

**24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** (cont'd)

## (b) Analysis of changes in financing during the year

	Share capital including premium HK\$'000	Loans from related companies HK\$'000	Loan from a minority shareholder HK\$'000	Bank and other loans HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January 1999	1,026,674	529,285	10,724	165,519	12,053	1,744,255
Minority interests in share of losses*	-	-	-	-	(5,287)	(5,287)
Minority interests in share of exchange reserve	-	-	-	-	424	424
Cash inflow/(outflow) from financing	563,917	(529,285)	-	(5,482)	5,186	34,336
Dividends paid to minority shareholders	-	-	-	-	(496)	(496)
Capitalisation of loan (note e)	-	-	(10,724)	-	10,724	-
Loans of subsidiaries disposed	-	-	-	(51,639)	-	(51,639)
At 31st December 1999	1,590,591	-	-	108,398	22,604	1,721,593
Minority interests in share of profits	-	-	-	-	2,519	2,519
Minority interests in share of exchange reserve	-	-	-	-	(1,051)	(1,051)
Cash inflow from financing	465,109	-	-	19,875	3,106	488,090
Dividends received on behalf of minority shareholders	-	-	-	-	8,401	8,401
At 31st December 2000	<u>2,055,700</u>	<u>-</u>	<u>-</u>	<u>128,273</u>	<u>35,579</u>	<u>2,219,552</u>

\* This includes an amount of HK\$3,318,000 in respect of losses of a subsidiary previously not shared by a minority shareholder. The amount adjusted in the previous year was a result of an additional capital contribution made by that minority shareholder during 1999.

**24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** (cont'd)

(c) Sale of subsidiaries

	1999 HK\$'000
Net asset disposed of:	
Fixed assets	12,809
Trade and other receivables	29,821
Cash and bank balances	2,821
Inventories	2,092
Trade and other payables	(52,410)
Taxation	(179)
Bank loans	(51,639)
Capital reserve	(514)
Exchange reserve	3,299
	<u>(53,900)</u>
Gain on disposal	<u>53,900</u>
	<u>          </u>

(d) Analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries

	1999 HK\$'000
Cash and bank balances disposed	<u>(2,821)</u>

(e) Non-cash transactions

During 1999, the loan from a minority shareholder of a subsidiary amounting to HK\$10,724,000 was capitalised as part of the share capital of that subsidiary (note 24(b)).

**25 COMMITMENTS**

**(a) Commitments under operating leases**

At 31st December 2000, the Group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>485</b>	–
In the second to fifth years inclusive	<b>2,467</b>	2,325
After the fifth year	<b>2,964</b>	2,882
	<b>5,916</b>	5,207

**(b) Capital commitments**

At 31st December 2000, the Group had capital commitments in respect of purchase of fixed assets as follows:

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Contracted but not provided for	<b>4,372</b>	492
Authorised but not contracted for	–	–

## 26 CONTINGENT LIABILITIES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
A guarantee issued to a bank for facilities granted to a subsidiary	-	-	20,000	20,000
Guarantees for bank loans borrowed by a jointly controlled entity	-	60,748	-	-
Guarantees for bank loans borrowed by a non-consolidated subsidiary	2,804	2,804	-	-
	<u>2,804</u>	<u>63,552</u>	<u>20,000</u>	<u>20,000</u>

## 27 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these accounts, the following is a summary of significant related party transactions which were carried out in the normal course of the Group's business during the year:

	Group	
	2000 HK\$'000	1999 HK\$'000
(a) Sales to fellow subsidiaries	-	34,115
(b) Reimbursement of payments made on behalf of the Group - salaries and expenses paid by a fellow subsidiary	2,767	-
	<u>2,767</u>	<u>-</u>

The directors are of the opinion that the sales made to a fellow subsidiaries were conducted in the normal course of business at prices and terms no less than those charged to and contracted with other third party customers of the Group.

## 28 BANKING FACILITIES

At 31st December 2000, the Group had total banking facilities amounted to HK\$242,313,000 (1999: HK\$230,963,000), of which HK\$102,800,000 (1999: HK\$119,002,000) had been utilised at that date.

Save as disclosed in note 18(a), the Group's banking facilities are secured by:

- (a) mortgages on the Group's properties with an aggregate carrying value of HK\$118,245,000 as at 31st December 2000 (1999: HK\$113,924,000); and
- (b) a corporate guarantee given by the immediate holding company amounting to HK\$137,000,000 (1999: HK\$137,000,000).

## 29 ULTIMATE HOLDING COMPANY

The directors regard Guangzhou Automobile, a company incorporated in the PRC, as being the ultimate holding company.

## 30 RETIREMENT BENEFIT COSTS

The Company and certain of its Hong Kong subsidiaries (the "Employers") operate two defined contribution schemes as defined in the Occupational Retirement Schemes Ordinance (the "ORSO Schemes") and a Mandatory Provident Fund Scheme ("MPF Scheme"). Contributions to the schemes by the Employers and employees are calculated as a percentage of employees' basic salaries.

The Group's contributions are reduced by contributions forfeited by those employees who leave the ORSO Schemes prior to the vesting fully in the contributions. Forfeited contributions totalling HK\$223,000 (1999: HK\$133,000) were utilised during the year. There is no outstanding balance available at the balance sheets dates of 1999 and 2000 to reduce future contributions. Contributions totalling HK\$68,000 (1999: HK\$62,000) were payable to the ORSO and MPF Schemes at the year end and are included in accounts payable. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The subsidiaries in the PRC have participated in an employees' retirement scheme of Guangzhou city. The implementation of such scheme by the Guangzhou Municipal Government is an administrative measure to provide pensions for retired employees. Pursuant to the relevant provisions, the subsidiaries in the PRC make a monthly defined contribution of 23% (1999: 23%) of the entire payroll of its staff while the employees need to contribute 3% of their payroll. The provider of pension payments has been paying monthly pension to the retired employees of these subsidiaries. In 2000, there was no material contribution forfeited by the employer for employees who left the scheme prior to vesting fully in such contributions.

## **30 RETIREMENT BENEFIT COSTS** (cont'd)

The Group's retirement benefit cost was expensed as incurred and the total amount charged to the profit and loss account for the year was HK\$5,753,000 (1999: HK\$4,739,000).

## **31 POST BALANCE SHEET EVENTS**

On 15th January 2001, the Group entered into an agreement with the ultimate holding company, Guangzhou Automobile, for the transfer of the 51% equity interest in a wholly-owned subsidiary of Guangzhou Automobile, Guangzhou Honda Automobile No.1 Sales Co., Ltd., from Guangzhou Automobile to the Group at a consideration of RMB46,000,000 (equivalent to approximately HK\$42,990,654). Guangzhou Honda Automobile No.1 Sales Co., Ltd. is principally engaged in the sale of Guangzhou Honda brand automobiles and parts, and the provision of related after-sale services.

## **32 APPROVAL OF ACCOUNTS**

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

### 33 SUBSIDIARIES

The following includes the principal consolidated subsidiaries of the Company which, in the opinion of the directors, were significant to the results for the year ended 31st December 2000 or formed a substantial portion of the net assets of the Group at 31st December 2000:

Name	Place of incorporation/ establishment	Principal activities	Registered capital/Issued share capital	Effective interest held
<b>Interest held directly:</b>				
Guangzhou Weida Machinery Enterprises Corporation Limited (note a)	PRC	Investment and management	US\$87,272,700/ 66,819,911	95%
Guangzhou Weida Machinery Enterprises Corporation Limited – Automotive Industry Trading Company (note a)	PRC	Wholesale and retail of various types of motor vehicles	US\$1,340,600/ 1,889,235	95%
Guangzhou Denway Bus Limited (formerly known as “Guangzhou Weida Machinery Enterprises Corporation Limited – Automotive Manufacturing Factory”) (note a)	PRC	Assembly and sales of coaches and other sales of coaches and other vehicles	US\$14,637,800/ 11,750,681	95%
Guangzhou Weida Machinery Enterprises Corporation Limited – Light Automotive Supply & Marketing United Service Company (note a)	PRC	Trading of pick-up trucks, sedans and other motor vehicles	US\$5,186,700/ 4,963,877	95%
Easeco Enterprises Limited	Hong Kong	Property holding	HK\$2	100%
Gardex Development Limited	Hong Kong	Property holding	HK\$2	100%
National Grade Limited	Hong Kong	Property holding	HK\$2	100%
<b>Interest held indirectly:</b>				
Guangzhou Auto Group Corporation (note a)	PRC	Investment and management	RMB4,200,000	95%
Guangzhou Junyang Vehicle Lamps Company (note b)	PRC	Manufacture and sales of motor vehicle lamps	US\$1,540,000	90%

## 33 SUBSIDIARIES (cont'd)

Name	Place of incorporation/ establishment	Principal activities	Registered capital/Issued share capital	Effective interest held
<b>Interest held indirectly: (cont'd)</b>				
Promowide Limited	Hong Kong	Investment holding and management	HK\$10,000	63%
Arkon Industrial Limited	Hong Kong	Investment holding and investment	HK\$10,000,000	61%
Art Sea Investment Limited	Hong Kong	Investment dealing	HK\$200,000	61%
Art Sea Metal Works Limited	Hong Kong	Manufacture of metal parts	HK\$400,000	61%
Uni-Art Precise Products Limited	Hong Kong	Manufacture of audio equipment	HK\$400,000	61%
Classic Tech Development Limited	Hong Kong	Properties holding and investment dealing	HK\$10,000	63%
Baker and Priem Bull Bars Pty Limited	Australia	Design and manufacture of motor vehicles accessories	AUD215,710	51%
Baker and Priem Sales Pty Limited	Australia	Sales of motor vehicle accessories	AUD2	51%

*Notes:*

- (a) These are sino-foreign equity joint ventures with a joint-venture period of 30 years from January 1993.
- (b) This is a sino-foreign equity joint venture with a joint-venture period of 20 years from August 1994.
- (c) All the above subsidiaries mainly operate in their places of incorporation/establishment.
- (d) The aggregate turnover of subsidiaries audited by PricewaterhouseCoopers amounted to approximately 97% of the Group's total turnover.