

**23 LONG-TERM LIABILITIES**

|  | GROUP            |                  | COMPANY          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2000<br>HK\$'000 | 1999<br>HK\$'000 | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| Secured bank loans   | 44,378           | 72,231           | 11,000           | 11,531           |
| Amounts due to minority<br>shareholders of subsidiary<br>companies | -                | 5,654            | -                | -                |
| Current portion included under<br>current liabilities              | (11,520)         | (72,231)         | (9,100)          | (11,531)         |
|  | <u>32,858</u>    | <u>5,654</u>     | <u>1,900</u>     | <u>-</u>         |

In 1999, the Group was in default under the bank loan and credit facilities agreements, under which all bank loans became repayable on demand and therefore were classified as current liabilities.

The amounts payable to the minority shareholders of the subsidiary companies were unsecured, interest free and had no fixed terms of repayment.

The bank loans at 31st December 2000 are repayable as follows:

|              | GROUP<br>HK\$'000 | COMPANY<br>HK\$'000 |
|--------------|-------------------|---------------------|
| 2001         | 11,520            | 9,100               |
| 2002         | 4,445             | 1,900               |
| 2003         | 2,820             | -                   |
| 2004         | 3,117             | -                   |
| 2005         | 8,133             | -                   |
| 2006 onwards | 14,343            | -                   |
|              | <u>44,378</u>     | <u>11,000</u>       |

**24 OPERATING LEASE COMMITMENTS**

At 31st December 2000, these were commitments payable within the next twelve months in respect of land and buildings under operating leases expiring in the following periods:

|                                | <b>GROUP</b>        |                     |
|--------------------------------|---------------------|---------------------|
|                                | <b>2000</b>         | 1999                |
|                                | <b>HK\$'000</b>     | HK\$'000            |
| Within one year                | <b>6,490</b>        | –                   |
| Second to fifth year inclusive | –                   | 9,227               |
|                                | <b><u>6,490</u></b> | <b><u>9,227</u></b> |

**25 CONTINGENT LIABILITIES**

- (a) The Company has provided guarantees in respect of loan facilities granted to subsidiary companies amounting to HK\$33,758,000 (1999: HK\$73,192,000).
- (b) The Company has provided guarantees to the banks in respect of mortgage loans made available to the purchasers of properties developed by a jointly controlled entity in Mainland China. At 31st December 2000, the outstanding guarantee for such mortgage loans amounted to HK\$9,123,000 (1999: HK\$11,198,000).
- (c) The Company has also provided a guarantee to a purchaser of completed properties from the Group for the due performance of tenancies by the subsidiary companies amounting to approximately HK\$5,898,000 (1999: HK\$12,727,000).
- (d) In relation to the buildings developed pursuant to the Private Sector Participation Scheme projects undertaken by the Group in previous years, the Group has provided bank guarantees in favour of the Director of Housing (“Housing Authority”), the Government of the Hong Kong Special Administrative Region, for the reimbursement of the cost of all management and/or the remedial works carried out by the Housing Authority to the extent of HK\$6,700,000 (1999: HK\$10,300,000).

In November 1998, the Housing Authority alleged that Hening Investments Limited (“Hening”), a 55% owned subsidiary company, and Funing Property Management Limited (formerly Funing Estate Management Limited), a former wholly-owned subsidiary company which was disposed of to a former director in 1999, were obliged to rectify certain defects at a residential development project, which was undertaken by Hening in previous years, pursuant to an undertaking dated 4th September 1993 and the conditions of sale in respect of such development project dated 12th January 1989. Such liabilities of Hening have been covered by a bank guarantee, to which the Company has given a counter-indemnity up to HK\$1,925,000 (1999: HK\$1,925,000). Accordingly, a provision of HK\$1,925,000 (1999: HK\$1,925,000) has been made in the accounts.

**25 CONTINGENT LIABILITIES (Continued)**

- (e) In 1999, certain employees of the Group had completed the required number of years of service under the Hong Kong Employment Ordinance to be eligible for long service payments on termination of their employment. The liability of the Group at 31st December 1999 was approximately HK\$828,000. No employee of the Group is eligible for any long service payments as at 31st December 2000.

Commencing from December 2000, the Group participates in a defined contribution scheme in accordance with the requirements of the Mandatory Provident Fund Ordinance, the assets of which are held separately from the Group. The charge for the scheme in the year is immaterial.

- (f) At 31st December 2000, there were unprovided deferred taxation liabilities/(benefits) which consisted of the following timing differences:

|                                     | GROUP            |                  | COMPANY          |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|
|                                     | 2000<br>HK\$'000 | 1999<br>HK\$'000 | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| Accelerated depreciation allowances | 38               | 194              | 38               | 194              |
| Taxation losses                     | (44,354)         | (37,037)         | (7,211)          | (3,344)          |
|                                     | <u>(44,316)</u>  | <u>(36,843)</u>  | <u>(7,173)</u>   | <u>(3,150)</u>   |

Future taxation benefits attributable to the taxation losses have not been accounted for due to the uncertainty as to their future utilisation. There are no other material timing differences between profit as computed for taxation purposes and profit as stated in the accounts.

**26 NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT**
**(a) Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities**

|   | 2000            | 1999           |
|---|-----------------|----------------|
|   | HK\$'000        | HK\$'000       |
| Operating (loss)/profit                             | (48,272)        | 94,326         |
| Interest income                                     | (338)           | (754)          |
| Depreciation  | 828             | 885            |
| Investment property revaluation reserve realised    | –               | (125,685)      |
| Provision against property under development        | –               | 9,500          |
| Loss/(profit) on disposal of subsidiary companies   | 2,254           | (1,195)        |
| Profit on deemed disposal of an associated company  | –               | (148)          |
| Loss/(profit) on disposal of fixed assets           | 2,293           | (1,076)        |
| Decrease in properties held for sale                | 3,362           | 130,402        |
| (Increase)/decrease in debtors and prepayments      | (380)           | 31,597         |
| (Decrease)/increase in creditors and accruals       | (13,971)        | 5,160          |
| Net cash (outflow)/inflow from operating activities | <u>(54,224)</u> | <u>143,012</u> |

**(b) Disposal of subsidiary companies**

|                                       | 2000           | 1999           |
|---------------------------------------|----------------|----------------|
|                                       | HK\$'000       | HK\$'000       |
| Net assets disposed                   |                |                |
| Fixed assets                          | 4              | 327            |
| Associated company                    | 2,032          | –              |
| Debtors and prepayments               | 17             | 11,184         |
| Cash and bank balances                | 1              | 8,206          |
| Amounts due to group companies        | –              | (6,221)        |
| Creditors and accruals                | (160)          | (8,534)        |
| Tax payable                           | –              | (156)          |
|                                       | <u>1,894</u>   | <u>4,806</u>   |
| Exchange reserve realised             | 1,563          | –              |
| (Loss)/profit on disposal             | <u>(2,254)</u> | <u>1,195</u>   |
| Cash consideration                    | 1,203          | 6,001          |
| Cash and bank balances sold           | (1)            | (8,206)        |
| Net cash inflow/(outflow) on disposal | <u>1,202</u>   | <u>(2,205)</u> |

The subsidiary companies did not have a significant contribution to the Group's results or cash flows for the year.

**26 NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT (Continued)**
**(c) Analysis of changes in financing during the year**

|   | Share capital<br>and premium<br>HK\$'000 | Bank and<br>other loans<br>HK\$'000 | Minority<br>interests<br>HK\$'000 | Total<br>HK\$'000 |
|---|--|-------------------------------------|-----------------------------------|-------------------|
| At 31st December 1998                       | 263,289                                  | 197,128                             | (3,493)                           | 456,924           |
| Changes in exchange rates                   | –  | –                                   | 33                                | 33                |
| Minority interests in share of profits      | –  | –                                   | 3,897                             | 3,897             |
| Dividends paid to minority<br>shareholders  | –  | –                                   | (90)                              | (90)              |
| Net cash outflow from financing             | –  | (88,343)                            | –                                 | (88,343)          |
| At 31st December 1999                       | 263,289                                  | 108,785                             | 347                               | 372,421           |
| Minority interests in share of profits      | –  | –                                   | (3,576)                           | (3,576)           |
| Net cash inflow/(outflow)<br>from financing | 204,349                                  | (56,407)                            | 3,777                             | 151,719           |
| At 31st December 2000                       | <u>467,638</u>                           | <u>52,378</u>                       | <u>548</u>                        | <u>520,564</u>    |

**27 SIGNIFICANT RELATED PARTY TRANSACTIONS**

Details of significant related party transactions carried out in the normal course of the Group's business activities during the year are as follows.

|  | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|--|------------------|------------------|
| Interest paid to Great Opportunity Investments Limited | 236              | 506              |
| Rental expense paid to Lap Ho Properties Limited       | 1,777            | 1,185            |
| Management fee income from a jointly controlled entity | <u>1,690</u>     | <u>1,693</u>     |

Pursuant to a sale and purchase agreement dated 5th April 2000, the Group disposed of the entire interest in a wholly-owned subsidiary company, Tak Wing Engineering (China) Limited, to Brilliant Ventures Holdings Limited, a company wholly owned by Dr Chung Chun Keung ("Dr Chung") for a cash consideration of HK\$1,125,000.

The Company entered into a consultancy agreement on 5th April 2000 with Dr Chung for the provision of general consultancy services to the Company for a period of seven years for a fee of HK\$2,376,000 payable on commencement and thereafter for a nominal fee of HK\$1 per annum.

### **28 SUBSEQUENT EVENTS**

On 31st March 2001, the Group entered into an agreement to dispose of a property for a cash consideration of HK\$8,100,000 to be completed in May 2001.

### **29 CHANGE OF NAME**

By a special resolution passed at an Extraordinary General Meeting held on 22nd May 2000, the Company changed its name from Tak Wing Investment (Holdings) Limited to U-Cyber Technology Holdings Limited. The change became effective on 31st May 2000.

### **30 APPROVAL OF ACCOUNTS**

The accounts were approved by the board of Directors on 18th April 2001.