Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1. GENERAL

The Company was incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activity of the Company is investment holding. The subsidiaries principally engage in the manufacture of steel cans and plastic bottles for use in the beverage, food and chemical industries and the provision of tinplate processing, lacquering and printing services. There were no changes in the nature of the Company's and the Group's principal operations during the year.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Company has adopted Statement of Standard Accounting Practice No. 30 – Business Combinations (SSAP 30) for the first time. Adoption of SSAP 30 has led to changes in the Group's accounting policy as set out in note 4 to the financial statements.

In the current year, the Group has adopted SSAP 30 and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1 January 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisition on or after 1 January 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisition on or after 1 January 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention.

In preparing the financial statements, the directors have given careful consideration to the going concern status of the Group in light of the poor financial position of the Group during the year ended 31 December 2001.

After completion of an assignment agreement signed between JHY International Inc. ("JHY"), the Company and certain subsidiaries and a group of Hong Kong bank creditors dated 13 October 1999, JHY became the Company's largest creditor. Throughout the past years, the Company had been engaged in negotiations with JHY on reorganising the Group's affairs; no agreement could be reached so far.

3. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS** (Continued)

On 28 January 2002, the Company received a court summons issued based on an application by Dao Heng Bank ("DHB") demanding the Company to settle an outstanding loan of approximately $3,669,000 as at 31 December 2001 (the "the Outstanding loan"). The loan was secured by a mortgage over certain properties owned by a subsidiary with a carrying value of approximately $4,948,000 (note 14). As of the date of this report, the High Court has granted a judgment against the Company and it is expected that DHB will apply for a possession order of the mortgaged properties and to realize such for the satisfaction of the outstanding loan.

On 1 February 2002, the Company received a statutory demand from JHY for immediate repayment of loans to the Company totalling $563,300,500 (the "Debt"), inclusive of interest accrued up to 31 January 2002 (note 21).

On 7 February 2002, Shanghai Sinocan Lianxing Metal Containers Printing Company Limited ("Lianxing") received a judgement from the Shanghai Municipal First Intermediate People's Court (the "People's Court") in the People's Republic of China (the "PRC") under an application by Bank of China (Shanghai Nanhui sub-branch) ("BOC"), for the freezing and confiscation of certain plant and machinery of Lianxing and demand for the settlement of an outstanding loan of approximately RMB39,860,000 (the "BOC Debt") at that date. The BOC Debt was advanced to Lianxing pursuant to a short term loan agreement entered into between Lianxing and BOC for the period from 27 June 2001 to 18 June 2002. The directors are of the opinion that as the BOC Debt has not expired, it is not due for repayment and do not understand the reason why judgement was made by the People's Court. The directors are seeking legal advice in relation to the judgement.

On 1 March 2002, the Company received a winding up petition (the "Petition") filed by JHY with the High Court of the Hong Kong Special Administrative Region (the "High Court") against the Company and claiming for the Debt and accrued interest totalling approximately $567,084,000. The Petition is scheduled to be heard at the High Court on 19 June 2002. The directors are seeking legal advice in relation to the Petition.

On 22 March 2002, the Agricultural Bank of China (Shanghai Kangqiao Development Area sub-branch) ("ABC") applied to the People's Court to demand for immediate repayment of the outstanding balance of a default loan of approximately RMB18,930,000 and accrued interest from Lianxing. The directors are seeking legal advice in relation to the demand.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

As the Group continues to face severe liquidity problem and operate in an unsatisfactory business environment, the ability of the Group to continue to trade as a going concern in these circumstances depends, *inter alia*, on the following:

(i) the successful outcome of any further restructuring measures to be implemented to secure new funding for the Group;

(ii) the successful turnaround of its business to profit;

(iii) the successful outcome of any negotiations with JHY to withdraw the winding up petition before 19 June 2002; and

(iv) the successful negotiation and continuous financial support from the banker of Lianxing and bankers of the Company.

On the basis that the directors anticipate the reorganization of the Group's affairs will be successful, they have adopted the going concern basis for the preparation and presentation of these financial statements. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

4. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2001. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or to the date of their acquisition or disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries and associates:

(i) For acquisitions before 1 January 2001, positive goodwill is held in reserves and will be charged to the consolidated income statement at the time of disposal of the relevant subsidiary or associate or at such time as the goodwill is determined to be impaired; and

(ii) For acquisitions on or after 1 January 2001, positive goodwill is amortized to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less accumulated amortisation and impairment losses.

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

(i) For acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and

(ii) For acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

(c) Property, plant and equipment and depreciation

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

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment and depreciation (Continued)

Leasehold land is depreciated over the period of the lease while other property, plant and equipment are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Buildings	5 – 10%
Leasehold improvements	20%
Plant and machinery	10 – 20%
Furniture, equipment and motor vehicles	10 – 20%

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recongised in the profit and loss account.

Construction in progress represents the cost of factory buildings under construction in the PRC and the cost of plant and machinery under installation and not yet ready for its intended use. Cost included capitalised interest incurred from loans borrowed for financing the construction in progress. Construction in progress is stated at cost and depreciation in provided upon transfer to other fixed asset categories when such fixed assets are ready for their intended use.

(d) Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, less any impairment losses. Results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

(e) Associates

An associate is a company, not being a subsidiary over which the Group holds a substantial percentage of the issued voting capital as a long term investment and exercises significant influence in their management.

The results of associates are taken into account to the extent of post-acquisition profits less losses attributable to the Group. The carrying value of interest in associated companies is stated as the total of the Group's share of the net assets of the associates less impairment losses.

The investments in associates are stated in the Company's balance sheet at cost less any impairment losses.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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 assets is reduced to its recoverable amount. Impairment losses are recognised as an expenses 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.

(g) Taxation

The charge for taxation is based on the results for the period as adjusted for items which are non-assessable or disallowable. Hong Kong profits tax is provided at the rate prevailing for the period based on the assessable profit for the period less allowable losses, if any, brought forward.

The PRC enterprise income tax is provided at the rate prevailing for the period based on the assessable profit for the period less allowable losses, if any, brought forward.

Deferred taxation is computed under the liability method in respect of the taxation effect arising from timing differences between profits as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes cost of purchase of materials computed using the weighted average method and, in the case of work in progress and finished goods, direct labour and an appropriate proportion of production overheads. Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date or to management estimates based on prevailing market conditions.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Translation of foreign currencies

Individual companies in the Group maintain their books and records in the primary currencies of their respective countries ("functional currencies").

In the financial statements of individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into the respective functions currencies at the rates of exchange ruling at the balance sheet date. Exchange gains and losses on foreign currency translation are dealt with in the profit and loss account.

The Group prepares consolidated financial statements in Hong Kong Dollars. For the purpose of consolidation, the financial statements of the subsidiaries which has a functional currency other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date. Exchange differences arising from such translation are dealt with as movements in exchange translation reserve.

(j) Pension costs

The subsidiaries of the Group established in the PRC participate in pension plans managed by local governmental institutions whereby the Group pays annual premiums to the plans and the local governmental institutions have agreed to take over the retirement benefit obligations of all local existing and future retired employees of the said subsidiaries in the PRC. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the plans.

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss account when incurred.

(k) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. To the extent that funds are borrowed to finance the acquisition and installation of plant and machinery, the borrowing costs are capitalised as part of the Group's property, plant and equipment. All other borrowing costs are recognised as expenses in the period in which they are incurred.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Revenue recognition

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

(ii) Interest income is recognised on a time apportionment basis, taking into account the principal amounts outstanding and the interest rates applicable.

(m) Related parties

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

(n) Cash and cash equivalents

Cash and cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

(o) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

4. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

(o) **Segment reporting** (Continued)

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

5. **TURNOVER**

Turnover represents the invoiced value of goods, net of discounts and returns, and processing charges invoiced to customers during the year.

	The Group	
	2001	2000
	$'000	*$'000*
Sales of steel cans, tinplate processing, lacquering and printing	**109,941**	141,708
Sales of plastic bottles	**58,187**	66,747
	168,128	208,455

6. **OTHER REVENUE**

	2001	2000
	$'000	*$'000*
Exchange gain	**4,160**	–
Bank interest income	**332**	380
Sales of scrap	**132**	3,660
Gain on disposal of property, plant and equipment	**96**	–
Other income	**70**	733
	4,790	4,773

7. (LOSS)/PROFIT FROM OPERATIONS

	2001	2000
	$'000	*$'000*
(Loss)/profit from operations is arrived at after charging the following:		
Depreciation	**55,761**	36,021
Property, plant and equipment written off	**14**	–
Auditors' remuneration	**422**	550
Provision for/write off of bad debts	**31,492**	9,600
Staff costs excluding directors' remuneration (including pension contributions of $573,000 (2000: $468,000))	**9,821**	11,974

8. FINANCE COSTS

	2001	2000
	$'000	*$'000*
Interest on bank loans repayable within five years	**6,128**	7,600
Interest on other loans	**48,966**	46,247
	55,094	53,847

9. TAXATION

(a) Taxation in the consolidated income statement represents:

	2001	2000
	$'000	*$'000*
Hong Kong		
– overprovision in previous year	**–**	55
Other jurisdictions		
– PRC income tax	**(142)**	–
Taxation (charge)/credit	**(142)**	55

9. TAXATION (Continued)

(i) No Hong Kong profits tax for the Group is provided since the Group has no profit assessable to Hong Kong profits tax during the year.

(ii) In accordance with the applicable Enterprises Income Tax Law of the PRC, certain of the Group's subsidiaries, including Desheng Lianfeng Tin Manufacture Company Limited, Fujian ("Lianfeng"), Putian Lianfa Tin Manufacture Company Limited ("Lianfa"), Shanghai Sinocan Lianxing Metal Containers & Printing Company Limited and Shanghai Sinocan Huaxing Plastic Containers Company Limited ("Huaxing"), are exempt from income tax for the first two profitable years of operations after their commencement of operations and are entitled to a 50% exemption on income tax that would otherwise be charged for the succeeding three years. In addition, Lianfeng and Lianfa are exempt from the 3% state income tax for five years from 1 January 1995.

Apart from Huaxing, none of these subsidiaries had assessable profit during the year. Huaxing was entitled to 50% exemption on income tax, i.e. at the effective rate of 7.5% for the first year.

(b) There were no significant potential tax liabilities for which provision has not been made as at 31 December 2001 (2000: nil).

The potential unprovided deferred tax assets for the year amounted to:

	2001	2000
	$'000	*$'000*
Tax losses	**500**	693
Accelerated depreciation allowances	**–**	7
	500	700

Tax losses relating to subsidiaries established in the PRC which have ceased operations have not been included in the unprovided deferred tax assets above because it is highly unlikely that these subsidiaries will recommence operations and generate adequate profits to utilise such tax losses.

10. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES

(a) Details of the emoluments paid to the directors of the Company during the year are as follows:–

	2001	2000
	$'000	*$'000*
Fees	**300**	–
Salaries and other emoluments	**1,618**	1,171
Discretionary bonuses	**–**	–
Retirement scheme contributions	**–**	–
	1,918	1,171

The number of directors of the Company whose emoluments fell within the following band is as follows:–

	2001	2000
Nil to $1,000,000	**4**	2
$1,000,001 to $2,000,000	**1**	–

Directors' fees paid to independent non-executive directors of the Company during the year totalled $300,000 (2000: Nil). They received no other emoluments from the Company or any of its subsidiaries.

(b) Of the five individuals with the highest emolument, two (2000: one) are directors whose emoluments are disclosed in note 10(a) above. The aggregate of the emoluments in respect of the other three (2000: four) individuals are as follows:–

	2001	2000
	$'000	*$'000*
Salaries and other emoluments	**1,491**	2,639
Discretionary bonuses	**350**	79
Retirement scheme contributions	**9**	–
	1,850	2,718

(Expressed in Hong Kong dollars)

10. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of the highest paid individuals whose emoluments fell within the following band is as follows:–

	2001	2000
Nil to $1,000,000	**3**	4

11. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders dealt with in the financial statements of the Company is $47,535,000 (2000: $400,036,000).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders for the year of $108,293,000 (2000: $57,663,000) and the 849,600,000 (2000: 849,600,000) ordinary shares in issue throughout the year.

There was no diluted loss per share shown for both years because the effects arising from the exercise of potential ordinary shares would have been anti-dilutive.

13. SEGMENT REPORTING

(i) Business segment

Steel cans products: Manufacture and sale of steel cans for use in the beverage, food and chemical industries and provision of tinplate processing, lacquering and printing services.

Plastic bottles: Manufacture and sale of plastic bottles for use in the beverage, food and chemical industries.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

13. SEGMENT REPORTING (Continued)

(i) Business segment (Continued)

	Steel Can products		Plastic bottle		Other operations		Eliminations		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue										
External sales	**109,941**	141,708	**58,187**	66,747	**151**	2,070	**(151)**	(2,070)	**168,128**	208,455
Inter-segment sales	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total revenue	**109,941**	141,708	**58,187**	66,747	**151**	2,070	**(151)**	(2,070)	**168,128**	208,455
Result										
Operating (loss)/profit	**(62,709)**	(4,946)	**6,480**	15,798	**(36,427)**	(9,337)	**35,141**	(301)	**(57,515)**	1,214
Interest expenses									**(55,094)**	(53,847)
Interest income									**332**	380
Taxation (charge)/credit									**(142)**	55
Loss before minority interest									**(112,419)**	(52,198)
Minority interest									**4,126**	(5,465)
Net loss									**(108,293)**	(57,663)
Assets										
Segment assets	**539,256**	630,620	**133,905**	158,806	**4,127,485**	4,136,707	**(4,250,783)**	(4,254,277)	**549,863**	671,856
Liabilities										
Segment liabilities	**448,139**	474,523	**28,878**	45,666	**3,650,692**	3,612,378	**(3,333,847)**	(3,327,711)	**793,862**	804,856
Other information										
Depreciation	**50,359**	30,646	**9,593**	9,290	**277**	293	**(4,468)**	(4,208)	**55,761**	36,021
Additions of property, plant & equipment	**132**	7,587	**457**	1,132	**45**	10	**-**	-	**634**	8,729

(ii) Geographical segment

All the sales of the Group are generated in the PRC.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture, equipment and motor vehicles $'000	Construction in progress $'000	Total $'000
The Group						
Cost:						
At 1 January 2001	115,862	484	496,998	12,689	8,577	634,610
Additions	–	74	351	209	–	634
Disposals	–	(484)	(603)	(2,022)	–	(3,109)
Exchange adjustments	1,414	–	7,638	169	132	9,353
At 31 December 2001	117,276	74	504,384	11,045	8,709	641,488
Accumulated depreciation:						
At 1 January 2001	37,573	484	93,931	7,980	8,577	148,545
Charge for the year	3,700	59	50,136	1,866	–	55,761
Written back on disposals	–	(484)	–	(1,962)	–	(2,446)
Exchange adjustments	291	–	1,443	98	132	1,964
At 31 December 2001	41,564	59	145,510	7,982	8,709	203,824
Net book value:						
At 31 December 2001	75,712	15	358,874	3,063	–	437,664
At 31 December 2000	78,289	–	403,067	4,709	–	486,065

The Group's leasehold land and buildings included above are held under the following lease terms:–

	2001 ***$'000***	2000 *$'000*
In Hong Kong:–		
Leases of between ten to fifty years	**24,758**	24,758
Outside Hong Kong:–		
Leases of between ten to fifty years	**90,154**	88,776
Leases of less than ten years	**2,364**	2,328
	117,276	115,862

At 31 December 2001, the leasehold land and buildings situated in Hong Kong with carrying value of approximately $4,948,000 (2000: $5,190,000) and certain buildings, plant and machinery situated in the PRC with carrying values in the total of approximately $183,325,000 were pledged to secure bank loans granted to the Group.

15. INVESTMENT IN SUBSIDIARIES

	The Company 2001 $'000	2000 $'000
Unlisted shares, at cost	**28,827**	28,827
Amounts due from subsidiaries	**847,709**	851,031
Amount due to a subsidiary	**(2,490)**	(1,480)
	874,046	878,378
Provisions	**(840,963)**	(844,285)
	33,083	34,093

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

Details of the subsidiaries at 31 December 2001 are as follows:–

Company	Place of incorporation/ registration and operations	Nominal value of issued/ registered capital	Percentage of equity interest attributable to the Company: *Direct*	*Indirect*	Principal activities
Sinocan (BVI) Limited	British Virgin Islands	US$3,750	100	–	Investment holding
Sinocan Lianxing Limited	British Virgin Islands	US$13,862,000	–	85	Investment holding
Shanghai Sinocan Lianxing Metal Containers & Printing Company Limited [a]	The People's Republic of China	HK$260,000,000	–	85	Manufacture of steel cans
Sinocan PET Investment Limited	British Virgin Islands	US$1,000,000	–	65	Investment holding
Shanghai Sinocan Huaxing Plastic Containers Company Limited [a]	The People's Republic of China	US$16,600,000	–	63.6	Manufacture of plastic bottles
Sinocan Purchasing Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Sourcing of spare parts
Sinocan Properties Company Limited	Hong Kong	HK$2	–	100	Property holding
* Tianjin Sinocan Lianda Company Limited **[b]	The People's Republic of China	RMB40,376,000 (paid-up as to RMB39,397,000)	–	100	Ceased operation

(Expressed in Hong Kong dollars)

15. INVESTMENT IN SUBSIDIARIES (Continued)

Company	Place of incorporation/ registration and operations	Nominal value of issued/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Fore Great International Limited	Hong Kong	Ordinary HK$100 #Deferred non-voting HK$1,000,000	–	100	Investment holding and provision of administrative and accounting services
* Fujian Sinocan Lianjian (Group) Company Limited**b	The People's Republic of China	$265,000,000	-	100	Ceased operationΔ
* Desheng Lianfeng Tin Manufacture Company Limited, Fujian**b	The People's Republic of China	$425,000,000 (paid-up as to $358,695,000)	–	100	Ceased operation
* Putian Lianfa Tin Manufacture Company Limited, Fujian**b	The People's Republic of China	$16,000,000 (paid-up as to $13,438,000)	–	1000	Ceased operation

* *Companies not audited by Horwath Hong Kong CPA Limited*

\# The non-voting deferred shares have no right to dividends and no right to vote at general meetings, but carry the right to receive one half of the balance of any surplus in return of capital in a winding-up after the holders of the ordinary shares have received a total return of $100,000,000,000,000. None of the non-voting deferred shares were held by members of the Group at the balance sheet date.

** Substantially all assets of these subsidiaries were seized, and auctioned or applied by the Group's creditors in satisfaction of a portion of the indebtedness owed by these subsidiaries to them. Thereafter, these subsidiaries have ceased operation.

Δ The business license of Lianjian has been cancelled by the Fujian Business Registration Bureau in 2000.

a These PRC subsidiaries are cooperative joint venture.

b These PRC subsidiaries are wholly-owned foreign enterprise.

16. INTERESTS IN ASSOCIATES

	The Group	
	2001	2000
	$'000	*$'000*
Share of net deficiencies other than goodwill	**(3,662)**	(3,662)

Details of the associates at 31 December 2001 are as follows:–

Company	**Form of business structure**	**Place of incorporation/ registration and operations**	**Percentage of equity interest attributable to the Group**	**Principal activities**
Kisco (BVI) Limited	Corporate	British Virgin Islands	44.7	In Liquidation
Kisco Steel Drum Company Limited Fujian	Corporate	The People's Republic of China	29.8	In Liquidation

All the associates are indirectly held by the Company.

Subsequent to 15 October 1999, the Group ceased to exercise significant influence over Kisco (B.V.I.) Limited and its subsidiary (the "Kisco Group"), which are in the process of being liquidated. As a result, the financial statements have not equity accounted for the Group's share of results of Kisco Group during the years ended 31 December 2000 and 2001. No reliable financial information for the Kisco Group was available.

17. INVENTORIES

	The Group	
	2001	2000
	$'000	*$'000*
Raw materials	**15,652**	35,705
Work in progress	**10,826**	10,745
Finished goods	**18,535**	18,077
	45,013	64,527

18. TRADE RECEIVABLES

All of the trade receivables are expected to be recovered within one year. Included in trade receivables are trade debtors and note receivables (net of specific provisions for bad and doubtful debts) with the following aging analysis:

	The Group	
	2001	2000
	$'000	*$'000*
1 to 90 days from the date of billing	**30,453**	27,181
91 to 180 days from the date of billing	**21,147**	11,924
More than 6 months but less than 12 months from the date of billing	**13,118**	18,224
More than 12 months from the date of billing	**1,090**	543
	65,808	57,872

The Group does not have a uniform credit policy in relation to goods sold to customers. The credit terms granted by the Group to the customers are determined with respect to their individual creditability and relationship with the Group.

19. TRADE AND OTHER PAYABLES

	The Group	
	2001	2000
	$'000	*$'000*
Trade payables	**31,641**	38,340
Other payables	**74,592**	83,983
Advance from customers	**18,433**	18,826
Payroll payables	**738**	956
Accrued expenses	**6,182**	5,609
	131,586	147,714

The aging analysis of trade and other payables were as follows:–

	2001	2000
	$'000	*$'000*
1 to 90 days from the date of billing	**16,985**	909
91 to 180 days from the date of billing	**2,285**	23,522
More than 6 months but less than 12 months from the date of billing	**1,395**	123,283
More than 12 months from the date of billing	**110,921**	–
	131,586	147,714

20. LOANS FROM MINORITY SHAREHOLDERS OF A SUBSIDIARY

The loans from minority shareholders of a subsidiary are unsecured, bear interest at the Hong Kong dollar best lending rate and have no fixed terms of repayment.

21. LOANS FROM A SHAREHOLDER

The loans from a shareholder are unsecured and bear interest at the rates ranging from 6.75% to 9.5% per annum. The shareholder has demanded immediate full settlement of the loans and accrued interest, the details of which were as disclosed in notes 3 and 28 to the financial statements.

22. RELATED PARTY TRANSACTIONS

In the normal course of business the Group incurred interest expenses on loans from minority shareholders of a subsidiary and loans from a shareholder in the total of approximately $48,492,000 (2000: $43,841,000).

23. SHARE CAPITAL

	2001	2000
	$'000	*$'000*
Authorised:		
1,200,000,000 ordinary shares of $0.1 each	**$120,000**	$120,000
Issued and fully paid:		
849,600,000 ordinary shares of $0.1 each	**$84,960**	$84,960

Share options

The Company has a share option scheme under which the directors of the Company may, at their discretion, grant to employees, including directors, of any member of the Group, options to subscribe for the Company's shares. The subscription price for the Company's shares under such scheme is determined by the board of directors of the Company and will not be less than 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares, whichever is higher. The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under such a scheme may not exceed 10% of the issued share capital of the Company, excluding any shares issued on exercise of options from time to time. The scheme became effective on 20 June 1994 and will remain in force for a period of 10 years. At 31 December 2001, no individual has an entitlement in respect of the share option scheme.

24. RESERVES

	Share premium	Capital reserve/ (goodwill)	Exchange translation reserve	Legal reserves	Staff welfare fund	Enterprises expansion fund	Statutory surplus reserve	Accumu-lated losses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
The Group									
At 1 January 2000	321,180	(945)	(357)	35,939	–	–	–	(527,782)	(171,965)
Net exchange translation difference	–	–	–	–	–	–	–	10,590	10,590
Net exchange loss arising on translation of financial statements of foreign subsidiaries	–	–	(11,937)	–	–	–	–	–	(11,937)
Net loss for the year	–	–	–	–	–	–	–	(57,663)	(57,663)
At 31 December 2000	321,180	(945)	(12,294)	35,939	–	–	–	(574,855)	(230,975)
Appropriations to PRC statutory of reserves	–	–	–	–	176	878	1,756	(2,810)	–
Net exchange gain arising on translation of financial statements of foreign subsidiaries	–	–	1,744	–	–	–	–	–	1,744
Net loss for the year	–	–	–	–	–	–	–	(108,293)	(108,293)
At 31 December 2001	321,180	(945)	(10,550)	35,939	176	878	1,756	(685,958)	(337,524)
Retained by:									
Company and subsidiaries	321,180	(945)	(10,550)	35,939	176	878	1,756	(678,809)	(330,375)
Associates	–	–	–	–	–	–	–	(7,149)	(7,149)
	321,180	(945)	(10,550)	35,939	176	878	1,756	(685,958)	(337,524)

The legal reserves are the statutory reserves of foreign investment enterprises operating in the PRC. The transfers to these reserves are governed by relevant laws and regulations of the PRC and the articles of association of the relevant subsidiaries operating in the PRC.

The Company	Share premium	Contributed surplus	Accumulated losses	Total
	$'000	*$'000*	*$'000*	*$'000*
At 1 January 2000	321,180	28,227	(521,372)	(171,965)
Net loss for the year	–	–	(400,360)	(400,360)
At 31 December 2000	321,180	28,227	(921,732)	(572,325)
Net loss for the year	–	–	(47,535)	(47,535)
At 31 December 2001	321,180	28,227	(969,267)	(619,860)

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	$'000	*$'000*
(Loss)/profit from operations	**(57,183)**	1,594
Bank interest income	**(332)**	(380)
Depreciation	**55,761**	36,021
Gain on disposal of property, plant and equipment	**(96)**	–
Property, plant and equipment written off	**14**	–
Decrease/(increase) in inventories	**19,514**	(23,236)
Increase in trade receivables	**(7,936)**	(5,765)
Decrease/(increase) in prepayments, deposits and other receivable	**23,949**	(5,234)
(Decrease)/increase in trade and other payables	**(15,524)**	12,587
Foreign exchange differences on non-operating assets	**(4,607)**	4,964
Net cash inflow from operating activities	**13,560**	20,551

(b) Analysis of changes in financing

	Share capital (including share premium)	**Bank loans and other borrowings**	**Loans from minority shareholders of a subsidiary**	**Loans from a shareholder**
	$'000	*$'000*	*$'000*	*$'000*
At 1 January 2000	406,140	62,649	29,642	483,974
Net cash (outflow)/inflow from financing	–	49,866	–	(11,972)
Interest payable	–	–	2,340	41,501
Foreign exchange adjustments	–	(858)	–	–
At 31 December 2000	406,140	111,657	31,982	513,503
Cash inflow from financing	–	93,813	–	–
Cash outflow from financing	–	(139,427)	–	–
Interest payable	–	219	2,526	45,967
Foreign exchange adjustments	–	1,654	–	–
At 31 December 2001	406,140	67,916	34,508	559,470

26. CAPITAL COMMITMENTS

	2001	2000
	$'000	*$'000*
Capital expenditure contracted, but not provided for	**71,457**	71,176

Capital commitments disclosed above includes an amount in respect of capital contributions to subsidiaries registered in the PRC of approximately $71,000,000 (2000: $71,000,000). These capital commitments are related to subsidiaries which have ceased operations.

27. CONTINGENT LIABILITIES

At 31 December 2001, the Company had given several guarantees in proportion to its shareholding interest in an associate, Kisco (B.V.I.) Limited, in respect of its bank borrowings of approximately $44,124,000 (equivalent to US$5,695,000) in total, which resulted in contingent liabilities of approximately $19,757,000 (equivalent to US$2,550,000) to the Company.

28. POST BALANCE SHEET EVENTS

On 28 January 2002, the Company received a court summons issued as a result of an application by Dao Heng Bank ("DHB") demanding the Company to settle outstanding borrowings of approximately $3,669,000 as at 31 December 2001 (the "the Outstanding loan"). The borrowings were secured by a mortgage over certain properties owned by a subsidiary with a carrying value of approximately $4,948,000 (note 14). On 16 April 2002, the High Court has granted a court judgment in favour of DHB against the Company for a sum of approximately $3,780,000 together with accrued interest. It is expected that DHB will apply for a possession order of the mortgaged properties and to realise such for the satisfaction of the outstanding loan.

On 1 February 2002, the Company received a statutory demand from JHY for immediate repayment of loans to the Company totalling $563,300,500 (the "Debt"), inclusive of interest accrued up to 31 January 2002 (note 21).

On 7 February 2002, Lianxing received a judgement from the People's Court under an application by BOC, for the freezing and confiscation of certain plant and machinery of Lianxing and demand for the settlement of an outstanding loan of approximately RMB39,860,000 (the "BOC Debt") at that date. The BOC Debt was advanced to Lianxing pursuant to a short term loan agreement entered into between Lianxing and BOC for the period from 27 June 2001 to 18 June 2002. The directors are of the opinion that as the BOC Debt has not expired, it is not due for repayment and do not understand the reason why judgement was made by the People's Court. The directors are seeking legal advice in relation to the judgement.

On 1 March 2002, the Company received a winding up petition (the "Petition") filed by JHY with the High Court against the Company and claiming for the Debt and accrued interest in total of approximately $567,084,000. The Petition is scheduled to be heard at the High Court on 19 June 2002. The directors are seeking legal advice in relation to the Petition.

On 22 March 2002, ABC applied to the People's Court to demand for immediate repayment of the outstanding balance of a default loan of approximately RMB18,930,000 and accrued interest from Lianxing. The directors are seeking legal advice in relation to the demand.

29. COMPARATIVE FIGURES

The comparative figures were audited by another firm of certified public accountants in Hong Kong. Certain comparative figures have been reclassified to conform with the current year's presentation.