

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

1. GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the holding of equity or equity-related investments and the provision of management services to these investee companies.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements on pages 16 to 41 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants. The financial statements are prepared under the historical cost convention.

(b) Basis of consolidation

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

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

(c) Subsidiaries

A subsidiary is a company, in which the Company holds a majority of the voting capital for the long term and exercises control over its financial or operating policies. Investments in subsidiaries are shown in the Company's balance sheet at cost less provision for diminution in value. As the investments are held for long term purposes, provision is only made where, in the opinion of the directors, there is a permanent diminution in value.

(d) Associated companies

An associated company is a company, not being a subsidiary, in which the Group holds an equity interest for the long term and exercises significant influence in its financial and operating policies.

The results of the associated companies are accounted for by the Group using the equity method of accounting. The Group's investments in associated companies are stated at its share of net assets of the associated companies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Capital reserve or goodwill on consolidation

Capital reserve or goodwill on consolidation represents the deficit or excess of purchase consideration over the fair values ascribed to the separable net assets of the subsidiaries or associated companies acquired.

Goodwill on acquisition of subsidiaries or associated companies is amortised by equal annual instalments over the respective joint venture periods.

(f) Investments in securities

Held-to-maturity debt securities are stated at amortised costs less provision for impairment. Provision for impairment is made and charged to the income statement when it is not expected to recover the carrying value of the held-to-maturity debt securities.

Investment securities include the Group's equity interest in companies in which the Group has no significant influence on their financial and operating policies and which are intended to be held on a continuing basis for an identified long-term purpose. Investment securities are stated at cost less any provision for diminution in value. Provisions are made when the fair value of such securities has declined below the carrying amounts, unless there is evidence that the decline is temporary. The amount of the reduction is recognised as an expense in the income statement.

(g) Property, plant and equipment

(i) Depreciation

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following annual rates:

Leasehold improvements	20%
Office equipment	20%
Computer equipment	20%
Motor vehicle	20%
Fixture and fittings	20%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(g) Property, plant and equipment** *(Continued)***(ii) Measurement bases**

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

When assets are sold, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement.

(h) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rental applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms.

(i) Deferred tax/Future tax benefit

Deferred tax is provided using the liability method, on all significant timing differences, other than those which are not expected to crystallise in the foreseeable future.

Future tax benefit is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

(j) Revenue recognition

Management fees are recognised when services are rendered.

Interest income is recognised on a time proportion basis.

Dividend income is recognised when the right of the Group or the Company as a shareholder to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at that date. Gains and losses arising on exchange are dealt with in the income statement.

The financial statements of subsidiaries and associated companies expressed in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Gains and losses arising on exchange are dealt with as a movement in the exchange fluctuation reserve.

(l) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

3. TURNOVER AND OTHER REVENUES

The amount of each significant category of revenue recognised during the year is as follows:

	2000 HK\$	1999 HK\$
Turnover		
Management fees from associated companies	2,055,311	2,439,005
Dividend income from investment securities	1,085,050	—
	<u>3,140,361</u>	<u>2,439,005</u>
Other revenues		
Arrangement fee income	875,000	—
Gain on disposal of investment securities	3,509,804	—
Interest on bank deposits	2,053,058	523,758
Interest on loan to an investee company	704,163	—
Investment income from held-to-maturity debt securities	441,943	—
Write-back of expenses over-accrued in the previous years	—	176,651
Other income	147,378	118,264
	<u>7,731,346</u>	<u>818,673</u>
Total revenues	<u><u>10,871,707</u></u>	<u><u>3,257,678</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

4. OPERATING LOSS

	2000 HK\$	1999 HK\$
Operating loss is arrived at after charging:		
Amortisation of goodwill	202,065	202,065
Auditors' remuneration	369,040	438,369
Exchange loss	244,459	12,395
Write-off of property, plant and equipment	311,099	—
Operating lease payments on land and buildings	155,659	454,440
Retirement benefit costs (note 29)	1,201	—
	<u>2,083,522</u>	<u>1,107,309</u>

5. FINANCE COSTS

	2000 HK\$	1999 HK\$
Interest on other borrowings and loans wholly repayable within five years	<u>272,424</u>	<u>—</u>

6. GAIN ON DISPOSAL OF INTEREST IN AN ASSOCIATED COMPANY

During the year, the Group disposed of its 26.8% equity interest in an associated company, Shanghai White Cat Company Limited for a consideration of RMB108,000,000 (approximately HK\$100,400,000). This gave rise to a gain on disposal of HK\$17,553,880 (net of taxation of HK\$13,390,053 which comprises enterprise income tax and business tax in the People's Republic of China ("PRC")).

7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2000 HK\$	1999 HK\$
Fees	100,000	150,000
Other emoluments:		
Salaries and benefits in kind	<u>225,000</u>	<u>937,500</u>
	<u>325,000</u>	<u>1,087,500</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The above amounts include directors' fees of HK\$60,000 (1999: HK\$50,000) paid to independent non-executive directors of the Company.

Emoluments of the directors were within the following bands:

	Number of directors	
	2000	1999
HK\$Nil — HK\$1,000,000	<u>11</u>	<u>7</u>

During the year, no share options were granted to the directors.

(b) Five highest paid individuals

Details of the emoluments paid during the year to the five highest paid individuals of the Group whose emoluments have not been disclosed in the directors' emoluments stated above are as follows:

	2000	1999
	HK\$	HK\$
Basic salaries and other benefits in kind	<u>763,041</u>	<u>823,047</u>

The emoluments of each of the five individuals are below HK\$1,000,000.

8. TAXATION

	2000	1999
	HK\$	HK\$
Company and subsidiaries		
— Hong Kong profits tax	125,782	—
— Overseas tax	—	301,409
Share of taxation attributable to associated companies	<u>436,898</u>	<u>791,147</u>
	<u>562,680</u>	<u>1,092,556</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

8. TAXATION (Continued)

Hong Kong profits tax is provided at the rate of 16% on the assessable profit of the Group for the period.

Overseas tax of the Group and share of taxation of the associated companies represent corporation tax payable on income earned in the PRC.

No deferred tax has been provided in the financial statements as there are no material timing differences.

9. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

The profit/(loss) for the year attributable to shareholders is dealt with in the financial statements of the Company to the extent of a loss of HK\$3,087,537 (1999: a profit of HK\$1,386,838).

10. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the following:

	2000	1999
	HK\$	HK\$
<i>Earnings/(Loss) for the year</i>		
Profit/(Loss) attributable to shareholders	15,617,054	(7,626,290)
<i>Weighted average number of ordinary shares</i>		
— originally stated	N/A	25,000,000
— including effects of rights issue and subdivision of shares	<u>654,173,297</u>	<u>396,350,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK\$	Office equipment HK\$	Computer equipment HK\$	Motor vehicle HK\$	Fixture and fittings HK\$	Total HK\$
Cost						
At 1 January 2000	739,900	240,721	268,367	200,026	22,818	1,471,832
Additions	—	2,585	29,857	253,084	—	285,526
Disposals/Write-off	(739,900)	(236,350)	(263,719)	(200,026)	(22,818)	(1,462,813)
At 31 December 2000	—	6,956	34,505	253,084	—	294,545
Accumulated depreciation						
At 1 January 2000	494,744	217,511	138,914	200,026	19,614	1,070,809
Charge for the year	61,289	5,803	22,105	—	1,342	90,539
Disposals/Write-off	(556,033)	(218,943)	(155,756)	(200,026)	(20,956)	(1,151,714)
At 31 December 2000	—	4,371	5,263	—	—	9,634
Net book value						
At 31 December 2000	—	2,585	29,242	253,084	—	284,911
At 31 December 1999	245,156	23,210	129,453	—	3,204	401,023

Company

	Leasehold improvements HK\$	Office equipment HK\$	Computer equipment HK\$	Motor vehicle HK\$	Fixture and fittings HK\$	Total HK\$
Cost						
At 1 January 2000	739,900	236,350	252,407	200,026	22,818	1,451,501
Additions	—	—	6,150	—	—	6,150
Disposals/Write-off	(739,900)	(236,350)	(252,407)	(200,026)	(22,818)	(1,451,501)
At 31 December 2000	—	—	6,150	—	—	6,150
Accumulated depreciation						
At 1 January 2000	494,744	213,140	134,266	200,026	19,614	1,061,790
Charge for the year	61,289	5,803	22,105	—	1,342	90,539
Disposals/Write-off	(556,033)	(218,943)	(155,756)	(200,026)	(20,956)	(1,151,714)
At 31 December 2000	—	—	615	—	—	615
Net book value						
At 31 December 2000	—	—	5,535	—	—	5,535
At 31 December 1999	245,156	23,210	118,141	—	3,204	389,711

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

12. INTEREST IN SUBSIDIARIES

	Company	
	2000	1999
	HK\$	HK\$
Unlisted shares, at cost	89,602,920	89,602,910
Provision for diminution in value	(21,068,620)	(21,068,620)
	68,534,300	68,534,290
Amounts due from subsidiaries	195,770,887	136,366,553
Amounts due to subsidiaries	(40,654,206)	(30,555,776)
	<u>223,650,981</u>	<u>174,345,067</u>

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the principal subsidiaries as at 31 December 2000 are as follows:

Name of company	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held		Principal activities
			2000	1999	
<i>Directly held by the Company:</i>					
Founder China Industrial Investments Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Investment holding and provision of management services
Sun Kai Yip (Shanghai) Industrial Investments Limited	People's Republic of China	US\$10,000,000	100%	100%	Investment holding and provision of management and advisory services
Rich Profits Int'l Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	100%	Investment holding
Genius Choice Investments Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	—	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

12. INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Percentage of issued share capital/ registered capital held		Principal activities
			2000	1999	
<i>Indirectly held by the Company:</i>					
Founder Industrial Investments (Holdings) Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100%	100%	Investment holding and provision of management services
Founder (Changzhou) Investment Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Investment holding and provision of management services
Attentive Investments Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	—	Investment holding
Chief Success Management Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	—	Investment holding
Best Policy Management Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	—	Investment holding
B2C E-Commerce Group Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	—	Investment holding
Home Growth Assets Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	—	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

13. INTEREST IN ASSOCIATED COMPANIES

	Group	
	2000	1999
	HK\$	HK\$
Share of net assets other than goodwill	69,783,708	112,972,857
Goodwill on acquisition of associated companies (less accumulated amortisation of HK\$1,633,357 ; 1999: HK\$1,431,292)	<u>4,361,223</u>	<u>4,563,288</u>
	74,144,931	117,536,145
Amounts due from associated companies	<u>8,762,453</u>	<u>5,437,379</u>
	<u>82,907,384</u>	<u>122,973,524</u>

The amounts due from associated companies are unsecured, interest free and have no fixed terms of repayment. Dividends declared by the associated companies during the year amounted to HK\$199,408 (1999: HK\$8,825,405).

Particulars of the associated companies, which are joint venture companies incorporated and operating in the People's Republic of China are as follows:

Name of company	Group equity interest		Tenure (years)	Commencement date	Principal activities
	2000	1999			
Shanghai Sine Pharmaceutical Corporation Limited	30%	30%	30	7 August 1992	Manufacture and distribution of pharmaceutical products
Shanghai Evergood Textile Company Limited	35%	35%	30	4 February 1993	Manufacture and distribution of textile products

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

13. INTEREST IN ASSOCIATED COMPANIES (Continued)

Name of company	Group equity interest		Tenure (years)	Commencement date	Principal activities
	2000	1999			
Shanghai Yong An Dairy Company Limited	25%	25%	30	16 April 1993	Production and distribution of dairy products
Shanghai Foodstuffs Factory Company Limited	35%	35%	30	2 August 1993	Product and distribution of foodstuffs
Shanghai White Cat Company Limited	—	26.8%	30	22 October 1993	Production and distribution of household and personal cleaning products
Shanghai Tian An Bearing Company Limited	30%	30%	30	31 December 1993	Manufacture and distribution of bearing products

The tenure of the above companies can be extended by agreement with the joint venture partners after obtaining the necessary approval from the relevant government bodies.

Pursuant to the terms of the joint venture agreements for the above associated companies, the Group is entitled to receive its attributable share of the net assets upon liquidation of the associated companies.

Extracts of audited financial statements, prepared under accounting policies accepted in the People's Republic of China, of major associated companies are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

13. INTEREST IN ASSOCIATED COMPANIES (Continued)

Year ended 31 December 2000 (figures in RMB million):

	Current assets	Current liabilities	Non-current assets	Non-current liabilities	Turnover	Depreciation charges	Profit before taxation
Shanghai Sine Pharmaceutical Corporation Limited	305	(315)	159	(27)	277	(13)	11
Shanghai Tian An Bearing Company Limited	145	(84)	47	—	93	(5)	2
Shanghai Yong An Dairy Company Limited	14	(19)	27	—	71	(3)	2

14. INVESTMENT SECURITIES

	2000 HK\$	1999 HK\$
Unlisted equity securities, at cost	18,697,857	16,298,461
Provision for impairment	(7,394,719)	(8,683,549)
	11,303,138	7,614,912
Loans to an investee company	32,754,674	20,301,765
Listed equity securities, at cost		
Listed in Hong Kong	22,993,194	—
Listed overseas	766,986	—
	23,760,180	—
Total investment securities	67,817,992	27,916,677
Market value of listed equity securities	25,956,565	—

Loans to an investee company are unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

14. INVESTMENT SECURITIES (Continued)

Particulars of the principal unlisted equity securities as at 31 December 2000 are as follows:

Name of investee company	Group equity interest	Place of incorporation/ operation	Particulars of issued shares held	Principal activities	
Indirectly held by the Company:					
Dragon Fortune Limited	18%	British Virgin Islands	10,421 ordinary shares of US\$1 each	Investment holding	
EVI Services Limited (note (a))	5%	Hong Kong	1,053 ordinary shares of HK\$1 each	Provision of computer training courses and design and development of internet based education portal site for pre-schools, parents and their children	
Name	Group equity interest	Place of incorporation/ operation	Tenure (years)	Commencement date	Principal activities
Beijing Tian An Stevio Sugar Product Company Limited (note (b))	35%	People's Republic of China	30	3 June 1993	Production and distribution of sugar

(a) EVI Services Limited has undertaken a re-organisation in March 2001 and the Group has received 25,840,000 ordinary shares in a company newly listed on the Hong Kong Growth Enterprise Market in exchange for all of its shares held in EVI Services Limited above. The Group's then equity interest in the said listed company is 3.23%.

(b) The tenure of this joint venture company can be extended by agreement with the joint venture partners after obtaining the necessary approval from the relevant government bodies. The Group does not exercise any significant influence over the financial and operating policies of this joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Prepayments and deposits	389,480	371,322	322,001	268,566
Advance payments for potential investment	46,485,000	—	—	—
Receivable arising from disposal of interest in an associated company (note (a))	30,680,100	—	—	—
Amounts due from investee companies	700,182	—	—	—
Amounts due from an associated company	—	3,413,202	—	—
Loan to a related company (notes (a) and (b))	2,119,716	—	—	—
Other loans (note (a))	5,570,026	—	1,750,000	—
Others	4,680	470,734	—	129,805
	85,949,184	4,255,258	2,072,001	398,371

(a) As at 31 December 2000, the ageing analysis of the major receivables was as follows:

	Group		Company	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Within 3 months	35,549,816	—	—	—
3 to 6 months	—	—	—	—
6 to 12 months	2,679,700	—	1,750,000	—
Over 1 year	140,326	—	—	—
	38,369,842	—	1,750,000	—

(b) The loan to a related company is unsecured, interest-bearing at 6% per annum and has subsequently been repaid on 26 February 2001.

16. AMOUNT DUE FROM/(TO) SINOX FUND MANAGEMENT LIMITED

The amount due from/(to) Sinox Fund Management Limited ("SINOX") is unsecured, interest free and has no fixed terms of repayment. Mr. Pang Chun Sing, Joseph, Mr. Tse Wai Ki, Johnny and Mr. Lam Sai Ho, Anthony were directors of SINOX but they resigned on 21 June 2000, 22 June 2000 and 11 September 2000 respectively. Madam Zhu Junjing was the General Manager of SINOX but she resigned on 22 June 2000.

Mr. Lam Sai Ho, Anthony has an indirect equity interest in SINOX.

SINOX is the Investment Manager of the Company and provides administrative and investment management services to the Group in relation to the investment of the Group's assets (note 26(a)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

17. HELD-TO-MATURITY DEBT SECURITIES

	2000 HK\$	1999 HK\$
At amortised cost:		
Equity linked note (unlisted) with maturity on 17 January 2001	<u>4,929,897</u>	<u>—</u>

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Accruals	910,962	845,226	428,240	600,260
Amount due to a related company (note (b))	8,622,320	9,000,000	—	—
Other payables (note (a))	<u>4,747,660</u>	<u>—</u>	<u>4,747,660</u>	<u>—</u>
	<u>14,280,942</u>	<u>9,845,226</u>	<u>5,175,900</u>	<u>600,260</u>

(a) As at 31 December 2000, the ageing analysis of the other payables was as follows:

	Group		Company	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Within 3 months	—	—	—	—
3 to 6 months	<u>4,747,660</u>	<u>—</u>	<u>4,747,660</u>	<u>—</u>
	<u>4,747,660</u>	<u>—</u>	<u>4,747,660</u>	<u>—</u>

(b) The amount due to a related company is unsecured, interest free and has no fixed terms of repayment.

19. AMOUNTS DUE TO INVESTEE COMPANIES

Amounts due to the companies in which the Group has equity interests are unsecured, interest free, and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

20. SHARE CAPITAL

	Note	Number of ordinary shares	HK\$
Authorised:			
At 1 January 2000		50,000,000	50,000,000
Increase during the year	(b)	250,000,000	250,000,000
Subdivision of shares	(d)	<u>2,700,000,000</u>	—
At 31 December 2000		<u>3,000,000,000</u>	<u>300,000,000</u>
Issued and fully paid:			
At 1 January 2000		25,000,000	25,000,000
Private placement	(a)	5,000,000	5,000,000
Rights issue	(b)	45,000,000	45,000,000
Private placement	(c)	14,990,000	14,990,000
Subdivision of shares	(d)	<u>809,910,000</u>	—
At 31 December 2000		<u>899,900,000</u>	<u>89,990,000</u>

- (a) On 12 January 2000, a private placement of 5,000,000 ordinary shares of HK\$1 each representing approximately 16.67% of the enlarged issued share capital of the Company at that date was issued to independent investors.

The issue price represents a discount of approximately 9% to the closing price of HK\$1.1 per share quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on that date. Net proceeds from the placing was used as the general working capital of the Company and its subsidiaries.

- (b) Pursuant to resolutions of an extraordinary general meeting passed on 13 March 2000, the authorised share capital of the Company was increased from HK\$50,000,000 to HK\$300,000,000 by the creation of 250,000,000 shares of HK\$1 each. On the same date, a rights issue of 45,000,000 new ordinary shares of the Company was made at par value of HK\$1 each, on the basis of 3 rights shares for every 2 existing shares held by the shareholders on that date.

Net proceeds from the rights issue was used to enlarge the capital base of the Company.

- (c) On 9 June 2000, a further private placement of 14,990,000 ordinary shares of HK\$1 each representing approximately 16.66% of the enlarged issued share capital of the Company at that date were issued to independent investors.

The issue price represents a discount of approximately 6.54% to the closing price of HK\$1.07 per share quoted on the Stock Exchange on that date. Net proceeds from the placing was used for expansion of the Company's investment portfolio.

- (d) On 30 June 2000, the authorised share capital of the Company of 300,000,000 ordinary shares of HK\$1 each was subdivided into 3,000,000,000 ordinary shares of HK\$0.1 each. The issued and fully paid up capital as at 31 December 2000 was 899,900,000 ordinary shares of HK\$0.1 each.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

20. SHARE CAPITAL (Continued)

- (e) On 13 March 2000, the Company adopted an Employee Share Option Scheme under which the Board may grant to eligible employees, including the executive directors, the officers and the full or part-time employees of the Company or its subsidiaries, options to subscribe for shares in the Company. Any options granted can be exercised within the period commencing on the date upon which the offer of the option is accepted and expiring on the first anniversary of the commencement date or the fifth anniversary after the date of adoption of the Scheme, whichever is the earlier. The subscription price is set at not less than the par value of the shares nor more than 20% below the average closing price of the shares over the 5 trading days immediately preceding the date of offer of the option. The maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company from time to time excluding any shares issued pursuant to the Scheme, and no eligible person shall be granted an option which would result in such eligible person becoming entitled to subscribe for shares which in aggregate with other options previously granted to him, would exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

During the year, no option was granted.

21. RESERVES

	Group		Company	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Share premium	166,327,220	166,327,220	166,327,220	166,327,220
Capital reserve on consolidation	468,163	468,163	—	—
Exchange fluctuation reserve				
As at 1 January	(11,126,864)	(11,126,864)	—	—
Reserve realised upon disposal of investment in an associated company	6,932,650	—	—	—
As at 31 December	(4,194,214)	(11,126,864)	—	—
Accumulated losses				
As at 1 January	(22,427,742)	(14,801,452)	(16,182,483)	(17,569,321)
Profit/(Loss) for the year	15,617,054	(7,626,290)	(3,087,537)	1,386,838
As at 31 December	(6,810,688)	(22,427,742)	(19,270,020)	(16,182,483)
Total reserves as at 31 December	155,790,481	133,240,777	147,057,200	150,144,737
Retained by:				
Company and subsidiaries				
— Share premium	166,327,220	166,327,220		
— Capital reserve on consolidation	468,163	468,163		
— Exchange fluctuation reserve	(4,194,214)	(11,126,864)		
— Retained profits/(Accumulated losses)	6,116,463	(6,256,383)		
	168,717,632	149,412,136		
Associated companies				
— Accumulated losses	(12,927,151)	(16,171,359)		
	155,790,481	133,240,777		

Distributable reserves of the Company at 31 December 2000 calculated in accordance with section 79B of the Companies Ordinance, amounted to HK\$ Nil (1999: HK\$ Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before taxation to net cash outflow from operating activities

	2000 HK\$	1999 HK\$
Profit/(Loss) before taxation	16,179,734	(6,533,734)
Amortisation of goodwill	202,065	202,065
Depreciation	90,539	204,805
Write-off of property, plant and equipment	311,099	—
Bad debts written off	2,230,039	13,350
Gain on disposal of investment securities	(3,509,804)	—
Gain on disposal of an associated company	(17,553,880)	—
Dividend income from investment securities	(1,085,050)	—
Investment income from held-to-maturity debt securities	(441,943)	—
Interest income	(2,757,221)	(523,758)
Interest expenses	272,424	—
Share of net (profits)/losses of associated companies	(3,880,514)	840,124
(Increase)/Decrease in trade and other receivables and amount due from SINOX	(51,405,468)	1,867,011
(Increase)/Decrease in amounts due from associated companies	(5,555,113)	140,401
Increase/(Decrease) in trade and other payables	65,736	(760,540)
(Decrease)/Increase in amounts due to investee companies	(68,574)	39,150
Decrease in amount due to SINOX	(989,240)	(218,604)
	<u>(67,895,171)</u>	<u>(4,729,730)</u>
Net cash outflow from operating activities	<u>(67,895,171)</u>	<u>(4,729,730)</u>

(b) Analysis of changes in financing during the year

	Share capital	
	2000 HK\$	1999 HK\$
Balance as at 1 January	25,000,000	25,000,000
Cash inflow from issue of shares	64,990,000	—
	<u>89,990,000</u>	<u>25,000,000</u>
Balance as at 31 December	<u>89,990,000</u>	<u>25,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

23. NET ASSET VALUE PER SHARE

Net asset value per share is computed based on the net assets of HK\$245,780,481 (1999: HK\$158,240,777) and the 899,900,000 (1999: 25,000,000) shares in issue as at 31 December 2000.

24. OPERATING LEASE COMMITMENTS

Operating lease commitments payable within one year in respect of land and buildings, analysed according to the period in which the lease expires, and in subsequent years are as follows:

	Group		Company	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Payable within one year				
— lease expiring within one year	—	149,703	—	149,703
— lease expiring in the second to fifth years	72,803	—	—	—
	72,803	149,703	—	149,703
Payable in the second to fifth years	58,243	—	—	—
	131,046	149,703	—	149,703

25. CAPITAL COMMITMENTS

	Group		Company	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Capital commitments contracted but not provided for in the financial statements	2,155,000	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

26. RELATED PARTY TRANSACTIONS

	Group		Company	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Investment management fees paid to SINOX (<i>note (a)</i>)	3,417,572	2,534,325	3,417,572	2,534,325
Operating lease rental paid to Key Post Company Limited ("Key Post", <i>note (b)</i>)	188,100	411,000	188,100	411,000
Loan to Siri Pattana Rice Co., Ltd (<i>note (c)</i>)	2,119,716	—	—	—
Loan interest expenses to Ng Fung Always Limited (<i>note (d)</i>)	<u>202,983</u>	<u>—</u>	<u>—</u>	<u>—</u>

Note:

- (a) Management fees paid to SINOX for administrative and investment management services were calculated at 1.5% (1999: 1.5%) per annum on the net asset value of the Group calculated on a quarterly basis.

Mr. Pang Chun Sing, Joseph, Mr. Tse Wai Ki, Johnny and Mr. Lam Sai Ho, Anthony were directors of SINOX but they resigned on 21 June 2000, 22 June 2000 and 11 September 2000 respectively. Madam Zhu Junjing was the General Manager of SINOX but she resigned on 22 June 2000.

Mr. Lam Sai Ho, Anthony has an indirect equity interest in SINOX.

- (b) The Company has entered into a lease agreement with Key Post of which Mr. Pang Chun Sing, Joseph is a director, to lease office space for 1 year commencing from 1 April 1999 at a monthly rental of HK\$34,000. The lease was entered into on normal commercial terms.
- (c) On 15 November 2000, Sun Kai Yip (Shanghai) Industrial Investments Limited, a wholly-owned subsidiary of the Company entered into an agreement to grant a loan of RMB2,280,000 (approximately HK\$2,119,716) to Siri Pattana Rice Co., Ltd which is an associated company of a substantial shareholder of the Company. The loan is unsecured, interest bearing at 6% per annum and has subsequently been repaid on 26 February 2001.
- (d) During the year, Attentive Investments Limited, a wholly-owned subsidiary of the Company, paid interest of HK\$202,983 on loans totalling HK\$31,841,000 granted by Ng Fung Always Limited which is a subsidiary of a substantial shareholder of the Company. The loans are unsecured, interest bearing at Hong Kong prime rate plus 2% and have been fully repaid before 31 December 2000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

27. BANKING FACILITIES

The Company has pledged its fixed deposits with a bank of HK\$12,394,094 to secure general banking facilities granted to the Company.

28. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, Sun Kai Yip (Shanghai) Industrial Investments Limited, a wholly-owned subsidiary of the Company has entered into a joint venture agreement with an independent third party under which the subsidiary agreed to invest RMB 10 million in a PRC project.

29. RETIREMENT BENEFIT COSTS

The Group has a defined contribution retirement scheme which is available to all employees excluding directors. Contributions to the scheme by the Group and employees are calculated as a percentage of employee's basic salaries.

The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the fund.

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 18 April 2001.