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### Notes to the Accounts

#### 1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below:

### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under historical cost convention except that other investments are carried at fair value.

### (b) Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31st December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### (c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

#### (d) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries acquired and is taken to reserves in the year of acquisition.

### Notes to the Accounts

### 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (e) Fixed assets

### (i) Land and buildings

Freehold land is stated at cost. Leasehold land and land use rights are stated at cost less subsequent accumulated depreciation or amortisation. Buildings are stated at cost less subsequent accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

### (ii) Amortisation of land and land use rights

No amortisation is provided on freehold land. Amortisation of leasehold land and land use rights is calculated to write off their cost over the unexpired period of the relevant leases ranging from 40 to 47 years on a straight-line basis.

### (iii) Depreciation of buildings

Buildings are depreciated at rates sufficient to write off their cost over the estimated useful lives to the Group on a straight-line basis. The principal annual rates used for this purpose are 2.5% to 4%.

### (iv) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use. Other fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives to the Group on a straight-line basis. The principal annual rates used for this purpose are:

Leasehold improvements, furniture and fixtures	12.5%-33.33%
Plant and machinery	10%-50%
Motor vehicles	20%–25%

During the year, the estimated useful life of moulds, included in plant and machinery of the Group, for depreciation purpose was changed from 5 years to 2 years, which the management considers to be a better estimate of their economic life to the Group. This is a change in accounting estimate and the accumulated effect of the additional depreciation expense in previous years amounting to HK\$15,043,000 was charged to current year's profit and loss account.

### 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (e) Fixed assets (Cont'd)

### (v) Impairment of fixed assets

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, their carrying amount is reduced to their recoverable amount. Recoverable amount is the amount which the Group expects to recover from the future use of the asset, including its residual value on disposal. The amount of the reduction to recoverable amount is charged to the profit and loss account.

### (vi) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

### (vii) Cost of restoring and improving fixed assets

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their estimated useful lives to the Group.

#### (f) Investments

### (i) Investment securities and long-term investments

Investment securities are stated at cost less any provision for diminution in value.

The Group's interest in club debentures and ordinary shares in golf clubs held for long-term purposes and are stated at cost less any provision for diminution in value.

The carrying amounts of individual investment securities and long-term investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities or investment will be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

#### (ii) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains and losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Gains or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts are recognised in the profit and loss account as they arise.

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# athletic footwear

Notes to the Accounts

### 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (g) Inventories

Inventories comprise stocks and work in progress are stated at the lower of cost and net realisable value. In general, costs are assigned to items on a first-in first-out basis and are arrived at as follows:

- (i) Raw materials purchased for use in manufacturing process invoiced price plus freight and insurance charges.
- (ii) Work in progress and finished manufactured goods cost of direct materials, direct labour and an appropriate proportion of production overheads.

Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### (h) Trade receivables

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

### (i) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future.

### (j) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of overseas subsidiaries, branches and associated company expressed in foreign currencies are translated into Hong Kong dollars using the closing rate or the temporal methods as appropriate. Exchange differences arising on consolidation under the closing rate method are taken directly to the exchange fluctuation reserve whereas exchange differences arising using the temporal method are dealt with in the profit and loss account.

### (k) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

### 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (k) Revenue recognition (Cont'd)

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Subcontracting fee income is recognised on delivery of goods to the customers.

Operating lease rental income is recognised on a straight-line basis over the terms of the lease agreement.

### (l) Operating leases

Rental receipts and payments under operating leases, under which substantially all the risks and rewards of ownership remain with the lessor, are credited or charged to the profit and loss account as incurred.

### (m) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred as they are not directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

### (n) Retirement benefit costs

The Group's contributions to the retirement schemes for staff of the Group are expensed as incurred.

### 2. REVENUES AND TURNOVER

The Group is principally engaged in the manufacture and export of athletic and athletic-style footwear. Revenues recognised during the year are as follows:

1999
1999
HK\$'000
499,707
2.522
2,502
337
2,839
502,546

### 2. REVENUES AND TURNOVER (Cont'd)

An analysis of the Group's turnover by markets is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Europe	182,027	184,864
United States of America and Canada	114,496	250,680
Southeast Asia	21,628	19,461
Others	36,028	44,702
	354,179	499,707

No analysis of contribution by geographical markets has been presented as the ratios of contribution to profit achieved for individual market is not substantially out of line with the normal ratio of profit to turnover.

### 3. OPERATING (LOSS)/PROFIT BEFORE FINANCE COSTS

	Grou	ιр
	2000	1999
	HK\$'000	HK\$'000
Operating (loss)/profit before finance costs is stated after crediting and charging the following:		
Crediting		
Net exchange gain		2,487
Gain on liquidation of a subsidiary	3,130	
Charging  Additional depreciation of plant and machinery arising from change in depreciation life	15,043	
Auditors' remuneration	668	— 541
Amortisation and depreciation of fixed assets	32,308	42,075
Loss on disposal of fixed assets	7,221	581
Net exchange loss	7,325	
Operating leases in respect of land and buildings	4,276	8,197
Provision for doubtful debts	24	1,090
Provision for impairment in value of fixed assets		4,733
Unrealised losses on other investments	957	516
Retirement benefit costs	2,634	597
Staff costs, including directors' emoluments	73,618	78,935

### 4. FINANCE COSTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	172	900

### 5. TAXATION CREDIT/(CHARGE)

(a) The amount of taxation credited/(charged) to the consolidated profit and loss account represents:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Hong Kong profits tax		
— Current year	(100)	(874)
Deferred taxation (note 5(c))	526	(347)
	426	(1,221)
Share of taxation attributable to an associated company		178
	426	(1,043)

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the year. No provision for the People's Republic of China ("PRC") income tax and overseas profits tax has been made in the accounts as the Group does not have any estimated assessable profits in the PRC and other countries in which the Group operates.

(b) Taxation recoverable in the consolidated balance sheet represents the amount of provisional tax paid in excess of the amount of overseas tax provided on the estimated assessable overseas profits for the previous year.

Taxation payable in the consolidated balance sheet represents Hong Kong profits tax payable on the estimated assessable profits for the current and previous years less provisional tax paid.

### Notes to the Accounts

### 5. TAXATION CREDIT/(CHARGE) (Cont'd)

### (c) Deferred taxation

The movements in the deferred taxation are as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
At 1st January	796	446
Exchange adjustment	6	3
Transferred (to)/from profit and loss account (note 5(a))	(526)	347
At 31st December	276	796
Deferred taxation for the year has not been provided in		
respect of the following:		
Tax losses and other timing differences	(1,877)	(3,277)

### 6. (LOSS)/PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS

The (loss)/profit attributable to the shareholders is dealt with in the accounts of the Company to the extent of loss of HK\$3,000 (1999: HK\$911,000).

### 7. DIVIDEND

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interim, paid, of HK\$Nil (1999: HK\$0.01) per ordinary share		2,681

### 8. (LOSS)/EARNINGS PER SHARE

The calculation of (loss)/earnings per share is based on the Group's loss attributable to the shareholders of HK\$44,712,000 (1999: profit of HK\$2,640,000) and on 268,104,508 (1999: 268,104,508) ordinary shares in issue during the year.

Diluted earnings per share for the year is not disclosed as there were no dilutive potential ordinary shares.

### 9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The aggregate amounts of Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

	Group	
	2000	1999
<u>,                                    </u>	HK\$'000	HK\$'000
Fees	943	1,023
Basic salaries and allowances	2,913	2,801
Discretionary bonuses		441
	3,856	4,265

- (i) Two Directors of the Company have waived their emoluments amounting to HK\$2,200,000 in aggregate in respect of the year ended 31st December 2000 (1999: HK\$1,790,000).
- (ii) Directors' fees included HK\$43,000 and HK\$250,000 (1999: HK\$130,000 and HK\$246,000) payable to a Non-executive Director and Independent Non-executive Directors respectively.
- (b) The emoluments of Directors fell within the following bands:

	Number of directors	
	2000	1999
Directors' emoluments		
Nil to HK\$1,000,000	6	7
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	0	1

(c) Of the five highest paid individuals, two (1999: two) are Executive Directors of the Company whose remuneration is included in the Directors' emoluments above. The aggregate amounts of the remaining three (1999: three) highest paid individuals whose emoluments have not been disclosed in Directors' emoluments under note 9(a) and 9(b) above are as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Basic salaries and allowances	1,497	1,271
Discretionary bonuses		92
Pension contributions	56	32
	1,553	1,395

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### Notes to the Accounts

### 9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

(d) The remuneration of the three (1999: three) highest paid individuals who are not Directors fell within the following bands:

	Number of	Number of individuals	
	2000	1999	
Emoluments			
Nil to HK\$1,000,000	3	3	

### 10. RETIREMENT BENEFIT COSTS

The Group operates a defined contribution retirement benefits scheme in Hong Kong for all qualified employees. The rate of contribution payable by the Group is 5% of the individual employees' gross salaries. The Group's contribution 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.

The Mandatory Provident Fund Schemes Authority has approved the above pension scheme as an MPF Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme Ordinance"). With effect from 1 December 2000, a new MPF scheme was set up for existing staff who opt for this scheme and eligible staff recruited on or after that date. Pension scheme benefits attributed to the staff under the existing scheme remain unchanged for the new MPF scheme. Since then, the employees will not forfeit any of the contributions under the MPF Scheme Ordinance.

A subsidiary of the Group operating in the PRC is required to participate in a defined contribution retirement scheme organised by relevant government authority. The Group is required to make contributions to the retirement scheme at a fixed amount for each PRC employee of the subsidiary.

Contributions to the schemes charged to the profit and loss account for the year amounted to HK\$2,634,000 (1999: HK\$597,000) which was net of forfeited contribution of approximately HK\$46,000 (1999: HK\$117,000).

## Notes to the Accounts

### 11. FIXED ASSETS

	Group					Company		
	Freehold land	Leasehold land and buildings in Hong Kong with	Land use rights and buildings in the PRC with					
	and buildings	leases between	leases between	furniture and	Plant and	Motor		Furniture and
	in Taiwan	10 to 50 years	10 to 50 years	fixtures	machinery	vehicles	Total	fixtures
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost								
At 1st January 2000	44,417	7,955	50,182	44,281	219,690	6,655	373,180	34
Additions	$\perp$			2,730	4,966	1,032	8,728	
Disposals				(8,684)	(11,173)	(222)	(20,079)	
At 31st December 2000	44,417	7,955	50,182	38,327	213,483	7,465	361,829	34
Accumulated amortisation and								
depreciation								
At 1st January 2000	2,253	1,180	6,397	32,892	145,861	4,967	193,550	34
Charge for the year	411	197	1,198	2,958	26,833	711	32,308	
Disposals	+			(4,912)	(4,632)	(221)	(9,765)	
Additional charge for change								
in depreciation life					15,043		15,043	
At 31st December 2000	2,664	1,377	7,595	30,938	183,105	5,457	231,136	34
Net book value								
At 31st December 2000	41,753	6,578	42,587	7,389	30,378	2,008	130,693	
At 31st December 1999	42,164	6,775	43,785	11,389	73,829	1,688	179,630	

At 31st December 2000, land and buildings in Hong Kong and Taiwan with a total net book value of HK\$47,380,000 (1999: HK\$47,777,000) were pledged to banks to secure banking facilities granted to certain subsidiaries (note 23(a)).

### 12. INVESTMENTS

	Group		Com	Company	
	2000	1999	2000	1999	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Subsidiaries (note 12(a))			136,600	136,627	
Associated company (note 12(c))		310		—	
Long-term investments (note 12(d))	6,858	7,045			
	6,858	7,355	136,600	136,627	

## Notes to the Accounts

### 12. INVESTMENTS (Cont'd)

### (a) Subsidiaries

	Company	
	2000	1999
	HK\$'000	HK\$'000
Investment at cost, unlisted shares	79,083	79,083
Amounts due from subsidiaries (note 12(b))	57,517	57,544
	136,600	136,627

The following is a list of all subsidiaries as at 31st December 2000:

	Place of	Principal activities and place of operation (if			. 1 11
	incorporation/		Particular of issued/	Interes	
Name	establishment	of incorporation)	registered Capital	Direct	Indirect
Nority (BVI) Limited	British Virgin Islands ("BVI")	Investment holding	Ordinary HK\$12,000,000	100%	_
Chung Been Footwear Limited	Hong Kong	Manufacture and export of footwear in the PRC	Ordinary HK\$10,000,000	-	75%
Nority Capital Limited	Hong Kong	Investment holding	Ordinary HK\$2	-	100%
Nority Development Limited	BVI	Property holding in the PRC	Ordinary US\$2	-	100%
Nority Investment Limited	Hong Kong	Investment holding in the PRC	Ordinary HK\$2	-	100%
Nority Limited	Hong Kong	Manufacture and export of footwear in the PRC	Voting class "A" HK\$10 Non-voting class "B" HK\$12,000,000 (note)		100%

### Notes to the Accounts

### 12. INVESTMENTS (Cont'd)

### (a) Subsidiaries (Cont'd)

		Principal activities			
		and place of			
	Place of	operation (if			
	incorporation/	different from place	Particular of issued/	Interes	t held
Name	establishment	of incorporation)	registered Capital	Direct	Indirect
Nority Property Limited	Hong Kong	Property holding	Ordinary HK\$2		100%
Wilken Footwear Limited	Hong Kong	Sourcing agent of	Voting class "A"	-	100%
		fellow subsidiaries	HK\$10		
		in Taiwan	Non-voting class "B"		
			HK\$5,000,000		
			(note)		
Wilken Investment Limited	Taiwan	Securities investment	Ordinary	-	100%
		in Taiwan	NTD50,000,000		

Note: The rights and restrictions of the non-voting class "B" shares of Nority Limited and Wilken Footwear Limited are as follows:

- (i) The profits which Nority Limited and Wilken Footwear Limited may determine to distribute in respect of any financial year shall be distributed among the holders of voting class "A" shares according to the amounts paid up on the voting class "A" shares held by them respectively and no part of the profits shall be distributed among the holders of the non-voting class "B" shares;
- (ii) On a return of assets on a winding-up or otherwise the assets of Nority Limited and Wilken Footwear Limited to be returned shall be distributed as regards the first HK\$100,000,000,000,000 thereof among the holders of voting class "A" shares held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of the non-voting class "B" shares and the other half thereof to and among the holders of voting class "A" shares in proportion in each case to the nominal amounts of the shares held by them respectively; and
- (iii) The holders of the non-voting class "B" shares shall have no right to receive notice of or to attend or vote at any general meeting of Nority Limited and Wilken Footwear Limited.

### (b) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

## Notes to the Accounts

### 12. INVESTMENTS (Cont'd)

### (c) Investments in an associated company

	Grou	Group	
	2000	1999	
	HK\$'000	HK\$'000	
Share of net assets other than goodwill		310	

The associated company of the Group as at 31st December 2000 is as follows:

	Place of		Particulars of issued	Interest held
Name	incorporation	Principal activities	shares held	Indirect
Shoe Rx Company	United States of	Trading of footwear	Ordinary shares of no	26.7%
	America		par value	

### (d) Long-term investments

	Group	
	2000	1999
	HK\$'000	HK\$'000
Investment securities, at cost		
Equity securities, unlisted	2,422	2,609
Club debentures and shares in golf clubs, at cost	2,752	2,752
Refundable deposits placed with golf clubs	1,684	1,684
	4,436	4,436
	6,858	7,045
+		

### 13. INVENTORIES

	Gro	Group	
	2000	1999	
	HK\$'000	HK\$'000	
Raw materials	31,097	36,363	
Work in progress	13,543	13,224	
Finished goods	14,094	24,897	
	58,734	74,484	

At 31st December 2000, the carrying amount of inventories that are carried at net realisable value amounted to HK\$2,476,000 (1999: HK\$6,242,000).

### 14. TRADE AND OTHER RECEIVABLES

Group		
1999		
) HK\$'000		
76,939		
5 7,470		
2 84,409		

(a) The majority of the Group's turnover is on letter of credit or documents against payment. The remaining balances of turnover are on open account terms with a credit period of 30 days.

At 31 December 2000, the ageing analysis of the trade and bills receivables were as follows:

	Grou	Group	
	2000	1999	
	HK\$'000	HK\$'000	
Current	40,441	46,179	
30–60 days	20,983	29,176	
60–90 days	4,833	400	
Over 90 days	2,919	1,184	
	69,176	76,939	

## Notes to the Accounts

#### 15. OTHER INVESTMENTS

	Group	
	2000	1999
н	K\$'000	HK\$'000
Equity securities, listed outside Hong Kong, at market value	644	654

### TRADE AND OTHER PAYABLES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables (note 16(a))	36,232	30,917		
Accrued charges and other payables	33,531	41,812	341	366
	69,763	72,729	341	366

At 31st December 2000, the ageing analysis of the trade payables were as follows:

	Group		
	2000	1999	
	HK\$'000	HK\$'000	
Current	24,351	17,886	
30–60 days	4,843	5,984	
60–90 days	4,818	5,665	
Over 90 days	2,220	1,382	
	36,232	30,917	

### SHORT-TERM BANK BORROWINGS — SECURED

	Group		
	2000	1999	
	HK\$'000	HK\$'000	
Secured short-term bank borrowings comprise the following:			
Bank loans	6,840	12,375	
Bank overdrafts	1,477	3,807	
	8,317	16,182	

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## Notes to the Accounts

### 18. SHARE CAPITAL

	2000	1999
	HK\$'000	HK\$'000
Authorised		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid		
268,104,508 ordinary shares of HK\$0.10 each	26,810	26,810

### 19. SHARE OPTION SCHEME

Under the terms of the Company's share option scheme which became effective on 16th January 1993, the Directors of the Company may grant share options to employees of the Company or its subsidiaries, including Directors of any of such companies, to subscribe for shares in the Company, subject to the terms and conditions stipulated therein. However, no share options were granted during the year or outstanding at the balance sheet date.

### Notes to the Accounts

### 20. RESERVES

### (a) Group

	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Special reserve (note (i)) HK\$'000	Statutory reserves (note (ii)) HK\$'000	Working capital reserve (note (iii)) HK\$'000	Retained profits HK\$'000	Total reserves HK\$'000
At 1st January 2000	47,986	(483)	(1,000)	2,672	1,275	220,611	271,061
Loss attributable to the shareholders for the year Exchange difference arising from translation of the accounts of	_	-	-	-	-	(44,712)	(44,712)
overseas and PRC subsidiaries		(850)					(850)
Liquidation of a subsidiary		(537)		(2,672)		2,672	(537)
At 31st December 2000	47,986	(1,870)	(1,000)	_	1,275	178,571	224,962
Dealt with by  Company and subsidiaries  Associated company						179,351 (780)	
						178,571	
At 1st January 1999 Profit attributable to the	47,986	(648)	(1,000)	2,672	1,275	220,652	270,937
shareholders for the year Exchange difference arising from	-	_	-	+	-	2,640	2,640
translation of the accounts of overseas and PRC subsidiaries Dividend	_	165 —	_	_	_	<u> </u>	165 (2,681)
At 31st December 1999	47,986	(483)	(1,000)	2,672	1,275	220,611	271,061
Dealt with by  Company and subsidiaries  Associated company						221,258 (647)	
						220,611	

### Notes:

- (i) The special reserve of the Group represents the excess of the nominal value of the shares issued by the Company over the nominal value of the issued share capital of subsidiaries acquired pursuant to the Group reorganisation took place in 1993.
- (ii) The statutory reserves represent the general reserve and enterprise expansion funds set up by a PRC subsidiary. According to the PRC Foreign Investment Enterprises Accounting Standards, upon approval, the general reserve fund may be used for making up losses and increasing capital while the enterprise expansion fund may be used for increasing capital. The PRC subsidiary was liquidated during the year and the reserve was transferred to the retained profits of the Group.
- (iii) The working capital reserve represents the portion of the retained earnings of the Taiwan branch of a subsidiary reserved for working capital of the branch in accordance with local statutory requirements. The working capital reserve is not distributable to shareholders.

### Notes to the Accounts

### 20. RESERVES (Cont'd)

### (b) Company

	Share premium HK\$'000	Special reserve (note (i)) HK\$'000	Retained profits HK\$'000	Total reserves HK\$'000
	TK\$ 000	ПК\$ 000	ΠΚ\$ 000	<u> </u>
At 1st January 2000	47,986	61,083	411	109,480
Loss attributable to the shareholders			(3)	(3)
At 31st December 2000	47,986	61,083	408	109,477
At 1st January 1999	47,986	61,083	4,003	113,072
Loss attributable to the shareholders			(911)	(911)
Dividend			(2,681)	(2,681)
At 31st December 1999	47,986	61,083	411	109,480

Note:

<sup>(</sup>i) The special reserve of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued shares of Nority (BVI) Limited and the value of net assets of the underlying subsidiaries acquired pursuant to the Group reorganisation took place in 1993. At Group level, the special reserve is reclassified into its components of reserves of the underlying subsidiaries.

#### NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT 21.

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

2000 HK\$'000	1999 HK\$'000
	HK\$'000
(44.010)	
(44.010)	
(44,919)	6,156
47,351	42,075
(4,093)	(2,502)
172	900
7,221	581
310	647
	4,733
(957)	(516)
15,750	(1,762)
7,354	(40,243)
1,467	(8,782)
(209)	300
20 447	1,587
	(4,093) 172 7,221 310 — (957) 15,750 7,354 1,467

### Analysis of changes in financing during the year

	Group		
	Minority interests		
	2000 1		
	HK\$'000	HK\$'000	
At 1st January	14,850	12,370	
Non-cash movements			
Share of profit	219	2,473	
Liquidation of a subsidiary	(8,895)		
Effect of foreign exchange rate changes	15	7	
Dividend paid	(2,500)		
At 31st December	3,689	14,850	

### 21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

### (c) Liquidation of a subsidiary

	Group		
	2000	1999	
	HK\$'000	HK\$'000	
Net assets disposed			
Amount due from a minority shareholder	6,506	_	
Trade and other receivables	2	_	
Bank balances and cash	4,227	_	
Trade and other payables	(4,433)	_	
Minority interests	(8,895)	_	
Exchange reserve	(537)		
	(3,130)	_	
Gain on liquidation of a subsidiary	3,130	_	
		_	
Analysis of net outflow of cash and cash equivalents			
in respect of liquidation of a subsidiary:			
Bank balances and cash disposed	(4,227)		
Dank Datanees and easir disposed	(1,221)		

### 22. COMMITMENTS UNDER OPERATING LEASES

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

	Group	
	2000	1999
	HK\$'000	HK\$'000
Within one year	286	12
In the second to fifth year inclusive	45	180
After the fifth year	1,149	7,887
	1,480	8,079

The Company did not have any operating lease commitments as at 31st December 2000 and 1999.

### 23. PLEDGE OF ASSETS AND GUARANTEES

At 31st December 2000, the Group's banking facilities were secured by the following:

- (a) legal charges over certain land and buildings of the Group in Hong Kong and Taiwan with a total net book value of HK\$47,380,000 (1999: HK\$47,777,000) at the balance sheet date;
- (b) legal charges over certain deposits of the Group of HK\$11,330,000 (1999: HK\$Nil);
- (c) corporate guarantee from the Company; and
- (d) joint and several guarantees from three Directors of the Company.

### 24. CONTINGENT LIABILITIES

(a)

	Group	
	2000	1999
	HK\$'000	HK\$'000
Bills of exchange discounted with recourse		9,688
Shipping guarantee		124
		9,812

(b) At 31st December 2000, the Company provided corporate guarantees to a bank of HK\$51 million (1999: HK\$40 million) in respect of banking facilities granted to certain subsidiaries. The amount utilised at 31st December 2000 amounted to approximately HK\$14 million (1999: HK\$10 million).

### 25. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 11th April 2001.