

1. General

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 38.

2. 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 and 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 or capital reserve

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Capital reserve, which represents the excess of the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill or capital reserve.

On the disposal of investment in subsidiaries and associates, the attributable amount of goodwill or capital reserve previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

2. Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment, other than properties under construction, is stated at cost or valuation less depreciation or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has 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.

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. 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.

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.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Investment properties

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

2. 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.

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

A subsidiary is an enterprise in which the Company, 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, as reduced by any decline in the value of the subsidiary that is other than temporary. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee.

2. Significant Accounting Policies (Continued)

Interests in associates (Continued)

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. The Company's investments in associates are stated in the Company's balance sheet at cost, as reduced by any decline in the value of the associate that is other than temporary.

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.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

2. Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sales.

Revenue recognition

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

Sales of completed properties held for sale are recognised on the execution of a binding sales agreement.

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.

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

2. Significant Accounting Policies (Continued)

Depreciation and amortisation (Continued)

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

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

Leases and hire purchase contracts

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 or hire purchase contracts are capitalised at their fair values at the dates of acquisition. The corresponding liability to the lessor or hirer, net of interest charges, is included in the balance sheet as a finance lease or hire purchase obligation. 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 or contracts 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 scheme contributions

The retirement benefits scheme contributions charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution retirement benefits schemes.

2. 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.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of advances.

3. Turnover

Turnover represents the net amounts received and receivable for goods supplied by the Group to outside customers and sales of properties held for sale during the year as follows:

	2000 HK\$	1999 HK\$
Sales of goods	1,622,795,787	1,526,422,192
Sales of properties	—	3,336,155
	1,622,795,787	1,529,758,347

4. Cost of Sales

The cost of sales include a provision for obsolete inventories amounting to HK\$18,907,043 (1999: HK\$5,423,426).

For the year ended 31st December, 2000

5. Profit from Operations

	2000 HK\$	1999 HK\$
Profit from operations has been arrived at after charging:		
Staff costs		
Directors' remuneration (note 8)	7,687,407	8,937,740
Salaries and other benefits	205,738,678	194,536,597
Retirement benefits scheme contributions	3,910,133	2,633,586
	217,336,218	206,107,923
Auditors' remuneration	2,374,296	2,639,053
Deficit arising on revaluation of investment properties	500,000	—
Deficit arising on revaluation of leasehold land and buildings	416,273	997,853
Depreciation and amortisation on:		
Owned assets	47,985,128	40,975,395
Assets held under finance leases and hire purchase contracts	7,114,335	5,746,561
Loss on disposal of property, plant and equipment	2,023,326	837,846
Operating lease rentals for land and buildings	9,329,272	10,357,429
and after crediting:		
Commission income	10,971,461	10,935,670
Handling and services income	4,298,679	12,776,906
Rental income from properties under operating leases	5,198,044	4,240,174

For the year ended 31st December, 2000

6. Finance Costs

	2000 HK\$	1999 HK\$
Interest on:		
Borrowings wholly repayable within five years		
— bank loans and overdrafts	20,585,012	24,562,652
— other loans	1,845,614	2,064,456
Finance leases and hire purchase contracts	1,858,103	1,532,330
	24,288,729	28,159,438

7. Investment Income

	2000 HK\$	1999 HK\$
Interest income	2,698,308	2,794,368
Dividends received and receivable from investments in securities	379,611	—
Impairment loss recognised on investment in securities	(2,065,440)	—
Realised loss on disposal of investments in securities	—	(1,507,932)
	1,012,479	1,286,436

For the year ended 31st December, 2000

8. Directors' and Employees' Emoluments

Directors

	2000 HK\$	1999 HK\$
Fees:		
Executive directors	40,000	—
Non-executive directors	200,000	200,000
	240,000	200,000
Other emoluments:		
Executive directors		
Salaries and other benefits	6,340,614	7,242,500
Performance related incentive payments	240,000	480,000
Retirement benefits scheme contributions	145,803	294,250
	6,726,417	8,016,750
Non-executive directors		
Salaries and other benefits	680,400	680,400
Retirement benefits scheme contributions	40,590	40,590
	720,990	720,990
	7,687,407	8,937,740

The amounts disclosed above include directors' fees of HK\$80,000 (1999: HK\$80,000) payable to independent non-executive directors.

8. Directors' and Employees' Emoluments (Continued)

The emoluments of the directors are within the following bands:

	Number of directors	
	2000	1999
Nil to HK\$1,000,000	11	6
HK\$1,000,001 to HK\$1,500,000	—	3
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	2	—
	13	11

Employees

The five highest paid individuals included two (1999: four) directors, details of whose emoluments are set out above. The emoluments of the remaining three (1999: one) individuals are as follows:

	2000 HK\$	1999 HK\$
Salaries and other benefits	5,400,430	1,955,500
Retirement benefits scheme contributions	154,344	24,900
	5,554,774	1,980,400

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8. Directors' and Employees' Emoluments (Continued)

The emoluments of the employees are within the following bands:

	Number of employees	
	2000	1999
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,500,001 to HK\$3,000,000	1	—
	3	1

9. Taxation

	2000 HK\$	1999 HK\$
The charge comprises:		
Hong Kong Profits Tax		
Current year	3,772,006	2,126,369
(Over)underprovision in prior years	(321,157)	11,643
Refund for the year	—	(133,912)
	3,450,849	2,004,100
Taxation outside Hong Kong	7,121,886	6,181,750
Deferred taxation (note 25)	(226,266)	8,734
	10,346,469	8,194,584
Taxation attributable to the Company and its subsidiaries	1,045,713	411,809
Share of tax on results of associates		
	11,392,182	8,606,393

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

9. Taxation (Continued)

The refund for the year ended 31st December, 1999 represented a 10% refund of the Hong Kong Profits Tax paid for the year ended 31st December, 1997 granted by the Inland Revenue Department during that year.

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

Pursuant to relevant laws and regulations in the People's Republic of China (the "PRC"), certain of the Group's PRC subsidiaries are entitled to an exemption from PRC enterprise income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

Details of deferred taxation are set out in note 25.

10. Profit for the Year

Of the Group's net profit for the year, a profit of HK\$1,810,641 (1999: a loss of HK\$12,468,095) has been dealt with in the financial statements of the Company.

11. Earnings Per Share

The calculation of the basic earnings per share for the year is based on the profit for the year of HK\$4,328,924 (1999: HK\$2,200,186) and on the weighted average number of shares in issue during the year of 639,978,812 (1999: 630,642,996).

No diluted earnings per share has been presented for either 2000 or 1999 because the exercise price of the Company's options was higher than the average market price of shares of both years.

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12. Investment Properties

	HK\$
THE GROUP	
VALUATION	
At 1st January, 2000	13,150,000
Reclassification to leasehold land and buildings (note 13)	(600,000)
Deficit on revaluation	(500,000)
At 31st December, 2000	12,050,000

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, 2000 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.

For the year ended 31st December, 2000

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, 2000	220,404,760	93,196,388	302,154,730	31,396,430	18,977,724	666,130,032
Currency realignment	(1,757,122)	(112,499)	(2,226,835)	(390,607)	(112,532)	(4,599,595)
Reclassification from investment properties (note 12)	600,000	—	—	—	—	600,000
On disposal of subsidiaries	—	(1,466,941)	—	(403,824)	—	(1,870,765)
Reclassifications	919,758	51,948	6,023,166	24,129	(7,019,001)	—
Additions	7,470,650	5,272,621	28,112,982	4,387,356	11,065,245	56,308,854
Disposals	(9,050,000)	(3,969,811)	(4,453,407)	(3,977,100)	(2,083,204)	(23,533,522)
Adjustment on revaluation	(590,633)	—	—	—	—	(590,633)
At 31st December, 2000	217,997,413	92,971,706	329,610,636	31,036,384	20,828,232	692,444,371
Comprising:						
At cost	—	92,971,706	329,610,636	31,036,384	20,828,232	474,446,958
At valuation — 2000	217,997,413	—	—	—	—	217,997,413
	217,997,413	92,971,706	329,610,636	31,036,384	20,828,232	692,444,371
DEPRECIATION AND AMORTISATION						
At 1st January, 2000	—	48,953,226	156,545,858	19,664,895	—	225,163,979
Currency realignment	148,070	33,029	(790,930)	(182,889)	—	(792,720)
On disposal of subsidiaries	—	(355,089)	—	(35,950)	—	(391,039)
Provided for the year	8,012,435	8,996,909	34,374,197	3,715,922	—	55,099,463
Eliminated on disposals	—	(2,690,682)	(2,491,588)	(3,198,776)	—	(8,381,046)
Eliminated on revaluation	(8,160,505)	—	—	—	—	(8,160,505)
At 31st December, 2000	—	54,937,393	187,637,537	19,963,202	—	262,538,132
NET BOOK VALUES						
At 31st December, 2000	217,997,413	38,034,313	141,973,099	11,073,182	20,828,232	429,906,239
At 31st December, 1999	220,404,760	44,243,162	145,608,872	11,731,535	18,977,724	440,966,053

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13. Property, Plant and Equipment (Continued)

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

	2000 HK\$	1999 HK\$
In Hong Kong:		
— under medium-term leases	36,740,000	39,920,000
Outside Hong Kong:		
— under long leases	820,000	862,000
— under medium-term leases	180,437,413	179,622,760
	217,997,413	220,404,760

The leasehold land and buildings of the Group were revalued as at 31st December, 2000 on the open market existing use basis by Messrs. Knight Frank, an independent firm of professional valuers. The surplus and deficit arising on revaluation attributable to the Group have been credited and charged to the asset revaluation reserve and the consolidated income statement, respectively.

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\$177,854,000 (1999: HK\$157,812,000).

The net book value of the Group's property, plant and equipment includes an amount of HK\$20,455,488 (1999: HK\$26,747,253) in respect of assets held under finance leases and hire purchase contracts.

13. Property, Plant and Equipment (Continued)

The Group had no interest capitalised during both years.

	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Total HK\$
THE COMPANY			
COST			
At 1st January, 2000	8,039,727	417,111	8,456,838
Additions	210,594	—	210,594
Disposals	(65,000)	—	(65,000)
At 31st December, 2000	8,185,321	417,111	8,602,432
DEPRECIATION			
At 1st January, 2000	1,867,080	120,059	1,987,139
Provided for the year	776,474	83,422	859,896
Eliminated on disposals	(13,000)	—	(13,000)
At 31st December, 2000	2,630,554	203,481	2,834,035
NET BOOK VALUES			
At 31st December, 2000	5,554,767	213,630	5,768,397
At 31st December, 1999	6,172,647	297,052	6,469,699

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14. Interests in Subsidiaries

	THE COMPANY	
	2000 HK\$	1999 HK\$
Unlisted shares/capital contribution, at cost	49,454,644	55,454,636
Amounts due from subsidiaries	576,797,978	601,471,238
	626,252,622	656,925,874
Less: provision	(17,290,000)	(400,000)
	608,962,622	656,525,874

Details of the Company's principal subsidiaries at 31st December, 2000 are set out in note 38.

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

15. Interests in Associates

	2000 HK\$	1999 HK\$
THE GROUP		
Share of net assets	32,816,906	24,989,873
Amounts due from associates	29,729,801	28,079,967
	62,546,707	53,069,840
THE COMPANY		
Unlisted shares, at cost	1,000,000	2,406,000
Less: Provision	—	(1,000,000)
	1,000,000	1,406,000
Amounts due from associates	2,825,713	14,574,443
	3,825,713	15,980,443

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15. Interests in Associates (Continued)

Details of the associates of the Group at 31st December, 2000 are as follows:

Name of associates	Place of incorporation/ registration and operation	Proportion of nominal value of issued capital/registered capital indirectly held		Principal activities
		directly held by the Company %	by the Company and attributable to the Group %	
Dongguan Sangiacomo Machinery Ltd.	PRC	—	40.0	Manufacturing of industrial machinery, equipment and supplies
East Right Enterprises Limited	Hong Kong	—	40.0	Investment holding
Oriental Pluritec Limited	Hong Kong	—	30.0	Trading in industrial machinery, equipment and supplies
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
Toboluck International Limited	Hong Kong	20.0	—	General trading and investment holding
Welltec Far East Limited	Hong Kong	—	40.0	Trading in industrial machinery
Welltec Industries (Thailand) Limited	Thailand	—	30.2	Property development
北京正寶紙製品有限公司	PRC	—	25.0	Manufacturing of paper pallet

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16. Investments in Securities

	THE GROUP		THE COMPANY	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Unlisted investment securities	18,734,896	16,549,180	5,474,799	3,371,996
Less: Provision	(2,149,149)	(1,526,489)	(895,360)	(895,360)
	16,585,747	15,022,691	4,579,439	2,476,636

In the opinion of the directors, the recoverable amount of the investments in unlisted securities is at least equal to their carrying amount.

17. Loans to Investee Companies

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

18. Inventories

	THE GROUP	
	2000 HK\$	1999 HK\$
Trading inventories and finished goods	199,034,664	155,310,359
Work in progress	70,044,542	53,702,278
Raw materials	217,704,955	209,023,101
	486,784,161	418,035,738

Included above are trading inventories and finished goods of HK\$136,096,597 (1999: HK\$69,765,688), work in progress of HK\$66,199,125 (1999: HK\$4,225,373) and raw materials of HK\$166,032,429 (1999: HK\$120,548,107) which are carried at net realisable value.

19. 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\$431,705,306 (1999: HK\$454,313,816) and their aging analysis at the balance sheet date is as follows:

	THE GROUP	
	2000 HK\$	1999 HK\$
0 to 3 months	272,868,608	260,658,857
4 to 6 months	55,998,489	43,667,105
7 to 9 months	25,750,709	41,868,118
Over 9 months	77,087,500	108,119,736
	431,705,306	454,313,816

20. Trade and Other Payables

Included in trade and other payables are trade payables of HK\$347,648,678 (1999: HK\$314,944,673) and their aging analysis at the balance sheet date is as follows:

	THE GROUP	
	2000 HK\$	1999 HK\$
0 to 3 months	269,600,572	233,808,727
4 to 6 months	40,868,166	39,276,346
7 to 9 months	13,804,673	19,532,456
Over 9 months	23,375,267	22,327,144
	347,648,678	314,944,673

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21. Borrowings

	THE GROUP		THE COMPANY	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Bank loans				
— secured	84,097,340	68,453,594	—	—
— unsecured	85,881,774	107,594,451	10,000,000	10,000,000
	169,979,114	176,048,045	10,000,000	10,000,000
Other loans				
— secured	1,645,828	692,476	—	—
— unsecured	213,358	1,199,834	—	—
	1,859,186	1,892,310	—	—
Obligations under finance leases and hire purchase contracts	17,305,130	24,282,870	—	—
Total	189,143,430	202,223,225	10,000,000	10,000,000

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21. Borrowings (Continued)

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

	THE GROUP		THE COMPANY	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Within one year	180,475,818	185,042,017	10,000,000	10,000,000
Between one and two years	2,135,881	11,180,527	—	—
Between two and five years	6,531,731	6,000,681	—	—
	189,143,430	202,223,225	10,000,000	10,000,000
Less: Amount due within one year shown under current liabilities	180,475,818	185,042,017	10,000,000	10,000,000
Amount due after one year	8,667,612	17,181,208	—	—

22. Share Capital

	Number of ordinary shares	Value HK\$
Ordinary shares of HK\$0.40 each		
Authorised:		
At 1st January, 2000 and 31st December, 2000	1,000,000,000	400,000,000
Issued and fully paid:		
At 1st January, 1999	629,671,434	251,868,574
Exercise of share options	2,380,000	952,000
At 31st December, 1999	632,051,434	252,820,574
Exercise of share options	8,780,000	3,512,000
At 31st December, 2000	640,831,434	256,332,574

For the year ended 31st December, 2000

22. Share Capital (Continued)

All the shares issued by the Company during the year rank pari passu with the then existing shares in all respects.

23. Share Option Scheme

Pursuant to the share option scheme of the Company adopted on 13th June, 1997 (the "Scheme"), the Company may grant options at the discretion of the directors to full-time employees, including executive directors, of the Group to subscribe for its shares subject to certain terms and conditions. The maximum number of shares in respect of which options may be granted under the Scheme is limited to 10% of the issued share capital of the Company from time to time. The maximum entitlement for any eligible employee must not exceed 25% of the total number of shares subject to the Scheme.

The subscription price of the options is determined by the directors of the Company but cannot be less than 80% of the average of the closing price of the Company's shares on the Stock Exchange for the five business days immediately preceding the date of grant of the option or the nominal value of the Company's shares, whichever is the greater. The options granted under the Scheme 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.

Details of the movements of the options during the year are as follows:

Date of grant	Exercise price HK\$	Number of share options outstanding as at 1.1.2000	Exercised during the year	Lapsed during the year	Number of share options outstanding as at 31.12.2000
21.1.1998	0.5632	16,700,000	(8,780,000)	(7,920,000)	—

For the year ended 31st December, 2000

24. 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, 1999	265,327,526	51,448,416	(5,002,508)	10,901,739	—	88,617,465	411,292,638
Premium arising on issue of shares upon exercise of options	388,416	—	—	—	—	—	388,416
Exchange differences arising from translation of overseas operations, net of minority interests' share	—	—	(2,263,951)	—	—	—	(2,263,951)
Goodwill arising on acquisition of additional interests in subsidiaries	—	—	—	(1,332,950)	—	—	(1,332,950)
Realised on disposal of properties	—	(2,956,456)	—	—	—	2,956,456	—
Realised on disposal of subsidiaries	—	—	—	1,900,000	—	—	1,900,000
Surplus arising on revaluation	—	1,549,953	—	—	—	—	1,549,953
Transfer	—	—	—	—	469,901	(469,901)	—
Profit for the year	—	—	—	—	—	2,200,186	2,200,186
At 31st December, 1999	265,715,942	50,041,913	(7,266,459)	11,468,789	469,901	93,304,206	413,734,292
Premium arising on issue of shares upon exercise of options	1,432,896	—	—	—	—	—	1,432,896
Exchange differences arising from translation of overseas operations, net of minority interests' share	—	—	(8,598,691)	—	—	—	(8,598,691)
Goodwill arising on acquisition of additional interests in subsidiaries	—	—	—	(264,344)	—	—	(264,344)
Realised on disposal of properties	—	(126,249)	—	—	—	126,249	—
Realised on disposal of subsidiaries	—	—	(7,400)	(222,407)	—	—	(229,807)
Surplus arising on revaluation	—	5,961,003	—	—	—	—	5,961,003
Transfer	—	—	—	—	124,556	(124,556)	—
Profit for the year	—	—	—	—	—	4,328,924	4,328,924
At 31st December, 2000	267,148,838	55,876,667	(15,872,550)	10,982,038	594,457	97,634,823	416,364,273
Attributable to:							
The Company and subsidiaries	267,148,838	55,876,667	(11,226,005)	10,982,038	594,457	88,799,242	412,175,237
Associates	—	—	(4,646,545)	—	—	8,835,581	4,189,036
	267,148,838	55,876,667	(15,872,550)	10,982,038	594,457	97,634,823	416,364,273

For the year ended 31st December, 2000

24. Reserves (Continued)

	Share premium HK\$	Asset revaluation reserve HK\$	Translation reserve HK\$	Capital reserve HK\$	Statutory reserve HK\$	Retained profits HK\$	Total HK\$
THE COMPANY							
At 1st January, 1999	265,327,526	—	—	—	—	107,735,045	373,062,571
Premium arising on issue of shares							
upon exercise of options	388,416	—	—	—	—	—	388,416
Loss for the year	—	—	—	—	—	(12,468,095)	(12,468,095)
At 31st December, 1999	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 (note 10)	—	—	—	—	—	1,810,641	1,810,641
At 31st December, 2000	267,148,838	—	—	—	—	97,077,591	364,226,429

The Company's retained profits of HK\$97,077,591 as at 31st December, 2000 (1999: HK\$95,266,950) are available for distribution to shareholders.

25. Deferred Taxation

	THE GROUP	
	2000 HK\$	1999 HK\$
Balance at 1st January	412,191	403,457
(Credit) charge for the year (note 9)	(226,266)	8,734
Balance at 31st December	185,925	412,191

For the year ended 31st December, 2000

25. Deferred Taxation (Continued)

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

	Provided		Unprovided	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
THE GROUP				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	172,581	401,777	6,277,224	1,985,969
Unutilised tax losses	13,344	—	(21,569,576)	(12,761,771)
Other timing differences	—	10,414	246,925	112,000
	185,925	412,191	(15,045,427)	(10,663,802)

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

	2000 HK\$	1999 HK\$
THE GROUP		
Tax effect of timing differences because of:		
Tax loss (arising) utilised	(8,807,805)	15,199,815
Excess (shortfall) of tax allowances over depreciation	4,291,255	(1,881,815)
Other timing differences	134,925	255,342
	(4,381,625)	13,573,342

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.

For the year ended 31st December, 2000

26. Reconciliation of Profit Before Taxation to Net Cash Inflow from Operating Activities

	2000 HK\$	1999 HK\$
Profit before taxation	26,510,651	28,043,098
Share of results of associates	(9,083,425)	(7,291,624)
Interest income	(2,698,308)	(2,794,368)
Interest expenses on bank borrowings and other loans	22,430,626	26,627,108
Finance charges on finance leases and hire purchase contracts	1,858,103	1,532,330
Dividend income	(379,611)	—
Depreciation and amortisation	55,099,463	46,721,956
Loss on disposal of property, plant and equipment	2,023,326	837,846
Deficit arising on revaluation of investment properties	500,000	—
Deficit arising on revaluation of leasehold land and buildings	416,273	997,853
Loss on disposal of investments in securities	—	1,507,932
Gain on disposal of subsidiaries	(6,050,877)	(2,066,879)
(Gain) loss on disposal of associates	(640,392)	524,928
Amounts due from associates written off	601,297	—
Impairment loss recognised on investments in securities	2,065,440	—
Provision for bad and doubtful debts	29,280,471	8,576,574
Provision for obsolete inventories	18,907,043	5,423,426
Increase in inventories	(104,047,135)	(7,672,973)
Decrease in completed properties held for sale	—	2,514,785
Decrease in trade and other receivables	(18,479,288)	(31,936,061)
(Increase) decrease in bills receivable	(12,584)	22,153,030
Increase in trade and other payables	45,776,194	59,288,327
Increase in bills payable	2,747,359	20,817,069
Net cash inflow from operating activities	66,824,626	173,804,357

For the year ended 31st December, 2000

27. Disposal of Subsidiaries

	2000 HK\$	1999 HK\$
NET ASSETS DISPOSED OF:		
Property, plant and equipment	1,479,726	2,499,281
Investments in securities	1,923,907	—
Inventories	3,039,310	3,644,597
Completed properties held for sale	—	77,485,215
Trade and other receivables	3,826,488	13,057,128
Bank balances and cash	624,465	5,367,389
Trade and other payables	(1,467,703)	(11,449,256)
Tax payable	—	(212,643)
Bank loans	(1,877,758)	(12,720,397)
Bank overdrafts	—	(144,507)
Other loans	—	(4,015,873)
Obligations under finance leases and hire purchase contracts	—	(122,993)
Minority interests	(1,561,629)	1,112,913
	5,986,806	74,500,854
Capital reserve realised upon disposal	(222,407)	1,900,000
Translation reserve realised upon disposal	(7,400)	—
Gain on disposal of subsidiaries	6,050,877	2,066,879
	11,807,876	78,467,733
SATISFIED BY:		
Sales proceeds	11,807,876	80,000,003
Reclassified to interest in an associate	—	(1,532,270)
	11,807,876	78,467,733

For the year ended 31st December, 2000

27. Disposal of Subsidiaries (Continued)

The subsidiaries disposed of during the year ended 31st December, 2000 and 1999 did not contribute significantly to the result of the Group up to their dates of disposal. The cashflow contributed or utilised by the subsidiaries disposed of during the year ended 31st December, 2000 and 1999 was not significant.

28. Analysis of the Net Inflow of Cash and Cash Equivalents in respect of the Disposal of Subsidiaries

	2000 HK\$	1999 HK\$
Sales proceeds	11,807,876	80,000,003
Bank balances and cash disposed of	(624,465)	(5,367,389)
Bank overdrafts disposed of	—	144,507
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	11,183,411	74,777,121

For the year ended 31st December, 2000

29. 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, 1999	251,868,574	265,327,526	301,650,889	7,913,520	18,911,105	6,086,563	140,942,336
Proceeds from issue of shares upon exercise of options	952,000	388,416	—	—	—	—	—
New loans raised	—	—	39,394,073	—	—	—	—
Advances by associates	—	—	—	—	—	4,257,193	—
Capital contributed by minority shareholders	—	—	—	—	—	—	5,431,211
Dividends paid to minority shareholders	—	—	—	—	—	—	(9,325,973)
Repayments during the year	—	—	(152,276,520)	(2,005,337)	(8,796,822)	—	—
Non cash movements:							
Disposal of subsidiaries	—	—	(12,720,397)	(4,015,873)	(122,993)	—	1,112,913
Inception of finance leases and hire purchase contracts	—	—	—	—	14,291,580	—	—
Profit for the year attributable to minority shareholders	—	—	—	—	—	—	17,236,519
Revaluation surplus attributable to minority shareholders	—	—	—	—	—	—	3,323,043
Partial disposal of interest in subsidiaries	—	—	—	—	—	—	(1,951,676)
Currency realignment	—	—	—	—	—	—	(1,353,256)
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 upon exercise of options	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 30(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 31st December, 2000	256,332,574	267,148,838	169,979,114	1,859,186	17,305,130	1,423,081	144,895,764

For the year ended 31st December, 2000

30. 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\$5,436,104 (1999: HK\$14,291,580).
- (b) During the year, certain property, plant and equipment of a subsidiary previously injected by a minority shareholder with a net book value of HK\$7,187,715 (1999: nil) were disposed of to the minority shareholder.

31. Operating Lease Commitments

At the balance sheet date, the Group had commitments in respect of land and buildings under non-cancellable operating leases to make the following payments within the next year:

	THE GROUP	
	2000 HK\$	1999 HK\$
Operating leases which expire:		
Within one year	441,000	417,000
In the second to fifth year inclusive	97,000	3,488,000
Over five years	4,005,000	2,827,000
	4,543,000	6,732,000

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

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32. Other Commitments

	THE GROUP	
	2000 HK\$	1999 HK\$
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	25,887,000	4,795,000
Investments	14,458,000	10,259,000
	40,345,000	15,054,000

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

33. Contingent Liabilities

	THE GROUP		THE COMPANY	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Guarantees given to financial institutions in respect of credit facilities utilised by:				
Subsidiaries	—	—	257,480,000	223,290,000
Outsiders	19,716,000	—	—	—
	19,716,000	—	257,480,000	223,290,000

34. Retirement Benefits Schemes

The Group operates a number of defined contribution retirement benefits schemes for qualifying employees of the Company and its subsidiaries in Hong Kong up to 30th November, 2000. Starting from 1st December, 2000, the Group is required to participate in the mandatory provident fund implemented by the Hong Kong Government.

For the year ended 31st December, 2000

34. Retirement Benefits Schemes (Continued)

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.

At the balance sheet date, there was no significant forfeited contributions, which arose upon employees leaving the retirement benefits schemes, available to reduce the contributions payable by the Group in future years.

35. Pledge of Assets

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

	Net book value	
	2000 HK\$	1999 HK\$
Leasehold land and buildings	33,763,000	17,238,000
Plant and machinery	380,000	24,947,000
Bank deposits	1,872,000	2,611,000
Investment properties	—	600,000
	36,015,000	45,396,000

For the year ended 31st December, 2000

36. 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:

	2000 HK\$	1999 HK\$
Substantial shareholder and its subsidiaries:		
EDP charges received (note i)	165,600	—
Licence fee paid (note i)	3,161,741	5,355,945
Management fee paid (note i)	2,733,790	2,167,884
Proceeds from disposal of a subsidiary (note ii)	—	80,000,000
Payment for the acquisition of investment securities (note ii)	—	2,563,648
Acquisition of additional interest in a subsidiary (note ii)	—	1,973,924
Disposal of interest in an associate (note ii)	—	1,973,924
Balance due by the Group as at the balance sheet date (note vi)	3,848,894	15,222,890
Balance due to the Group as at the balance sheet date (note vi)	4,682,106	5,160,608
Companies controlled by certain directors:		
Management fee paid (note i)	1,512,000	1,512,000
Minority shareholders:		
Consultancy fee paid (note i)	247,000	209,000
Interest paid (note iv)	1,359,495	—
Proceeds from disposal of a subsidiary (note ii)	1,879,213	—
Acquisition of additional interest in a subsidiary (note ii)	5,867,756	2,542,500
Balance due by the Group as at the balance sheet date (note vii)	19,093,593	553,600
Balance due to the Group as at the balance sheet date (note vi)	10,984,416	16,725,270
Associates:		
Sales of goods (note iii)	933,063	—
Purchase of raw materials (note iii)	19,365,219	105,771
Agency fee paid (note i)	455,952	—
Rental income (note i)	333,689	—
Dividend income	1,742,361	952,175
Management fee paid (note i)	480,000	—
Interest paid (note v)	164,624	—
Balance due by the Group as at the balance sheet date (note v)	1,423,081	10,343,756
Balance due to the Group as at the balance sheet date (note v)	29,729,801	28,079,967

36. Transactions and Balances with Related Parties *(Continued)*

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 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\$11,094,637 which bears interest at 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.

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37. Segmental Information

The Group's turnover and contribution to profit from operations for the year ended 31st December, 2000 analysed by principal activity and geographical market are as follows:

	Turnover		Contribution to profit from operations	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
By principal activity:				
Trading activities	427,814,089	451,545,549	(30,309,559)	(46,629,031)
Manufacturing activities	1,194,981,698	1,074,876,643	64,321,766	94,506,718
Property development and sales	—	3,336,155	—	(1,795,162)
	1,622,795,787	1,529,758,347	34,012,207	46,082,525
Finance costs				
Investment income			1,012,479	1,286,436
Gain on disposal of subsidiaries			6,050,877	2,066,879
Gain (loss) on disposal of associates			640,392	(524,928)
Share of results of associates			9,083,425	7,291,624
Profit before taxation			26,510,651	28,043,098
By geographical market:				
Hong Kong	437,352,422	467,114,673	10,611,297	(4,891,934)
Other regions in the PRC	648,068,589	505,532,950	13,189,415	23,135,920
Other Asia-Pacific countries	154,452,034	317,123,279	2,789,057	13,511,226
Europe	255,689,921	175,032,924	6,071,866	14,686,826
North America	127,232,821	64,954,521	1,350,572	(359,513)
	1,622,795,787	1,529,758,347	34,012,207	46,082,525
Finance costs				
Investment income			1,012,479	1,286,436
Gain on disposal of subsidiaries			6,050,877	2,066,879
Gain (loss) on disposal of associates			640,392	(524,928)
Share of results of associates			9,083,425	7,291,624
Profit before taxation			26,510,651	28,043,098

For the year ended 31st December, 2000

38. Particulars of Principal Subsidiaries

Details of the principal subsidiaries of the Company at 31st December, 2000 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 held by the Company*/attributable to the Group		Principal activities
				%	%	
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\$51,200,000	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

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38. 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 %	Proportion 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	Trading of microscopes and magnifiers with acrylic lenses
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 equipment and screws
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

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38. 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
Oriental Machinery Limited	Hong Kong	Hong Kong	HK\$5,000,000	95.4*	95.4	Trading in industrial machinery, equipment and supplies
Shenzhen Gainbase Printed Circuit 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 Engineering (Overseas) Inc.	Cook Islands	PRC	US\$10,000	60.0	60.0	Sewage treatment
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	Manufacturing and 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

The above tables list the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the Group for the year or formed 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 loan capital in issue at the end of the year or at any time during the year.