b>203,383</b>	198,089
	<b>329,191</b>	350,186
The maturity of the above loans is as follows:		
Within one year	<b>242,676</b>	231,540
More than one year, but not exceeding two years	<b>21,044</b>	21,510
More than two years, but not exceeding five years	<b>39,354</b>	49,374
More than five years	<b>26,117</b>	47,762
	<b>329,191</b>	350,186
Less: Amounts due within one year shown under current liabilities	<b>242,676</b>	231,540
Amounts due after one year	<b>86,515</b>	118,646

**35. Borrowings** *(continued)*

Notes:

- a. The loans advanced from Directors are unsecured, bear interest at 4.5% (2000: 10%) per annum and have no fixed terms of repayment.
- b. The loans advanced from related companies are unsecured. HK\$4,632,000 (2000: HK\$4,337,000) of the balance is unsecured, bears interest at the best lending rate offered by the Development Bank of Singapore and is repayable by 60 equal monthly instalments commencing from January 1998. HK\$9,000,000 of the balance (2000: nil) is unsecured, bears interest at 1% above the best lending rate and is repayable on May 2002. The remaining balances are non-interest bearing and is repayable by 14 monthly instalments commencing from February 2002.

The related companies are controlled by Directors and a former Director.

- c. The loan advanced from a supplier is unsecured, bears interest at 3% to 3.3% per annum and is currently repayable on demand.

Details of arrangements to reschedule the loan advanced from a supplier are set out in note 51.

**36. Loans advanced from minority shareholders**

The loans are unsecured, non-interest bearing and have no fixed terms of repayment. The minority shareholders have agreed not to demand repayment of the loans in the next twelve months from the balance sheet date and, accordingly, the amounts have been classified as non-current liability.

**37. Other loan**

The loan is unsecured, non-interest bearing and has no fixed terms of repayment. The lender has agreed not to demand repayment of the loan in the next twelve months from the balance sheet date and, accordingly, the amount has been classified as non-current liability.

For the year ended December 31, 2001

**38. Deferred taxation**

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At January 1,	13	25	-	-
Credit for the year (note 14)	-	(12)	-	-
At December 31,	13	13	-	-

At the balance sheet date, the major components of the deferred taxation liabilities (assets), recognised and unrecognised, are as follows:

	Recognised		Unrecognised	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>The Group</b>				
Excess (shortfall) of tax allowances over accounting depreciation in respect of property, plant and equipment	-	-	198	(239)
Taxation losses	-	-	(151,228)	(158,376)
Other timing differences	13	13	(825)	(47)
	13	13	(151,855)	(158,662)
<b>The Company</b>				
Excess of tax allowances over accounting depreciation in respect of property, plant and equipment	-	-	121	15
Taxation losses	-	-	(11,948)	(10,194)
	-	-	(11,827)	(10,179)

Deferred taxation asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

## Notes to the Financial Statements

For the year ended December 31, 2001

### 38. Deferred taxation (continued)

The amount of unrecognised deferred taxation charge (credit) for the year is as follows:

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of:				
Excess (shortfall) of tax allowances over accounting depreciation in respect of property, plant and equipment	<b>437</b>	110	<b>106</b>	(788)
Taxation losses utilised (arising)	<b>7,148</b>	(9,568)	<b>(1,754)</b>	1,065
Other timing differences	<b>(778)</b>	1,949	-	-
	<b>6,807</b>	(7,509)	<b>(1,648)</b>	277

Deferred taxation has not been recognised on the surplus or deficit arising on the revaluation of leasehold land and buildings and investment properties because profits or losses arising on the disposal of these assets would not be subject to taxation. Accordingly, the surplus or deficit arising on revaluation does not constitute a timing difference.

For the year ended December 31, 2001

### 39. Reconciliation of loss before taxation to net cash (outflow) inflow from operating activities

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Loss before taxation	<b>(98,298)</b>	(80,564)
Share of results of associates	<b>4,005</b>	(3,356)
Dividend from listed equity securities	<b>(1)</b>	(2)
Finance lease interest income	<b>(49)</b>	(60)
Interest income	<b>(148)</b>	(5,459)
Write-back of allowance against amounts due from associates	–	(5,632)
Interest expenses	<b>16,518</b>	17,569
Finance lease charges	<b>47</b>	322
Amortisation of intangible assets	<b>1,539</b>	3,078
Deficit on revaluation of investment properties	<b>11,189</b>	8,412
Depreciation	<b>15,019</b>	16,729
Gain on disposal of subsidiaries	<b>(2,569)</b>	–
Gain on disposal of listed equity securities	–	(82)
Loss on disposal of property, plant and equipment	<b>7,852</b>	501
Loss on liquidation of subsidiaries	–	282
Impairment loss recognised on goodwill	<b>3,459</b>	–
Impairment loss recognised on intangible assets	<b>20,008</b>	–
Allowance against account receivable	–	22,632
Impairment loss recognised in respect of investment securities	<b>338</b>	–
Decrease in inventories	<b>8,081</b>	10,490
Decrease in properties held for sale	<b>10,600</b>	–
Decrease in trade and other receivables	<b>11,137</b>	26,072
(Increase) decrease in amounts due from associates	<b>(157)</b>	10,638
Decrease in amounts due from related companies	<b>1,839</b>	–
Decrease in trade and other payables	<b>(8,792)</b>	(11,738)
(Decrease) increase in bills payable	<b>(13,541)</b>	10,400
Increase in amounts due to associates	<b>706</b>	28
Increase in amounts due to related companies	<b>454</b>	488
<b>Net cash (outflow) inflow from operating activities</b>	<b>(10,764)</b>	20,748

## Notes to the Financial Statements

For the year ended December 31, 2001

### 40. Purchase of subsidiaries

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Net assets acquired:		
Property, plant and equipment	<b>1,428</b>	–
Inventories	<b>37,509</b>	–
Trade and other receivables	<b>16,456</b>	–
Bank balances and cash	<b>2,305</b>	–
Trade and other payables	<b>(57,493)</b>	–
Taxation	<b>(350)</b>	–
Minority interests	<b>6,746</b>	–
Loans from minority shareholders	<b>(3,096)</b>	–
Other loan	<b>(4,500)</b>	–
	<b>(995)</b>	–
Transfer from interests in associates	<b>18,186</b>	–
	<b>17,191</b>	–
Satisfied by:		
Assignment of account receivable	<b>17,191</b>	–
Analysis of net inflow of cash and cash equivalents in connection with the acquisition of subsidiaries:		
Bank balances and cash acquired	<b>2,305</b>	–

The subsidiaries acquired during the year contributed to HK\$4,489,000 to the Group's net operating cash flows, paid HK\$1,302,000 in respect of the net returns on investments and servicing of finance, paid HK\$589,000 in respect of taxation, utilised HK\$1,577,000 for investing activities and raised HK\$3,211,000 in respect of financing activities.

The subsidiaries acquired during the year contributed HK\$243,378,000 to the Group's turnover, and HK\$6,122,000 to the Group's profit from operations.



For the year ended December 31, 2001

**41. Disposal of subsidiaries**

Summary of the effects of the disposal of subsidiaries are as follows:

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Net assets disposed of:		
Property, plant and equipment	<b>3,826</b>	–
Inventories	<b>747</b>	–
Trade and other receivables	<b>3,924</b>	–
Bank balances and cash	<b>1,167</b>	–
Trade and other payables	<b>(10,963)</b>	–
Obligations under finance leases	<b>(202)</b>	–
Minority interests	<b>(441)</b>	–
	<b>(1,942)</b>	–
Exchange reserve realised on disposal	<b>(251)</b>	–
Gain on disposal of subsidiaries	<b>3,543</b>	–
	<b>1,350</b>	–
Satisfied by:		
Trade and other receivables	<b>1,350</b>	–
Net cash outflow arising from disposal:		
Bank balances and cash disposed of	<b>(1,167)</b>	–

The subsidiaries disposed of during the year did not have any significant impact on the Group's cash flows, turnover and operating results.

For the year ended December 31, 2001

#### 42. Liquidation of subsidiaries

A summary of the effects of liquidation of subsidiaries is as follows:

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Net assets written off:		
Trade and other receivables	<b>974</b>	377
Trade and other payables	-	(95)
Loss upon liquidation	<b>974</b>	282

The effects on the cash flows of the subsidiaries liquidated during the year and results of the Group are insignificant.

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## 43. Analysis of changes in financing during the year

	Share capital and share premium <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Borrowings (excluding amount included in cash and cash equivalents) <i>HK\$'000</i>	Loans advanced from minority shareholders <i>HK\$'000</i>	Other loan <i>HK\$'000</i>
At January 1, 2000	865,592	1,897	(5,529)	358,635	4,046	-
Nominal value of own shares repurchased and cancelled	(157)	-	-	-	-	-
Inception of finance leases	-	821	-	-	-	-
Net cash inflow (outflow) from financing	1,065	(1,991)	-	(25,738)	-	-
Share of profit by minority shareholders for the year	-	-	1,750	-	-	-
Effect of foreign exchange rate changes	-	(5)	(12)	(1,502)	-	-
At January 1, 2001	866,500	722	(3,791)	331,395	4,046	-
Nominal value of own shares repurchased and cancelled	(120)	-	-	-	-	-
Issue of shares	500	-	-	-	-	-
Inception of finance leases	-	320	-	-	-	-
Net cash inflow (outflow) from financing	-	(253)	-	(36,282)	747	-
Waiver of loans	-	-	-	-	(4,824)	-
Interest payable	-	-	-	6,030	-	-
Purchase of subsidiaries	-	-	(6,746)	-	3,096	4,500
Purchase of additional interests in subsidiaries	-	-	11,812	-	(1,543)	-
Disposal of subsidiaries	-	(202)	(441)	-	-	-
Share of loss by minority shareholders for the year	-	-	(479)	-	-	-
Effect of foreign exchange rate changes	-	(38)	236	(2,145)	-	-
At December 31, 2001	866,880	549	591	298,998	1,522	4,500

## Notes to the Financial Statements

For the year ended December 31, 2001

### 44. Major non-cash transactions

During the year, the Group purchased property, plant and equipment by means of finance leases. The addition cost of property, plant and equipment amounted to HK\$320,000 (2000: HK\$821,000).

### 45. Related party transactions

In addition to the loans advanced from related parties disclosed under note 35 above, during the year, the Group entered into the following transactions with related parties:

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Interest expenses paid to Directors	<b>733</b>	615
Interest expenses paid to a related company	-	318
Interest income from associates	-	4,016
Management and agency fee paid to a related company	<b>3,531</b>	3,943

The interest expenses paid to Directors and a related company, and interest income from associates were determined by the Directors on the basis of estimated market rate.

The pricing of transactions regarding management and agency fees were determined by the Directors on the basis of estimated market value.

The related companies are controlled by the Directors of the Company.

During the year, the Group purchased additional 25% interest in ebuystore.com Limited and 45% interest in Mega Warehouse (B.V.I.) Limited at a consideration of HK\$195 and HK\$351 respectively, from two companies controlled by a Director of the Company. The respective considerations were arrived at after arm's length negotiations between the parties.

During the year, the Group disposed of its entire interest in Golden City Equities Limited at a consideration of HK\$1,300,000 to a company controlled by a Director of the Company. The consideration was determined at arm's length negotiations.

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## 46. Operating lease arrangements

### The Group as lessee

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Minimum lease payments under operating leases recognised in the profit and loss account for the year	<b>16,986</b>	10,166

At the balance sheet date, the Group had commitments under non-cancellable operating leases, which fall due as follows:

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Within one year	<b>6,641</b>	1,965
In the second to fifth year inclusive	<b>2,914</b>	919
	<b>9,555</b>	2,884

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of 2 years and rentals are fixed for an average of 1 year.

At the balance sheet date, the Company had no commitments under non-cancellable operating leases (2000: Nil).

### The Group as lessor

Property rental income earned, net of outgoings of HK\$3,722,000 (2000: HK\$3,426,000) during the year was HK\$8,112,000 (2000: HK\$8,849,000). The property held has committed tenants for the next 2 years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments which fall due:

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Within one year	<b>8,765</b>	9,954
In the second to fifth year inclusive	<b>4,189</b>	5,152
	<b>12,954</b>	15,106

## Notes to the Financial Statements

For the year ended December 31, 2001

### 47. Contingent liabilities

At the balance sheet date, the Group and the Company had the following outstanding contingent liabilities which are not provided for in the financial statements in respect of:

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantees given for banking and other facilities made available to:				
Subsidiaries	–	–	222,423	287,604
Other guarantees	2,141	98	5,097	–
	<b>2,141</b>	98	<b>227,520</b>	287,604

### 48. Pledge of assets

At the balance sheet date, certain of the Group's land and buildings, investment properties and properties held for sale with an aggregate net book value of HK\$355,227,000 (2000: HK\$412,430,000) and all assets of a subsidiary of HK\$9,096,000 (2000: HK\$24,169,000) have been pledged to secure banking facilities granted to the Group.

### 49. Principal subsidiaries

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
<b>Direct subsidiary</b>				
Wo Kee Hong (B.V.I.) Limited	British Virgin Islands	100.0	30,000 shares of US\$0.01 each	Investment holding
<b>Indirect subsidiaries</b>				
Achievement Investments Limited	British Virgin Islands	100.0	1 share of US\$1 each	Investment holding

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**49. Principal subsidiaries** (continued)

<b>Name of subsidiary</b>	<b>Place of incorporation/ operation</b>	<b>Percentage of equity interest attributable to the Group</b>	<b>Issued and fully paid share capital or registered capital</b>	<b>Principal activities</b>
<b>Indirect subsidiaries</b> (continued)				
Auto Italia Limited	Hong Kong	86.0	10,000 shares of HK\$10 each	Trading of cars and related accessories and provision of car repairing services
Bodyworld International (B.V.I.) Limited	British Virgin Islands	100.0	1 share of US\$1 each	Trading brand holding
Cliven Pte Ltd. *	Singapore	100.0	10 ordinary shares of S\$1 each	Investment holding
Corich Enterprises Inc.	British Virgin Islands	100.0	100 shares of US\$1 each	Investment holding
East Wood Offshore Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
ebuystore.com Limited	British Virgin Islands	100.0	100 shares of US\$1 each	Trading brand holding
ebuystore.com (H.K.) Limited	Hong Kong	100.0	2 shares of HK\$1 each	e-commerce
Eight Wonders Company Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Elbright Limited	Hong Kong	100.0	2 shares of HK\$1 each	Property leasing agent
Ever Rising Investments Limited	Hong Kong	100.0	2 shares of HK\$1 each	Property investment

## Notes to the Financial Statements

For the year ended December 31, 2001

### 49. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
<b>Indirect subsidiaries (continued)</b>				
Excellent Top Ltd.	British Virgin Islands/PRC	100.0	180,000 shares of US\$1 each	Trading brand holding
Flying Colours Company Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Forward Electronics (Malaysia) Sdn. Bhd.*	Malaysia	100.0	250,000 ordinary shares of M\$1 each	Distribution of audio-visual equipment
Forward International Singapore (Private) Limited *#	Singapore	100.0	1,000,000 shares of S\$1 each	Distribution of multimedia software
Forward Marketing (Singapore) Pte Ltd.*	Singapore	100.0	1,000,000 ordinary shares of S\$1 each	Distribution of audio-visual products
Full Moon Overseas Limited	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Haverest Moon Holdings Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Italian Motors (Sales & Service) Limited	Hong Kong	86.0	60,000 shares of HK\$10 each	Trading of cars and related accessories and provision of car repairing services
Jacobean Co. Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment



For the year ended December 31, 2001

**49. Principal subsidiaries (continued)**

<b>Name of subsidiary</b>	<b>Place of incorporation/ operation</b>	<b>Percentage of equity interest attributable to the Group</b>	<b>Issued and fully paid share capital or registered capital</b>	<b>Principal activities</b>
<b>Indirect subsidiaries (continued)</b>				
Locomotion Enterprises Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Macau Wo Kee Hong Import & Export Limited	Macau	100.0	MOP10,000	Trading of audio-visual equipment, air-conditioning and refrigeration products and providing repairs and maintenances services for air-conditioning equipment and electronic appliances
Maiden Pink Limited	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Martview Limited	Hong Kong	100.0	2 shares of HK\$1 each	Property holding
Mega Warehouse Company Limited	Hong Kong	100.0	2 shares of HK\$1 each	Trading brand holding
Mega Warehouse (Hong Kong) Limited	Hong Kong	100.0	1,000,000 shares of HK\$1 each	Warehouse stores operation
Metro Global Limited	Hong Kong	100.0	2 non voting deferred shares of HK\$1 each and 1,000 ordinary shares of HK\$1 each	Investment holding
Midtown Company Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Most Advance International Ltd.	British Virgin Islands	100.0	1 share of US\$1 each	Investment holding

## Notes to the Financial Statements

For the year ended December 31, 2001

### 49. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
<b>Indirect subsidiaries (continued)</b>				
New Castle Development Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Number One Enterprises Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Pacific Star Worldwide Limited	British Virgin Islands	100.0	600,000 shares of US\$1 each	Investment holding
Rising Sun Development Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Riverlily Enterprises Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Rogers International Limited	Bahamas	100.0	2 shares of US\$1 each	Trading brand holding
Shinwa Engineering Company, Limited	Hong Kong	100.0	5,000,000 non-voting deferred shares of HK\$1 each and 2 ordinary shares of HK\$1 each	Investment holding

For the year ended December 31, 2001

**49. Principal subsidiaries** (continued)

<b>Name of subsidiary</b>	<b>Place of incorporation/ operation</b>	<b>Percentage of equity interest attributable to the Group</b>	<b>Issued and fully paid share capital or registered capital</b>	<b>Principal activities</b>
<b>Indirect subsidiaries</b> (continued)				
Sincere Overseas Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Skyline Trading Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Stoneycroft Estates Limited	Hong Kong	100.0	20,000,000 non-voting deferred shares of HK\$1 each and 1,000 ordinary shares of HK\$1 each	Property investment
Technorient Limited	Hong Kong	86.0	261,687 shares of HK\$100 each	Investment holding
Waterfront Company Ltd.	British Virgin Islands/PRC	100.0	1 share of US\$1 each	Property investment
Wo Kee Hong Distribution Pte Ltd. *	Singapore	100.0	400,000 ordinary shares of S\$1 each	Distribution of home audio and car audio equipment and accessories
Wo Kee Hong Electronics Sdn. Bhd. *	Malaysia	100.0	1,000,000 ordinary shares of M\$1 each	Distribution of audio-visual equipment
Wo Kee Hong Finance Limited	Hong Kong	100.0	2 shares of HK\$1 each	Finance and money lending

## Notes to the Financial Statements

For the year ended December 31, 2001

### 49. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Percentage of equity interest attributable to the Group	Issued and fully paid share capital or registered capital	Principal activities
<b>Indirect subsidiaries (continued)</b>				
Wo Kee Hong Limited	Hong Kong	100.0	10,000 non-voting deferred shares of HK\$1,000 each and 2 ordinary shares of HK\$1,000 each	Investment holding and distribution of audio-visual equipment, car audio and electronic products, air-conditioning and refrigeration products, electrical appliances and electronic components
Wo Kee Hong Professional Air Conditioning Pte Ltd *	Singapore	91.5	5,000,000 shares of S\$1 each	Distribution of air-conditioning products
Wo Kee Hong Professional Air Conditioning Sdn. Bhd. *	Malaysia	100.0	4,200,000 ordinary shares of M\$1 each	Distribution and installation of air-conditioning products
Wo Kee Hong (Singapore) Pte Ltd *#	Singapore	100.0	2,700 shares of S\$1,000 each	Investment holding and distribution of audio-visual equipment and car audio and electronic products
Wo Kee Services Limited	Hong Kong	100.0	2 non-voting deferred shares of HK\$100 each and 19,998 ordinary shares of HK\$100 each	Provision of warehousing, delivery, repairs and maintenance services

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**49. Principal subsidiaries** *(continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affect 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.

\* Subsidiaries not audited by member firms of Deloitte Touche Tohmatsu.

# Subsidiaries that are in the process of winding up.

**50. Principal associates**

The following is a list of the principal associates as at December 31, 2001:

<b>Name of company</b>	<b>Place of incorporation/ operation</b>	<b>Percentage of equity interest attributable to the Group</b>	<b>Issued and fully paid share capital or registered capital</b>	<b>Principal activities</b>
Jin Ling Electrical Company Limited	PRC	50.0	RMB263,500,000	Manufacturing and trading of washing machines
Mitsubishi Heavy Industries-Jinling Air-Conditioners Company, Ltd	PRC	24.5	US\$30,000,000	Manufacturing and trading of air conditioners

The above table lists the associates of the Group which, in the opinion of the Directors, principally affect the results or assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

**51. Post balance sheet events**

- (1) On November 9, 2001, a conditional loan rescheduling agreement was entered into between the Group and a supplier. The loan advanced from the supplier amounting to approximately HK\$203 million will be partially settled by the disposal of the Group's interest in an associate and the remaining portion will be extended for 10 years. The transactions were to be completed on March 31, 2002. On March 25, 2002, the Company entered into a supplemental agreement with the supplier whereby the parties agreed to extend the date of completion to May 31, 2002.
- (2) Pursuant to resolutions passed on the special general meeting held on March 15, 2002, (i) the existing paid up capital and nominal value of each of the issued share of the Company reduced from HK\$0.10 to HK\$0.001 each by the cancellation of HK\$0.099 of the paid up capital for each issued share of the Company ("Reduced Share"); (ii) each authorised but unissued share of the Company subdivided into 10 shares of HK\$0.01 each; (iii) every issued 10 Reduced Shares consolidated into 1 issued share; (iv) the credit of approximately HK\$139,478,000 arising from the cancellation of HK\$0.099 of the paid up capital of each issued share of the Company transferred to the contributed surplus account and fully utilised to eliminate part of the accumulated losses of the Company; and (v) an amount of approximately HK\$343,542,000 standing to the credit of the share premium account of the Company transferred to the contributed surplus account and applied to eliminate the balance of the accumulated losses.
- (3) Pursuant to another resolution passed on the same special general meeting held on March 15, 2002, a rights issue of not less than 140,887,117 shares of HK\$0.01 each at HK\$0.35 per share on the basis of 1 rights share for every adjusted share held on the record date with the bonus share issue on the basis of 3 bonus shares for every rights share taken up payable in full on acceptance.

The net proceeds of HK\$46.8 million received in April 2002 will be used to reduce the level of indebtedness and as general working capital of the Group.