

Notes to the Financial Statements

For the year ended 31st December, 2002

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 and electronic products.

2. Adoption of Statements of Standard Accounting Practice

In 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. The adoption of these Standards has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity. These changes have not had any material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Cash flow statements

In current year, the Group has adopted SSAP 15 (Revised) Cash Flow Statements. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest paid, interest received and dividends paid, which were previously presented under a separate heading, are classified as operating, investing and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

Employee benefits

In current year, the Group has adopted SSAP 34 Employee Benefits, which introduces measurement rules for employee benefits, including retirement benefit plans.

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.

3. Significant accounting policies *(Continued)*

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.

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

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 are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. 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 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.

3. Significant accounting policies *(Continued)*

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 $\frac{2}{3}$ % – 25%
Plant and machinery	25%
Motor vehicles	16 $\frac{2}{3}$ % – 25%
Moulds and tooling	20% – 33 $\frac{1}{3}$ %
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.

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.

3. Significant accounting policies *(Continued)*

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. Cost is calculated using the first-in, first-out method.

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 been 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 *(Continued)*

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 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.

4. Business and geographical segments

Business segments

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

Income statement

For the year ended 31st December, 2002

	Power tools and outdoor power equipment products HK\$'000	Floor care appliances products HK\$'000	Solar powered lighting and electronic measuring products HK\$'000	Other products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue						
External sales	7,470,451	1,662,347	227,130	133,010	–	9,492,938
Inter-segment sales	137,008	–	1,822	191,754	(330,584)	–
Total revenue	7,607,459	1,662,347	228,952	324,764	(330,584)	9,492,938

Inter-segment sales are charged at prevailing market rates.

Result

Segment result	459,240	69,477	37,114	9,085	–	574,916
Finance costs						(83,978)
Share of results of associates	–	–	–	121	–	121
Profit before taxation						491,059
Taxation						(69,986)
Profit after taxation						421,073

4. Business and geographical segments *(Continued)***Business segments** *(Continued)***Balance sheet**

At 31st December, 2002

	Power tools and outdoor power equipment products HK\$'000	Floor care appliances products HK\$'000	Solar powered lighting and electronic measuring products HK\$'000	Other products HK\$'000	Consolidated HK\$'000
Assets					
Segment assets	5,391,484	629,956	97,820	128,146	6,247,406
Interests in associates	–	–	–	117,265	117,265
Consolidated total assets	5,391,484	629,956	97,820	245,411	6,364,671
Liabilities					
Segment liabilities	(4,041,286)	(409,076)	(23,898)	(34,677)	(4,508,937)

Other information

For the year ended 31st December, 2002

	Power tools and outdoor power equipment products HK\$'000	Floor care appliances products HK\$'000	Solar powered lighting and electronic measuring products HK\$'000	Other products HK\$'000	Consolidated HK\$'000
Capital additions	268,685	62,255	7,654	512	339,106
Depreciation and amortisation	200,692	54,381	3,845	12,572	271,490

4. Business and geographical segments *(Continued)*

Business segments *(Continued)*

Income statement

For the year ended 31st December, 2001

	Power tools products HK\$'000	Floor care appliances products HK\$'000	Solar powered lighting and electronic measuring products HK\$'000	Other products HK\$'000	Eliminations HK\$'000	Consolidated 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

4. Business and geographical segments *(Continued)*

Business segments *(Continued)*

Balance sheet

At 31st December, 2001

	Power tools products HK\$'000	Floor care appliances products HK\$'000	Solar powered lighting and electronic measuring products HK\$'000	Other products HK\$'000	Consolidated HK\$'000
Assets					
Segment assets	2,884,275	467,199	62,445	249,344	3,663,263
Interests in associates	–	–	–	108,366	108,366
Consolidated total assets	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 HK\$'000	Floor care appliances products HK\$'000	Solar powered lighting and electronic measuring products HK\$'000	Other products HK\$'000	Consolidated 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

4. Business and geographical segments *(Continued)*

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	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
By geographical market location:				
North America	7,732,107	5,247,979	494,279	332,013
Europe	1,095,200	589,326	44,514	4,680
Other countries	665,631	263,835	36,123	19,519
	9,492,938	6,101,140	574,916	356,212
Finance costs			(83,978)	(91,000)
Contribution from associates			121	(300)
Profit before taxation			491,059	264,912

(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	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong and People's Republic of China ("PRC")	2,553,703	1,941,485	268,685	164,123
North America	3,122,303	1,615,665	62,255	38,804
Europe	357,162	180,835	7,654	2,051
Other countries	331,503	33,644	512	346
	6,364,671	3,771,629	339,106	205,324

5. Other operating income

	2002 HK\$'000	2001 HK\$'000
Included in other operating income is interest income analysed as follows:		
Interest earned on bank deposits	11,100	7,659
Interest earned on amounts due from associates	2,638	6,753
Interest income for the year	13,738	14,412

6. Profit from operations

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Amortisation/write off of intangible assets included in administrative expenses	4,716	1,379
Auditors' remuneration	5,768	3,623
Depreciation and amortisation on property, plant and equipment		
Owned assets	252,887	200,837
Assets held under finance leases	9,725	9,063
Impairment loss of investment securities recognised	6,673	4,204
(Gain) loss on disposal of property, plant and equipment	(16,073)	5,179
Amortisation of goodwill included in administrative expenses	9,858	4,927
Release of negative goodwill to income included in administrative expenses	(2,799)	(2,395)
Operating lease charges		
Premises	36,785	24,978
Motor vehicles	6,412	4,541
Plant and machinery	4,101	8,727
Other assets	1,080	–
Retirement benefits scheme contributions	5,796	5,958
Research and development costs	113,922	79,931
Less: amounts capitalised	(2,138)	–
	111,784	79,931
Staff costs		
Directors' remuneration		
Fees	196	128
Other emoluments	27,116	21,436
Others	532,946	229,953
	560,258	251,517

Staff costs disclosed above do not include an amount of HK\$64,818,000 (2001: HK\$43,582,000) relating to research and development activities, which is included under research and development costs.

7. Finance costs

	2002 HK\$'000	2001 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	83,527	89,253
Obligations under finance leases	451	1,747
	83,978	91,000

8. Directors' emoluments

	2002 HK\$'000	2001 HK\$'000
Directors' fees:		
Executive	40	40
Non-executive	–	10
Independent non-executive	156	78
	196	128
Other emoluments for executive directors:		
Salaries and other benefits	27,068	20,886
Contributions to retirement benefits scheme	48	52
	27,116	20,938
Other emoluments for non-executive directors:		
Salaries and other benefits	–	366
Contributions to retirement benefits scheme	–	4
	–	370
Total emoluments	27,312	21,436

The emoluments of the directors were within the following bands:

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	5	6
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$3,000,001 to HK\$3,500,000	–	3
HK\$4,000,001 to HK\$4,500,000	–	1
HK\$5,000,001 to HK\$5,500,000	2	–
HK\$5,500,001 to HK\$6,000,000	1	–
HK\$6,500,001 to HK\$7,000,000	–	1
HK\$8,500,001 to HK\$9,000,000	1	–

9. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2001: all) were executive directors of the Company whose emoluments are included in the disclosures in note 8 above.

During each of the two years ended 31st December, 2002 and 2001, 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.

10. Taxation

	2002 HK\$'000	2001 HK\$'000
The total taxation charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year	31,509	18,500
Under(over)provision in prior years	5,309	(153)
	36,818	18,347
Overseas taxation on profit for the year	52,348	9,611
Underprovision in prior years	6,167	170
Deferred taxation credit	(25,347)	(5,188)
	33,168	4,593
	69,986	22,940

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 29.

11. Dividends

	2002 HK\$'000	2001 HK\$'000
Final dividend paid:		
2001: HK7.0 cents (2000: HK6.0 cents) per share	45,060	34,213
Interim dividend paid:		
2002: HK6.0 cents (2001: HK4.5 cents) per share	38,695	25,844
	83,755	60,057

The final dividend in respect of the current financial year of HK10 cents (2001: HK7.0 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

12. Earnings per share

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

	2002 HK\$'000	2001 HK\$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year	408,832	238,847
Weighted average number of ordinary shares for the purposes of basic earnings per share	621,966,346	568,437,155
Effect of dilutive potential ordinary shares:		
Share options	9,078,074	2,505,232
Weighted average number of ordinary shares for the purposes of diluted earnings per share	631,044,420	570,942,387

13. Property, plant and equipment

	Land and land use rights and buildings outside Hong Kong HK\$'000	Leasehold improvements HK\$'000	Office equipment, furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Moulds and tooling HK\$'000	Vessel HK\$'000	Construction in progress HK\$'000	Total HK\$'000
The Group									
Cost									
At 1st January, 2002	305,236	74,440	181,894	292,382	16,326	641,533	3,322	8,463	1,523,596
Currency realignment	(3,987)	444	2,436	(1,317)	478	441	–	–	(1,505)
Additions	4,519	10,309	27,974	58,597	2,508	123,751	–	12,926	240,584
Acquisition of subsidiaries	104,296	96	5,110	68,771	1,198	34,741	–	–	214,212
Disposals	(18,367)	–	(8,993)	(18,130)	(4,372)	(3,472)	–	–	(53,334)
Reclassification	693	8,809	2,649	(12,212)	–	61	–	–	–
At 31st December, 2002	392,390	94,098	211,070	388,091	16,138	797,055	3,322	21,389	1,923,553
Depreciation and amortisation									
At 1st January, 2002	29,637	54,080	96,435	178,532	10,248	472,763	3,272	–	844,967
Currency realignment	(558)	97	2,132	896	275	377	–	–	3,219
Provided for the year	18,137	10,405	34,992	61,260	2,944	134,849	25	–	262,612
Eliminated on disposals	(4,019)	–	(8,910)	(16,542)	(3,868)	(672)	–	–	(34,011)
Reclassification	–	5,726	(3,086)	(2,655)	–	15	–	–	–
At 31st December, 2002	43,197	70,308	121,563	221,491	9,599	607,332	3,297	–	1,076,787
Net book values									
At 31st December, 2002	349,193	23,790	89,507	166,600	6,539	189,723	25	21,389	846,766
At 31st December, 2001	275,599	20,360	85,459	113,850	6,078	168,770	50	8,463	678,629

13. Property, plant and equipment (Continued)

	Leasehold land and land use rights and buildings outside Hong Kong HK\$'000	Leasehold improvements HK\$'000	Office equipment, furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Moulds and tooling HK\$'000	Total HK\$'000
The Company							
Cost							
At 1st January, 2002	72,393	57,505	66,601	156,368	9,999	348,656	711,522
Additions	–	6,464	5,743	42,014	1,296	60,985	116,502
Disposals	–	–	(70)	(360)	(1,926)	–	(2,356)
Transfer to subsidiaries	–	(30)	(42)	(666)	–	–	(738)
At 31st December, 2002	72,393	63,939	72,232	197,356	9,369	409,641	824,930
Depreciation and amortisation							
At 1st January, 2002	14,135	44,044	42,109	100,024	7,794	282,812	490,918
Provided for the year	2,767	6,562	10,013	25,678	859	45,967	91,846
Eliminated on disposals	–	–	(57)	(124)	(1,904)	–	(2,085)
Eliminated on transfer to subsidiaries	–	(2)	(7)	(1)	–	–	(10)
At 31st December, 2002	16,902	50,604	52,058	125,577	6,749	328,779	580,669
Net book values							
At 31st December, 2002	55,491	13,335	20,174	71,779	2,620	80,862	244,261
At 31st December, 2001	58,258	13,461	24,492	56,344	2,205	65,844	220,604

The net book values of the Group's and the Company's property, plant and equipment include amounts of approximately HK\$18,798,000 (2001: HK\$43,521,000) in respect of assets held under finance leases.

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The net book values of land and land use rights and buildings are situated outside Hong Kong and are analysed as follows:				
Freehold	293,702	217,341	–	–
Medium-term lease	55,491	58,258	55,491	58,258
	349,193	275,599	55,491	58,258

The Group has pledged certain freehold land and building having an aggregate net book value of HK\$14,774,000 (2001: HK\$15,413,000) to secure general banking facilities granted to the Group.

14. Goodwill

	The Group
	HK\$'000
Cost	
At 1st January, 2002	193,227
Arising on acquisition of subsidiaries	87,134
At 31st December, 2002	280,361
Amortisation	
At 1st January, 2002	109,412
Charged for the year	9,858
At 31st December, 2002	119,270
Net book values	
At 31st December, 2002	161,091
At 31st December, 2001	83,815

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.

15. Negative goodwill

	The Group
	HK\$'000
Gross amounts	
At 1st January, 2002 and at 31st December, 2002	30,808
Released to income	
At 1st January, 2002	4,086
Released in the year	2,799
At 31st December, 2002	6,885
Carrying amounts	
At 31st December, 2002	23,923
At 31st December, 2001	26,722

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.

16. Intangible assets

	Deferred development cost HK\$'000	Patents and trademarks HK\$'000	Manufacture know-how HK\$'000	Total HK\$'000
The Group				
Cost				
At 1st January, 2002	5,466	10,784	–	16,250
Currency realignment	356	19	–	375
Additions	2,138	6,582	2,668	11,388
Acquisition of subsidiaries	–	192	–	192
Written off in the year	(6,291)	(2,871)	–	(9,162)
At 31st December, 2002	1,669	14,706	2,668	19,043
Amortisation				
At 1st January, 2002	2,689	7,802	–	10,491
Currency realignment	137	3	–	140
Provided for the year	568	841	410	1,819
Eliminated on write off	(3,394)	(2,871)	–	(6,265)
At 31st December, 2002	–	5,775	410	6,185
Net book values				
At 31st December, 2002	1,669	8,931	2,258	12,858
At 31st December, 2001	2,777	2,982	–	5,759
				Patents HK\$'000
The Company				
Cost				
At 1st January, 2002				1,037
Addition				6,400
At 31st December, 2002				7,437
Amortisation				
At 1st January, 2002				905
Provided for the year				132
At 31st December, 2002				1,037
Net book values				
At 31st December, 2002				6,400
At 31st December, 2001				132

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

17. Investments in subsidiaries

	2002 HK\$'000	2001 HK\$'000
Investments in unlisted shares, at cost	402,314	362,635
Amount due from a subsidiary	70,349	84,502
	472,663	447,137

Particulars of the principal subsidiaries of the Company at 31st December, 2002 are set out in note 40.

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.

18. Interests in associates

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost less impairment loss recognised	–	–	–	–
Share of net assets	20,610	1,967	–	–
Net amounts due from associates	96,655	106,399	89,130	79,417
	117,265	108,366	89,130	79,417

Particulars of the associates at 31st December, 2002 are set out in note 41.

The amounts due from associates are unsecured, bear interest at HIBOR plus market spread 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.

At the balance sheet date, amongst the associates, the Group held 40.8% of the shares of Gimelli International (Holdings) Limited and its subsidiaries (together "Gimelli Group companies"). In accordance with the requirement of SSAP 32, 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, they have 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, 2001, and 31st December, 2002.

18. Interests in associates *(Continued)*

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 the share of net profit (loss) would have been as follows:

	Gimelli Group	
	2002 HK\$'000	2001 HK\$'000
Non-current assets	53,510	22,481
Current assets	51,749	34,966
Current liabilities	(211,353)	(176,254)
Non-current liabilities	(338)	(315)
Share of net liabilities attributable to the Group	(106,432)	(119,122)
Turnover	201,224	130,349
Operating expenses	(201,212)	(132,009)
Share of net profit (loss) attributable to the Group	12	(1,660)

19. Investments in securities

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Non-current assets				
Unlisted investment securities (equity), at cost less impairment loss recognised	55,447	60,530	15,681	20,908
Current assets				
Other listed investments (equity securities), at market price	7,385	4,899	7,385	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\$15,681,000 (2001: HK\$20,908,000) and HK\$6,604,000 (2001: HK\$8,806,000), respectively. The Company's investments included its investment in Nack of the same amount. Both companies are incorporated in the United States of America ("USA"). Nack has the exclusive rights to market and distribute a registered product in the USA, 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 USA. ADI is engaged in marketing through a combination of direct response television and retail distribution in the USA and selected international markets.

The Group's investment represents approximately 25% (2001: 25%) of Nack's issued shares held directly by the Company and 26% (2001: 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.

20. Deposit for acquisition of a subsidiary

The amount represented the deposit paid in 2001 for the acquisition of a subsidiary whose principal activity is the manufacture and trade of outdoor products.

21. Inventories

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Raw materials	560,481	255,095	276,231	159,758
Work in progress	43,219	62,336	23,539	44,715
Finished goods	988,334	482,544	89,541	54,045
	1,592,034	799,975	389,311	258,518

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	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
0 to 60 days	992,138	433,714	56,570	16,471
61 to 120 days	145,061	81,058	16,746	5,024
121 days or above	23,472	37,542	–	21,767
Total trade receivables	1,160,671	552,314	73,316	43,262
Other receivables	52,763	46,047	–	–
	1,213,434	598,361	73,316	43,262

23. Trade and other payables

The aging analysis of trade payables is as follows:

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
0 to 60 days	619,751	373,561	183,117	193,342
61 to 120 days	175,476	146,230	66,185	85,474
121 days or above	25,841	35,649	23,874	5,969
Total trade payables	821,068	555,440	273,176	284,785
Other payables	634,191	547,260	144,263	48,207
	1,455,259	1,102,700	417,439	332,992

24. Warranty provision

	The Group	
	2002 HK\$'000	2001 HK\$'000
At 1st January	26,979	33,386
Currency realignment	427	–
Additional provision in the year	58,233	1,569
Utilisation of provision	(7,611)	(7,976)
Acquisition of subsidiaries	1,287	–
At 31st December	79,315	26,979

The warranty provision represents management's best estimate of the Group's liability on products sold during the year. It is expected that the majority of this expenditure will be incurred in the next financial year.

25. Obligations under finance leases

The maturity of obligations under finance leases is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The Group				
Amounts payable under finance leases:				
Within one year	7,825	11,063	7,336	10,263
In the second to fifth year inclusive	3,688	9,088	3,497	8,721
	11,513	20,151	10,833	18,984
Less: future finance charges	(680)	(1,167)	–	–
Present value of lease obligations	10,833	18,984	10,833	18,984
Less: Amount due for settlement within one year shown under current liabilities			(7,336)	(10,263)
Amount due for settlement after one year			3,497	8,721

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The Company				
Amounts payable under finance leases:				
Within one year	5,475	7,116	5,109	6,636
In the second to fifth year inclusive	2,624	5,727	2,473	5,469
	8,099	12,843	7,582	12,105
Less: future finance charges	(517)	(738)	–	–
Present value of lease obligations	7,582	12,105	7,582	12,105
Less: Amount due for settlement within one year shown under current liabilities			(5,109)	(6,636)
Amount due for settlement after one year			2,473	5,469

It is the Group's policy to lease certain of its plant and machinery, fixtures and equipment under finance leases. The lease terms range from three to four years. Interest rates are fixed at the contract date and all leases are on a fixed repayment basis.

26. Bank borrowings

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trust receipt loans	153,315	137,567	86,093	74,492
Bank loans	1,080,309	724,288	390,000	273,700
Bank overdrafts	101,591	31,172	–	1
	1,335,215	893,027	476,093	348,193
Analysed into:				
Secured	6,017	6,099	–	–
Unsecured	1,329,198	886,928	476,093	348,193
	1,335,215	893,027	476,093	348,193

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

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
On demand or within one year	781,156	217,060	320,093	114,193
In the second year	214,865	1,403	–	–
In the third to fifth year inclusive	333,821	669,775	156,000	234,000
After five years	5,373	4,789	–	–
	1,335,215	893,027	476,093	348,193
Less: Amount due for settlement within one year shown under current liabilities	(781,156)	(217,060)	(320,093)	(114,193)
Amount due for settlement after one year	554,059	675,967	156,000	234,000

27. Share capital

	Number of shares			
	2002	2001	2002 HK\$'000	2001 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	574,516,826	561,216,826	114,903	112,243
Issued on share placement	60,000,000	–	12,000	–
Issued on exercise of share options	11,200,000	13,300,000	2,240	2,660
At 31st December	645,716,826	574,516,826	129,143	114,903

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

28. Reserves

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
The Company			
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 and at 1st January, 2002	242,313	755,032	997,345
Premium on shares issued	371,186	–	371,186
Profit for the year	–	278,894	278,894
Final dividend – 2001	–	(45,060)	(45,060)
Interim dividend – 2002	–	(38,695)	(38,695)
At 31st December, 2002	613,499	950,171	1,563,670

At 31st December, 2002, the Company's reserves available for distribution to shareholders comprised the retained profit of HK\$950,171,000 (2001: HK\$755,032,000).

29. Deferred tax (asset) liability

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Balance at 1st January	(19,657)	(14,468)	1,394	1,394
Currency realignment	–	(1)	–	–
Credit for the year (note 10)	(25,347)	(5,188)	–	–
Balance at 31st December	(45,004)	(19,657)	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	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	14,681	1,536	1,394	1,394
Accruals and provisions	(59,685)	(21,193)	–	–
	(45,004)	(19,657)	1,394	1,394
Representing:				
Deferred tax liability	14,681	1,536	1,394	1,394
Deferred tax asset	(59,685)	(21,193)	–	–
	(45,004)	(19,657)	1,394	1,394

29. Deferred tax (asset) liability *(Continued)*

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

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	20,330	17,408	12,998	10,915
Taxation losses	(102,316)	(102,825)	–	–
Other timing differences	351	405	–	–
	(81,635)	(85,012)	12,998	10,915

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	
	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	2,922	12,497
Utilised (incurred) taxation losses	509	(11,768)
Other timing differences	(54)	4,006
	3,377	4,735

30. Acquisition of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets acquired		
Property, plant and equipment	214,212	26,448
Intangible asset	192	–
Inventories	89,189	123,890
Trade and other receivables, deposits and prepayments	80,592	105,060
Taxation recoverable	4,024	2,258
Bank balances and cash	22,925	13,548
Trade and other payables	(201,651)	(152,227)
Bank overdrafts	–	(36,791)
Bank borrowings	(108,612)	–
Warranty provision	(1,287)	–
	99,584	82,186
Negative goodwill arising on acquisition	–	(16,664)
Goodwill arising on acquisition	87,134	14,013
Consideration	186,718	79,535
Satisfied by		
Deposit paid in previous year	148,200	–
Cash paid in the year	38,518	79,535
	186,718	79,535

Net cash outflow arising on acquisition:

	2002 HK\$'000	2001 HK\$'000
Cash consideration paid during the year	(38,518)	(79,535)
Bank balances and cash acquired	22,925	13,548
Bank overdrafts acquired	–	(36,791)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	(15,593)	(102,778)

The subsidiaries acquired during the year contributed approximately HK\$1,638,864,000 to the Group's turnover, and approximately HK\$66,872,000 to the Group's profit from operations.

31. Disposal of a subsidiary

Upon the relocation of the Group's manufacturing operations from Indonesia to the PRC, the Group has liquidated its subsidiary, P. T. Techtronic Appliances. The loss on disposal in relation to the liquidation and the net cash outflow arising on such disposal amounted to approximately HK\$1,345,000 and HK\$275,000, respectively.

Both the carrying value of individual assets at the date of disposal and the net cash flows attributable to the subsidiary disposed of during the year were not material to the Group as a whole.

32. Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the finance leases of HK\$2,568,000 (2001: HK\$14,359,000).

33. Lease commitments

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

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	42,264	27,436	12,753	10,107
In the second to fifth year inclusive	75,309	67,884	11,287	15,640
After five years	59,052	46,759	15,836	238
	176,625	142,079	39,876	25,985

Operating lease payments represent rentals payable by the Group and the Company for certain of its plant and machinery and office properties. Leases are negotiated for a term ranging from 1 year to 10 years.

34. Contingent liabilities

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees given to banks and an independent third party in respect of credit facilities utilised by				
Associates	27,367	15,230	27,367	15,230
Subsidiaries	–	–	455,949	70,141
Bills discounted with recourse	1,443,264	466,226	1,291,983	358,124
	1,470,631	481,456	1,775,299	443,495

The extent of guarantees utilised as shown above relates to guarantees given by the Group and the Company to secure credit facilities granted to associates and subsidiaries amounting to HK\$75,000,000 (2001: HK\$132,500,000) and HK\$2,784,922,000 (2001: HK\$1,678,739,000), respectively, at the balance sheet date.

35. Share options schemes

Scheme adopted on 28th November, 1990 and expired on 27th November, 2000 (“Scheme A”)

In accordance with the Company's share option scheme adopted pursuant to a resolution passed on 28th November 1990, the Board of directors may grant share options to eligible employees, including full-time executive directors or consultants of the Company and its subsidiaries, at nil consideration, to subscribe for shares in the Company. The purpose of the scheme is to provide incentives or rewards to directors and eligible employees.

Share options granted must be taken up within 21 days of the date of grant. Any share options granted can be exercised within the period commencing on the first anniversary of the date of grant of such share option and expiring at the close of business on the tenth anniversary thereof.

The subscription price is set at not less than the higher of the nominal value of the shares and 80% of the average of the last dealt prices on the five trading days immediately preceding the date of offer of the share option. The maximum number of shares in respect of which share options may be granted shall not exceed 10% of the issued share capital of the Company from time to time but excluding shares issued pursuant to the share option scheme, and shall not exceed 1% of the issued share capital in any one financial year.

Scheme A expired on 27th November, 2000.

Scheme adopted on 25th May, 2001 (“Scheme B”)

Following the expiry of Scheme A in November 2000, a new share option scheme was adopted pursuant to a resolution passed on 25th May, 2001 for the purpose of providing incentives or rewards to directors and eligible employees. Under Scheme B, the Board of Directors of the Company may grant share options to eligible employees, including full-time officers and executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 per each grant of share option(s). Share options may be exercised at any time from the date which the offer of share options is accepted to the fifth anniversary thereof. The subscription price is set at not less than the nominal value of the shares and 80% of the average of the last dealt prices on the five trading days immediately preceding the date of offer of the share option.

The maximum number of shares in respect of which share options may be granted under Scheme B is not permitted to exceed 10% of the issued share capital of the Company from time to time. No employee shall be granted a share option which, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25% of the aggregate number of shares for the time being issued and issuable under Scheme B.

Scheme B was terminated on 28th March, 2002 pursuant to a resolution passed on that date.

35. Share options schemes *(Continued)*

Scheme adopted on 28th March, 2002 (“Scheme C”)

Following the termination of Scheme B, a new share option scheme was adopted pursuant to a resolution passed on 28th March, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme expires on 27th March, 2007. Under Scheme C, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

- (i) employees; or
- (ii) non-executive directors; or
- (iii) suppliers or customers; or
- (iv) any person or entity that provides research, development or other technological support; or
- (v) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 per each grant of share option(s). Share options may be exercised at any time from the date of grant to the fifth anniversary of the adoption date of Scheme C. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares on the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme C is not permitted to exceed 30% of the issued share capital of the Company from time to time or 10% of shares in issue as at the adoption date of Scheme C. No person shall be granted a share option which exceeds 1% of the shares in issue as at the adoption date.

35. Share options schemes *(Continued)*

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings during the year.

Option type	Outstanding at 1.1.2002	Granted during the year	Exercised during the year	Outstanding at 31.12.2002
Scheme A	3,500,000	–	3,100,000	400,000
Scheme B	21,850,000	–	8,100,000	13,750,000
Scheme C	–	31,921,000	–	31,921,000
	25,350,000	31,921,000	11,200,000	46,071,000

Option type	Outstanding at 1.1.2001	Granted during the year	Exercised during the year	Outstanding at 31.12.2001
Scheme A	16,800,000	–	13,300,000	3,500,000
Scheme B	–	21,850,000	–	21,850,000
	16,800,000	21,850,000	13,300,000	25,350,000

Details of the share options held by the directors included in the above table are as follows:

	Outstanding at 1st January	Granted during the year	Exercised during the year	Outstanding at 31st December
2002	12,450,000	22,046,000	3,200,000	31,296,000
2001	14,300,000	10,250,000	12,100,000	12,450,000

35. Share options schemes *(Continued)*

Details of share option exercised during the year ended 31st December, 2002:

Exercise date	Exercise price HK\$	Proceeds HK\$'000	Number
4.1.2002	1.0144	507	500,000
4.1.2002	1.2800	640	500,000
4.1.2002	1.0000	1,200	1,200,000
26.2.2002	2.1160	12,696	6,000,000
29.4.2002	1.7440	174	100,000
29.4.2002	1.0800	108	100,000
3.5.2002	1.7440	174	100,000
13.5.2002	1.4768	148	100,000
13.5.2002	1.7440	174	100,000
6.6.2002	2.0920	1,046	500,000
22.6.2002	2.2600	1,130	500,000
25.6.2002	1.0800	108	100,000
19.7.2002	1.0800	108	100,000
26.8.2002	2.1960	275	125,000
29.8.2002	2.1960	275	125,000
2.9.2002	2.1160	529	250,000
23.9.2002	2.1160	529	250,000
10.10.2002	1.7440	174	100,000
24.10.2002	2.4750	248	100,000
11.11.2002	1.0800	108	100,000
29.11.2002	2.1160	317	150,000
3.12.2002	2.1160	212	100,000
		20,880	11,200,000

35. Share options schemes *(Continued)*

Details of share options exercised during the year ended 31st December, 2001:

Exercise date	Exercise price HK\$	Proceeds HK\$'000	Number
1.2.2001	1.0800	108	100,000
11.5.2001	1.0800	108	100,000
11.5.2001	1.7440	174	100,000
15.5.2001	1.1664	117	100,000
17.5.2001	1.0000	500	500,000
18.5.2001	0.9136	914	1,000,000
18.5.2001	1.0896	1,090	1,000,000
25.5.2001	1.0864	1,086	1,000,000
25.5.2001	1.0800	324	300,000
26.5.2001	1.7440	174	100,000
28.5.2001	1.7440	174	100,000
1.6.2001	1.0640	532	500,000
1.6.2001	1.2140	2,064	1,700,000
7.6.2001	1.7440	174	100,000
8.6.2001	1.2140	1,578	1,300,000
8.6.2001	1.0144	1,014	1,000,000
18.6.2001	1.7440	174	100,000
22.6.2001	1.0000	100	100,000
27.7.2001	1.7360	6,597	3,800,000
6.8.2001	1.0800	108	100,000
27.11.2001	1.4976	150	100,000
12.12.2001	1.0800	108	100,000
		17,368	13,300,000

The weighted average closing prices of the Company's shares immediately before various dates on which the share options were exercised ranged from HK\$5.67 to HK\$6.98 (2001: ranged from HK\$2.06 to HK\$2.92).

36. 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, 2001.

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

The pension costs of the defined benefit scheme are assessed in accordance with an actuarial valuation as at 1st January, 2003 performed by Aon Consulting, an employee benefits consulting group, using the Projected Unit Credit method. A medical trend rate of 10.0% (2001: 10.5%) and a discount rate of 6.75% (2001: 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 (2001: HK\$28,000,000) at 31st December, 2002.

37. Capital commitments

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:				
Purchase of property, plant and equipment	27,633	29,322	10,919	12,511
Acquisition of an associate	29,250	–	29,250	–
	56,883	29,322	40,169	12,511
Capital expenditure authorised but not contracted for in the financial statements in respect of the purchase of property, plant and equipment	10,737	–	–	–

38. Related party transactions

During the year, the Group entered into the following transactions with associates:

	2002	2001
	HK\$'000	HK\$'000
Purchases	37,761	30,291
Management fee income	2,100	3,369
Management fee expenses	852	417
Interest income received	2,166	6,753
Sales income	28,795	21,103
Salary charges	354	–
Subcontracting expenses	–	250
Rental income	–	785
Equipment charge income	284	22
Service expenses	–	21

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.

39. Events after the balance sheet date

On 17th December, 2002, the Company entered into a conditional agreement to acquire the entire issued shares of Royal Appliance Manufacturing Co. (“Royal”), a limited liability corporation incorporated in the State of Ohio, USA and whose shares are listed and traded on the New York Stock Exchange (“NYSE”). The directors estimated that the total consideration of the acquisition will be approximate to HK\$822,900,000 (US\$105,500,000). The transaction was approved by the Company's shareholders on 31st March, 2003 and subject to Royal's shareholders approval on 22nd April, 2003. After the acquisition, Royal will have no shareholder other than the Group and accordingly, the listing of the Royal's shares on the NYSE will be withdrawn thereafter.

40. Particulars of principal subsidiaries

Particulars of the principal subsidiaries of the Company at 31st December, 2002 are as follows:

Name of subsidiary	Place of incorporation/ 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
Envotech Technology Company 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 and health care products
Homelite Asia Ltd.	BVI/Hong Kong	US\$1	100	–	Trading of outdoor power equipment products
Homelite Consumer Products Holdings, Inc.	USA	US\$5,000,000	–	100	Investment holding
Homelite Consumer Products, Inc.	USA	US\$15,000,000	–	100	Trading of outdoor power equipment products
Homelite Consumer Products S.A. de C.V.	Mexico	Peso 50,000	–	100	Manufacture of outdoor power equipment products
Homelite Far East Co. Ltd.	Hong Kong	HK\$2	100	–	Trading of outdoor power equipment products
Homelite Technologies Ltd.	Bermuda/ Hong Kong	US\$12,000	100	–	Investment holding
MacEwen Property Co. Inc.	USA	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 Inc.	USA	US\$10	–	100	Investment holding
One World Technologies Limited	Bermuda/ Hong Kong	US\$12,000	100	–	Investment holding
OWT France SAS	France	Euro 1,750,000	–	100	Investment holding
OWT Industries, Inc.	USA	US\$10	–	100	Manufacture of electric components and power tools products
OWT Taiwan Limited	Taiwan	NT\$5,000,000	100	–	Provision of inspection services
Premier Appliance Group Limited	Hong Kong	HK\$2	100	–	Manufacture of components

40. Particulars of principal subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
Ryobi Technologies Australia Pty Ltd.	Australia	A\$5,500,000	100	–	Trading of electric power tools products
Ryobi Technologies Canada, Inc.	Canada	C\$600,000	–	100	Trading of electric power tools products
Ryobi Technologies France S.A.	France	Euro 17,836,535	–	100	Trading of electric power tools products
Ryobi Technologies GmbH	Germany	Euro 5,000,000	100	–	Trading of electric power tools products
Ryobi Technologies, Inc.	USA	US\$10	–	100	Trading of electric power tools products
Ryobi Technologies (New Zealand) Ltd.	New Zealand	NZ\$1,165,500	100	–	Trading of electric power tools products
Ryobi Technologies (UK) Ltd.	The United Kingdom	£4,000,000	100	–	Trading of electric power tools products
Royal Appliance International GmbH	Germany	Euro 1,278,230	51	–	Trading of household electronic and electrical products
Santo Industries Limited	Hong Kong	HK\$2,000,000	100	–	Trading of household electronic and electrical products
Sang Tech Industries Limited	Hong Kong	HK\$1,000,000	100	–	Manufacture of plastic parts
Solar Wide Industrial Limited	Hong Kong	HK\$2,000,000	75.725	–	Manufacture of electronic products
Solar Wide (Overseas) Limited	The British Virgin Islands/ The PRC	US\$1	–	100	Manufacture of electronic 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
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

40. Particulars of principal subsidiaries *(Continued)*

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

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

41. Particulars of associates

Particulars of the associates at 31st December, 2002 are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
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	CHF105,000	–	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	–	Inactive
Precision Technology Industries Limited	The PRC	US\$9,000,000	25	–	Manufacture of power tools products