

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

1. GENERAL

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

The principal activities of the Group are the manufacturing and trading of electrical, electronic, professional industrial products.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

A number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants have become effective for the current financial year. These, where applicable, have been adopted by the Company as its accounting policies, as set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which, where applicable, 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 or prior years.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) *Events after the Balance Sheet Date*, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively.

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 31st December, 2000 have been amended so that they are presented on a consistent basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Cont'd)*

Goodwill

In the current year, the Group has adopted SSAP 30 *Business Combinations* and has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, the amount of such goodwill (negative goodwill) has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation and impairment losses in respect of goodwill between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 have been recognised retrospectively. Negative goodwill which would have been recognised as income between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 has been recognised retrospectively. Following restatement, goodwill is presented as an asset in the balance sheet and negative goodwill is presented as a deduction from assets. Goodwill is amortised over its estimated useful life. Negative goodwill will be released to income based on the remaining weighted average useful life of the acquired identifiable assets.

Consolidation

SSAP 32 *Consolidated Financial Statements and Accounting for Investments in Subsidiaries* has introduced a new definition of subsidiary, i.e. an enterprise that is controlled by the Group. However, certain associates of the Group which fall under this new definition of a subsidiary are not permitted to be consolidated in these financial statements, because as the Company is a Hong Kong incorporated company, these associates do not meet the definition of a subsidiary as set out in Hong Kong Companies Ordinance. In this case, pursuant to SSAP 32, the Group disclose certain additional information to enable users of the consolidated financial statements to assess the effects as if this SSAP had been fully applied.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Cont'd)*

The effect of the adoption of the new and revised accounting policies described above on the financial position of the Group at 1st January, 2000 is summarised as follows:

	Goodwill reserve HK\$'000	Retained Profits HK\$'000
Balance at 1st January, 2000		
As originally stated	(179,124)	507,423
Derecognition of liability for final dividend for 1999	—	30,743
Restatement as an asset of goodwill held in reserves with retrospective recognition of accumulated amortisation	179,124	(93,180)
As restated	—	444,986

The effect of these changes in accounting policies on the results for the current and prior year is as follows:

	2001 HK\$'000	2000 HK\$'000
Amortisation of goodwill	(4,927)	(11,215)
Release of negative goodwill to income	2,395	1,601
	(2,532)	(9,614)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

Goodwill

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 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

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

Negative goodwill

Negative goodwill represents the excess of 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 over the cost of acquisition.

Negative goodwill is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)***Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in associates

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

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment losses.

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and amortised on a straight line basis over their estimated useful lives.

Assets held under finance leases and hire purchase contracts

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation or amortisation and accumulated impairment losses.

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

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any identified impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The gain or loss arising from 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 income statement.

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

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

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

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.

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.

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 the income statement for the year.

Other assets

Other assets are stated at cost less any identified impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

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

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Turnover

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

Revenue recognition

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

Service income is recognised when services are provided.

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

Taxation

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

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

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 the exchange are included in profit or loss for the year.

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 year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Retirement benefits schemes

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is engaged in the manufacturing and trading of electrical, electronic, professional industrial products. The segment information is disclosed in accordance with different types of products.

INCOME STATEMENT

For the year ended 31st December, 2001

	Power tools products	Floor care appliance products	Solar powered and electronic products	Other products	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
External sales	4,523,295	1,171,793	163,734	242,318	—	6,101,140
Inter-segment sales	74,584	26,336	6,516	226,240	(333,676)	—
Total revenue	4,597,879	1,198,129	170,250	468,558	(333,676)	6,101,140
Inter-segment sales are charged at prevailing market rates.						
RESULT						
Segment result	293,323	56,877	14,255	(8,243)	—	356,212
Finance costs						(91,000)
Share of results of associates	—	—	—	(300)	—	(300)
Profit before taxation						264,912
Taxation						(22,940)
Profit after taxation						241,972

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Cont'd)*

Business segments *(Cont'd)*

BALANCE SHEET

At 31st December, 2001

	Power tools products	Floor care appliance products	Solar powered and electronic products	Other products	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets					
Segment assets	2,884,275	467,199	62,445	249,344	3,663,263
Interests in associates	—	—	—	108,366	108,366
	2,884,275	467,199	62,445	357,710	3,771,629
Liabilities					
Segment liabilities	(2,303,385)	(209,483)	(19,822)	(113,439)	(2,646,129)

OTHER INFORMATION

For the year ended 31st December, 2001

	Power tools products	Floor care appliance products	Solar powered and electronic products	Other products	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	109,810	66,446	3,798	25,270	205,324
Depreciation and amortisation	151,605	43,529	3,172	15,505	213,811

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Cont'd)*

Business segments *(Cont'd)*

INCOME STATEMENT

For the year ended 31st December, 2000

	Power tools products	Floor care appliance products	Solar powered and electronic products	Other products	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(As restated)
REVENUE						
External sales	3,076,822	1,083,797	173,495	217,368	—	4,551,482
Inter-segment sales	113,551	—	9,382	131,903	(254,836)	—
Total revenue	3,190,373	1,083,797	182,877	349,271	(254,836)	4,551,482
Inter-segment sales are charged at prevailing market rates.						
RESULT						
Segment result	235,275	43,885	11,303	(1,976)	—	288,487
Finance costs						(75,632)
Share of results of associates	—	—	—	(1,221)	—	(1,221)
Profit before taxation						211,634
Taxation						(31,221)
Profit after taxation						180,413

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Cont'd)*

Business segments *(Cont'd)*

BALANCE SHEET

At 31st December, 2000

	Power tools products	Floor care appliance products	Solar powered and electronic products	Other products	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(As restated)
Assets					
Segment assets	2,198,828	409,764	72,355	206,755	2,887,702
Interests in associates	—	—	—	79,833	79,833
	2,198,828	409,764	72,355	286,588	2,967,535
Liabilities					
Segment liabilities	(1,567,679)	(340,421)	(18,898)	(261,100)	(2,188,098)

OTHER INFORMATION

For the year ended 31st December, 2000

	Power tools products	Floor care appliance products	Solar powered and electronic products	Other products	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(As restated)
Capital additions	45,397	51,181	4,005	21,049	121,632
Depreciation and amortisation	128,900	36,938	9,839	17,290	192,967

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Cont'd)*

Geographical segments

(i) The following table provides an analysis of the Group's sales by geographical market location:

	Turnover		Contribution to results from ordinary activities before taxation	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By geographical market location:				(As restated)
North America	5,247,979	3,838,283	332,013	244,305
Europe	589,326	410,363	4,680	17,847
Other countries	263,835	302,836	19,519	26,335
	6,101,140	4,551,482	356,212	288,487
Finance costs			(91,000)	(75,632)
Contribution from associates			(300)	(1,221)
Profit before taxation			264,912	211,634

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Cont'd)*

Geographical segments *(Cont'd)*

(ii) The following table provides an analysis of segment assets, and additions to property, plant and equipment and intangible assets, analysed by geographical areas in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(As restated)		(As restated)
Hong Kong and People's Republic of China ("PRC")	1,941,485	1,333,818	164,123	107,645
North America	1,615,665	1,484,305	38,804	7,033
Europe	180,835	91,866	2,051	758
Other countries	33,644	57,546	346	6,196
	3,771,629	2,967,535	205,324	121,632

5. OTHER REVENUE

	2001	2000
	HK\$'000	HK\$'000
Included in other revenue is interest income analysed as follows:		
Interest earned on bank deposits	7,659	8,505
Interest earned on amounts due from associates	6,753	442
Interest income for the year	14,412	8,947

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

6. PROFIT FROM OPERATIONS

	2001	2000
	HK\$'000	HK\$'000
		(As restated)
Profit from operations has been arrived at after charging (crediting):		
Amortisation of intangible assets included		
in administrative expenses	1,379	866
Auditors' remuneration	3,623	4,807
Amortisation of goodwill included in administrative expenses	4,927	11,215
Depreciation and amortisation on property, plant and equipment		
Owned assets	200,837	174,816
Assets held under finance leases and hire purchase contracts	9,063	7,671
Impairment loss of investment securities recognised	4,204	1,944
Loss (gain) on disposal of property, plant and equipment	5,179	(2,412)
Release of negative goodwill to income included		
in administrative expenses	(2,395)	(1,601)
Operating lease charges		
Premises	24,978	25,039
Motor vehicles	4,541	3,077
Plant and machinery	8,727	8,387
Retirement benefits scheme contributions	5,958	1,765
Research and development costs	79,931	39,996
Less: amounts capitalised	—	(1,200)
	79,931	38,796
Staff costs		
Directors' remuneration		
Fees	128	50
Other emoluments	21,436	19,958
Others	229,953	195,817
	251,517	215,825

Staff costs disclosed above do not include an amount of HK\$43,582,000 (2000: HK\$23,425,000) relating to research and development activities, which is included under research and development costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

7. FINANCE COSTS

	2001	2000
	HK\$'000	HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	89,253	74,247
Obligations under finance leases and hire purchase contracts	1,747	1,385
	91,000	75,632

8. DIRECTORS' EMOLUMENTS

	2001	2000
	HK\$'000	HK\$'000
Directors' fees:		
Executive	40	40
Non-executive	10	10
Independent non-executive	78	—
	128	50
Other emoluments for executive directors:		
Salaries and other benefits	20,886	18,727
Contributions to retirement benefits scheme	52	—
	20,938	18,727
Other emoluments for non-executive directors:		
Salaries and other benefits	366	1,231
Contributions to retirement benefits scheme	4	—
	370	1,231
Total emoluments	21,436	20,008

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

8. DIRECTORS' EMOLUMENTS *(Cont'd)*

The emoluments of the directors were within the following bands:

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	6	6
HK\$1,000,001 to HK\$1,500,000	—	1
HK\$3,000,001 to HK\$3,500,000	3	—
HK\$4,000,001 to HK\$4,500,000	1	3
HK\$5,500,001 to HK\$6,000,000	—	1
HK\$6,500,001 to HK\$7,000,000	1	—

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, all (2000: four) were executive directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining individual for the year ended 31st December, 2000 represented salary and other benefits amounting to HK\$1,839,000.

During each of the two years ended 31st December, 2001 and 2000, no emoluments had been paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. No director had waived any emoluments during those years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

10. TAXATION

	2001	2000
	HK\$'000	HK\$'000
The total taxation charge comprises:		
Hong Kong Profits Tax calculated at 16%		
of the estimated assessable profit for the year	18,500	15,000
(Over)underprovision in prior years	(153)	2,026
Deferred taxation charge	—	1,394
	18,347	18,420
Overseas taxation on profit for the year	9,611	28,833
Underprovision in prior years	170	35
Deferred taxation credit	(5,188)	(16,067)
	4,593	12,801
	22,940	31,221

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

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

Details of deferred taxation are set out in note 30.

11. DIVIDENDS

	2001	2000
	HK\$'000	HK\$'000
		(As restated)
Final dividend paid:		
2000: HK6.0 cents (1999: HK 5.5 cents) per share	34,213	30,743
Interim dividend paid:		
2001: HK4.5 cents (2000: HK 4.0 cents) per share	25,844	22,548
	60,057	53,291

The final dividend of HK7.0 cents (2000: HK6.0 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

12. EARNINGS PER SHARE

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

	2001 HK\$'000	2000 HK\$'000 (As restated)
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year	238,847	180,917
Weighted average number of ordinary shares for the purposes of basic earnings per share	568,437,155	560,015,593
Effect of dilutive potential ordinary shares:		
Share options	2,505,232	3,652,395
Weighted average number of ordinary shares for the purposes of diluted earnings per share	570,942,387	563,667,988

The adjustments to comparative basic and diluted earnings per share, arising from the changes in accounting policies shown in note 2 above, are as follows:

	Basic HK cents	Diluted HK cents
Reconciliation of earnings per share for the year ended 31st December, 2000		
Reported figure before adjustment	34.02	33.80
Adjustments arising from adoption of SSAP 30	(1.71)	(1.70)
	32.31	32.10

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

13. PROPERTY, PLANT AND EQUIPMENT

	Land and land use rights and buildings outside Hong Kong	Leasehold improvements	Office equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Moulds and tooling	Vessel in progress	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP									
COST									
At 1st January, 2001	265,205	63,782	144,253	289,995	11,160	569,550	3,322	4,637	1,351,904
Currency realignment	215	(44)	(747)	(1,059)	(44)	(406)	—	—	(2,085)
Additions	16,337	11,299	42,595	34,765	5,348	84,320	—	8,463	203,127
Acquisition of subsidiaries	23,071	1,629	1,003	552	193	—	—	—	26,448
Disposals	—	(2,226)	(5,210)	(31,871)	(331)	(16,160)	—	—	(55,798)
Reclassification	408	—	—	—	—	4,229	—	(4,637)	—
At 31st December, 2001	305,236	74,440	181,894	292,382	16,326	641,533	3,322	8,463	1,523,596
DEPRECIATION AND AMORTISATION									
At 1st January, 2001	17,696	47,994	71,742	163,091	9,128	373,822	3,111	—	686,584
Currency realignment	(811)	(38)	(595)	(1,018)	(32)	(342)	—	—	(2,836)
Provided for the year	12,752	8,258	29,103	42,465	1,385	115,776	161	—	209,900
Eliminated on disposals	—	(2,134)	(3,815)	(26,006)	(233)	(16,493)	—	—	(48,681)
At 31st December, 2001	29,637	54,080	96,435	178,532	10,248	472,763	3,272	—	844,967
NET BOOK VALUES									
At 31st December, 2001	275,599	20,360	85,459	113,850	6,078	168,770	50	8,463	678,629
At 31st December, 2000	247,509	15,788	72,511	126,904	2,032	195,728	211	4,637	665,320

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

13. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

	Leasehold land and land use rights and buildings outside Hong Kong	Leasehold improvements	Office equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Moulds and tooling	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY							
COST							
At 1st January, 2001	72,393	61,413	58,263	133,407	7,675	449,796	782,947
Additions	—	9,450	15,842	43,291	2,484	44,993	116,060
Disposals	—	—	(223)	(2,159)	(160)	—	(2,542)
Transfer to subsidiaries	—	(13,358)	(7,281)	(18,171)	—	(146,133)	(184,943)
At 31st December, 2001	72,393	57,505	66,601	156,368	9,999	348,656	711,522
DEPRECIATION AND AMORTISATION							
At 1st January, 2001	11,368	46,050	37,798	97,382	7,198	334,391	534,187
Provided for the year	2,767	5,932	8,772	16,076	676	45,950	80,173
Eliminated on disposals	—	—	(172)	(1,678)	(80)	—	(1,930)
Eliminated on transfer to subsidiaries	—	(7,938)	(4,289)	(11,756)	—	(97,529)	(121,512)
At 31st December, 2001	14,135	44,044	42,109	100,024	7,794	282,812	490,918
NET BOOK VALUES							
At 31st December, 2001	58,258	13,461	24,492	56,344	2,205	65,844	220,604
At 31st December, 2000	61,025	15,363	20,465	36,025	477	115,405	248,760

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

13. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

The net book values of the Group's and the Company's property, plant and equipment include amounts of approximately HK\$26,870,000 (2000: HK\$19,534,000) and HK\$16,651,000 (2000: HK\$7,936,000), respectively, in respect of assets held under finance leases and hire purchase contracts.

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The net book value of land and land use rights and buildings are situated outside Hong Kong and are analysed as follows:				
Freehold	217,341	186,484	—	—
Medium-term lease	58,258	61,025	58,258	61,025
	275,599	247,509	58,258	61,025

The Group has pledged certain freehold land and building having a net book value of HK\$15,413,000 (2000: Nil) to secure general banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

14. GOODWILL

	THE GROUP
	HK\$'000
COST	
At 1st January, 2001	179,214
Arising on acquisition of a subsidiary	14,013
At 31st December, 2001	193,227
AMORTISATION	
At 1st January, 2001	104,485
Charge for the year	4,927
At 31st December, 2001	109,412
NET BOOK VALUES	
At 31st December, 2001	83,815
At 31st December, 2000	74,729

The amortisation period adopted ranges from 9 to 20 years as determined by the estimated foreseeable useful lives of the goodwill arising on past acquisitions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

15. NEGATIVE GOODWILL

	THE GROUP HK\$'000
GROSS AMOUNT	
At 1st January, 2001	18,610
Adjustments to measurements of purchase consideration for acquisitions in prior year (see below)	(4,466)
Arising on acquisition of subsidiaries	16,664
At 31st December, 2001	30,808
RELEASED TO INCOME	
At 1st January, 2001	1,691
Adjustments to amounts released to income in prior year	(406)
Released in the year	2,801
At 31st December, 2001	4,086
CARRYING AMOUNTS	
At 31st December, 2001	26,722
At 31st December, 2000	16,919

The negative goodwill is released to income on a straight-line basis over a period of eleven years, being the remaining weighted average useful life of the depreciable assets acquired.

During the year, an adjustment was made to the cost of investment of a business acquired in 2000, representing related legal and professional fees finalised and paid during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

16. INTANGIBLE ASSETS

	Deferred development cost	Patents and trademarks	Total
	HK\$'000	HK\$'000	HK\$'000
THE GROUP			
COST			
At 1st January, 2001	5,553	10,476	16,029
Currency realignment	(161)	—	(161)
Additions	74	308	382
At 31st December, 2001	5,466	10,784	16,250
AMORTISATION			
At 1st January, 2001	2,210	6,972	9,182
Currency realignment	(70)	—	(70)
Provided for the year	549	830	1,379
At 31st December, 2001	2,689	7,802	10,491
NET BOOK VALUES			
At 31st December, 2001	2,777	2,982	5,759
At 31st December, 2000	3,343	3,504	6,847

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

16. INTANGIBLE ASSETS *(Cont'd)*

	Patents HK\$'000
THE COMPANY	
COST	
At 1st January, 2001 and 31st December, 2001	1,037
AMORTISATION	
At 1st January, 2001	802
Provided for the year	103
At 31st December, 2001	905
NET BOOK VALUES	
At 31st December, 2001	132
At 31st December, 2000	235

All intangible assets of the Group and the Company are amortised on a straight line basis over ten years.

17. INVESTMENTS IN SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Investments in unlisted shares, at cost	362,635	343,502
Amount due from a subsidiary	84,502	—
	447,137	343,502

Particulars of the principal subsidiaries of the Company at 31st December, 2001 are set out in note 41.

The amount due from a subsidiary is unsecured, non-interest bearing and has no fixed repayment terms. In the opinion of directors, no part of the amount will be repaid within the next twelve months and the amount is therefore presented as non-current.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

18. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost less				
impairment loss recognised	—	—	—	46,268
Share of net assets	1,967	2,267	—	—
Amounts due from associates, less				
impairment loss recognised	106,399	77,566	79,417	38,430
	108,366	79,833	79,417	84,698

Particulars of the associates at 31st December, 2001 are set out in note 42.

The amounts due from associates are unsecured, bear interest at rates ranging from prime rate to prime rate minus 0.5% and have no fixed repayment terms. In the opinion of directors, no part of the amounts will be repaid within the next twelve months and the amounts are therefore presented as non-current.

The amounts due from associates for the year ended 31st December, 2000 were non-interest bearing.

At the balance sheet date, the Group holds 40.8% of the shares of Gimelli International (Holdings) Limited and its subsidiaries (together "Gimelli Group companies"). In accordance with the requirement of SSAP32, the Group controls Gimelli Group companies. However, because the Company is incorporated in Hong Kong and Gimelli Group companies do not meet the definition of a subsidiary under the Hong Kong Companies Ordinance, Gimelli Group companies have not been consolidated in these financial statements. Rather, it has been accounted for as associates using the equity method of accounting. The equity carrying value of the Group's interests in Gimelli Group companies is nil at both 31st December, 2000, and 31st December, 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

18. INTERESTS IN ASSOCIATES *(Cont'd)*

Had Gimelli Group companies been consolidated in these financial statements, its assets and liabilities, and income and expenses, would have been accounted for on a line-by-line basis. The analysis of the share of net liabilities and of share of net (loss) profit would have been as follows:

	2001	2000
	HK\$'000	HK\$'000
Non-current assets	22,481	14,014
Current assets	34,966	26,017
Current liabilities	(176,254)	(157,494)
Non-current liabilities	(315)	—
<hr/>		
Share of net liabilities attributable to the Group	(119,122)	(117,463)
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Turnover	130,349	113,550
Operating expenses	(132,009)	(112,787)
Taxation	—	—
<hr/>		
Share of net (loss) profit attributable to the Group	(1,660)	763
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

19. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Unlisted investment securities (equity), at cost less impairment loss recognised	60,530	54,520	20,908	21,708
Current assets				
Other listed investments (equity securities), at market price	4,899	—	4,899	—
Unlisted investment securities (equity securities), at cost	—	7,892	—	—
	4,899	7,892	4,899	—

The Group's investments above included investments in Nack Products USA Limited ("Nack") and in America Direct, Inc. ("ADI"), with the carrying values of approximately HK\$20,908,000 (2000: HK\$20,908,000) and HK\$8,806,000 (2000: HK\$11,007,000), respectively. The Company's investments included its investment in Nack of the same amount. Both companies are incorporated in the United States of America ("U.S.A."). Nack has the exclusive rights to market and distribute a registered product in the U.S.A., of which the Group holds the manufacturing right. Its principal activity is the marketing and distribution of the registered product and other related products in the U.S.A. ADI is engaged in marketing through a combination of direct response television and retail distribution in the U.S.A. and selected international markets.

The Group's investment represents approximately 25% (2000: 25%) of Nack's issued shares held directly by the Company and 26% (2000: 26%) of ADI's common stocks in issue held by a 51% subsidiary of the Company. Both Nack and ADI are not regarded as associates of the Group because the Group has no significant influence over their affairs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

20. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY

In November 2001, the Group entered into a conditional sale and purchase agreement to acquire the entire equity interest of a company (the "subsidiary") whose principal activity is the manufacture and trade of garden tools equipment in Mexico. The amount paid to date pursuant to the agreement of approximately HK\$148,200,000 is classified as a non-current deposit.

21. INVENTORIES

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	255,095	244,177	159,758	155,142
Work in progress	62,336	47,238	44,715	36,636
Finished goods	482,544	565,535	54,045	25,701
	799,975	856,950	258,518	217,479

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

22. TRADE AND OTHER RECEIVABLES

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

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 60 days	433,714	372,953	16,471	48,779
61 to 120 days	81,058	79,401	5,024	2,242
121 days or above	37,542	35,503	21,767	35,642
Total trade receivables	552,314	487,857	43,262	86,663
Other receivables	46,047	105,828	—	4,590
	598,361	593,685	43,262	91,253

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

23. PLEDGED BANK DEPOSIT

The amount represents a deposit pledged to a bank to secure short-term banking facilities granted to the Group and the Company and is therefore classified as a current asset.

24. TRADE AND OTHER PAYABLES

The aging analysis of trade payables is as follows:

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 60 days	293,334	328,338	124,808	194,547
61 to 120 days	146,230	157,058	85,474	68,125
121 days or above	35,649	26,497	5,969	8,125
Total trade payables	475,213	511,893	216,251	270,797
Other payables	1,230,390	473,341	309,880	90,177
	1,705,603	985,234	526,131	360,974

25. WARRANTY PROVISION

THE GROUP

	2001	2000
	HK\$'000	HK\$'000
At 1st January	33,386	33,569
Additional provision in the year	1,569	14,811
Utilisation of provision	(7,976)	(14,994)
At 31st December	26,979	33,386

The warranty provision represents management's best estimate of the Group's liability under 24 months warranties granted on electrical products based on past experience of product returns and industry averages for defective products.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

26. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

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

THE GROUP	Minimum lease payments		Present value of minimum lease payments	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases and hire purchase contracts:				
Within one year	11,063	8,950	10,263	7,888
In the second to fifth year inclusive	9,088	7,762	8,721	7,312
	20,151	16,712	18,984	15,200
Less: future finance charges	(1,167)	(1,512)	—	—
Present value of lease obligations	18,984	15,200	18,984	15,200
Less: Amount due for settlement within one year shown under current liabilities			(10,263)	(7,888)
Amount due for settlement after one year			8,721	7,312

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

26. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS *(Cont'd)*

THE COMPANY	Minimum lease payments		Present value of minimum lease payments	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Amounts payable under finance leases and hire purchase contracts:				
Within one year	7,116	4,306	6,636	3,830
In the second to fifth year inclusive	5,727	3,111	5,469	2,961
	12,843	7,417	12,105	6,791
Less: future finance charges	(738)	(626)	—	—
Present value of lease obligations	12,105	6,791	12,105	6,791
Less: Amount due for settlement within one year shown under current liabilities			(6,636)	(3,830)
Amount due for settlement after one year			5,469	2,961

It is the Group's policy to lease certain of its plant and machinery, fixtures and equipment under finance leases and hire purchase contracts. The lease terms range from three to four years. For the year ended 31st December, 2001, the average effective borrowing rate was 8.4%. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

27. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trust receipt loans	137,567	88,972	74,492	69,575
Bank loans	724,288	864,689	273,700	274,859
Bank overdrafts	31,172	54,333	1	—
	893,027	1,007,994	348,193	344,434
Analysed into:				
Secured	6,099	—	—	—
Unsecured	886,928	1,007,994	348,193	344,434
	893,027	1,007,994	348,193	344,434

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

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
On demand or within one year	217,060	155,155	114,193	69,575
In the second year	1,403	40,859	—	40,859
In the third to fifth year inclusive	669,775	811,980	234,000	234,000
After five years	4,789	—	—	—
	893,027	1,007,994	348,193	344,434
Less: Amount due for settlement within one year shown under current liabilities	(217,060)	(155,155)	(114,193)	(69,575)
Amount due for settlement after one year	675,967	852,839	234,000	274,859

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

28. SHARE CAPITAL

	Number of shares		Share capital	
	2001	2000	2001 HK\$'000	2000 HK\$'000
Ordinary shares of HK\$0.20 each Authorised	800,000,000	800,000,000	160,000	160,000
Issued and fully paid:				
At 1st January	561,216,826	558,866,826	112,243	111,773
Issue of shares on exercise of share options	13,300,000	2,350,000	2,660	470
At 31st December	574,516,826	561,216,826	114,903	112,243

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

28. SHARE CAPITAL *(Cont'd)*

Share options

At 31st December, 2001, the Company had 25,350,000 outstanding share options granted to certain directors of the Company and employees of the Group, details of which are as follows:

Date share options granted	Number of share options outstanding	Subscription price HK\$
4.2.1994	500,000	1.2800
27.10.1997	100,000	1.1504
1.4.1998	400,000	1.7440
20.9.1999	100,000	1.1584
27.11.1999	400,000	1.0800
30.12.1999	100,000	0.9776
4.1.2000	1,300,000	1.0000
5.6.2000	500,000	1.0144
26.6.2000	100,000	1.4768
6.6.2001	3,050,000	2.9020
8.6.2001	1,000,000	2.1960
19.6.2001	5,000,000	2.2600
5.7.2001	2,200,000	2.1480
23.7.2001	10,500,000	2.1160
10.10.2001	100,000	2.4750
	25,350,000	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

29. RESERVES

	Share premium HK\$'000	Goodwill reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP					
At 1st January, 2000					
– as originally reported	225,356	(179,124)	2,095	507,423	555,750
– prior year adjustments (note 2)	—	179,124	—	(62,437)	116,687
– as restated	225,356	—	2,095	444,986	672,437
Exchange differences on translation of overseas operations	—	—	(5,772)	—	(5,772)
Premium on shares issued	2,248	—	—	—	2,248
Profit for the year	—	—	—	180,917	180,917
Final dividend – 1999	—	—	—	(30,743)	(30,743)
Interim dividend – 2000	—	—	—	(22,548)	(22,548)
At 31st December, 2000 and at 1st January, 2001	227,604	—	(3,677)	572,612	796,539
Exchange differences on translation of overseas operations	—	—	(1,567)	—	(1,567)
Premium on shares issued	14,709	—	—	—	14,709
Profit for the year	—	—	—	238,847	238,847
Final dividend – 2000	—	—	—	(34,213)	(34,213)
Interim dividend – 2001	—	—	—	(25,844)	(25,844)
At 31st December, 2001	242,313	—	(5,244)	751,402	988,471

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

29. RESERVES (Cont'd)

	Share premium HK\$'000	Goodwill reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY					
At 1st January, 2000					
- as originally reported	225,356	—	—	481,927	707,283
- prior year adjustment in respect of change in accounting policy for dividend recognition	—	—	—	30,743	30,743
- as restated	225,356	—	—	512,670	738,026
Premium on shares issued	2,248	—	—	—	2,248
Profit for the year	—	—	—	187,059	187,059
Final dividend - 1999	—	—	—	(30,743)	(30,743)
Interim dividend - 2000	—	—	—	(22,548)	(22,548)
At 31st December, 2000 and at 1st January, 2001					
	227,604	—	—	646,438	874,042
Premium on shares issued	14,709	—	—	—	14,709
Profit for the year	—	—	—	168,651	168,651
Final dividend - 2000	—	—	—	(34,213)	(34,213)
Interim dividend - 2001	—	—	—	(25,844)	(25,844)
At 31st December, 2001	242,313	—	—	755,032	997,345

The Group's retained profits include the Group's share of the post acquisition losses of associates of HK\$13,005,000 (2000: HK\$12,705,000), and the Group's translation reserve of a credit balance HK\$460,000 (2000: HK\$460,000) in respect of associates.

At 31st December, 2001, the Company's reserves available for distribution to shareholders comprised the retained profits of HK\$755,032,000 (2000 as restated: HK\$646,438,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

30. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January	(14,468)	208	1,394	—
Currency realignment	(1)	(3)	—	—
Charge for the year (note 10)	—	1,394	—	1,394
Credit for the year (note 10)	(5,188)	(16,067)	—	—
Balance at 31st December	(19,657)	(14,468)	1,394	1,394

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

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	1,536	1,601	1,394	1,394
Accruals and provisions	(21,193)	(16,069)	—	—
	(19,657)	(14,468)	1,394	1,394
Representing:				
Deferred tax liability	1,536	1,601	1,394	1,394
Deferred tax asset	(21,193)	(16,069)	—	—
	(19,657)	(14,468)	1,394	1,394

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

30. DEFERRED TAXATION *(Cont'd)*

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

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	17,408	4,911	10,915	13,130
Taxation losses	(102,825)	(91,057)	—	—
Other timing differences	405	(3,601)	—	—
	(85,012)	(89,747)	10,915	13,130

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

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

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

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	12,497	(4,017)
Taxation losses	(11,768)	(5,010)
Other timing differences	4,006	2,372
	4,735	(6,655)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

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

	2001	2000
	HK\$'000	HK\$'000
		(As restated)
Profit before taxation	264,912	211,634
Share of results of associates	300	1,221
Interest expense	91,000	75,632
Interest income	(14,412)	(8,947)
Amortisation of intangible assets	1,379	866
Amortisation of goodwill	4,927	11,215
Release of negative goodwill to income	(2,395)	(1,601)
Depreciation and amortisation on property, plant and equipment	209,900	182,487
Impairment loss of investment securities recognised	4,204	1,944
Loss (gain) on disposal of property, plant and equipment	5,179	(2,412)
Decrease (increase) in inventories	175,978	(183,038)
Increase in trade and other receivables, deposits and prepayments	(31,969)	(483,531)
Increase in bills receivable	(176,405)	(21,872)
Decrease in trade receivable from an associate	4,850	454
Increase in trade and other payables	573,346	464,564
Decrease in warranty provision	(6,407)	—
Net cash inflow from operating activities	1,104,387	248,616

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

32. ACQUISITION OF SUBSIDIARIES

	2001	2000
	HK\$'000	HK\$'000
NET ASSETS ACQUIRED		
Property, plant and equipment	26,448	405,973
Inventories	123,890	353,765
Trade and other receivables, deposits and prepayments	105,060	55,218
Taxation recoverable	2,258	364
Bank balances and cash	13,548	7,981
Trade and other payables	(152,227)	(123,920)
Bank overdrafts	(36,791)	—
	82,186	699,381
Negative goodwill arising on acquisition	(16,664)	(18,520)
Goodwill arising on acquisition	14,013	—
	79,535	680,861
CONSIDERATION		
Cash	79,535	680,861
NET CASH OUTFLOW ARISING ON ACQUISITION:		
	2001	2000
	HK\$'000	HK\$'000
Cash consideration	(79,535)	(680,861)
Bank balances and cash acquired	13,548	7,981
Bank overdrafts acquired	(36,791)	—
	(102,778)	(672,880)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

32. ACQUISITION OF SUBSIDIARIES *(Cont'd)*

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

	HK\$'000
Net cash inflow from operating activities	29,788
Tax paid	2,127
Net cash utilised in investing activities	(441)
Net cash outflow from financing	(35,038)

The subsidiaries acquired during the year contributed HK\$193,820,000 to the Group's turnover, and HK\$9,868,000 to the Group's profit from operations.

33. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium	Bank loans	Obligations under finance leases and hire purchase contracts
	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January, 2000	337,130	106,901	15,838
Proceeds from issue of shares for cash	2,717	—	—
Inception of finance leases and hire purchase contracts	—	—	9,406
New bank loans obtained	—	823,830	—
Repayment	—	(66,042)	(10,044)
Balance at 31st December, 2000 and 1st January, 2001	339,847	864,689	15,200
Proceeds from issue of shares for cash	17,369	—	—
Inception of finance leases and hire purchase contracts	—	—	14,359
New bank loans obtained	—	28,915	—
Repayment	—	(169,316)	(10,575)
Balance at 31st December, 2001	357,216	724,288	18,984

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

34. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease and hire purchase arrangements in respect of assets with a total capital value at the inception of the leases and hire purchase contracts of HK\$14,359,000 (2000: HK\$9,406,000).

35. LEASE COMMITMENTS

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

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	27,436	26,500	10,107	14,153
In the second to fifth year inclusive	67,884	49,727	15,640	22,084
After five years	46,759	39,297	238	—
	142,079	115,524	25,985	36,237

Operating lease payments represent rentals payable by the Group for certain of its plant and machineries and office properties. Leases are negotiated for a term ranging from 3 months to 10 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

36. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks and an independent third party in respect of credit facilities utilised by				
Associates	15,230	10,083	15,230	10,083
Subsidiaries	—	—	70,141	34,076
Bills discounted with recourse	466,226	370,106	358,124	369,767
	481,456	380,189	443,495	413,926

The extent of guarantees utilised as shown above relates to guarantees given by the Group and the Company to secure bank facilities granted to associates and subsidiaries amounting to HK\$132,500,000 (2000: HK\$163,500,000) and HK\$1,678,739,000 (2000: HK\$1,409,205,000), respectively, at the balance sheet date.

37. RETIREMENT BENEFITS SCHEMES

The Company and its subsidiaries operating in Hong Kong have participated in the Mandatory Provident Fund Schemes ("MPF Schemes") registered under the Mandatory Provident Fund Ordinance since December 2000.

At 31st December, 2001, the Group had a number of employees who have completed the required number of years of services under Hong Kong Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments if the termination meets the circumstances which are specified in the Ordinance.

Under the circumstances specified by the Ordinance, had the employment of all eligible employees been terminated on 31st December, 2001 the maximum potential exposure would have been approximately HK\$13,765,000 (2000: HK\$14,741,000). Provision of HK\$2,400,000 (2000: Nil) has been made in the financial statements in respect of such long service payments.

The Group's overseas subsidiaries operate a number of defined contribution schemes and defined benefit schemes which cover substantially all of their employees. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees' payroll.

The pension costs of the defined benefit plan is assessed in accordance with an actuarial valuation as at 1st January, 2002 performed by Aon Consulting, an employee benefits consulting group, using the Projected Unit Credit method. A medical trend rate of 10.5% and a discount rate of 7.5% were assumed for calculating the actuarial valuation. There are no assets set aside for these benefits and the plan is funded on a pay-as-you-go basis. The accrued benefit costs under such scheme are to be reimbursed by a former shareholder of the overseas subsidiary in accordance with an assignment assumption, reimbursement and indemnification agreement. As such, the overseas subsidiary has set up a receivable and an accrued benefit cost of same amount of approximately HK\$28,000,000 (2000: HK\$29,600,000) at 31st December, 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

38. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of the purchase of property, plant and equipment	29,322	36,409	12,511	26,353

39. RELATED PARTY TRANSACTIONS

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

	2001	2000
	HK\$'000	HK\$'000
Associates		
Purchases	30,291	27,216
Management fee income	3,369	8,340
Management fee expenses	417	1,614
Interest income received	6,753	442
Sales income	21,103	18,062
Subcontracting expenses	250	919
Rental income	785	562
Equipment charge income	22	48
Service expenses	21	40

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

40. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 31st December, 2001, the Group acquired two subsidiaries, namely Roybi Australia Pty and Ryobi New Zealand, at a consideration of AUD5,900,000 equivalent to approximately HK\$23,600,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31st December, 2001 are as follows:

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Digiwireless Limited	Hong Kong	HK\$2	100	—	Investment holding
Full Team International Limited	Hong Kong	HK\$2	100	—	Investment holding
Gimelli Industries Company Limited	Hong Kong	HK\$3,000,000	51	—	Trading of electrical and health care products
MacEwen Property Co. Inc.	United States of America	US\$100	100	—	Property holding
Marco Polo Industries & Merchandising Company Limited	Hong Kong	HK\$100,000	100	—	Trading of household electronic and electrical products
One World Technologies Limited	Bermuda/ Hong Kong	US\$12,000	100	—	Investment holding
One World Technologies Inc.	United States of America	US\$10	—	100	Investment holding
OWT France SAS	France	FFr245,984	—	100	Investment holding
Ryobi Technologies France S.A. (formerly known as Ryobi Europe S.A.)	France	FFr117,000,000	—	100	Trading of electric power tools products

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
OWT Taiwan Limited (formerly known as Ryobi Taiwan Corporation)	Taiwan	NT\$5,000,000	100	—	Provision of inspection services
OWT Industries, Inc.	United States of America	US\$10	—	100	Manufacture of electric components and power tools products
Ryobi Technologies Canada, Inc.	Canada	C\$600,000	—	100	Trading of electric power tools products
Ryobi Technologies, Inc.	United States of America	US\$10	—	100	Trading of electric power tools products
Ryobi Technologies (UK) Ltd. (formerly known as Ryobi Power Equipment (UK) Ltd.)	The United Kingdom	£4,000,000	100	—	Trading of electric power tools products
*Royal Appliance International GmbH	Germany	DM2,000,000	51	—	Trading of household and electrical products
Santo Industries Limited	Hong Kong	HK\$2,000,000	100	—	Trading of household electronic and electrical products
Sang Tech Industries Limited	Hong Kong	HK\$1,000,000	100	—	Manufacture of plastic parts

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
Solar Wide Industrial Limited	Hong Kong	HK\$2,000,000	75.725	—	Manufacture of electronic products
Solar Wide (Overseas) Limited	The British Virgin Islands/ The PRC	US\$1	—	100	Manufacture of electronic products
Techtronic Appliances Co. Pte Ltd.	Republic of Singapore	S\$250,000	100	—	Liaison office
Techtronic Appliances International Limited	The British Virgin Islands/ Republic of Indonesia	US\$1	100	—	Trading of electronic and electrical products
P.T. Techtronic Appliances	Republic of Indonesia	US\$300,000	1	99	Manufacture of electronic and electrical products
Techtronic Appliances Holdings Company Limited	Bermuda/ Hong Kong	US\$12,000	100	—	Investment holding
Techtronic Appliances (Hong Kong) Limited	Hong Kong	HK\$2	—	100	Trading and manufacture of floor care products

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Vax Limited	The United Kingdom	£33,000	100	—	Assembly, procurement and distribution of floor care products
Vax Appliances (Australia) Pty. Ltd.	Australia	A\$1,200,008	100	—	Assembly and distribution of floor care products

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

** Company not audited by Deloitte Touche Tohmatsu. The result of operation and net assets of this subsidiary is insignificant to the Group.*

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

42. PARTICULARS OF ASSOCIATES

Particulars of the associates at 31st December, 2001 are as follows:

Name of associate	Place of incorporation/ registration and operation	Issued and fully paid share/registered capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
Polytron Enterprises Limited	Hong Kong	HK\$1,650,000	25.0	—	Inactive
Gimelli International (Holdings) Limited	The Cayman Islands/ Hong Kong	US\$6,250	40.8	—	Investment holding
Gimelli Laboratories Company Limited	Hong Kong	HK\$5,000,000	—	100	Manufacture and trading of electrical and dental care products
Gimelli Produktions A.G.	Switzerland	SFR930,000	—	100	Marketing and research and development
Gimelli Precision Moulding Company Limited	Hong Kong	HK\$2	—	100	Manufacture of plastic parts
North (Shenyang) Chinetek Techtronic Industries Ltd.	The PRC	US\$1,200,000	50.0	—	Inactive