

1. GENERAL

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 41.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

Leases

SSAP 14 (Revised) "Leases" has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

Segment reporting

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

Notes to the Financial Statements

For the year ended 31st December, 2001

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES (continued)

Goodwill

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

The financial effect of the adoption of the new/revised accounting policies described above is summarised below:

| | Capital reserve HK\$ | Retained profits HK\$ | Total HK\$ |
|---|----------------------------|-----------------------------|--------------------|
| Balance at 1st January, 2000 | | | |
| As previously stated | 11,468,789 | 93,304,206 | 104,772,995 |
| Restatement as an asset of goodwill held in reserves with retrospective recognition of accumulated amortisation | 20,659,053 | (11,251,563) | 9,407,490 |
| Restatement of negative goodwill held in reserves with retrospective release to other revenue | (32,127,842) | 18,731,313 | (13,396,529) |
| As restated | <u>–</u> | <u>100,783,956</u> | <u>100,783,956</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

| | 2001 HK\$ | 2000 HK\$ |
|---|----------------|------------------|
| Release of negative goodwill to other revenue | 6,425,434 | 6,425,432 |
| Amortisation of goodwill | (5,541,778) | (4,305,706) |
| | <u>883,656</u> | <u>2,119,726</u> |

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties.

The financial statements have been prepared 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. The results of the subsidiaries 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.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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 an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Notes to the Financial Statements

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

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

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

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Property, plant and equipment

Property, plant and equipment, other than properties under construction, is stated at cost or valuation less depreciation or amortisation and accumulated impairment losses.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Any surplus arising on the revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in the net carrying amount arising on the revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. The revaluation surplus attributable to a revalued asset is transferred to retained profits on disposal.

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, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

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, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investment properties

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

Notes to the Financial Statements

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On the disposal of an investment property, the balance on the revaluation reserve attributable to that property is transferred to the income statement.

No amortisation is provided on investment properties except where the unexpired term of the relevant lease is twenty years or less.

Properties under construction

Properties under construction are stated at cost, which includes land cost and the related construction and borrowing costs, as appropriate, less accumulated impairment losses.

No depreciation or amortisation is provided for properties under construction until the construction is completed and the properties are ready for their intended use, when the cost of the completed properties under construction are transferred to the appropriate categories of property, plant and equipment.

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 during the year.

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 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 less any identified impairment loss.

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 or 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Turnover

Turnover represents the net amounts received and receivable for goods supplied by the Group to outside customers during the year.

Revenue recognition

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

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight line basis over the period of the leases.

Commission income, handling and services income are recognised when services are provided.

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

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

Notes to the Financial Statements

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation and amortisation

Depreciation and amortisation is provided to write off the cost or valuation of items of property, plant and equipment, other than properties under construction, using the straight line method, over their estimated useful lives which are as follows:

| | |
|-----------------------------------|--|
| Leasehold land | Over the period of the leases |
| Buildings | 40 years or unexpired term of the leases, if shorter |
| Furniture, fixtures and equipment | 5-10 years |
| Plant and machinery | 5-10 years |
| Motor vehicles | 5 years |

Leases

A lease is classified as a finance lease 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 dates of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease. Finance costs, which represent the difference between the total commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

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

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 an asset will crystallise in the foreseeable future.

Retirement benefits schemes

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution retirement benefits schemes and Mandatory Provident Fund Scheme.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

In preparing consolidated financial statements, the financial statements of subsidiaries which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

Notes to the Financial Statements

For the year ended 31st December, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five operating divisions – trading of industrial consumables, manufacturing of plastic processing/products, manufacturing of industrial machinery, manufacturing of electronic products and manufacturing of printed circuit boards. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

2001

| | Industrial consumables | Plastic processing/ products | Industrial machinery | Electronic products | Printed circuit boards | Other operations | Eliminations | Consolidated |
|---------------------|---------------------------|------------------------------------|-------------------------|------------------------|------------------------------|---------------------|---------------------|----------------------|
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| TURNOVER | | | | | | | | |
| External sales | 210,392,056 | 190,742,658 | 445,715,725 | 254,664,876 | 170,556,522 | 22,674,957 | - | 1,294,746,794 |
| Inter-segment sales | 3,483,059 | 27,152,085 | 11,276,928 | - | - | - | (41,912,072) | - |
| Total revenue | <u>213,875,115</u> | <u>217,894,743</u> | <u>456,992,653</u> | <u>254,664,876</u> | <u>170,556,522</u> | <u>22,674,957</u> | <u>(41,912,072)</u> | <u>1,294,746,794</u> |

Inter-segment sales are charged at prevailing market rates.

RESULT

| | | | | | | | | |
|----------------------------------|---------------------|-------------------|---------------------|---------------------|------------------|---------------------|-------------------|---------------------|
| Segment result | <u>(25,838,440)</u> | <u>26,091,830</u> | <u>(20,127,230)</u> | <u>(18,743,312)</u> | <u>(420,575)</u> | <u>(21,737,975)</u> | <u>13,708,003</u> | <u>(47,067,699)</u> |
| Unallocated corporate expenses | | | | | | | | <u>(27,843,247)</u> |
| Loss from operations | | | | | | | | (74,910,946) |
| Finance costs | | | | | | | | (24,222,026) |
| Investment income | | | | | | | | 602,125 |
| Gain on disposal of subsidiaries | | | | | | | | 5,301,123 |
| Loss on disposal of associates | | | | | | | | (615,174) |
| Share of results of associates | | | | | | | | <u>14,407,053</u> |
| Loss before taxation | | | | | | | | (79,437,845) |
| Taxation | | | | | | | | <u>7,751,293</u> |
| Loss before minority interests | | | | | | | | <u>(87,189,138)</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

BALANCE SHEET

| | Industrial consumables | Plastic processing/ products | Industrial machinery | Electronic products | Printed circuit boards | Other operations | Consolidated |
|-----------------------------------|---------------------------|------------------------------------|-------------------------|------------------------|------------------------------|---------------------|---------------|
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| ASSETS | | | | | | | |
| Segment assets | 108,688,165 | 174,262,386 | 745,605,686 | 115,978,212 | 109,315,269 | 55,979,521 | 1,309,829,239 |
| Interests in associates | | | 6,389,314 | | | 53,150,090 | 59,539,404 |
| Investments in securities | | | | | | 12,115,611 | 12,115,611 |
| Unallocated corporate assets | | | | | | | 13,584,847 |
| Consolidated total assets | | | | | | | 1,395,069,101 |
| LIABILITIES | | | | | | | |
| Segment liabilities | 55,376,032 | 18,876,468 | 250,073,755 | 68,708,722 | 46,942,842 | 8,247,504 | 448,225,323 |
| Unallocated corporate liabilities | | | | | | | 224,963,020 |
| Consolidated total liabilities | | | | | | | 673,188,343 |
| OTHER INFORMATION | | | | | | | |
| Capital additions | 2,291,403 | 20,197,971 | 30,798,636 | 8,580,916 | 36,580,008 | 734,227 | 99,183,161 |
| Depreciation and amortisation | 2,116,663 | 17,971,001 | 19,324,010 | 10,848,921 | 7,129,705 | 2,977,533 | 60,367,833 |

Notes to the Financial Statements

For the year ended 31st December, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2000

| | Industrial consumables | Plastic processing/ products | Industrial machinery | Electronic products | Printed circuit boards | Other operations | Eliminations | Consolidated |
|---------------------|---------------------------|------------------------------------|-------------------------|------------------------|------------------------------|---------------------|---------------------|----------------------|
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| TURNOVER | | | | | | | | |
| External sales | 314,602,361 | 203,146,533 | 533,951,739 | 323,937,807 | 204,470,879 | 42,686,468 | - | 1,622,795,787 |
| Inter-segment sales | 4,250,289 | 36,087,669 | 15,447,339 | - | - | - | (55,785,297) | - |
| Total revenue | <u>318,852,650</u> | <u>239,234,202</u> | <u>549,399,078</u> | <u>323,937,807</u> | <u>204,470,879</u> | <u>42,686,468</u> | <u>(55,785,297)</u> | <u>1,622,795,787</u> |

Inter-segment sales are charged at prevailing market rates.

RESULT

| | | | | | | | | |
|----------------------------------|--------------------|-------------------|-------------------|--------------------|------------------|--------------------|------------------|---------------------|
| Segment result | <u>(9,181,011)</u> | <u>23,075,351</u> | <u>44,971,241</u> | <u>(5,393,685)</u> | <u>7,253,163</u> | <u>(7,865,135)</u> | <u>4,967,136</u> | 57,827,060 |
| Unallocated corporate expenses | | | | | | | | <u>(21,695,127)</u> |
| Profit from operations | | | | | | | | 36,131,933 |
| Finance costs | | | | | | | | (24,288,729) |
| Investment income | | | | | | | | 1,012,479 |
| Gain on disposal of subsidiaries | | | | | | | | 5,917,433 |
| Gain on disposal of associates | | | | | | | | 640,392 |
| Share of results of associates | | | | | | | | <u>9,083,425</u> |
| Profit before taxation | | | | | | | | 28,496,933 |
| Taxation | | | | | | | | <u>11,392,182</u> |
| Profit before minority interests | | | | | | | | <u>17,104,751</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

BALANCE SHEET

| | Industrial consumables | Plastic processing/ products | Industrial machinery | Electronic products | Printed circuit boards | Other operations | Consolidated |
|-----------------------------------|---------------------------|------------------------------------|-------------------------|------------------------|------------------------------|---------------------|---------------|
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| ASSETS | | | | | | | |
| Segment assets | 168,972,933 | 188,224,957 | 826,048,066 | 167,418,391 | 118,761,072 | 87,446,333 | 1,556,871,752 |
| Interests in associates | 5,423,229 | | | | | 57,123,478 | 62,546,707 |
| Investments in securities | | | | | | 16,585,747 | 16,585,747 |
| Unallocated corporate assets | | | | | | | 9,854,827 |
| Consolidated total assets | | | | | | | 1,645,859,033 |
| LIABILITIES | | | | | | | |
| Segment liabilities | 87,470,223 | 44,864,986 | 289,587,703 | 107,431,174 | 75,015,478 | 16,666,585 | 621,036,149 |
| Unallocated corporate liabilities | | | | | | | 208,746,279 |
| Consolidated total liabilities | | | | | | | 829,782,428 |
| OTHER INFORMATION | | | | | | | |
| Capital additions | 6,633,818 | 11,029,598 | 26,777,608 | 5,564,518 | 4,356,769 | 1,946,543 | 56,308,854 |
| Depreciation and amortisation | 1,475,867 | 15,144,721 | 23,904,703 | 9,185,731 | 5,893,342 | 3,800,805 | 59,405,169 |

Notes to the Financial Statements

For the year ended 31st December, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are located in Hong Kong, other regions in the People's Republic of China (the "PRC"), other Asia-Pacific countries, Europe and North America. The Group's trading of industrial consumables division is located in Hong Kong and the PRC. The manufacturing of plastic processing/products, industrial machinery, electronic products and printed circuit boards divisions are located in the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

| | Sales revenue by geographical market | | Contribution to (loss) profit from operations | |
|--------------------------------|---|----------------------|--|---------------------|
| | 2001 HK\$ | 2000 HK\$ | 2001 HK\$ | 2000 HK\$ |
| Hong Kong | 348,254,027 | 437,352,422 | 17,007,756 | 34,426,150 |
| Other regions in the PRC | 600,824,161 | 648,068,589 | (54,236,909) | 13,189,415 |
| Other Asia-Pacific countries | 142,798,547 | 154,452,034 | (3,109,583) | 2,789,057 |
| Europe | 123,181,733 | 255,689,921 | (573,769) | 6,071,866 |
| North America | 79,688,326 | 127,232,821 | (6,155,194) | 1,350,572 |
| | <u>1,294,746,794</u> | <u>1,622,795,787</u> | <u>(47,067,699)</u> | <u>57,827,060</u> |
| Unallocated corporate expenses | | | <u>(27,843,247)</u> | <u>(21,695,127)</u> |
| (Loss) profit from operations | | | <u>(74,910,946)</u> | <u>36,131,933</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments (continued)

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

| | Carrying amount of segment assets | | Additions to property, plant and equipment and intangible assets | |
|------------------------------|--------------------------------------|----------------------|---|-------------------|
| | 2001 HK\$ | 2000 HK\$ | 2001 HK\$ | 2000 HK\$ |
| Hong Kong | 429,428,135 | 464,348,474 | 2,502,944 | 1,654,076 |
| Other regions in the PRC | 873,662,993 | 980,885,880 | 96,680,217 | 54,654,778 |
| Other Asia-Pacific countries | 41,131,931 | 98,757,811 | – | – |
| Europe | 38,168,046 | 69,986,392 | – | – |
| North America | 12,677,996 | 31,880,476 | – | – |
| | <u>1,395,069,101</u> | <u>1,645,859,033</u> | <u>99,183,161</u> | <u>56,308,854</u> |

5. COST OF SALES

The cost of sales include an allowance for obsolete inventories amounting to HK\$28,075,161 (2000: HK\$18,907,043).

Notes to the Financial Statements

For the year ended 31st December, 2001

6. (LOSS) PROFIT FROM OPERATIONS

| | 2001 HK\$ | 2000 HK\$ |
|--|--------------------|--------------------|
| (Loss) profit from operations has been arrived at after charging: | | |
| Staff costs | | |
| Directors' remuneration (note 9) | 6,422,800 | 7,687,407 |
| Salaries and other benefits | 181,094,240 | 205,738,678 |
| Retirement benefits schemes contributions | 4,254,983 | 3,910,133 |
| | <u>191,772,023</u> | <u>217,336,218</u> |
| Depreciation and amortisation | | |
| Depreciation and amortisation on: | | |
| – Owned assets | 49,917,816 | 47,985,128 |
| – Assets held under finance leases and hire purchase contracts | 4,908,239 | 7,114,335 |
| Amortisation of goodwill (included in other operating expenses) | 5,541,778 | 4,305,706 |
| | <u>60,367,833</u> | <u>59,405,169</u> |
| Auditors' remuneration | 2,976,491 | 2,374,296 |
| Deficit arising on revaluation of investment properties | 1,350,000 | 500,000 |
| Deficit arising on revaluation of leasehold land and buildings | 711,435 | 416,273 |
| Loss on disposal of property, plant and equipment | 3,423,592 | 2,023,326 |
| and after crediting: | | |
| Commission income | 5,323,058 | 10,971,461 |
| Exchange gain | 5,091,197 | 3,421,243 |
| Handling and services income | 758,679 | 4,298,679 |
| Release of negative goodwill to income (included in other revenue) | <u>6,425,434</u> | <u>6,425,432</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

7. FINANCE COSTS

| | 2001 HK\$ | 2000 HK\$ |
|---|-------------------|-------------------|
| Interest on: | | |
| Borrowings wholly repayable within five years | | |
| – bank loans and overdrafts | 20,961,288 | 20,585,012 |
| – other loans | 2,051,743 | 1,845,614 |
| Finance leases and hire purchase contracts | 1,208,995 | 1,858,103 |
| | <u>24,222,026</u> | <u>24,288,729</u> |

8. INVESTMENT INCOME

| | 2001 HK\$ | 2000 HK\$ |
|---|----------------|------------------|
| Interest income | 1,437,509 | 2,698,308 |
| Dividends received and receivable from investments in securities | 838,068 | 379,611 |
| Impairment loss recognised on investment in securities | (818,000) | (2,065,440) |
| Loss on disposal of investments in securities | (855,452) | – |
| | <u>602,125</u> | <u>1,012,479</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

| | 2001 HK\$ | 2000 HK\$ |
|---|------------------|------------------|
| Fees: | | |
| Executive directors | 40,000 | 40,000 |
| Non-executive directors | 200,000 | 200,000 |
| | <u>240,000</u> | <u>240,000</u> |
| Other emoluments: | | |
| Executive directors | | |
| Salaries and other benefits | 4,975,300 | 6,340,614 |
| Performance related incentive payments | 240,000 | 240,000 |
| Retirement benefits schemes contributions | 236,070 | 145,803 |
| | <u>5,451,370</u> | <u>6,726,417</u> |
| Non-executive directors | | |
| Salaries and other benefits | 680,400 | 680,400 |
| Retirement benefits schemes contributions | 51,030 | 40,590 |
| | <u>731,430</u> | <u>720,990</u> |
| | <u>6,422,800</u> | <u>7,687,407</u> |

The amounts disclosed above include directors' fees of HK\$80,000 (2000: HK\$80,000) payable to independent non-executive directors.

The emoluments of the directors were within the following bands:

| | Number of directors | |
|--------------------------------|---------------------|-----------|
| | 2001 | 2000 |
| Nil to HK\$1,000,000 | 6 | 11 |
| HK\$2,500,001 to HK\$3,000,000 | 2 | 2 |
| | <u>8</u> | <u>13</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Employees

The five highest paid individuals included two (2000: two) directors, details of whose emoluments are set out above. The emoluments of the remaining three (2000: three) individuals are as follows:

| | 2001 HK\$ | 2000 HK\$ |
|---|------------------|------------------|
| Salaries and other benefits | 4,701,080 | 5,400,430 |
| Retirement benefits schemes contributions | 166,530 | 154,344 |
| | <u>4,867,610</u> | <u>5,554,774</u> |

The emoluments of the employees were within the following bands:

| | Number of employees | |
|--------------------------------|---------------------|--------------|
| | 2001 HK\$ | 2000 HK\$ |
| HK\$1,000,001 to HK\$1,500,000 | 2 | 1 |
| HK\$1,500,001 to HK\$2,000,000 | – | 1 |
| HK\$2,000,001 to HK\$2,500,000 | 1 | – |
| HK\$2,500,001 to HK\$3,000,000 | – | 1 |
| | <u>3</u> | <u>3</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

10. TAXATION

| | 2001 HK\$ | 2000 HK\$ |
|---|------------------|-------------------|
| The charge comprises: | | |
| Hong Kong Profits Tax | | |
| Current year | 2,090,082 | 3,772,006 |
| Overprovision in prior years | (88,275) | (321,157) |
| | <u>2,001,807</u> | <u>3,450,849</u> |
| Taxation outside Hong Kong | 3,886,650 | 7,121,886 |
| Deferred taxation (note 29) | <u>58,356</u> | <u>(226,266)</u> |
| | <u>5,946,813</u> | <u>10,346,469</u> |
| Taxation attributable to the Company and its subsidiaries | 1,804,480 | 1,045,713 |
| Share of tax on results of associates | <u>7,751,293</u> | <u>11,392,182</u> |

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of deferred taxation are set out in note 29.

Notes to the Financial Statements

For the year ended 31st December, 2001

11. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the year is based on the net loss for the year of HK\$89,128,370 (2000: net profit of HK\$6,315,206) and on the weighted average number of shares in issue during the year of 640,835,030 (2000: 639,978,812).

The computation of diluted (loss) earnings per share for 2001 or 2000 does not assume the exercise of options and warrants because the exercise prices of the Company's options and warrants were higher than the average market price of shares for both years.

The adjustment to the comparative basic earnings per share, arising from the changes in accounting policies as described in note 2 above, is as follows:

| | HK cent |
|--|---------|
| Reconciliation of 2000 earnings per share: | |
| Reported figure before adjustments | 0.68 |
| Adjustments arising from the adoption of SSAP 30 | 0.31 |
| Restated | 0.99 |

12. INVESTMENT PROPERTIES

| | HK\$ |
|--|-------------|
| THE GROUP | |
| VALUATION | |
| At 1st January, 2001 | 12,050,000 |
| Reclassification from leasehold land and buildings (note 13) | 13,700,000 |
| Deficit on revaluation | (1,350,000) |
| At 31st December, 2001 | 24,400,000 |

The investment properties of the Group are situated in Hong Kong and held under medium-term leases. They are held for rental purposes under operating leases.

The investment properties of the Group were revalued as at 31st December, 2001 on the open market existing use basis by Messrs. Knight Frank, an independent firm of professional valuers. The deficit arising on revaluation attributable to the Group has been charged to the consolidated income statement.

Notes to the Financial Statements

For the year ended 31st December, 2001

13. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings HK\$ | Furniture, fixtures and equipment HK\$ | Plant and machinery HK\$ | Motor vehicles HK\$ | Properties under construction HK\$ | Total HK\$ |
|--|--|---|--------------------------------|---------------------------|---|---------------|
| THE GROUP | | | | | | |
| COST OR VALUATION | | | | | | |
| At 1st January, 2001 | 217,997,413 | 92,971,706 | 329,610,636 | 31,036,384 | 20,828,232 | 692,444,371 |
| Currency realignment | 1,993,571 | 856,636 | 3,404,865 | 311,158 | 303,289 | 6,869,519 |
| Reclassification to investment properties (note 12) | (13,700,000) | - | - | - | - | (13,700,000) |
| On disposal of subsidiaries | - | (886,732) | (3,938,788) | (534,477) | - | (5,359,997) |
| Reclassifications | 289,663 | 6,427,081 | 9,149,903 | 1,371,048 | (17,237,695) | - |
| Additions | 2,912,123 | 24,175,843 | 58,396,058 | 4,108,102 | 9,591,035 | 99,183,161 |
| Disposals | (39,601) | (7,008,057) | (12,018,564) | (4,328,107) | (622,223) | (24,016,552) |
| Adjustment on revaluation | (13,011,845) | - | - | - | - | (13,011,845) |
| At 31st December, 2001 | 196,441,324 | 116,536,477 | 384,604,110 | 31,964,108 | 12,862,638 | 742,408,657 |
| Comprising: | | | | | | |
| At cost | - | 116,536,477 | 384,604,110 | 31,964,108 | 12,862,638 | 545,967,333 |
| At valuation - 2001 | 196,441,324 | - | - | - | - | 196,441,324 |
| | 196,441,324 | 116,536,477 | 384,604,110 | 31,964,108 | 12,862,638 | 742,408,657 |
| DEPRECIATION AND AMORTISATION | | | | | | |
| At 1st January, 2001 | - | 54,937,393 | 187,637,537 | 19,963,202 | - | 262,538,132 |
| Currency realignment | - | 367,187 | 1,308,936 | 415,648 | - | 2,091,771 |
| On disposal of subsidiaries | - | (658,139) | (1,779,084) | (466,306) | - | (2,903,529) |
| Provided for the year | 6,255,942 | 9,897,323 | 34,763,514 | 3,909,276 | - | 54,826,055 |
| Eliminated on disposals | - | (3,202,448) | (4,476,787) | (2,294,148) | - | (9,973,383) |
| Eliminated on revaluation | (6,255,942) | - | - | - | - | (6,255,942) |
| At 31st December, 2001 | - | 61,341,316 | 217,454,116 | 21,527,672 | - | 300,323,104 |
| NET BOOK VALUES | | | | | | |
| At 31st December, 2001 | 196,441,324 | 55,195,161 | 167,149,994 | 10,436,436 | 12,862,638 | 442,085,553 |
| At 31st December, 2000 | 217,997,413 | 38,034,313 | 141,973,099 | 11,073,182 | 20,828,232 | 429,906,239 |

Notes to the Financial Statements

For the year ended 31st December, 2001

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of leasehold land and buildings held by the Group comprises:

| | 2001 HK\$ | 2000 HK\$ |
|----------------------------|--------------------|--------------------|
| In Hong Kong: | | |
| – under medium-term leases | 19,870,000 | 36,740,000 |
| Outside Hong Kong: | | |
| – under long leases | 1,080,000 | 820,000 |
| – under medium-term leases | 175,491,324 | 180,437,413 |
| | <u>196,441,324</u> | <u>217,997,413</u> |

The leasehold land and buildings of the Group were revalued as at 31st December, 2001 on the open market existing use basis by Messrs. Knight Frank, an independent firm of professional valuers. The deficit arising on revaluation attributable to the Group has been charged to the asset revaluation reserve and the consolidated income statement.

Had leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of leasehold land and buildings would have been approximately HK\$156,873,000 (2000: HK\$177,854,000).

Notes to the Financial Statements

For the year ended 31st December, 2001

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of the Group's plant and machinery includes an amount of HK\$20,374,145 (2000: HK\$20,455,488) in respect of assets held under finance leases and hire purchase contracts.

| | Furniture, fixtures and equipment HK\$ | Motor vehicles HK\$ | Total HK\$ |
|-------------------------------|---|---------------------------|------------------|
| THE COMPANY | | | |
| COST | | | |
| At 1st January, 2001 | 8,185,321 | 417,111 | 8,602,432 |
| Additions | 687,148 | – | 687,148 |
| At 31st December, 2001 | 8,872,469 | 417,111 | 9,289,580 |
| DEPRECIATION | | | |
| At 1st January, 2001 | 2,630,554 | 203,481 | 2,834,035 |
| Provided for the year | 845,188 | 83,422 | 928,610 |
| At 31st December, 2001 | 3,475,742 | 286,903 | 3,762,645 |
| NET BOOK VALUES | | | |
| At 31st December, 2001 | 5,396,727 | 130,208 | 5,526,935 |
| At 31st December, 2000 | 5,554,767 | 213,630 | 5,768,397 |

Notes to the Financial Statements

For the year ended 31st December, 2001

14. GOODWILL

| | THE GROUP |
|---|-------------------|
| | HK\$ |
| COST | |
| At 1st January, 2001 | 21,528,528 |
| Arising on acquisition of additional interests in subsidiaries during the year | 4,305,166 |
| Eliminated on disposals during the year | (4,548,393) |
| At 31st December, 2001 | <u>21,285,301</u> |
| AMORTISATION | |
| At 1st January, 2001 | 15,557,269 |
| Charge for the year | 5,541,778 |
| Eliminated on disposals during the year | (3,638,715) |
| At 31st December, 2001 | <u>17,460,332</u> |
| NET BOOK VALUE | |
| At 31st December, 2001 | <u>3,824,969</u> |
| At 31st December, 2000 | <u>5,971,259</u> |

The amortisation period adopted for goodwill is three to five years.

Notes to the Financial Statements

For the year ended 31st December, 2001

15. NEGATIVE GOODWILL

| | THE GROUP |
|--|------------|
| | HK\$ |
| GROSS AMOUNT | |
| At 1st January, 2001 and 31st December, 2001 | 32,510,566 |
| RELEASED TO INCOME | |
| At 1st January, 2001 | 25,023,301 |
| Released in the year | 6,425,434 |
| At 31st December, 2001 | 31,448,735 |
| CARRYING AMOUNT | |
| At 31st December, 2001 | 1,061,831 |
| At 31st December, 2000 | 7,487,265 |

The negative goodwill is released to other revenue on a straight-line basis over five years based on the weighted average useful life of the identifiable acquired depreciable non-monetary assets.

16. INTERESTS IN SUBSIDIARIES

| | THE COMPANY | |
|---|--------------|--------------|
| | 2001 HK\$ | 2000 HK\$ |
| Unlisted shares/capital contribution, at cost less impairment loss | 31,822,238 | 49,054,644 |
| Amounts due from subsidiaries less allowance | 606,854,587 | 559,907,978 |
| | 638,676,825 | 608,962,622 |

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

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months of the balance sheet date and are accordingly classified as non-current.

During the year, due to changes in the economic environment, the directors considered that certain subsidiaries would not generate any future income, therefore the investment costs in these subsidiaries have been written off in full.

Notes to the Financial Statements

For the year ended 31st December, 2001

17. INTERESTS IN ASSOCIATES

| | 2001 HK\$ | 2000 HK\$ |
|-----------------------------|-------------------|-------------------|
| THE GROUP | | |
| Share of net assets | 48,865,696 | 32,816,906 |
| Amounts due from associates | 10,673,708 | 29,729,801 |
| | <u>59,539,404</u> | <u>62,546,707</u> |
| THE COMPANY | | |
| Unlisted shares, at cost | – | 1,000,000 |
| Amounts due from associates | 2,538,401 | 2,825,713 |
| | <u>2,538,401</u> | <u>3,825,713</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

17. INTERESTS IN ASSOCIATES (continued)

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

| Name of associates | Place of incorporation/ registration and operation | Proportion of nominal value of issued share capital/registered capital attributable to the Group | Principal activities |
|---|--|---|---|
| | | % | |
| Dongguan Sangiacomo Machinery Ltd. | PRC | 40.0 | Manufacturing of industrial machinery, equipment and supplies |
| East Right Enterprises Limited | Hong Kong | 40.0 | Investment holding |
| Shenzhen Hao Ning Da Meters Manufacturing Company Limited | PRC | 40.0 | Manufacturing and trading of electronic meters |
| Silangan Machinery & Equipment, Inc. | Philippines | 40.0 | Trading in industrial machinery, equipment and supplies |
| Suzhou Sodick San-Guang Machinery Electric Co., Ltd. | PRC | 25.0 | Manufacturing of industry machinery, equipment and supplies |
| Welltec Far East Limited | Hong Kong | 40.0 | Trading in industrial machinery |
| Welltec Industries (Thailand) Limited | Kingdom of Thailand | 30.2 | Property development |
| 北京正寶紙製品有限公司 | PRC | 25.0 | Manufacturing of paper pallet |

Notes to the Financial Statements

For the year ended 31st December, 2001

18. INVESTMENTS IN SECURITIES

| | THE GROUP | | THE COMPANY | |
|--|-------------------|-------------------|------------------|------------------|
| | 2001 HK\$ | 2000 HK\$ | 2001 HK\$ | 2000 HK\$ |
| Unlisted investment securities, at cost | 15,082,760 | 18,734,896 | 5,477,154 | 5,474,799 |
| Impairment loss | (2,967,149) | (2,149,149) | (895,360) | (895,360) |
| | <u>12,115,611</u> | <u>16,585,747</u> | <u>4,581,794</u> | <u>4,579,439</u> |

19. LOANS TO INVESTEE COMPANIES

The loans were unsecured, interest free and fully repaid during the year.

20. INVENTORIES

| | THE GROUP | |
|--|--------------------|--------------------|
| | 2001 HK\$ | 2000 HK\$ |
| Trading inventories and finished goods | 166,097,249 | 199,034,664 |
| Work in progress | 49,683,166 | 70,044,542 |
| Raw materials | 167,811,591 | 217,704,955 |
| | <u>383,592,006</u> | <u>486,784,161</u> |

Included above are trading inventories and finished goods of HK\$120,635,760 (2000: HK\$136,096,597), work in progress of HK\$44,833,274 (2000: HK\$66,199,125) and raw materials of HK\$147,911,041 (2000: HK\$166,032,429) which are carried at net realisable value.

Notes to the Financial Statements

For the year ended 31st December, 2001

21. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 90 days to 120 days to its customers.

Included in trade and other receivables are trade receivables of HK\$317,281,130 (2000: HK\$431,705,306) and their aged analysis at the balance sheet date is as follows:

| | THE GROUP | |
|---------------|--------------------|--------------------|
| | 2001 HK\$ | 2000 HK\$ |
| 0 to 3 months | 199,796,603 | 272,868,608 |
| 4 to 6 months | 38,336,806 | 55,998,489 |
| 7 to 9 months | 17,996,831 | 25,750,709 |
| Over 9 months | 61,150,890 | 77,087,500 |
| | <u>317,281,130</u> | <u>431,705,306</u> |

22. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$215,760,600 (2000: HK\$347,648,678) and their aged analysis at the balance sheet date is as follows:

| | THE GROUP | |
|---------------|--------------------|--------------------|
| | 2001 HK\$ | 2000 HK\$ |
| 0 to 3 months | 119,475,579 | 269,600,572 |
| 4 to 6 months | 40,408,413 | 40,868,166 |
| 7 to 9 months | 19,521,174 | 13,804,673 |
| Over 9 months | 36,355,434 | 23,375,267 |
| | <u>215,760,600</u> | <u>347,648,678</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

23. BORROWINGS

| | THE GROUP | | THE COMPANY | |
|-------------|--------------------|--------------------|-------------------|-------------------|
| | 2001 HK\$ | 2000 HK\$ | 2001 HK\$ | 2000 HK\$ |
| Bank loans | | | | |
| – secured | 91,536,162 | 84,097,340 | – | – |
| – unsecured | 98,883,133 | 85,881,774 | 10,000,000 | 10,000,000 |
| | <u>190,419,295</u> | <u>169,979,114</u> | <u>10,000,000</u> | <u>10,000,000</u> |
| Other loans | | | | |
| – secured | – | 1,645,828 | – | – |
| – unsecured | 1,054,806 | 213,358 | – | – |
| | <u>1,054,806</u> | <u>1,859,186</u> | <u>–</u> | <u>–</u> |
| Total | <u>191,474,101</u> | <u>171,838,300</u> | <u>10,000,000</u> | <u>10,000,000</u> |

The above amounts bear interest at prevailing market rates and are repayable as follows:

| | THE GROUP | | THE COMPANY | |
|--|----------------------|----------------------|---------------------|---------------------|
| | 2001 HK\$ | 2000 HK\$ | 2001 HK\$ | 2000 HK\$ |
| Within one year | 179,080,141 | 169,390,078 | 10,000,000 | 10,000,000 |
| Between one and two years | 12,174,285 | 2,234,864 | – | – |
| Between two and five years | 219,675 | 213,358 | – | – |
| | <u>191,474,101</u> | <u>171,838,300</u> | <u>10,000,000</u> | <u>10,000,000</u> |
| Less: Amount due within one year shown under current liabilities | <u>(179,080,141)</u> | <u>(169,390,078)</u> | <u>(10,000,000)</u> | <u>(10,000,000)</u> |
| Amount due after one year | <u>12,393,960</u> | <u>2,448,222</u> | <u>–</u> | <u>–</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

24. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

| | Minimum lease payments | | Present value of minimum lease payments | |
|--|---------------------------|--------------------|---|---------------------|
| | 2001 HK\$ | 2000 HK\$ | 2001 HK\$ | 2000 HK\$ |
| Amounts payable under finance leases: | | | | |
| Within one year | 8,904,240 | 11,547,689 | 7,800,576 | 11,085,740 |
| In the second to fifth year inclusive | 8,887,240 | 7,773,173 | 8,278,133 | 6,219,390 |
| | <u>17,791,480</u> | <u>19,320,862</u> | <u>16,078,709</u> | <u>17,305,130</u> |
| Less: future finance charges | <u>(1,712,771)</u> | <u>(2,015,732)</u> | <u>N/A</u> | <u>N/A</u> |
| Present value of lease payments | <u>16,078,709</u> | <u>17,305,130</u> | 16,078,709 | 17,305,130 |
| Less: Amount due for settlement within 12 months shown under current liabilities | | | <u>(7,800,576)</u> | <u>(11,085,740)</u> |
| Amount due for settlement after 12 months | | | <u>8,278,133</u> | <u>6,219,390</u> |

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 4 years. For the year ended 31 December 2001, the average effective borrowing rate was 6.75% (2000: 6.75%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

Notes to the Financial Statements

For the year ended 31st December, 2001

25. SHARE CAPITAL

| | Number of ordinary shares | Value HK\$ |
|--|------------------------------|--------------------|
| Ordinary shares of HK\$0.40 each | | |
| Authorised: | | |
| At 1st January, 2001 and 31st December, 2001 | <u>1,000,000,000</u> | <u>400,000,000</u> |
| Issued and fully paid: | | |
| At 1st January, 2000 | 632,051,434 | 252,820,574 |
| Exercise of share options | <u>8,780,000</u> | <u>3,512,000</u> |
| At 31st December, 2000 | 640,831,434 | 256,332,574 |
| Exercise of warrants | <u>6,800</u> | <u>2,720</u> |
| At 31st December, 2001 | <u>640,838,234</u> | <u>256,335,294</u> |

During the year, 6,800 ordinary shares of HK\$0.40 each in the Company were issued upon the exercise of 6,800 warrants at a price of HK\$0.40. The shares issued during the year rank pari passu with the then existing shares in all respects.

26. WARRANTS

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 6th June, 2001, a bonus issue of warrants on the basis of one warrant for every five shares of HK\$0.40 each held by shareholders on the register of members of the Company as at 6th June, 2001 was approved. A total of 128,166,286 units of warrants with an aggregate subscription amount of HK\$51,266,514 were issued on 11th June, 2001. Each warrant confers rights to the registered holder to subscribe for one new share of the Company in cash at an initial subscription price of HK\$0.40 per share, subject to adjustment, at any time from the date of issue to 10th June, 2003 (both years inclusive).

At 31st December, 2001, the Company had outstanding warrants conferring rights to subscribe for up to HK\$51,263,794 in cash for shares. Exercise in full of these outstanding warrants would, under the share capital structure of the Company as of 31st December, 2001, resulting in the issue of 128,159,486 new shares of HK\$0.40 each in the Company.

Details of the exercise of the Company's warrants during the year are set out in note 25.

Notes to the Financial Statements

For the year ended 31st December, 2001

27. SHARE OPTIONS

At 31st December, 2001, the following options to subscribe for shares of the Company were outstanding under the Company's share option scheme:

| Date of grant | Exercise price HK\$ | Number of share options outstanding as at 31.12.2001 |
|---------------|------------------------|--|
| 23.6.2001 | 0.41 | 12,200,000 |

The options granted can be exercised at any time during the period of twenty one months commencing on the expiry of three months after the date upon which the option is accepted and expiring on the last date of such two year period.

Notes to the Financial Statements

For the year ended 31st December, 2001

28. RESERVES

| | Share premium HK\$ | Asset revaluation reserve HK\$ | Translation reserve HK\$ | Capital reserve HK\$ | Statutory reserve HK\$ | Retained profits HK\$ | Total HK\$ |
|--|--------------------------|---|--------------------------------|----------------------------|------------------------------|-----------------------------|---------------|
| THE GROUP | | | | | | | |
| At 1st January, 2000 | | | | | | | |
| - as originally stated | 265,715,942 | 50,041,913 | (7,266,459) | 11,468,789 | 469,901 | 93,304,206 | 413,734,292 |
| - prior period adjustments (note 2) | - | - | - | (11,468,789) | - | 7,479,750 | (3,989,039) |
| - as restated | 265,715,942 | 50,041,913 | (7,266,459) | - | 469,901 | 100,783,956 | 409,745,253 |
| Premium arising on issue of shares upon exercise of options | 1,432,896 | - | - | - | - | - | 1,432,896 |
| Exchange differences arising from translation of overseas operations | - | - | (8,598,691) | - | - | - | (8,598,691) |
| Realised on disposal of properties | - | (126,249) | - | - | - | 126,249 | - |
| Realised on disposal of subsidiaries | - | - | (7,400) | - | - | - | (7,400) |
| Surplus arising on revaluation | - | 5,961,003 | - | - | - | - | 5,961,003 |
| Transfer | - | - | - | - | 124,556 | (124,556) | - |
| Profit for the year | - | - | - | - | - | 6,315,206 | 6,315,206 |
| At 31st December, 2000 and 1st January, 2001 | 267,148,838 | 55,876,667 | (15,872,550) | - | 594,457 | 107,100,855 | 414,848,267 |
| Exchange differences arising from translation of overseas operations | - | - | 3,683,555 | - | - | - | 3,683,555 |
| Realised on disposal of subsidiaries | - | - | 26,459 | - | - | - | 26,459 |
| Deficit arising on revaluation | - | (5,911,454) | - | - | - | - | (5,911,454) |
| Loss for the year | - | - | - | - | - | (89,128,370) | (89,128,370) |
| At 31st December, 2001 | 267,148,838 | 49,965,213 | (12,162,536) | - | 594,457 | 17,972,485 | 323,518,457 |
| Attributable to: | | | | | | | |
| The Company and subsidiaries | 267,148,838 | 49,965,213 | (8,630,463) | - | 594,457 | (7,168,622) | 301,909,423 |
| Associates | - | - | (3,532,073) | - | - | 25,141,107 | 21,609,034 |
| | 267,148,838 | 49,965,213 | (12,162,536) | - | 594,457 | 17,972,485 | 323,518,457 |
| THE COMPANY | | | | | | | |
| At 1st January, 2000 | 265,715,942 | - | - | - | - | 95,266,950 | 360,982,892 |
| Premium arising on issue of shares upon exercise of options | 1,432,896 | - | - | - | - | - | 1,432,896 |
| Profit for the year | - | - | - | - | - | 1,810,641 | 1,810,641 |
| At 31st December, 2000 and 1st January, 2001 | 267,148,838 | - | - | - | - | 97,077,591 | 364,226,429 |
| Profit for the year | - | - | - | - | - | 4,693,655 | 4,693,655 |
| At 31st December, 2001 | 267,148,838 | - | - | - | - | 101,771,246 | 368,920,084 |

The Company's retained profits of HK\$101,771,246 as at 31st December, 2001 (2000: HK\$97,077,591) are available for distribution to shareholders.

Notes to the Financial Statements

For the year ended 31st December, 2001

29. DEFERRED TAXATION

| | THE GROUP | |
|--|--------------|--------------|
| | 2001 HK\$ | 2000 HK\$ |
| Balance at 1st January | 185,925 | 412,191 |
| Charge (credit) for the year (note 10) | 58,356 | (226,266) |
| Balance at 31st December | 244,281 | 185,925 |

At the balance sheet date, the major components of deferred taxation provided and unprovided for are as follows:

| | Provided | | Unprovided | |
|--|--------------|--------------|--------------|--------------|
| | 2001 HK\$ | 2000 HK\$ | 2001 HK\$ | 2000 HK\$ |
| THE GROUP | | | | |
| Tax effect of timing differences because of: | | | | |
| Excess of tax allowances over depreciation | 244,281 | 172,581 | 8,194,003 | 6,277,224 |
| Unutilised tax losses | - | 13,344 | (31,803,763) | (21,569,576) |
| Other timing differences | - | - | - | 246,925 |
| | 244,281 | 185,925 | (23,609,760) | (15,045,427) |

The amount of the net unprovided deferred tax (credit) charge for the year is as follows:

| | 2001 HK\$ | 2000 HK\$ |
|--|--------------|--------------|
| THE GROUP | | |
| Tax effect of timing differences because of: | | |
| Tax loss arising | (10,234,187) | (8,807,805) |
| Excess of tax allowances over depreciation | 1,916,779 | 4,291,255 |
| Other timing differences | (246,925) | 134,925 |
| | (8,564,333) | (4,381,625) |

Notes to the Financial Statements

For the year ended 31st December, 2001

29. DEFERRED TAXATION (continued)

Deferred taxation has not been provided on the surplus arising on the revaluation of the Group's investment properties and leasehold land and buildings as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the valuation does not constitute a timing difference for tax purposes.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

30. RECONCILIATION OF (LOSS) PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2001 HK\$ | 2000 HK\$ |
|--|---------------|---------------|
| (Loss) profit before taxation | (79,437,845) | 28,496,933 |
| Share of results of associates | (14,407,053) | (9,083,425) |
| Interest income | (1,437,509) | (2,698,308) |
| Interest expenses on bank borrowings and other loans | 23,013,031 | 22,430,626 |
| Finance charges on finance leases and hire purchase contracts | 1,208,995 | 1,858,103 |
| Dividend income | (838,068) | (379,611) |
| Depreciation and amortisation on property, plant and equipment | 54,826,055 | 55,099,463 |
| Amortisation of goodwill | 5,541,778 | 4,305,706 |
| Release of negative goodwill | (6,425,434) | (6,425,432) |
| Loss on disposal of property, plant and equipment | 3,423,592 | 2,023,326 |
| Deficit arising on revaluation of investment properties | 1,350,000 | 500,000 |
| Deficit arising on revaluation of leasehold land and buildings | 711,435 | 416,273 |
| Loss on disposal of investments in securities | 855,452 | - |
| Gain on disposal of subsidiaries | (5,301,123) | (5,917,433) |
| Loss (gain) on disposal of associates | 615,174 | (640,392) |
| Amounts due from associates written off | - | 601,297 |
| Impairment loss recognised on investments in securities | 818,000 | 2,065,440 |
| Allowance for bad and doubtful debts | 41,184,726 | 29,280,471 |
| Allowance for obsolete inventories | 28,075,161 | 18,907,043 |
| Decrease (increase) in inventories | 69,883,098 | (104,047,135) |
| Decrease (increase) in trade and other receivables | 91,008,795 | (18,479,288) |
| Increase in bills receivable | (1,912,109) | (12,584) |
| (Decrease) increase in trade and other payables | (102,273,492) | 45,776,194 |
| (Decrease) increase in bills payable | (45,214,791) | 2,747,359 |
| Net cash inflow from operating activities | 65,267,868 | 66,824,626 |

Notes to the Financial Statements

For the year ended 31st December, 2001

31. DISPOSAL OF SUBSIDIARIES

| | 2001 HK\$ | 2000 HK\$ |
|---|------------------|-------------------|
| NET ASSETS DISPOSED OF: | | |
| Property, plant and equipment | 2,456,468 | 1,479,726 |
| Investments in securities | – | 1,923,907 |
| Inventories | 614,697 | 3,039,310 |
| Trade and other receivables | 7,142,607 | 3,826,488 |
| Bank balances and cash | 1,374,975 | 624,465 |
| Trade and other payables | (13,847,642) | (1,467,703) |
| Bank loans | – | (1,877,758) |
| Minority interests | (1,176,867) | (1,561,629) |
| | (3,435,762) | 5,986,806 |
| Attributable goodwill (negative goodwill) realised upon disposal | 909,678 | (88,963) |
| Translation reserve realised upon disposal | 26,459 | (7,400) |
| Gain on disposal of subsidiaries | 5,301,123 | 5,917,433 |
| | <u>2,801,498</u> | <u>11,807,876</u> |
| SATISFIED BY: | | |
| Cash consideration | <u>2,801,498</u> | <u>11,807,876</u> |

The subsidiaries disposed of during the years ended 31st December, 2001 and 2000 did not contribute significantly to the results of the Group up to their dates of disposal. The cashflow contributed or utilised by the subsidiaries disposed of during the years ended 31st December, 2001 and 2000 was not significant.

32. ANALYSIS OF THE NET INFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE DISPOSAL OF SUBSIDIARIES

| | 2001 HK\$ | 2000 HK\$ |
|---|--------------------|-------------------|
| Cash consideration | 2,801,498 | 11,807,876 |
| Bank balances and cash disposed of | <u>(1,374,975)</u> | <u>(624,465)</u> |
| Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries | <u>1,426,523</u> | <u>11,183,411</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

33. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

| | Share capital HK\$ | Share premium HK\$ | Bank loans HK\$ | Other loans HK\$ | Obligations under finance leases and hire purchase contracts HK\$ | Amounts due to associates HK\$ | Minority interests HK\$ |
|--|--------------------------|--------------------------|--------------------|---------------------|--|---|-------------------------------|
| Balance at 1st January, 2000 | 252,820,574 | 265,715,942 | 176,048,045 | 1,892,310 | 24,282,870 | 10,343,756 | 155,415,117 |
| Proceeds from issue of shares | 3,512,000 | 1,432,896 | - | - | - | - | - |
| New loans raised | - | - | 205,375,745 | 92,764 | - | - | - |
| Capital contributed by minority shareholders | - | - | - | - | - | - | 2,161,664 |
| Dividends paid to minority shareholders | - | - | - | - | - | - | (5,371,503) |
| Repayments during the year | - | - | (209,212,861) | (124,873) | (12,383,192) | (8,920,675) | - |
| Non cash movements: | | | | | | | |
| Disposal of subsidiaries | - | - | (1,877,758) | - | - | - | (1,561,629) |
| Inception of finance leases and hire purchase contracts | - | - | - | - | 5,436,104 | - | - |
| Profit for the year attributable to minority shareholders | - | - | - | - | - | - | 10,789,545 |
| Revaluation surplus attributable to minority shareholders | - | - | - | - | - | - | 2,025,142 |
| Disposal of property, plant and equipment (note 34(b)) | - | - | - | - | - | - | (7,187,715) |
| Partial disposal of interest in subsidiaries | - | - | - | - | - | - | (5,915,413) |
| Dividend payable to minority shareholders | - | - | - | - | - | - | (3,102,680) |
| Currency realignment | - | - | (354,057) | (1,015) | (30,652) | - | (2,356,764) |
| Balance at 1st January, 2001 | 256,332,574 | 267,148,838 | 169,979,114 | 1,859,186 | 17,305,130 | 1,423,081 | 144,895,764 |
| Proceeds from issue of shares | 2,720 | - | - | - | - | - | - |
| New loans raised | - | - | 45,278,006 | - | - | - | - |
| Capital contributed by minority shareholders | - | - | - | - | - | - | 3,132,467 |
| Dividends paid to minority shareholders | - | - | - | - | - | - | (9,215,735) |
| Repayments during the year | - | - | (27,136,967) | (810,697) | (12,332,738) | (843,590) | - |
| Non cash movements: | | | | | | | |
| Disposal of subsidiaries | - | - | - | - | - | - | (1,176,867) |
| Inception of finance leases and hire purchase contracts | - | - | - | - | 11,055,003 | - | - |
| Profit for the year attributable to minority shareholders | - | - | - | - | - | - | 1,939,232 |
| Revaluation deficit attributable to minority shareholders | - | - | - | - | - | - | (133,014) |
| Partial disposal of interest in subsidiaries | - | - | - | - | - | - | 876,417 |
| Currency realignment | - | - | 2,299,142 | 6,317 | 51,314 | - | 1,708,743 |
| Balance at 31st December, 2001 | 256,335,294 | 267,148,838 | 190,419,295 | 1,054,806 | 16,078,709 | 579,491 | 142,027,007 |

Notes to the Financial Statements

For the year ended 31st December, 2001

34. MAJOR NON-CASH TRANSACTIONS

- (a) During the year, the Group entered into finance leases and hire purchase contracts in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases and contracts of HK\$11,055,003 (2000: HK\$5,436,104).
- (b) During the year ended 31st December, 2000, certain property, plant and equipment of a subsidiary previously injected by a minority shareholder with a net book value of HK\$7,187,715 were disposed of to the minority shareholder.

35. OPERATING LEASE COMMITMENTS

The Group as lessee

| | THE GROUP | |
|---|-------------------|------------------|
| | 2001 HK\$ | 2000 HK\$ |
| Minimum lease payments made during the year under operating leases in respect of: | | |
| Land and buildings | 10,910,650 | 9,329,272 |
| Plant and machinery | 921,334 | 239,976 |
| | <u>11,831,984</u> | <u>9,569,248</u> |

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

| | THE GROUP | |
|---------------------------------------|--------------------|-------------------|
| | 2001 HK\$ | 2000 HK\$ |
| Within one year | 8,972,171 | 4,543,389 |
| In the second to fifth year inclusive | 33,494,777 | 8,143,250 |
| Over five years | 73,622,198 | 25,848,516 |
| | <u>116,089,146</u> | <u>38,535,155</u> |

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories. Leases are negotiated for an average term of 2-10 years and rentals are fixed for an average of 2-10 years.

The Company had no operating lease commitments at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st December, 2001

35. OPERATING LEASE COMMITMENTS (continued)

The Group as lessor

Property rental income earned during the year was HK\$3,587,721 (2000: HK\$5,368,833). The remaining properties are expected to generate rental yields of 10% (2000: 11%) on an ongoing basis. All of the properties held have committed tenants for the next 1 – 2 years.

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

| | THE GROUP | |
|---------------------------------------|------------------|------------------|
| | 2001 | 2000 |
| | HK\$ | HK\$ |
| Within one year | 1,809,826 | 1,645,725 |
| In the second to fifth year inclusive | 260,944 | 474,689 |
| | <u>2,070,770</u> | <u>2,120,414</u> |

36. OTHER COMMITMENTS

| | THE GROUP | |
|--|------------------|-------------------|
| | 2001 | 2000 |
| | HK\$ | HK\$ |
| Capital expenditure contracted for but not provided in the financial statements in respect of: | | |
| Acquisition of property, plant and equipment | 2,268,444 | 25,887,000 |
| Investments | 712,500 | 14,458,000 |
| | <u>2,980,944</u> | <u>40,345,000</u> |
| Capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment | <u>1,598,281</u> | <u>-</u> |

The Company had no capital commitments at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st December, 2001

37. CONTINGENT LIABILITIES

| | THE GROUP | | THE COMPANY | |
|---|-------------------|-------------------|--------------------|--------------------|
| | 2001 HK\$ | 2000 HK\$ | 2001 HK\$ | 2000 HK\$ |
| Guarantees given to financial institutions in respect of credit facilities utilised by: | | | | |
| Subsidiaries | – | – | 346,008,000 | 257,480,000 |
| Outsiders | 11,175,000 | 19,716,000 | – | – |
| | <u>11,175,000</u> | <u>19,716,000</u> | <u>346,008,000</u> | <u>257,480,000</u> |

38. RETIREMENT BENEFITS SCHEMES

The Group operates Mandatory Provident Fund ("MPF") scheme for qualifying employees of the Company and its subsidiaries in Hong Kong. The assets of the MPF scheme are held separately from those of the Group in funds under the control of trustees.

Employees who are employed by subsidiaries in the PRC are members of the state-managed pension scheme operated by the PRC government. These subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

39. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged by the Group to secure general banking facilities:

| | Net book value | |
|------------------------------|-------------------|-------------------|
| | 2001 HK\$ | 2000 HK\$ |
| Investment properties | 13,500,000 | – |
| Leasehold land and buildings | 43,594,800 | 59,580,000 |
| Plant and machinery | 20,738,462 | 380,000 |
| Bank deposits | 1,106,709 | 1,871,697 |
| | <u>78,939,971</u> | <u>61,831,697</u> |

Notes to the Financial Statements

For the year ended 31st December, 2001

40. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the year, the Group had significant transactions with the following related parties during the year, together with balances with them as at the balance sheet date, details of which are as follows:

| | 2001 HK\$ | 2000 HK\$ |
|---|--------------|--------------|
| Substantial shareholder and its subsidiaries: | | |
| EDP charges received (note i) | 165,600 | 165,600 |
| Licence fee paid (note i) | 2,455,320 | 3,161,741 |
| Management fee paid (note i) | 2,986,095 | 2,733,790 |
| Sales of goods (note iii) | 934,615 | – |
| Balance due by the Group as at the balance sheet date (note vi) | 6,155,705 | 3,848,894 |
| Balance due to the Group as at the balance sheet date (note vi) | 139,455 | 4,682,106 |
| Companies controlled by certain directors: | | |
| Management fee paid (note i) | 1,512,000 | 1,512,000 |
| Minority shareholders: | | |
| Consultancy fee paid (note i) | 228,000 | 247,000 |
| Rental paid (note i) | 1,912,801 | – |
| Interest paid (note iv) | 1,481,588 | 1,359,495 |
| Proceeds from disposal of a subsidiary (note ii) | – | 1,879,213 |
| Acquisition of additional interest in a subsidiary (note ii) | 3,429,000 | 5,867,756 |
| Balance due by the Group as at the balance sheet date (note vii) | 22,659,462 | 19,093,593 |
| Balance due to the Group as at the balance sheet date (note vi) | 11,869,813 | 10,984,416 |

Notes to the Financial Statements

For the year ended 31st December, 2001

40. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

| | 2001 HK\$ | 2000 HK\$ |
|--|--------------|--------------|
| Associates: | | |
| Sales of goods (note iii) | – | 933,063 |
| Purchase of raw materials (note iii) | 5,172,807 | 19,365,219 |
| Agency fee paid (note i) | – | 455,952 |
| Rental income (note i) | 8,050 | 333,689 |
| Dividend income | – | 1,742,361 |
| Management fee paid (note i) | 240,000 | 480,000 |
| Interest paid (note v) | – | 164,624 |
| Balance due by the Group as at the balance sheet date (note vi) | 579,491 | 1,423,081 |
| Balance due to the Group as at the balance sheet date (note vi) | 10,673,708 | 29,729,801 |

Notes:

- (i) The prices of the transactions were determined by the directors with reference to prices for similar transactions with unrelated third parties.
- (ii) These transactions were carried out pursuant to the sale and purchase agreements entered into during the year.
- (iii) These transactions were carried out at cost plus a percentage profit markup.
- (iv) The interest was charged at 6% to 10% (2000: 10%) per annum on the outstanding balances.
- (v) The interest are charged at prime rate plus 0.5% per annum on the outstanding balances.
- (vi) The balances are unsecured, interest free and have no fixed repayment term.
- (vii) The balances are unsecured and have no fixed repayment term. Other than an amount of HK\$13,592,280 (2000: HK\$11,094,637) which bears interest at 6% to 10% (2000: 10%) per annum, the remaining balances are interest free.

Save as disclosed above, there were no other significant transactions with related parties during the year or significant balances with them at the end of the year.

Notes to the Financial Statements

For the year ended 31st December, 2001

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2001 are as follows:

| Name of subsidiary | Place of incorporation/ registration | Place of operation | Issued and fully paid share capital/ registered capital | Proportion of nominal value of issued share capital/ registered capital | | Principal activities |
|---|---|--------------------|--|--|--------------------------------------|--|
| | | | | held by the Company*/ subsidiaries % | attributable to the Group % | |
| Cosmos Consortium Enterprises Limited | British Virgin Islands | Hong Kong | US\$1 | 100.0 * | 100.0 | Investment holding |
| Cosmos Machinery International Limited | Hong Kong | Hong Kong | HK\$22,000,000 | 100.0 * | 100.0 | Trading in industrial machinery, equipment and supplies and investment holding |
| Dongguan Cosmos Machinery Limited | PRC | PRC | HK\$30,000,000 | 100.0 | 91.75 | Manufacturing of industrial machinery |
| Dongguan Great Wall Optical Plastic Works Limited | PRC | PRC | HK\$16,126,800 | 100.0 | 80.0 | Manufacturing of microscopes and magnifiers with acrylic lenses |
| Dong Hua Machinery Limited | PRC | PRC | Rmb40,800,000 | 72.0 | 72.0 | Assembling and trading of machinery |
| Dongguan Welltec Machinery Limited | PRC | PRC | HK\$55,920,000 | 72.0 | 72.0 | Manufacturing and trading of machinery |
| Gainbase Industrial Limited | Hong Kong | Hong Kong | HK\$10,000 | 100.0 | 52.0 | Trading in printed circuit boards |
| Gainbase Industrial (C.I.) Limited | Cook Islands | PRC | HK\$78,000 | 100.0 | 52.0 | Manufacturing of printed circuit boards |

Notes to the Financial Statements

For the year ended 31st December, 2001

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

| Name of subsidiary | Place of incorporation/ registration | Place of operation | Issued and fully paid share capital/ registered capital | Proportion of nominal value of issued share capital/ registered capital held by the Company* / subsidiaries % | attributable to the Group % | Principal activities |
|--------------------------------------|---|--------------------|--|--|--------------------------------------|--|
| Glory Horse Industries Limited | Hong Kong | PRC | HK\$21,765,174 | 90.4 | 75.6 | Manufacturing, assembling and designing of electronic products |
| Grand Technology Products Limited | Hong Kong | Hong Kong | HK\$9,500,000 | 100.0 | 100.0 | Trading of machinery and investment holding |
| Great Wall (Holding) Company Limited | Hong Kong | Hong Kong | HK\$9,900,000 | 80.0 | 80.0 | Investment holding |
| Jackson Equities Incorporated | British Virgin Islands | Hong Kong | US\$2 | 100.0 * | 100.0 | Investment holding |
| Karmay Industrial Limited | Hong Kong | Hong Kong | HK\$4,979,444 | 78.8 | 78.8 | General trading and investment holding |
| Melco Trading Company Limited | Hong Kong | Hong Kong | HK\$1,500,000 | 100.0 | 100.0 | Trading in industrial consumables |
| Ming Sun Enterprises Limited | Hong Kong | Hong Kong | HK\$3,000,000 | 100.0 | 86.4 | Investment holding |
| Ming Sun Enterprises (China) Limited | Hong Kong | Hong Kong | HK\$1,000,000 | 100.0 | 86.4 | Manufacturing of moulds and trading of plasticwares |
| MS Plasticorp | Cook Islands | PRC | US\$1 | 100.0 | 86.4 | Manufacturing of plasticwares |

Notes to the Financial Statements

For the year ended 31st December, 2001

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

| Name of subsidiary | Place of incorporation/ registration | Place of operation | Issued and fully paid share capital/ registered capital | Proportion of nominal value of issued share capital/ registered capital | | Principal activities |
|---|---|--------------------|--|--|--------------------------------------|---|
| | | | | held by the Company*/ subsidiaries % | attributable to the Group % | |
| Shenzhen Gainbase PrintedCircuit Board Limited | PRC | PRC | HK\$9,500,000 | 100.0 | 52.0 | Manufacturing of printed circuit boards |
| Shunde Jiamei Plastic Products Co., Ltd. | PRC | PRC | US\$500,000 | 100.0 | 78.8 | Manufacturing of plastic products |
| Welltec Industrial Equipment Limited | Hong Kong | Hong Kong | HK\$10,000,000 | 100.0 | 100.0 | Investment holding |
| Welltec Machinery Limited | Hong Kong | Hong Kong | HK\$10,000,000 | 100.0 | 100.0 | Trading of machinery and investment holding |
| Wu Xi Grand Tech Machinery Co., Ltd. | PRC | PRC | US\$4,700,000 | 51.0 | 51.0 | Manufacturing and trading of machinery and investment holding |
| Wu Xi Grand Plastic Machine Manufacture Co., Ltd. | PRC | PRC | US\$750,000 | 51.0 | 51.0 | Manufacturing and trading of machinery |

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results of the Group for the year or form a substantial portion of the net assets of the Group at the end of the year. 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 capital in issue at the end of the year or at any time during the year.

Notes to the Financial Statements

For the year ended 31st December, 2001

42. POST BALANCE SHEET EVENTS

- (i) On 2nd January, 2002, Welltec Machinery Limited ("WML") and Karmay Industrial Limited ("Karmay"), subsidiaries of the Company, entered into a subscription agreement. WML has agreed to subscribe in cash for a total of 10,000,000 new shares in the share capital of Karmay, representing approximately 67% in the enlarged issued share capital of Karmay, at a subscription price of HK\$1.00 each. Details of the agreement are set out in the Company's announcement dated 2nd January, 2002.
- (ii) On 1st March, 2002, Grand Technology Products Limited ("GTPL"), a wholly owned subsidiary of the Company, and 無錫塑料機械廠 ("WX Factory"), a substantial shareholder of two non wholly owned subsidiaries of the Company, entered into a sale and purchase agreement (the "Agreement") with Wuxi Grand Tech Machinery Co., Ltd. (the "Purchaser"), another non wholly owned subsidiary of the Company. Pursuant to the Agreement, GTPL and WX Factory have agreed to dispose of the capital interests in the respective amounts of US\$195,000 (equivalent to approximately HK\$1,509,000) and US\$187,500 (equivalent to approximately HK\$1,451,000), representing 26% and 25% of the total registered capital in Wuxi Grand Plastic Machine Manufacture Co., Ltd to the Purchaser for the respective considerations of US\$961,860 (equivalent to approximately HK\$7,439,000) and US\$924,865 (equivalent to approximately HK\$7,153,000). Details of the Agreement are set out in the Company's announcement dated 1st March, 2002.