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EXECUTIVE DIRECTORS

Mr. Fong Sou Lam (*Chairman*)
Mr. Lee Che Chiu (*Managing Director*)
Mr. Fong Kwok Leung, Kevin
Mr. Fong Kwok Chung, Bill
Mr. Cheuk Hon Kin, Kelvin
Dr. Tsui Tak Ming, William
Ms. Poon Hang Sim, Blanche

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Chiu Fan
Mr. Lui Chi Lung, Louis

COMPANY SECRETARY

Mr. Lee Che Keung

SOLICITORS

Woo, Kwan, Lee & Lo
Gallant Y. T. Ho & Co.

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
The Bank of East Asia Limited
DBS Kwong On Bank Limited
Bank of Communications

BERMUDA PRINCIPAL REGISTRARS AND TRANSFER OFFICE

Butterfield Corporate Services Limited
11 Rosebank Centre,
Bermudiana Road,
Hamilton,
Bermuda

HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE

Secretaries Limited
5th Floor, Wing On Centre,
111 Connaught Road Central,
Hong Kong

REGISTERED OFFICE

Cedar House,
41 Cedar Avenue,
Hamilton HM12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

8th Floor,
22-28 Cheung Tat Road,
Tsing Yi,
Hong Kong

WEBSITE ADDRESS

<http://www.fongs.com>



NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of Fong's Industries Company Limited (the "Company") will be held at 8th Floor, 22-28 Cheung Tat Road, Tsing Yi, Hong Kong on Wednesday, May 22, 2002 at 10:00 a.m. for the following purposes:

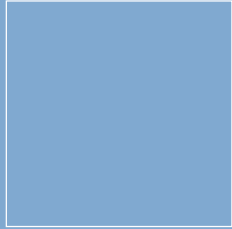
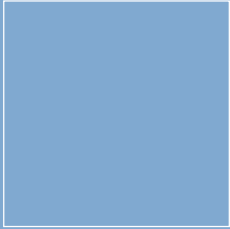
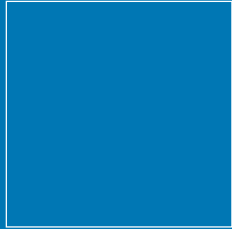
1. To receive and adopt the audited Financial Statements and Reports of the Directors and Auditors for the year ended December 31, 2001.
2. To declare a final dividend/special dividend.
3. To re-elect Directors and to fix a maximum number of Directors.
4. To re-appoint Messrs. Deloitte Touche Tohmatsu as Auditors and authorise the Directors to fix their remuneration.
5. To transact any other ordinary business(es).

By order of the Board
C.K. Lee
Company Secretary

Hong Kong, April 15, 2002

Notes:

- (a) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. To be valid, the proxy form and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company's principal place of business at 8th Floor, 22-28 Cheung Tat Road, Tsing Yi, Hong Kong not less than 48 hours before the time fixed for holding the Annual General Meeting or any adjourned meeting.
- (b) In order to determine who are entitled to attend and vote at the Annual General Meeting, the register of members will be closed from May 15, 2002 to May 22, 2002, both days inclusive, during which period no transfer of shares can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrars in Hong Kong, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Tuesday, May 14, 2002.



CHAIRMAN'S STATEMENT





BUSINESS REVIEW AND PROSPECTS

Although a marked slowdown was anticipated for 2001, the unexpected "911 Event" significantly affected the Group's sales and shipments for the last quarter of 2001. Consequently, for the year ended December 31, 2001, the Group's audited consolidated turnover and net profit were approximately HK\$758.34 million and HK\$62.98 million respectively, representing decreases of 18% and 41% respectively compared with last year.

Nevertheless, due to the healthy financial situation of the Group and its optimism for the future, the Board has resolved to recommend a final dividend of 2.0 cents and a special dividend of 5.0 cents at the forthcoming annual general meeting. Together with the interim dividend of 2.5 cents per share and special dividend of 2.5 cents per share paid during the year, the total dividends for the year under review will be 12.0 cents per share.

Furthermore, the Board has seen that our major markets have already started to recover by the very end of 2001 and have continued to do so for the following major reasons: Firstly, the strong international competitiveness of the Asian and China textile industry in terms of price, quality and delivery; Secondly, the recent accession of China into the World Trade Organization ("WTO") and thus providing our customers with confidence and incentive to expand and to further upgrade their production machinery; And lastly, the continued low interest rate environment for capital investments.

Given the above scenario, the Group remains optimistic for the foreseeable future and expects to provide better results in the coming year. In addition, the Group is committed to continuing lowering costs, increasing performance in the operations, and accelerating the pace of product development in order for us to be prepared for the vast opportunities brought about by the accession of China into the WTO.

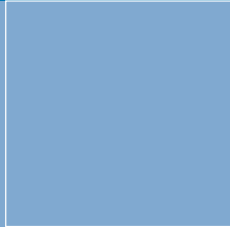
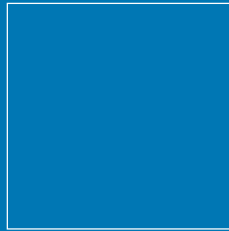
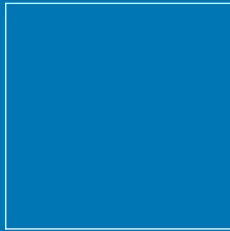
APPRECIATION

Lastly, on behalf of the Board and the senior management, I would like to express my sincere gratitude to all our shareholders, customers, staff members, bankers and business associates for their continuing supports.

Fong Sou Lam

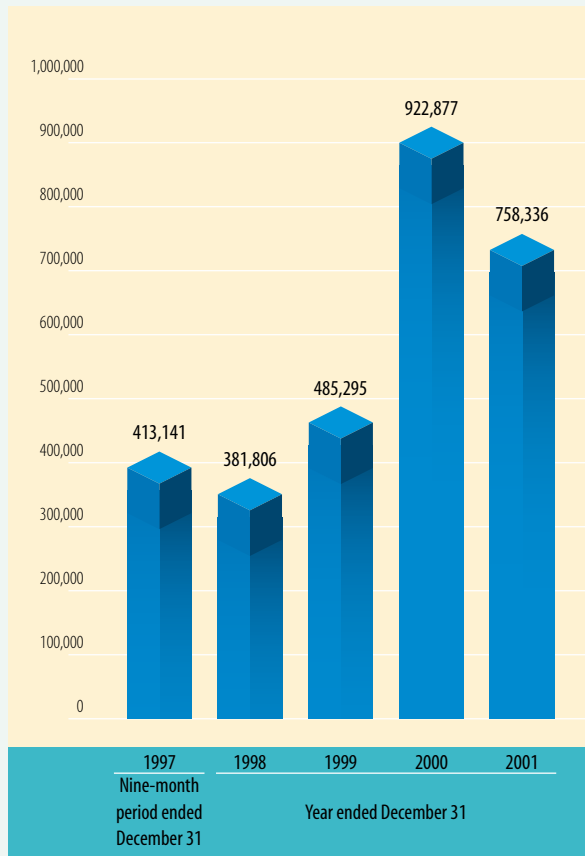
Chairman

Hong Kong, April 15, 2002

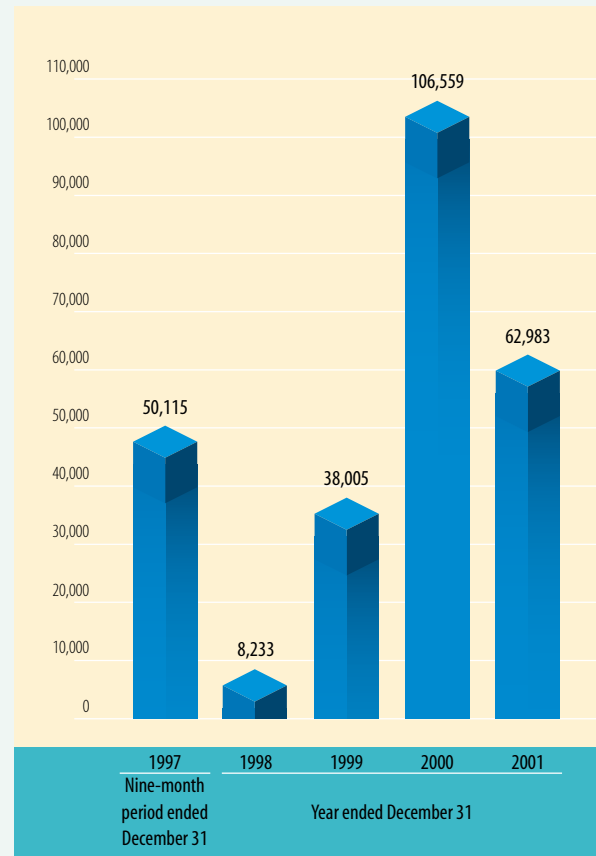


FINANCIAL HIGHLIGHTS

**TURNOVER
(HK\$'000)**



**NET PROFIT
(HK\$'000)**

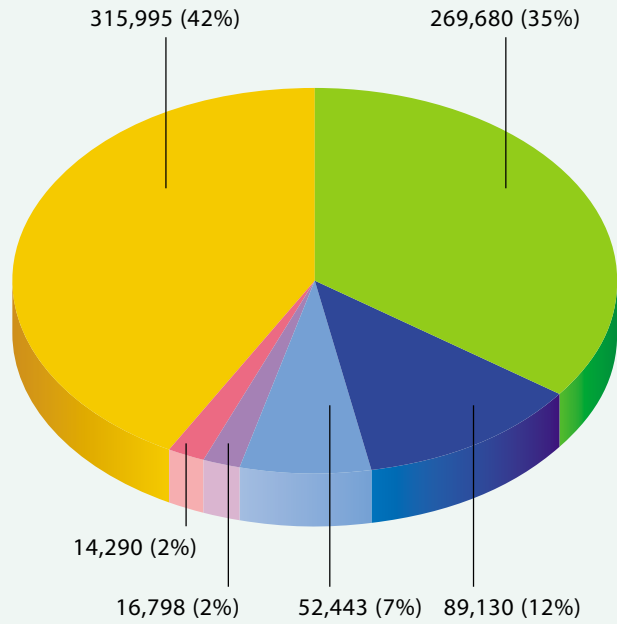




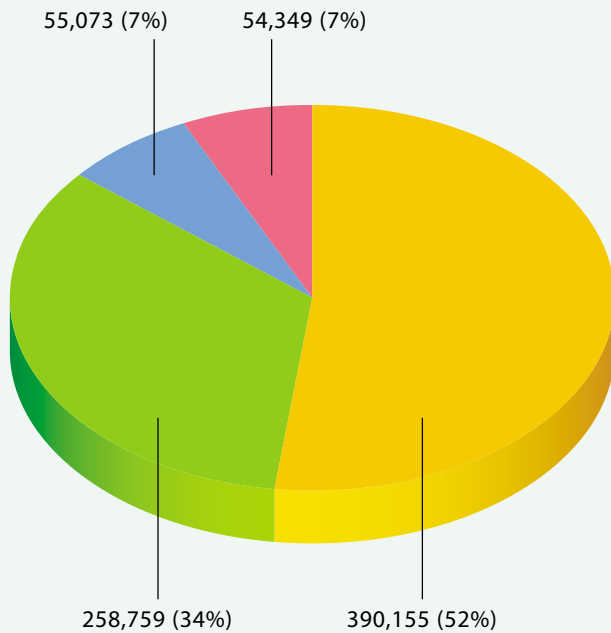
**ANALYSIS OF TURNOVER FOR THE YEAR
(HK\$'000)**

By geographical region

- Hong Kong
- The People's Republic of China, other than Hong Kong
- Asia Pacific (other than the People's Republic of China and Hong Kong)
- Europe
- North and South America
- Others



By principal activity



- Manufacture and sale of dyeing machines
- Trading of stainless steel supplies
- Trading of machine parts and service income
- Manufacture and sale of stainless steel casting products



EXECUTIVE DIRECTORS

1. Mr. Fong Sou Lam, aged 67, is the founder and chairman of the Group. Mr. Fong established the dyeing and finishing machinery manufacturing business in 1963 and has over 40 years' experience in that industry.
2. Mr. Lee Che Chiu, aged 55, is a chartered engineer and holds a master degree in business administration from the Cranfield School of Management, U.K.. Mr. Lee has extensive experience in industrial and business management as well as in strategic management training and consultancy. Mr. Lee was appointed as a non-executive director in 1990 and redesignated to Managing Director of the Company on July 10, 2000.
3. Mr. Fong Kwok Leung, Kevin, aged 40, is the eldest son of Mr. Fong Sou Lam and joined the Group in 1986. Mr. Kevin Fong is also the general manager and director of Fong's Steels Supplies Company Limited and has been involved in the business of stainless steel trading since 1988. Mr. Kevin Fong holds a bachelor degree in business administration from the Simon Fraser University, Canada.
4. Mr. Fong Kwok Chung, Bill, aged 32, is the second son of Mr. Fong Sou Lam. Mr. Bill Fong joined the Group in 1994 and had been working as project manager dealing with various inter-departmental coordination prior to his appointment as an executive director in May 1997. Mr. Bill Fong studied at Simon Fraser University, Canada with concentrations in accounting and finance. Prior to joining the Group, Mr. Bill Fong spent approximately two years articling at a Chartered Accountants' firm and held the position as the treasurer for one of the oldest rugby football clubs, both in Vancouver, Canada.
5. Mr. Cheuk Hon Kin, Kelvin, aged 42, joined the Group in 1986. He is in charge of the sales and marketing department of Fong's National Engineering Company, Limited. Mr. Cheuk graduated from the Hong Kong Polytechnic University with a higher diploma in textile chemistry and has a master of science degree in polymer science and technology from the Queen's University of Belfast, U.K.. He also holds a master of business administration degree from the Monash University of Australia. Mr. Cheuk is also a member of the Textile Institute and the Society of Dyers and Colourists and obtains Royal Charter status. He is also a corporate member of the Institute of Management and the Hong Kong Institution of Textile and Apparel.
6. Dr. Tsui Tak Ming, William, aged 43, is a chartered engineer and is in charge of the research & development department, control & automation department and mechanical design department of the Group. Before joining the Group in 1989, he worked in the U.K. for eight years in research & design on mechanical engineering and digital processing. Dr. Tsui holds a bachelor of science degree in aeronautical engineering and a doctorate degree in aeronautical engineering. Dr. Tsui is a corporate member of the British Royal Aeronautical Society, the British Institution of Mechanical Engineers, the Hong Kong Institution of Engineers and the Hong Kong Computer Society. Dr. Tsui has been appointed as the Head of Office for Scheme "A" training in Fong's National Engineering Company, Limited (electrical and mechanical engineering disciplines) by Hong Kong Institution of Engineers since 1998. Dr. Tsui has also been nominated by Hong Kong Institution of Engineers since 1998 as a professional assessment assessor with specialism in the fields of industrial, power and process plant. Dr. Tsui was appointed as an executive director of the Company on July 10, 2000.
7. Ms. Poon Hang Sim, Blanche, is the financial controller of the Group. Ms. Poon joined the Group in 1995 and holds a bachelor degree in commerce from the University of New South Wales, Australia. She is an associate member of the Hong Kong Society of Accountants and a CPA, Australia. Ms. Poon was appointed as an executive director of the Company on July 10, 2000.



INDEPENDENT NON-EXECUTIVE DIRECTORS

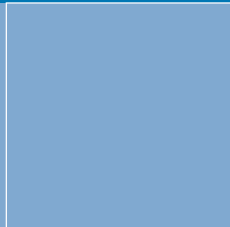
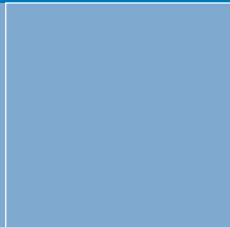
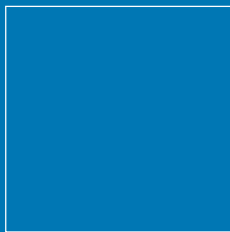
1. Mr. Cheung Chiu Fan, aged 48, is a professional accountant with extensive experience in public accounting and professional management. He is a fellow member of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Company Secretaries, a member of the British Institute of Management in the United Kingdom and has a master degree in business administration from the Chinese University of Hong Kong. Mr. Cheung was appointed as a non-executive director in 1996.
2. Mr. Lui Chi Lung, Louis, aged 48, is an experienced and well-trained corporate and private banker for over twenty years and has worked as a senior marketing manager for a number of well-known international banks both in Hong Kong and in California, U.S.A.. Mr. Lui holds a master degree in business administration from State University of New York at Buffalo, U.S.A. and graduated from the University of Wisconsin at Madison U.S.A.. Mr. Lui was appointed as an independent non-executive director of the Company on September 9, 2000.

SENIOR MANAGEMENT

1. Mr. Wan Wai Yung, aged 51, is the joint managing director of Fong's National Engineering Company, Limited. Mr. Wan is responsible for the overall supervision of the Group's operations and assisting the chairman in strategic planning and business development. Mr. Wan has over 20 years' experience with excellent customer relationships in the textile & dyeing industry. Mr. Wan first joined the Group in 1978 and has held various key positions in the Group.
2. Mr. Tsui Wai Keung, aged 44, is a director of Fong's National Engineering Company, Limited and Fong's National Engineering (Shenzhen) Company, Limited. Since joining the Group in 1980, Mr. Tsui has been involved in the production of the Group's dyeing and finishing machinery which he is now in charge of.
3. Mr. Fu Hoi Kam, aged 65, is a director of Fong's National Engineering Company, Limited. He joined the Group in 1981 and is responsible for technical support towards customers. Mr. Fu graduated from the Beijing College of Mineralogy and is also a mechanical design engineer. He has extensive experience in dyeing process and production and often conducts seminars periodically at various international textile conferences and exhibitions.
4. Mr. Lee Bo Shing, Alfred, aged 46, is a senior manager of Fong's National Engineering Company, Limited. Mr. Lee got an endorsement to higher certificate in mechanical engineering from the Hong Kong Polytechnic University in 1978 and is a member of the American Welding Society and the Chinese Mechanical Engineering Society. He joined the Group in 1979 and is responsible for the technical department and participates in product development of the Group.
5. Mr. Wong Wai Yuk, Thomas, aged 39, is the assistant general manager of Tycon Alloy Industries (Shenzhen) Company Limited, which is engaged in the business of stainless steel and alloy steel castings. He joined the Group in 1987. Mr. Wong graduated from the University of Technology, Sydney with a degree for manufacturing management. He has also received a higher diploma in mechanical engineering from the Hong Kong Polytechnic University.
6. Mr. Wong Tak Man, Francis, aged 38, is the assistant to joint managing directors. Mr. Wong graduated from the Hong Kong Polytechnic University with a higher diploma in marine engineering and joined the Group in 1987. Mr. Wong is responsible for assisting the joint managing directors in the daily operation of the manufacturing business in Shenzhen, handling matters in relation to customer relation and involving in the development of new products.



7. Mr. Wong Ching Chuen, Patrick, aged 40, is the senior manager of the sales and marketing department. He is resident in our Shenzhen sales division and is responsible for the sales work of part of China market. Mr. Wong has been respectively educated in the Hong Kong Polytechnic University for mechanical engineering and Griffith University in Australia for Law. He has over 14 years' experience in China trade for industrial equipment supplies and engineering work. He joined the Group in July 2000.
8. Mr. Lam Shu Shing, Edmond, aged 42, is a senior manager of Fong's National Engineering Company, Limited and is responsible for sales administration, customers services and export services. Mr. Lam graduated from National University of Ireland with a master of science degree in manufacturing and logistics management. He has over 14 years' experience in order fulfillment and logistics management for Asia Pacific and China markets. Mr. Lam joined the Group in April, 2001.
9. Dr. Dawood Jackson, aged 36, is a senior manager of Fong's National Engineering Company, Limited and is responsible for the technical service and spare parts sales. Dr. Jackson graduated from Warwick University, U.K. and received a bachelor degree in electrical engineering. He also obtained a doctorate degree in electronic engineering from London University, U.K.. He has extensive experience in engineering industry and research field. He joined the Group in June, 2001.
10. Mr. Wong Tuh Hoe, Philip, aged 49, is a senior manager of Fong's National Engineering Company, Limited and is responsible for the personnel and administration functions of the Group. Mr. Wong graduated from the Hong Kong Polytechnic University for human resources management studies. He has over 20 years' experience in human resources management, administration, staff career development and planning. Mr. Wong joined the Group in February, 2002.
11. Mr. Lee Che Keung is the company secretary of the Group. He graduated from the Hong Kong Polytechnic University with a professional diploma in company secretaryship and administration and is an associate member of the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Prior to his joining the Group in 1990, Mr. Lee had extensive experience in company secretarial practice in a number of accounting firms. He is responsible for the corporate secretarial matters of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS



FONG'S ECOTECH Series of Dyeing Machines

OPERATING RESULTS

For the year ended December 31, 2001, the Group's consolidated turnover decreased by 18% to approximately HK\$758.34 million as compared with last financial year. The net profit decreased by 41% to approximately HK\$62.98 million as compared to the previous year. Basic earnings per share is 11.4 cents (2000: 20.6 cents).

DYEING AND FINISHING MACHINES MANUFACTURING

This major core business of dyeing and finishing manufacturing including trading of machine parts and servicing being engaged by **Fong's National Engineering Company, Limited** and **Fong's National Engineering (Shenzhen) Company Limited** accounted for approximately 59% of the Group's consolidated

turnover and amounted to approximately HK\$445.23 million. The sales of dyeing machines and machine parts decreased by 24% when compared with last financial year.

Firstly, the decrease in sales of our dyeing machines was a direct outcome of the general slowdown of the global economy. Secondly, the situation was further aggravated by the "911 Event" resulting in overall slower sales in the second half of the year.

However, through our committed efforts in technological innovation and new product development together with production efficiency enhancements including streamlining certain production lines, tightening the control on operating and manufacturing costs by the additions of more advanced production equipment and facilities over the years, this business was still able to achieve satisfactory development.



Sales and marketing

Nevertheless, Fong's National Engineering Company, Limited has continued to increase its efforts in sales and marketing activities especially in the major markets, Mainland China and Asia Pacific region. This included the strengthening of our sales and after-sales service network in China. Consequently, this has not only further upgraded our quality of service to the existing customers but also placed us in a better position to serve and penetrate potential customers who have the requirements to enhance their production efficiency and quality of textile products by having technological upgrade in their production equipment.

In addition, China has now become an official member of the World Trade Organization, the management expects a significant number of our Chinese customers will need to make technological upgrade to their production equipment in order to compete with the textile industry of other countries and which will further serve as a catalyst to our sales in the future.

The Group will continue to implement its marketing strategy to strengthen the brand name "FONG'S" in our major markets by participating in trade shows, seminars and placing more advertisements.

Research and development

With full commitment to research and development, the Group continues to invest the necessary resources in research and development instruments and software as well as competent professionals so as to develop the technical know-how and advanced technology for our products and product development. Currently, there are over 100 qualified engineering and technical professionals in the research and development team.

During the year, the ECOTECH series of Atmospheric and High Temperature Dyeing Machines was developed successfully. It targets the rapidly growing markets for the customers' need of environmentally friendly dyeing technology. In October 2001, the Group further demonstrated its initiative in environmental protection



ViewTEX Central Computer System



FONG'S COS High Temperature Package Dyeing Machine

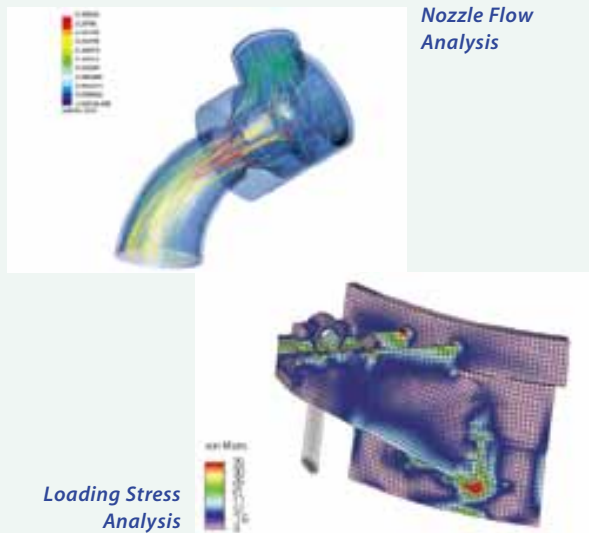
In February 2002, a sales and service centre was established in Thailand to enhance the sales and upgrade the after-sales services to our customers in Thailand and the Asia Pacific region. Also, to further broaden our customer base and strengthen our representation network in the Asia Pacific markets, we launched a new series of marketing programs with satisfactory results.

by establishing the research collaboration with the Hong Kong University of Science & Technology in a project namely "The Development of a Novel Process for Environmental Cleanup in the Textile Industry". In addition, one of our new products, the GN28-Super Atmospheric Dyeing Machine, was awarded the Certificate of Merit in Machinery and Equipment Design in the 2001 Hong Kong Awards of Industry.



The ECOTECH series, which is designed to provide environmentally friendly dyeing technology, has been successfully launched into the market during the second half of the year. With its innovative technology which can reduce the customers' processing costs and processing time, this series of new machines has now been widely and favorably accepted by our customers.

ViewTEX, the newly developed software of the centralized computer system for dyeing production planning and process control is being integrated into our product range. It is a milestone to link various dyeing machines together in the network and lead the customers' dyehouse into the automation process. It has been well recognized by our customers since its launch onto the market.



STAINLESS STEEL TRADING

Fong's Steels Supplies Company Limited accounted for approximately 34% of the Group's consolidated turnover. The sales of stainless steel decreased by 11% to approximately HK\$258.76 million as compared to last year.

During the year under review, the price of the stainless steel in the worldwide market decreased resulting in sharp drops in the selling price and profit margins. Nevertheless, over the years, a significant improvement in the inventory management has been made by our exercising better timing control in the sourcing from the suppliers and the delivery to the customers to minimize adverse exposure to price fluctuations. The Group will continue to closely monitor the stock level to ensure that it is in line with the orders requirement.

Starting in 2002, the price of stainless steel has risen in the worldwide market gradually. Such favorable price rise will improve the profit margins of this trading business in the coming year. The management will continue to broaden the customer base, improve the inventory management and monitor effective credit policy.

Furthermore, the stainless steel trading business will also continue to contribute to the Group by helping control on the cost and timely delivery of the major stainless steel raw materials being used in the Group's manufacturing businesses of dyeing machines and stainless steel castings.

STAINLESS STEEL CASTING AND MACHINING

The business of manufacture and sale of stainless steel castings and machining being engaged by **Tycon Alloy Industries (Hong Kong) Company Limited** and **Tycon Alloy Industries (Shenzhen) Co., Ltd.** accounted for approximately 7% of the Group's consolidated turnover. The sales of stainless steel castings and machining increased by 18% to approximately HK\$54.35 million as compared to the last financial year.

Despite the increase in sales, the profit margins were lower. The reduction of profit margins was due to the management's strategy of exploring new customers and new markets under the keen price competition in the market. With the broadening of the customer base, the

Awards

Mr. S L Fong, our Chairman, was recently awarded the "2001 Golden Bull Award" from the Shenzhen Association of Enterprises with Foreign Investment for the recognition of him as one of the most outstanding entrepreneurs.

In addition, during the year, Fong's National Engineering (Shenzhen) Company Limited also received two awards namely "Top 100 Export Company of Year 2001" and "Top 100 Company of Year 2001" from the Shenzhen Economic and Trade Bureau for its outstanding performance and contribution to the local economy.



management expects to get higher selling price in both Europe and the US in the coming year especially when the world economy shows signs of improvement in the near future.

Apart from the accreditation of ISO9001: 2000 and the TÜV Rheinland/Berlin-Brandenburg Certificate of Quality Management System, Tycon Alloy Industries (Shenzhen) Co., Ltd. received Lloyd's Certificate of Approved Manufacturer and TÜV Rheinland/Berlin-Brandenburg Certificate of Approved Material Manufacturer respectively during the year. These certifications have proved that the quality management, product quality and production processes conform to the international standards. Capitalizing the solid foundation of quality manufacturing, productivity improvement, installed production capacity and new market development, the management is confident that this business will lead to more satisfactory results and growth in the coming year.

This business continues to act as the strategic low cost and flexible supplier to the Group's manufacturing of dyeing machine by supplying essential casted and machined parts.



Monforts Fong's new plant

JOINTLY CONTROLLED ENTITY

Monforts Fong's Textile Machinery Co. Limited ("Monforts Fong's")

(a 50% owned jointly controlled entity)

Monforts Fong's, a joint venture established in 1999 with a leading German textile machine manufacturer, recorded satisfactory results for the year under review. By leveraging the strength of the extensive sales network of Fong's National Engineering Company, Limited and the strong technical supports from the German partner, Monforts Fong's has successfully sold and installed over sixty

"MONFONGS" stenters by the end of 2001, which are well known for its advanced technology for the knitted and woven industries.

To cope with the rapidly-growing market in China and the customers' requirements for greater degree of automation, Monforts Fong's has plans to optimize its production capacity and upgrade the product programs. The new manufacturing plant, which has a floor area of approximately 5,000 square metres, has been successfully put into full operation in September 2001.

It is expected that Monforts Fong's will produce more encouraging results in the very near future by capitalizing the advanced product technology, modernized manufacturing facilities, strong and skilled after-sales service team and the further establishment of the "MONFONGS" brand of stenter machinery in China.

ASSOCIATES

Foshan East Asia Company Limited ("Foshan East Asia")

(a 30% owned associate)

Foshan East Asia recorded a moderate increase of sales of woven color fabrics for the year under review. The installation of new production machinery in the previous year made its production more cost effective and hence the profit margins were improved. To cope with the expected increase of sales and to further improve the profitability, Foshan East Asia has purchased additional production machinery.

Recently, Foshan East Asia has observed price increases for increases in demand for their exported woven color fabrics. The management will closely monitor the market situation and the recovery of the global economy. With the continuing improvement in production efficiency and increase of sales, Foshan East Asia is expected to show stable improvement in the business performance in the coming year.

Sunshine City Limited

As disclosed in the last Annual Report 2000 and the Interim Report 2001, the transaction for the disposal of the Group's entire interests in Sunshine City Limited was completed on April 12, 2001. It is expected that the



assignment of the land use rights of office premises in Central Plaza, China, being part of the consideration for the said transaction, will be effected in 2002.

HUMAN RESOURCES

As at December 31, 2001, the Group employed approximately 1,970 staff and workers in our Shenzhen factory and Hong Kong office.

The Group understands that, to achieve continuous business growth, innovations, as well as to gain competitive edge, qualified personnel is indispensable. During the year, the Group committed to adopt a prudent approach towards the size of workforce and commit to staff development and training programs.

In addition to receiving salaries and bonus, employees in Hong Kong are also entitled to retirement scheme contribution. Share options are made available to certain employees of the Group.

LIQUIDITY AND CAPITAL RESOURCES

The Group continued to maintain a healthy financial position throughout the year.

As at December 31, 2001, the Group's net cash and bank balance was approximately HK\$47.63 million, net of total borrowings. The gearing ratio, calculated as the total net borrowings of the Group divided by shareholders' funds, was 0.13 in 2000. In 2001, there is no gearing ratio shown as the Group has a net cash and bank balance. The current ratio was 1.85 reflecting a healthy liquidity level.

As at December 31, 2001, bank borrowings amounted to approximately HK\$78.71 million of which approximately 58% were secured by the Group's certain assets. More than 86% of the bank borrowings are repayable within one year and the remaining are repayable between two to five years. Most bank borrowings were sourced from Hong Kong, of which approximately 33% were denominated in Hong Kong dollars, 58% in US dollars and the remaining were denominated in various foreign currencies. The bank borrowings of the Group are predominantly subject to floating interest rates.

The cash and bank balance amounted to approximately HK\$130.94 million of which approximately 55% were denominated in Hong Kong dollars, 23% in Euro, 11% in US dollars, 10% in Renminbi and the remaining were denominated in various foreign currencies.



FONG'S SCN-24ST Open Width Stretcher Combined Compactor



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended December 31, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company.

The subsidiaries of the Company are principally engaged in the manufacture and sale of dyeing machines, trading of stainless steel supplies and machine parts, manufacture and sale of stainless steel casting products and property holding.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2001 are set out in the consolidated income statement on page 22.

An interim dividend of 2.5 cents per share plus a special dividend of 2.5 cents per share, amounting to approximately HK\$28 million, were paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 2.0 cents per share and a special dividend of 5.0 cents per share to the shareholders on the register of members on June 25, 2002, amounting to approximately HK\$39 million.

In order to determine who are entitled to the proposed final dividend and special dividend, the register of members will be closed from June 21, 2002 to June 25, 2002, both days inclusive, during which period no transfer of shares can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrars in Hong Kong, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Thursday, June 20, 2002.

Subject to the approval of shareholders at the forthcoming annual general meeting, dividend warrants are expected to be despatched to shareholders on or about June 28, 2002.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 63 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the financial statements.

During the year, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.



MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2001, the aggregate amount of turnover and purchases attributable to the Group's five largest customers and suppliers represented less than 30% of the Group's total turnover and purchases, respectively.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Fong Sou Lam (*Chairman*)
 Mr. Lee Che Chiu (*Managing Director*)
 Mr. Fong Kwok Leung, Kevin
 Mr. Fong Kwok Chung, Bill
 Mr. Cheuk Hon Kin, Kelvin
 Dr. Tsui Tak Ming, William
 Ms. Poon Hang Sim, Blanche

Independent non-executive directors:

Mr. Cheung Chiu Fan
 Mr. Lui Chi Lung, Louis

Mr. Cheung Chiu Fan was appointed under a contract for a term of 2 years commencing on January 1, 2001.

Mr. Lui Chi Lung, Louis was appointed under a contract for an initial term of 2 years commencing on September 9, 2000.

In accordance with Clause 99 of the Company's Bye-Laws, all directors shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

As at December 31, 2001, the interests of the directors in the ordinary shares of the Company as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of directors	Number of ordinary shares held	
	Personal interests	Other interests
Mr. Fong Sou Lam	10,506,000	–
Mr. Fong Kwok Leung, Kevin	1,550,000	342,575,601*
Mr. Fong Kwok Chung, Bill	1,838,000	342,575,601*
Mr. Cheuk Hon Kin, Kelvin	400,000	–
Ms. Poon Hang Sim, Blanche	300,000	–

* 342,575,601 shares are owned by two discretionary trusts, the beneficiaries of which include Mr. Fong Kwok Leung, Kevin, Mr. Fong Kwok Chung, Bill and other family members.



DIRECTORS' INTERESTS IN SHARES (Continued)

Other than as disclosed above and other than certain nominee shares in subsidiaries held by certain directors in trust for the Group as at December 31, 2001, none of the directors, or their associates had any beneficial interest in any securities of the Company or any of its associated corporations.

SHARE OPTIONS

The Company's share option scheme ("the Scheme") was approved and adopted on September 19, 2000 pursuant to a resolution passed on June 8, 2000. Under the Scheme, the Board of Directors of the Company may grant options to directors and full time employees of the Company and its subsidiaries to subscribe for shares of the Company.

At December 31, 2001, the number of shares in respect of which options had been granted under the Scheme was 43,800,000, representing 8% of the shares of the Company in issue at that date. The share options granted may be exercised at any time during a period of three years commencing on the date the share options are granted to subscribe for shares of the Company.

Each of the grantees is required to pay HK\$1.00 as cash consideration for the grant of the share options in accordance with the Scheme. The total number of shares in respect of which share options may be granted shall not exceed 10% of the issued ordinary share capital. The total number of options granted to any individual is not permitted to exceed 25% of the share options granted by the Company under the Scheme at any point of time. The exercise price is determined by the directors of the Company, and shall not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the share.

The fair value of the options granted in the current year measured as at the date of grant, totalled approximately HK\$13,742,000. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

1. an expected volatility of 36%;
2. annual dividends of 56% of earnings; and
3. The corresponding three year Hong Kong Exchange Fund Notes rate for the options granted was 3.07% and based on the estimated expected life indicated.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognised in the income statement in respect of the value of options granted in the period.



SHARE OPTIONS (Continued)

The following table discloses movements in the Company's share options during the year:

Directors	Option type	At	Number of share options		At
		January 1, 2001	Granted	Exercised	December 31, 2001
Mr. Fong Sou Lam		–	10,000,000	10,000,000	–
Mr. Lee Che Chiu		–	6,000,000	6,000,000	–
Mr. Fong Kwok Leung, Kevin		–	1,200,000	1,200,000	–
Mr. Fong Kwok Chung, Bill		–	1,000,000	1,000,000	–
Mr. Cheuk Hon Kin, Kelvin		–	1,500,000	1,500,000	–
Dr. Tsui Tak Ming, William		–	1,500,000	1,500,000	–
Ms. Poon Hang Sim, Blanche		–	1,000,000	1,000,000	–
Total directors	(1)	–	22,200,000	22,200,000	–
Employees	(1)	–	21,450,000	20,400,000	1,050,000
	(2)	–	150,000	150,000	–
Total employees		–	21,600,000	20,550,000	1,050,000

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$
(1)	April 19, 2001	4/19/2001 – 4/18/2004	0.48
(2)	April 20, 2001	4/20/2001 – 4/19/2004	0.51

The closing price of the Company's shares immediately before April 19, 2001 and April 20, 2001 are HK\$0.63 and HK\$0.71 respectively.

The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK\$0.74.

ARRANGEMENTS TO PURCHASE SHARES OR DEBT SECURITIES

Other than as disclosed above, at no time during the year was the Company or its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such rights.



DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Messrs. Fong Kwok Leung, Kevin and Fong Kwok Chung, Bill have beneficial interests in Sou Lam Company, Limited ("Sou Lam").

The Group entered into operating lease agreements with Sou Lam for the leasing of a portion of a factory building. The operating leases agreements were all expired on December 31, 2001. Total rentals paid by the Group to Sou Lam for the year amounted to HK\$4,357,008.

On December 31, 2001, the Group had renewed an operating lease agreement with Sou Lam for the use of a portion of the same factory building for a term of three years from January 1, 2002 to December 31, 2004.

The above operating lease agreements were negotiated on an arm's length basis and the rentals were determined by independent rental valuations.

Other than as disclosed above, no other contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows no person as having an interest of 10% or more in the issued share capital of the Company as at December 31, 2001.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$600.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended December 31, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Fong Sou Lam
Director

April 15, 2002



德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF FONG'S INDUSTRIES COMPANY LIMITED

立信工業有限公司

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 22 to 62 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at December 31, 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong

April 15, 2002



CONSOLIDATED INCOME STATEMENT

 For the year ended December 31, 2001

	<i>Notes</i>	2001 HK\$	2000 <i>HK\$</i>
Turnover		758,336,454	922,877,282
Cost of sales		(522,699,899)	(605,610,943)
Gross profit		235,636,555	317,266,339
Other revenue		9,684,042	5,539,480
Distribution costs		(29,344,465)	(36,549,227)
Administrative expenses		(118,834,962)	(114,492,613)
Other operating expenses		(24,360,020)	(25,074,004)
Profit from operations	5	72,781,150	146,689,975
Finance costs	7	(11,573,031)	(17,664,344)
Interest income		2,693,857	471,242
Impairment of loan to an associate		–	(4,966,833)
Share of results of associates		2,801,997	1,897,295
Share of results of a jointly controlled entity		3,379,596	306,543
Profit before taxation		70,083,569	126,733,878
Taxation	8	(7,100,142)	(20,174,411)
Net profit for the year		62,983,427	106,559,467
Earnings per share	10		
Basic		11.4 cents	20.6 cents
Diluted		11.4 cents	20.6 cents

CONSOLIDATED BALANCE SHEET

At December 31, 2001

	Notes	2001 HK\$	2000 HK\$ (As restated)
Non-current assets			
Property, plant and equipment	11	249,411,519	236,088,293
Intangible assets	13	635,401	1,156,677
Interests in associates	14	56,744,599	56,486,993
Interest in a jointly controlled entity	15	17,538,884	11,323,518
		324,330,403	305,055,481
Current assets			
Inventories	16	140,663,545	175,536,493
Trade and other receivables	17	94,644,809	114,075,687
Loan to an associate	14	–	142,200,000
Amount due from a jointly controlled entity		4,184,012	3,149,575
Taxation recoverable		2,507,173	3,876,710
Bank balances, deposits and cash		130,941,274	72,589,605
		372,940,813	511,428,070
Current liabilities			
Trade and other payables	18	97,544,795	131,336,877
Warranty provision	19	1,200,000	1,543,000
Bills payable		25,678,647	17,542,043
Taxation payable		6,894,467	11,842,560
Obligations under finance leases – due within one year	20	2,174,527	3,216,600
Bank borrowings – due within one year	21	67,880,145	122,371,042
		201,372,581	287,852,122
Net current assets		171,568,232	223,575,948
		495,898,635	528,631,429
Capital and reserves			
Share capital	22	56,194,629	52,438,629
Reserves	24	425,161,145	461,847,431
		481,355,774	514,286,060
Minority interests		1,290,136	1,290,136
Non-current liabilities			
Obligations under finance leases – due after one year	20	2,427,225	3,063,233
Bank borrowings – due after one year	21	10,825,500	9,992,000
		13,252,725	13,055,233
		495,898,635	528,631,429

The financial statements on pages 22 to 62 were approved and authorised for issue by the Board of Directors on April 15, 2002 and are signed on its behalf by:

Fong Kwok Chung, Bill
Director

Fong Sou Lam
Director



BALANCE SHEET

At December 31, 2001

	Notes	2001 HK\$	2000 HK\$ (As restated)
Non-current asset			
Investments in subsidiaries	12	<u>36,584,990</u>	<u>36,584,990</u>
Current assets			
Other receivables		72,891	217,891
Amounts due from subsidiaries		480,595,174	458,177,953
Taxation recoverable		320,890	–
Bank balances		<u>72,785</u>	<u>30,605</u>
		<u>481,061,740</u>	<u>458,426,449</u>
Current liabilities			
Other payables		239,306	170,731
Amounts due to subsidiaries		<u>151,752,310</u>	<u>122,782,442</u>
		<u>151,991,616</u>	<u>122,953,173</u>
Net current assets		<u>329,070,124</u>	<u>335,473,276</u>
		<u>365,655,114</u>	<u>372,058,266</u>
Capital and reserves			
Share capital	22	56,194,629	52,438,629
Reserves	24	<u>309,460,485</u>	<u>319,619,637</u>
		<u>365,655,114</u>	<u>372,058,266</u>

Fong Kwok Chung, Bill
Director

Fong Sou Lam
Director

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended December 31, 2001

	2001 HK\$	2000 HK\$
Exchange differences arising on translation of overseas subsidiaries and associates not recognised in the consolidated income statement	(74,730)	1,241,673
Net profit for the year	62,983,427	106,559,467
Total recognised gains and losses	62,908,697	107,801,140
Prior period adjustment arising from the effect of change in accounting policy on adoption of Statement of Standard Accounting Practice 9 (<i>see note 2</i>) – increase in dividend reserve at January 1		9,994,762



CONSOLIDATED CASH FLOW STATEMENT

 For the year ended December 31, 2001

	Note	2001 HK\$	2000 HK\$
Net cash inflow from operating activities	26	119,309,405	129,352,068
Returns on investments and servicing of finance			
Dividends paid		(113,070,857)	(26,253,314)
Interest on bank borrowings		(7,284,821)	(13,385,813)
Interest on finance leases		(441,303)	(406,781)
Factoring charges		(302,701)	(180,521)
Dividends received from associates		2,081,140	2,660,489
Interest received		2,693,857	471,242
Net cash outflow from returns on investments and servicing of finance		(116,324,685)	(37,094,698)
Taxation			
Hong Kong Profits Tax paid		(8,138,262)	(10,719,678)
Overseas taxation paid		(6,428,620)	(6,816,829)
Hong Kong Profits Tax refunded		–	6,869
Overseas taxation refunded		4,773,840	–
Net tax paid		(9,793,042)	(17,529,638)
Investing activities			
Repayment of loan by an associate		140,000,000	–
Proceeds from disposal of property, plant and equipment		324,187	38,430
Purchase of property, plant and equipment		(31,963,058)	(25,981,180)
Advance to a jointly controlled entity		(3,258,175)	(9,516,975)
Acquisition of additional interest in a subsidiary		–	(5,200,408)
Advance to an associate		–	(1,052,198)
Net cash inflow (outflow) from investing activities		105,102,954	(41,712,331)
Net cash inflow before financing		98,294,632	33,015,401

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2001

		2001	2000
	Note	HK\$	HK\$
Financing	27		
Repayment of bank loans		(47,991,743)	(43,537,458)
Net cash outflow from trust receipt loans		(15,665,654)	(1,150,569)
Repayment of obligations under finance leases		(3,441,976)	(2,674,541)
Repurchase of shares		(3,292,700)	(1,615,260)
Proceeds from issue of shares		20,524,574	15,013,040
New bank loans raised		10,000,000	53,150,943
Repayment of loan from a minority shareholder of a subsidiary		—	(12,864,590)
Net cash (outflow) inflow from financing		(39,867,499)	6,321,565
Increase in cash and cash equivalents		58,427,133	39,336,966
Cash and cash equivalents brought forward		72,589,605	32,903,033
Effect of foreign exchange rate changes		(75,464)	349,606
Cash and cash equivalents carried forward, representing bank balances, deposits and cash		130,941,274	72,589,605



1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its securities are listed on the Stock Exchange.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of dyeing machines, trading of stainless steel supplies and machine parts, manufacture and sale of stainless steel casting products and property holding.

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 ("SSAPs") 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. Disclosures for all of the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14. Comparative amounts have been restated in order to achieve a consistent presentation.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date. The effect is disclosed in note 24 to the financial statements. This change in accounting policy has been applied retrospectively.

Segment reporting

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

Goodwill

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate negative goodwill previously credited to reserves. Accordingly, negative goodwill arising on acquisition prior to January 1, 2001 will be credited to income at the time of disposal of the relevant subsidiaries.





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

Goodwill (Continued)

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to December 31 each year.

The results of 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.

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 associate at the date of acquisition.

Goodwill arising on acquisitions of subsidiaries prior to January 1, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions of subsidiaries after January 1, 2001 is capitalised and amortised on a straight-line basis over its estimated useful life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the profit and loss on disposal.





3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Negative goodwill

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

Negative goodwill arising on acquisitions prior to January 1, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at carrying value less any identified impairment loss.

Interests in associates

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

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Intangible assets

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

Product development expenditure incurred on developing new products is capitalised and deferred when a product is clearly defined, the expenditure is separately identifiable and there is reasonable certainty that the product is technically feasible and the development costs will be recovered through future commercial activities. Product development expenditure which does not meet all of these criteria is charged to the income statement in the year in which it is incurred.

Product development expenditure is amortised, using the straight-line method, over a period of five years commencing in the year in which the product is first put into commercial use.





3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Turnover

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

Revenue recognition

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

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

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

Property, plant and equipment

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

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Medium-term leasehold land	Over the terms of the leases
Buildings	Over the estimated useful lives of 50 years or over the terms of the leases, if less than 50 years
Leasehold improvements	10%
Plant and machinery	10%-20%
Furniture and equipment	20%
Motor vehicles	20%
Moulds and tools	20%

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

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

Properties held for redevelopment are stated at cost less any identified impairment loss. No depreciation is provided on properties held for redevelopment until the construction is completed.



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Construction in progress represents buildings under construction in the People's Republic China, other than Hong Kong ("PRC") and plant and machinery purchased prior to installation and is stated at cost less any identified impairment loss. Cost includes all direct costs attributable to such projects. Construction in progress is not depreciated until the construction or installation is completed and the relevant assets are ready to be put into operation.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event which will result in a probable outflow of economic benefits that can be reasonably estimated.

Assets held under finance leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

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. Gains and losses arising on exchange are dealt with in the income statement.





3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

On consolidation the financial statements of subsidiaries, associates and jointly controlled entities which are denominated in currencies other than Hong Kong dollars and which operate in the PRC are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

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 the resulting 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.

Inventories

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

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.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four principal activities – manufacture and sale of dyeing machines, trading of stainless steel supplies, trading of machine parts and service income and manufacturing and sale of stainless steel casting products. These principal activities are the basis on which the Group reports its primary segment information.

The unallocated corporate assets include bank balances, deposits and cash and the unallocated liabilities include bank loans.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Segment information about these businesses is presented below:

2001

	Manufacture and sale of dyeing machines HK\$	Trading of stainless steel supplies HK\$	Trading of machine parts and service income HK\$	Manufacture and sale of stainless steel casting products HK\$	Eliminations HK\$	Consolidated HK\$
REVENUE						
External sales	390,154,903	258,758,803	55,073,009	54,349,739	-	758,336,454
Inter-segment sales	5,030,996	57,446,502	-	9,772,629	(72,250,127)	-
Total revenue	<u>395,185,899</u>	<u>316,205,305</u>	<u>55,073,009</u>	<u>64,122,368</u>	<u>(72,250,127)</u>	<u>758,336,454</u>
Inter-segment sales are charged at terms agreed between relevant parties.						
RESULT						
Segment result	<u>53,478,160</u>	<u>8,826,354</u>	<u>8,297,950</u>	<u>2,178,686</u>	-	72,781,150
Finance costs	(5,886,949)	(6,030,454)	(830,983)	(498,715)	1,674,070	(11,573,031)
Interest income						2,693,857
Share of results of associates						2,801,997
Share of results of a jointly controlled entity						<u>3,379,596</u>
Profit before taxation						70,083,569
Taxation						<u>(7,100,142)</u>
Net profit for the year						<u>62,983,427</u>

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2001 (Continued)

CONSOLIDATED BALANCE SHEET

	Manufacture and sale of dyeing machines HK\$	Trading of stainless steel supplies HK\$	Trading of machine parts and service income HK\$	Manufacture and sale of stainless steel casting products HK\$	Consolidated HK\$
ASSETS					
Segment assets	293,198,160	92,649,776	41,386,906	62,304,444	489,539,286
Interests in associates					56,744,599
Interest in a jointly controlled entity					17,538,884
Unallocated corporate assets					133,448,447
Consolidated total assets					<u>697,271,216</u>
LIABILITIES					
Segment liabilities	70,986,255	90,180,308	10,020,190	7,784,834	178,971,587
Unallocated corporate liabilities					35,653,719
Consolidated total liabilities					<u>214,625,306</u>

OTHER INFORMATION

	Manufacture and sale of dyeing machines HK\$	Trading of stainless steel supplies HK\$	Trading of machine parts and service income HK\$	Manufacture and sale of stainless steel casting products HK\$	Consolidated HK\$
Capital additions	18,384,975	1,350,507	2,595,161	11,396,310	33,726,953
Depreciation and amortisation	14,293,256	471,058	2,017,590	3,762,634	20,544,538



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2000

	Manufacture and sale of dyeing machines	Trading of stainless steel supplies	Trading of machine parts and service income	Manufacture and sale of stainless steel casting products	Eliminations	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
REVENUE						
External sales	501,663,863	289,563,539	85,625,777	46,024,103	–	922,877,282
Inter-segment sales	836,136	81,952,248	–	16,508,721	(99,297,105)	–
Total revenue	<u>502,499,999</u>	<u>371,515,787</u>	<u>85,625,777</u>	<u>62,532,824</u>	<u>(99,297,105)</u>	<u>922,877,282</u>

Inter-segment sales are charged at terms agreed between relevant parties.

RESULT						
Segment result	<u>100,222,458</u>	<u>16,824,191</u>	<u>26,679,167</u>	<u>2,964,159</u>	<u>–</u>	146,689,975
Finance costs	(9,423,886)	(10,423,192)	(1,608,502)	(591,501)	4,382,737	(17,664,344)
Interest income						471,242
Impairment of loan to an associate						(4,966,833)
Share of results of associates						1,897,295
Share of results of a jointly controlled entity						<u>306,543</u>
Profit before taxation						126,733,878
Taxation						<u>(20,174,411)</u>
Net profit for the year						<u>106,559,467</u>

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

2000 (Continued)

CONSOLIDATED BALANCE SHEET

	Manufacture and sale of dyeing machines <i>HK\$</i>	Trading of stainless steel supplies <i>HK\$</i>	Trading of machine parts and service income <i>HK\$</i>	Manufacture and sale of stainless steel casting products <i>HK\$</i>	Consolidated <i>HK\$</i>
ASSETS					
Segment assets	304,643,308	117,720,114	51,997,606	55,645,697	530,006,725
Interests in associates					198,686,993
Interest in a jointly controlled entity					11,323,518
Unallocated corporate assets					76,466,315
					<u>816,483,551</u>
LIABILITIES					
Segment liabilities	99,378,602	97,557,162	16,962,294	6,737,661	220,635,719
Unallocated corporate liabilities					80,271,636
					<u>300,907,355</u>

OTHER INFORMATION

	Manufacture and sale of dyeing machines <i>HK\$</i>	Trading of stainless steel supplies <i>HK\$</i>	Trading of machine parts and service income <i>HK\$</i>	Manufacture and sale of stainless steel casting products <i>HK\$</i>	Consolidated <i>HK\$</i>
Capital additions	17,272,194	860,207	2,948,080	9,429,499	30,509,980
Depreciation and amortisation	12,726,644	287,592	2,172,229	3,759,804	18,946,269
	<u>12,726,644</u>	<u>287,592</u>	<u>2,172,229</u>	<u>3,759,804</u>	<u>18,946,269</u>



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2001

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

The Group's operations are located in Hong Kong and the PRC. The Group's trading and manufacture of goods are carried out in Hong Kong and the PRC respectively.

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

	Revenue by geographical market		Contribution to profit from operations	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Hong Kong	315,994,530	428,349,420	28,876,575	51,320,604
The PRC	269,680,953	313,154,330	30,843,727	70,278,184
Asia Pacific (other than the PRC and Hong Kong)	89,130,581	95,312,738	8,062,137	15,067,911
Europe	52,442,678	55,771,452	2,646,456	5,523,140
North and South America	16,797,711	20,131,856	1,017,828	2,767,400
Others	14,290,001	10,157,486	1,334,427	1,732,736
	<u>758,336,454</u>	<u>922,877,282</u>	<u>72,781,150</u>	<u>146,689,975</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by 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	342,496,935	448,221,188	5,105,406	2,735,573
The PRC	354,774,281	368,262,363	28,621,547	27,774,407
	<u>697,271,216</u>	<u>816,483,551</u>	<u>33,726,953</u>	<u>30,509,980</u>

5. PROFIT FROM OPERATIONS

	2001 HK\$	2000 HK\$
Profit from operations has been arrived at after charging (crediting):		
Amortisation of intangible assets	521,276	1,475,588
Auditors' remuneration	718,702	746,141
Depreciation and amortisation:		
Owned assets	17,487,748	15,109,828
Assets held under finance leases	2,535,514	2,360,853
Loss on disposal of property, plant and equipment	57,012	59,556
Net foreign exchange (gain) loss	(245,159)	253,749
Research and development costs	725,187	88,574
Staff costs, including directors' emoluments	<u>90,096,909</u>	<u>81,220,995</u>

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2001 HK\$	2000 HK\$
Directors		
Directors fees:		
Executive	–	–
Independent non-executive	100,000	91,765
Other emoluments to executive directors:		
Salaries and other benefits	15,778,400	7,572,074
Retirement benefits scheme contribution	622,896	342,281
	<u>16,501,296</u>	<u>8,006,120</u>

The emoluments of the directors were within the following bands:

	Number of directors	
	2001	2000
Nil – HK\$1,000,000	3	5
HK\$1,000,001 – HK\$1,500,000	3	2
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	2	1
HK\$7,000,001 – HK\$7,500,000	<u>1</u>	<u>–</u>



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2001

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees

The seven highest paid individuals included five directors, details of whose emoluments are set out above. The emoluments of the remaining highest paid individuals for the year were as follows:

	2001 HK\$	2000 HK\$
Salaries and other benefits	4,365,000	3,071,500
Retirement benefits scheme contribution	188,400	140,880
	4,553,400	3,212,380

The emoluments of the employees were within the following bands:

	Number of employees	
	2001	2000
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$3,000,001 – HK\$3,500,000	1	–

7. FINANCE COSTS

	2001 HK\$	2000 HK\$
Interest on:		
Bank borrowings wholly repayable within five years	7,284,821	13,329,192
Obligations under finance leases	441,303	406,781
Bank charges	3,544,206	3,747,850
Factoring charges	302,701	180,521
	11,573,031	17,664,344

No interest was capitalised by the Group during the year .



8. TAXATION

	2001 HK\$	2000 HK\$
The charge comprises:		
Hong Kong Profits Tax		
Current year	2,481,727	12,606,611
Under(over)provision in prior years	631,267	(169,051)
Overseas taxation		
Current year	6,066,773	7,334,290
Overprovision in prior years	(2,965,281)	–
Share of taxation attributable to associates	463,251	402,561
Share of taxation attributable to a jointly controlled entity	422,405	–
	<u>7,100,142</u>	<u>20,174,411</u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the year.

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

Details of the unprovided deferred taxation charge for the year are set out in note 25.

9. DIVIDENDS/SPECIAL DIVIDEND

	2001 HK\$	2000 HK\$
Interim dividend of 2.5 cents (2000: 3.0 cents) per share	14,103,507	16,258,552
Proposed final dividend of 2.0 cents (2000: 4.0 cents) per share	11,242,926	20,943,052
Underprovision of final dividend (<i>Note</i>)	6,327,400	–
	<u>31,673,833</u>	<u>37,201,604</u>
Special dividend of 2.5 cents (2000: Nil) per share	14,103,507	–
Proposed special dividend of 5.0 cents (2000: 11.0 cents) per share	28,107,314	57,593,391
	<u>42,210,821</u>	<u>57,593,391</u>

Note: The amount represents last year's final dividend payable to shares options exercised subsequent to the approval of the financial statements for the year ended December 31, 2000.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2001

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the net profit for the year of HK\$62,983,427 (2000: HK\$106,559,467) and the following data:

	Number of shares	
	2001	2000
Weighted average number of ordinary shares for the purpose of basic earnings per share	550,822,318	516,154,891
Effect of dilutive potential ordinary shares: share options	463,173	219,388
	551,285,491	516,374,279

11. PROPERTY, PLANT AND EQUIPMENT

	Property held for redevelop-ment <i>HK\$</i>	Leasehold land and buildings <i>HK\$</i>	Leasehold improve-ments <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Furniture and equipment <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Moulds and tools <i>HK\$</i>	Construction in progress <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP									
COST									
At January 1, 2001	18,732,820	198,020,514	1,362,950	75,584,703	31,478,282	9,472,031	6,803,107	7,740,731	349,195,138
Currency realignment	-	-	-	-	4,527	-	-	-	4,527
Reclassification	-	-	-	4,355,047	43,103	-	(2,005,214)	(2,392,936)	-
Additions	-	1,621,640	85,882	17,040,875	4,907,279	4,659,118	482,412	4,929,747	33,726,953
Disposals	-	-	-	(379,006)	(150,360)	(771,972)	-	-	(1,301,338)
At December 31, 2001	18,732,820	199,642,154	1,448,832	96,601,619	36,282,831	13,359,177	5,280,305	10,277,542	381,625,280
DEPRECIATION AND AMORTISATION									
At January 1, 2001	418,849	43,315,897	826,922	36,298,722	22,300,545	7,159,594	2,786,316	-	113,106,845
Currency realignment	-	-	-	-	3,793	-	-	-	3,793
Provided for the year	-	8,430,470	136,519	6,896,390	3,308,490	769,770	481,623	-	20,023,262
Eliminated on disposals	-	-	-	(201,841)	(51,145)	(667,153)	-	-	(920,139)
At December 31, 2001	418,849	51,746,367	963,441	42,993,271	25,561,683	7,262,211	3,267,939	-	132,213,761
NET BOOK VALUES									
At December 31, 2001	18,313,971	147,895,787	485,391	53,608,348	10,721,148	6,096,966	2,012,366	10,277,542	249,411,519
At December 31, 2000	18,313,971	154,704,617	536,028	39,285,981	9,177,737	2,312,437	4,016,791	7,740,731	236,088,293



11. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book values of property held for redevelopment and leasehold land and buildings at December 31, 2001 comprise properties held on medium-term leases in both Hong Kong and the PRC of HK\$21,375,375 (2000: HK\$21,448,066) and HK\$144,834,383 (2000: HK\$151,570,522) respectively.

The net book values of the Group's plant and machinery, furniture and equipment and motor vehicles includes an amount of HK\$3,495,724 (2000: HK\$7,191,835), HK\$298,699 (2000: HK\$572,179) and HK\$1,859,813 (2000: HK\$822,813) respectively, in respect of assets held under finance leases.

12. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2001 HK\$	2000 HK\$
Unlisted shares, at carrying value	36,584,990	36,584,990

The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became ultimate holding company of the Group under the group reorganisation undertaken for the purpose of the listing of the Company's shares, and the cost of investments in subsidiaries purchased subsequent to the group reorganisation.

Details of the Company's principal subsidiaries at December 31, 2001 are set out in note 34.

13. INTANGIBLE ASSETS

	Product development expenditure HK\$
THE GROUP COST	
At January 1, 2001 and December 31, 2001	15,659,826
AMORTISATION	
At January 1, 2001	14,503,149
Provided for the year	521,276
At December 31, 2001	15,024,425
CARRYING AMOUNTS	
At December 31, 2001	635,401
At December 31, 2000	1,156,677



14. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE

	THE GROUP	
	2001 HK\$	2000 HK\$
Share of net assets	56,744,599	56,486,993
Loan to an associate	–	142,200,000
Less: Amount due within one year shown under current assets	–	(142,200,000)
	–	–

On February 5, 2001, the Group entered into an agreement to dispose of its entire shares in and a shareholder's loan due from Sunshine City Limited, an associate of the Group, to an independent third party at a total consideration of US\$18,301,158 (equivalent to approximately HK\$142,200,000), comprising a cash consideration of US\$18,018,018 (equivalent to approximately HK\$140,000,000) and the assignment of the land use rights of office premises with an estimated value of US\$283,140 (equivalent to approximately HK\$2,200,000) made by the directors. The transaction was completed on April 12, 2001.

As at December 31, 2001, the Group held a 30% interest in Foshan East Asia Company Limited ("Foshan East Asia"), a company registered in the PRC and is engaged in the manufacture of colour woven fabric. The following details are extracted from the management accounts of Foshan East Asia:

Operating results for the year:

	2001 HK\$000	2000 HK\$000
Turnover	185,779	180,515
Profit before taxation	9,124	10,542
Profit before taxation attributable to the Group	2,737	1,697
Financial position:		
Non-current assets	174,275	205,623
Current assets	213,104	229,923
Total liabilities	(200,089)	(226,990)
Minority interests	(3,997)	(3,997)
	183,293	204,559
Shareholders' funds attributable to the Group	54,990	54,670

In the opinion of the directors, Foshan East Asia principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

15. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2001 HK\$	2000 HK\$
Share of net assets (liabilities)	10,913,734	(693,457)
Loan to a jointly controlled entity	6,625,150	12,016,975
	17,538,884	11,323,518

As at December 31, 2001, the Group held a 50% interest in Monforts Fong's Textile Machinery Co., Limited ("Monforts Fong's"), a company incorporated in Hong Kong and is engaged in the manufacture and trading of stenters. The following details are extracted from the audited financial statements of Monforts Fong's:

Operating results for the year:

	2001 HK\$	2000 HK\$
Turnover	104,702,307	69,296,706
Profit before taxation	6,759,191	613,086
Profit before taxation attributable to the Group	3,379,596	306,543

Financial position:

	2001 HK\$	2000 HK\$
Non-current assets	8,393,321	769,048
Current assets	46,374,689	36,750,930
Total liabilities	(32,940,542)	(38,906,892)
	21,827,468	(1,386,914)
Balance (deficiency) of shareholders' funds attributable to the Group	10,913,734	(693,457)



16. INVENTORIES

	THE GROUP	
	2001 HK\$	2000 HK\$
Raw materials	36,101,273	63,789,974
Work in progress	25,356,604	30,572,844
Finished goods	79,205,668	81,173,675
	<u>140,663,545</u>	<u>175,536,493</u>

17. TRADE AND OTHER RECEIVABLES

Except for retention money held by customers for sales of dyeing machines, the Group allows an average credit period of 60 days (2000: 60 days) to its trade customers.

The following is an aged analysis of trade receivables at December 31, 2001:

	THE GROUP	
	2001 HK\$	2000 HK\$
0-30 days	44,963,006	61,565,926
31-60 days	5,587,845	8,416,360
61-90 days	2,832,327	6,222,280
	<u>53,383,178</u>	<u>76,204,566</u>

Included in other receivables is a loan to an officer. Details of the loan to an officer disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Name of officer	Terms of loan	Balance at 12.31.2001 HK\$	Balance at 1.1.2001 HK\$	Maximum amount outstanding during the year HK\$
Li HonYu, Albert	Unsecured, non-interest bearing and repayable on demand	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>



18. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at December 31, 2001:

	THE GROUP	
	2001 HK\$	2000 HK\$
0-30 days	42,650,881	38,595,935
31-60 days	2,928,713	11,800,268
over 60 days	944,564	3,540,218
	46,524,158	53,936,421

19. WARRANTY PROVISION

	HK\$
THE GROUP	
At January 1, 2001	1,543,000
Additional provision in the year	1,200,000
Utilisation of provision	(1,543,000)
At December 31, 2001	1,200,000

The warranty provision represents management's best estimate of the Group's liability under 12-month warranties granted on dyeing machines based on past experience.

The Company had no provision at the balance sheet date.



20. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2001	2000	2001	2000
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Amount payable under finance leases:				
Within one year	2,374,692	3,643,887	2,174,527	3,216,600
In the second to fifth year inclusive	2,557,963	3,321,398	2,427,225	3,063,233
	4,932,655	6,965,285	4,601,752	6,279,833
<i>Less:</i> Future finance charges	(330,903)	(685,452)	N/A	N/A
Present value of lease obligations	4,601,752	6,279,833	4,601,752	6,279,833
<i>Less:</i> Amount due within one year shown under current liabilities			(2,174,527)	(3,216,600)
Amount due after one year			2,427,225	3,063,233

It is the Group's policy to lease certain of its plant and equipment under finance leases. The lease term is ranging from 1 to 3 years. For the year ended December 31, 2001, the effective borrowing rate was ranging from 4.9 to 9%. 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 obligation under finance leases are secured by the lessors' charge over the leased assets.



21. BANK BORROWINGS

	THE GROUP	
	2001	2000
	HK\$	HK\$
Bank borrowings comprise the following:		
Trust receipt loans	54,548,145	70,213,799
Bank loans	24,157,500	62,149,243
	<u>78,705,645</u>	<u>132,363,042</u>
Secured	48,088,293	96,483,216
Unsecured	30,617,352	35,879,826
	<u>78,705,645</u>	<u>132,363,042</u>
The bank borrowings are repayable within the following periods:		
Within one year	67,880,145	122,371,042
More than one year, but not exceeding two years	9,994,000	6,664,000
More than two years, but not exceeding five years	831,500	3,328,000
	<u>78,705,645</u>	<u>132,363,042</u>
<i>Less:</i> Amount due within one year shown under current liabilities	<u>(67,880,145)</u>	<u>(122,371,042)</u>
Amount due after one year	<u>10,825,500</u>	<u>9,992,000</u>

During the year, the Group obtained new bank loans in the amount of HK\$10,000,000. The outstanding bank loans as at balance sheet date bear interest at market rate and are repayable in instalments over a period of 2.5 years. The proceeds were used to finance the operation of the Group.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2001

22. SHARE CAPITAL

	2001 HK\$	2000 HK\$
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000,000	100,000,000
<i>Issued and fully paid:</i>		
At beginning of the year, 524,386,285 (2000: 495,512,366) ordinary shares of HK\$0.10 each	52,438,629	49,551,237
Exercise of warrants	–	2,748,592
Exercise of share options	4,275,000	446,800
Repurchase and cancellation of shares	(519,000)	(308,000)
At end of the year, 561,946,285 (2000: 524,386,285) ordinary shares of HK\$0.10 each	56,194,629	52,438,629

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
February 2001	210,000	0.57	0.53	118,300
March 2001	600,000	0.58	0.56	346,000
June 2001	1,586,000	0.65	0.63	1,016,580
July 2001	200,000	0.64	0.62	125,040
August 2001	400,000	0.64	0.64	256,000
September 2001	710,000	0.64	0.58	432,300
October 2001	992,000	0.71	0.64	672,600
November 2001	492,000	0.67	0.66	325,880
	5,190,000			3,292,700

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase amounting to HK\$2,773,700 was charged against share premium. An amount of HK\$519,000 equivalent to the nominal value of the cancelled shares was transferred from retained profits to capital redemption reserve.

23. SHARE OPTIONS

During the year, share options were exercised to subscribe for 42,750,000 ordinary shares of the Company at exercise prices ranging from HK\$0.48 to HK\$0.51 per share. The remaining 1,050,000 share options were outstanding as at balance sheet date.

24. RESERVES

	Share premium HK\$	Dividend reserve HK\$	Capital redemption reserve HK\$	Translation reserve HK\$	Retained profits HK\$	Contributed surplus HK\$	Total HK\$
THE GROUP							
At January 1, 2000							
– as originally stated	191,702,584	–	388,200	(15,964,456)	145,534,318	38,133,809	359,794,455
– derecognition of liability for final dividend in 1999	–	9,994,762	–	–	–	–	9,994,762
– as restated	191,702,584	9,994,762	388,200	(15,964,456)	145,534,318	38,133,809	369,789,217
Premium on repurchase of shares	(1,307,260)	–	–	–	–	–	(1,307,260)
Premium on issue of shares	11,817,648	–	–	–	–	–	11,817,648
Transfer upon repurchase of shares	–	–	308,000	–	(308,000)	–	–
Exchange difference arising on translation of overseas subsidiaries and associates	–	–	–	1,241,673	–	–	1,241,673
Net profit for the year	–	–	–	–	106,559,467	–	106,559,467
Dividends	–	(9,994,762)	–	–	(37,201,604)	–	(47,196,366)
Special dividend	–	–	–	–	(57,593,391)	–	(57,593,391)
At December 31, 2000							
– as originally stated	202,212,972	–	696,200	(14,722,783)	156,990,790	38,133,809	383,310,988
– derecognition of liability for final dividend in 2000	–	78,536,443	–	–	–	–	78,536,443
– as restated	202,212,972	78,536,443	696,200	(14,722,783)	156,990,790	38,133,809	461,847,431
Premium on repurchase of shares	(2,773,700)	–	–	–	–	–	(2,773,700)
Premium on issue of shares	16,249,574	–	–	–	–	–	16,249,574
Transfer upon repurchase of shares	–	–	519,000	–	(519,000)	–	–
Exchange difference arising on translation of overseas subsidiaries	–	–	–	(74,730)	–	–	(74,730)
Net profit for the year	–	–	–	–	62,983,427	–	62,983,427
Dividends	–	(78,536,443)	–	–	(20,430,907)	–	(98,967,350)
Special dividend	–	–	–	–	(14,103,507)	–	(14,103,507)
Proposed final dividend	–	11,242,926	–	–	(11,242,926)	–	–
Proposed special dividend	–	28,107,314	–	–	(28,107,314)	–	–
At December 31, 2001	215,688,846	39,350,240	1,215,200	(14,797,513)	145,570,563	38,133,809	425,161,145



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For the year ended December 31, 2001

24. RESERVES (Continued)

The retained profits of the Group included HK\$30,543,389 (2000: HK\$28,204,643) and HK\$1,763,734 (2000: a loss of HK\$1,193,457) attributable to associates and a jointly controlled entity of the Group respectively.

The translation reserve of the Group included HK\$4,660,293 (2000: HK\$4,660,293) attributable to an associate of the Group.

	Share premium HK\$	Dividend reserve HK\$	Capital redemption reserve HK\$	Retained profits HK\$	Contributed surplus HK\$	Total HK\$
THE COMPANY						
At January 1, 2000						
– as originally stated	191,702,584	–	388,200	95,763,931	35,584,967	323,439,682
– derecognition of liability for final dividend in 1999	–	9,994,762	–	–	–	9,994,762
– as restated	191,702,584	9,994,762	388,200	95,763,931	35,584,967	333,434,444
Premium on repurchase of shares	(1,307,260)	–	–	–	–	(1,307,260)
Premium on issue of shares	11,817,648	–	–	–	–	11,817,648
Transfer upon repurchase of shares	–	–	308,000	(308,000)	–	–
Net profit for the year	–	–	–	1,928,119	–	1,928,119
Dividends	–	(9,994,762)	–	(37,201,604)	–	(47,196,366)
Special dividend	–	–	–	(57,593,391)	–	(57,593,391)
At December 31, 2000						
– as originally stated	202,212,972	–	696,200	2,589,055	35,584,967	241,083,194
– derecognition of liability final dividend in 2000	–	78,536,443	–	–	–	78,536,443
– as restated	202,212,972	78,536,443	696,200	2,589,055	35,584,967	319,619,637
Premium on repurchase of shares	(2,773,700)	–	–	–	–	(2,773,700)
Premium on issue of shares	16,249,574	–	–	–	–	16,249,574
Transfer upon repurchase of shares	–	–	519,000	(519,000)	–	–
Net profit for the year	–	–	–	89,435,831	–	89,435,831
Dividends	–	(78,536,443)	–	(20,430,907)	–	(98,967,350)
Special dividend	–	–	–	(14,103,507)	–	(14,103,507)
Proposed final dividend	–	11,242,926	–	(11,242,926)	–	–
Proposed special dividend	–	28,107,314	–	(28,107,314)	–	–
At December 31, 2001	215,688,846	39,350,240	1,215,200	17,621,232	35,584,967	309,460,485



24. RESERVES (Continued)

The contributed surplus of the Company represents the excess of the value of the net assets of the subsidiaries at the date at which they were acquired by the Company over the nominal value of the shares issued by the Company for the acquisition at the time of group reorganisation on September 13, 1990.

The contributed surplus of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the entire issued share capital of Fong's Manufacturers Company Limited, the then holding company, acquired pursuant to a corporate reorganisation on September 13, 1990, less goodwill or capital reserve arising on consolidation.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Contributed surplus	35,584,967	35,584,967
Retained profits	56,971,472	2,589,055
	<u>92,556,439</u>	<u>38,174,022</u>





NOTES TO THE FINANCIAL STATEMENTS

 For the year ended December 31, 2001

25. UNPROVIDED DEFERRED TAXATION

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

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	(627,000)	(355,700)	-	-
Taxation losses	449,000	608,000	-	127,000
	<u>(178,000)</u>	<u>252,300</u>	<u>-</u>	<u>127,000</u>

The amount of the unprovided deferred taxation charge for the year is as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	271,300	49,700	-	-
Taxation losses utilised	159,000	635,000	-	145,000
	<u>430,300</u>	<u>684,700</u>	<u>-</u>	<u>145,000</u>

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

	2001 HK\$	2000 HK\$
Profit before taxation	70,083,569	126,733,878
Share of results of associates	(2,801,997)	(1,897,295)
Share of results of a jointly controlled entity	(3,379,596)	(306,543)
Impairment of loan to an associate	–	4,966,833
Depreciation and amortisation on property, plant and equipment	20,023,262	17,470,681
Amortisation of intangible assets	521,276	1,475,588
Interest income	(2,693,857)	(471,242)
Loss on disposal of property, plant and equipment	57,012	59,556
Interest expenses	7,726,124	13,735,973
Factoring charges	302,701	180,521
Decrease (increase) in inventories	34,872,948	(15,052,365)
Decrease (increase) in trade and other receivables	21,630,878	(40,810,925)
Increase in amount due from a jointly controlled entity	(1,034,437)	(3,149,575)
(Decrease) increase in trade and other payables	(33,792,082)	39,499,215
(Decrease) increase in warranty provision	(343,000)	1,543,000
Increase (decrease) in bills payable	8,136,604	(14,625,232)
	<hr/>	<hr/>
Net cash inflow from operating activities	119,309,405	129,352,068



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2001

27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank loans HK\$	Trust receipt loans HK\$	Obligations under finance leases HK\$	Share capital and share premium HK\$	Loan from a minority shareholder of a subsidiary HK\$
Balance at January 1, 2000	52,535,758	71,364,368	4,425,574	241,253,821	12,864,590
Proceeds from issue of shares	-	-	-	15,013,040	-
Repurchase of shares	-	-	-	(1,615,260)	-
New bank loans raised	53,150,943	-	-	-	-
Repayment of bank loans	(43,537,458)	-	-	-	-
Repayment of trust receipt loans	-	(1,150,569)	-	-	-
Repayment of loan from a minority shareholder of a subsidiary	-	-	-	-	(12,864,590)
Inception of finance leases (<i>note 28</i>)	-	-	4,528,800	-	-
Repayment of obligations under finance leases	-	-	(2,674,541)	-	-
Balance at December 31, 2000	62,149,243	70,213,799	6,279,833	254,651,601	-
Proceeds from issue of shares	-	-	-	20,524,574	-
Repurchase of shares	-	-	-	(3,292,700)	-
New bank loans raised	10,000,000	-	-	-	-
Repayment of bank loans	(47,991,743)	-	-	-	-
Repayment of trust receipt loans	-	(15,665,654)	-	-	-
Inception of finance leases (<i>note 28</i>)	-	-	1,763,895	-	-
Repayment of obligations under finance leases	-	-	(3,441,976)	-	-
Balance at December 31, 2001	24,157,500	54,548,145	4,601,752	271,883,475	-

28. MAJOR NON-CASH TRANSACTIONS

Other than that set out in note 14 in respect of an assignment of land use rights of office premises valued at HK\$2,200,000, the Group entered into the following major non-cash transactions during the year:

- (i) additions to property, plant and equipment amounting to HK\$1,763,895 (2000: HK\$4,528,800) were financed by new finance leases.
- (ii) the Group had increased its investment in a jointly controlled entity by capitalization of a long-term loan advanced to the jointly controlled entity.

29. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Export bills discounted with recourse	<u>6,761,671</u>	<u>10,506,099</u>	<u>—</u>	<u>—</u>
Guarantees given to bankers in respect of banking facilities granted to subsidiaries	<u>—</u>	<u>—</u>	<u>332,125,000</u>	<u>347,200,000</u>
Guarantees given to bankers in respect of banking facilities granted to a jointly controlled entity	<u>1,750,000</u>	<u>1,650,000</u>	<u>1,750,000</u>	<u>—</u>

At the balance sheet date, the extent of banking facilities utilised by the subsidiaries amounted to approximately HK\$79 million (2000: HK\$132 million).

30. CAPITAL COMMITMENTS

	THE GROUP	
	2001 HK\$	2000 HK\$
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	<u>2,510,917</u>	<u>817,879</u>

At the balance sheet date, the Company did not have any significant capital commitments.



31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Minimum lease payments paid under operating leases for rented premises during the year amounted to HK\$4,699,013 (2000: HK\$4,289,034).

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	4,766,696	4,476,757
In the second to fifth year inclusive	9,143,320	–
	13,910,016	4,476,757

Operating lease payments represent rentals payable by the Group for certain of its office properties and residential units for its employees. Leases are negotiated and rentals are fixed for an average term of two years.

The Group as lessor

Property rental income earned during the year was HK\$1,874,324 (2000: HK\$898,524). The property held has committed tenants for one year.

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments within one year amounting to HK\$634,014 (2000: HK\$634,014).

32. RETIREMENT BENEFITS SCHEMES

The Group has a defined contribution provident fund scheme ("the Scheme") for its Hong Kong employees. The Scheme's assets are being held under a provident fund operated by AXA Investment Managers HKSAR Limited with Messrs. Fong Sou Lam and Fong Kwok Chung, Bill as trustees and Hastings Service & Company Limited as an additional trustee.

The Group is required to make contributions to the Scheme calculated at 5% of the employees' basic salaries on a monthly basis. The Group's contribution will further increase proportionally to a maximum of 8% of each employee's basic salary after completion of three years of service to the Group. The employees are entitled to 100% of the employers' contribution and the accrued interest after 10 years' of completed service, or at a reduced scale of between 30% to 100% after completion of 3 to 10 years' service. The forfeited contributions and related accrued interest are to be used to reduce the employers' contribution.



32. RETIREMENT BENEFITS SCHEMES (Continued)

The aggregate employers' contributions, net of forfeited contributions, which have been dealt with in the income statement of the Group amounted to:

	2001 HK\$	2000 HK\$
Gross employers' contributions	2,488,713	2,516,324
Less: Forfeited contributions utilised to offset employers' contributions for the year	<u>(284,453)</u>	<u>(470,942)</u>
Net employers' contributions charged to the income statement	<u>2,204,260</u>	<u>2,045,382</u>

At the balance sheet date, there were no forfeited contributions available to offset future employers' contributions to the Scheme.

On July 28, 2000, the above provident fund scheme was granted an exemption on the Mandatory Provident Fund Scheme ("MPF Scheme"). The principal deed and the rules of the above provident fund scheme were amended accordingly to comply with the rules of the Mandatory Provident Fund Schemes Ordinance ("MPF Ordinance").

With effect from December 1, 2000, the Group also participated in MPF Scheme. The MPF Scheme's assets are held under a mandatory provident fund operated by AXA Investment Managers HKSAR Limited. Under the MPF Scheme, the Group is required to make contributions to the MPF Scheme calculated at lower of 5% of the employees' relevant income or HK\$1,000 (as defined in the MPF Ordinance) on a monthly basis.

The employees entitled to the Scheme before December 1, 2000 are granted options to join the MPF Scheme or to continue making contributions to the Scheme. All other existing or newly employed employees are required to join the MPF Scheme compulsorily. The Group is required to make contributions to either of the two schemes according to the employees' options.



33. RELATED PARTY TRANSACTIONS

During the year, total rental payable by the Group to a related company amounted to HK\$4,357,008 (2000: HK\$3,931,960). The party concerned is related to the Group since it is an enterprise in which Messrs. Fong Kwok Leung, Kevin and Fong Kwok Chung, Bill have beneficial interests.

In addition, the Group entered into the following transactions with the jointly controlled entity:

	2001 HK\$	2000 HK\$
Sales of goods	<u>16,563,676</u>	<u>11,867,929</u>
Commission and management fee received	<u>5,801,503</u>	<u>2,747,895</u>
Rental received	<u>1,316,624</u>	<u>340,824</u>

The above transactions were carried out at market price or where no market price was available, at cost.

34. PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation or registration/ operations	Nominal value of issued capital/ registered capital	Proportion of share capital/ registered capital attributable to the Company		Principal activity
			Directly held	Indirectly held	
Falmer Investments Ltd.	British Virgin Islands/ The PRC	US\$1	–	100%	Research and development
Fong's China Development Limited	British Virgin Islands/ The PRC	US\$1	100%	–	Investment holding
Fong's China Investment (B.V.I.) Company Limited	British Virgin Islands/ The PRC	US\$1	–	100%	Investment holding and property holding
Fong's Engineering Services Company Limited	Hong Kong	HK\$10,000	–	100%	Trading in steel and provision of management services to group companies

34. PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place of incorporation or registration/ operations	Nominal value of issued capital/ registered capital	Proportion of share capital/ registered capital attributable to the Company		Principal activity
			Directly held	Indirectly held	
Fong's Manufacturers Company Limited	British Virgin Islands/ Hong Kong	US\$10,000	100%	–	Investment holding
Fong's National Engineering Company, Limited	Hong Kong	Ordinary – HK\$100 Deferred – HK\$8,000,000 (Note)	–	100%	Trading of dyeing machines
Fong's National Engineering (Shenzhen) Company Limited	The PRC	US\$22,500,000	–	100%	Manufacture of dyeing machines
Fong's Steels Supplies Company Limited	Hong Kong	HK\$10,000	–	100%	Trading in stainless steel supplies
Sunshine Glory Limited	British Virgin Islands/ The PRC	US\$10	–	100%	Investment holding
Tycon Alloy Industries (Hong Kong) Company Limited	Hong Kong	HK\$10,000	–	100%	Trading in stainless steel casting products
Tycon Alloy Industries (Shenzhen) Co. Ltd.	The PRC	US\$2,250,000	–	100%	Manufacture of stainless steel casting products
Vastpark Limited	Hong Kong	HK\$2	–	100%	Property holding
Tianjin Lifenghang International Trading Co. Ltd.	The PRC	RMB2,889,037	–	51%	Dormant



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For the year ended December 31, 2001

34. PRINCIPAL SUBSIDIARIES (Continued)

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

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

Note: The deferred shares entitle the holders to dividends from one half of the remaining net profit after the first HK\$10,000,000,000 has been distributed to holders of ordinary shares of HK\$1 each of the company. The deferred shares also entitle the holders to participate in distribution of one half of the surplus assets on winding up after the first HK\$20,000,000,000 has been distributed to holders of ordinary shares of HK\$1 each of the company.





	Nine-month period ended December 31,		Year ended December 31,		
	1997	1998	1999	2000	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
Turnover	413,141	381,806	485,295	922,877	758,336
Profit from operations	65,258	16,586	55,743	146,690	72,781
Finance costs	(15,925)	(16,477)	(11,947)	(17,664)	(11,573)
Investment income	222	221	139	471	2,694
Impairment of loan to an associate	–	–	–	(4,967)	–
Share of results of associates	9,677	7,436	766	1,897	2,802
Share of results of a jointly controlled entity	–	–	–	307	3,379
Profit before taxation	59,232	7,766	44,701	126,734	70,083
Taxation charge (credit)	5,936	(2,770)	6,009	20,175	7,100
Profit before minority interests	53,296	10,536	38,692	106,559	62,983
Minority interests	(3,181)	(2,303)	(687)	–	–
Net profit for the period/year	50,115	8,233	38,005	106,559	62,983
	As at December 31,				
	1997	1998	1999	2000	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(As restated)	
ASSETS AND LIABILITIES					
Total assets	637,528	595,552	705,143	816,484	697,271
Total liabilities	(243,065)	(193,807)	(280,970)	(300,908)	(214,625)
Minority interests	(11,838)	(14,141)	(14,827)	(1,290)	(1,290)
Shareholders' funds	382,625	387,604	409,346	514,286	481,356



SUMMARY OF PROPERTY HELD FOR REDEVELOPMENT



Location	Category of lease	Site area	Nature of property	Percentage of interest in the property	Stage of completion
The site of Hung Hsin Factory Building, No.932 Cheung Sha Wan Road, Kowloon, Hong Kong	Medium term lease	535.67m ²	Factory site	51%	Building demolished and site cleared