

For the year ended 31st December, 2000

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and 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 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.

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1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(d) Property, plant and equipment

Other properties are interests in land and buildings other than investment properties as mentioned in note 1(c). Plant and equipment and other properties excluding freehold land are stated at cost less accumulated depreciation.

Freehold land is not amortised whereby leasehold land is amortised on a straight line basis over the unexpired period of the lease.

Other tangible fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Building on freehold and leasehold land	2% to 5%
Plant and machinery	10% to 20%
Furniture and fixtures	20%
Computers	30%
Motor vehicles	20%

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 expected useful lives to the Group.

For the year ended 31st December, 2000

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Property, plant and equipment *(continued)*

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts.

The gain or loss on disposal of a fixed asset other than investment properties 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.

(e) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payment obligations in respect of operating leases on properties with fixed rentals are accounted for on a straight-line basis over the periods of the respective leases. Payment obligations in respect of operating leases on properties with rentals which vary with gross revenues of the Group are charged to the profit and loss account as incurred.

(f) Trading investments

Trading investments are carried at fair value. Fair value represents the quoted market price for securities which are listed or actively traded in a liquid market. For securities which are unlisted and not actively traded, fair value is determined with reference to recent transaction prices and estimated net realisable value. At each balance sheet date, the net unrealised gains and losses arising from the changes in fair value of trading investments are recognised in the profit and loss account. Profits and losses on disposal of trading investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(g) Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

For the year ended 31st December, 2000

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) Debtors

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

(i) Deferred taxation

Deferred taxation is accounted for at the current tax 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 recoverable 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 subsidiaries expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves.

(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.

Operating lease rental income is recognised on a straight line basis.

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

Building management fee income is recognised when services are rendered.

Dividend income from trading investment is recognised when the right to receive payment is established.

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1. PRINCIPAL ACCOUNTING POLICIES (continued)**(I) Retirement benefit costs**

The Group operates several defined contribution retirement schemes which are available for all employees in Hong Kong and Singapore. The assets of the schemes are held separately from those of the Group in independently administered funds. The retirement schemes for Hong Kong and Singapore employees, monthly contributions made by the Group and the employees are calculated as a fixed percentage of the employees' basic salaries or a fixed sum for each employee where appropriate. Contributions to these schemes by the Group are expensed as incurred and are reduced by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also participates in the employee pension schemes operated by the municipal governments of various cities in the Peoples' Republic of China (the "PRC") and is required to make annual contributions in the range of 2% to 28% of annual payroll costs to these schemes. The municipal governments are responsible for entire pension obligations payable to retired employees. The only obligation of the Group is to pay the ongoing required contribution under these schemes. The contributions are charged to the profit and loss account as incurred.

2. REVENUES AND TURNOVER

The Group is principally engaged in distribution and manufacturing of garments, leather goods and accessories and property investments. Revenues recognised during the year/period are as follows:

	Year ended 31.12.2000 HK\$'000	Nine months ended 31.12.1999 HK\$'000
Turnover		
Sales of goods	408,467	449,503
Gross rental income from investment properties	21,861	12,078
	430,328	461,581
Other revenues		
Interest income	13,902	10,348
Building management fee	1,433	–
Gain on disposal of other properties	–	5,145
	15,335	15,493
Total revenues	445,663	477,074

For the year ended 31st December, 2000

2. REVENUES AND TURNOVER (continued)

An analysis of the Group's turnover and contribution to operating profit/(loss) for the year/period, by principal activities and markets, is set out as follows:

	Year ended 31.12.2000		Nine months ended 31.12.1999	
	Turnover HK\$'000	Operating profit/(loss) HK\$'000	Turnover HK\$'000	Operating profit HK\$'000
Principal activities				
Wholesale customers	323,056	(126,052)	381,274	25,138
Retail counters	85,411	(5,333)	68,229	855
Property investments	21,861	10,612	12,078	9,432
	430,328	(120,773)	461,581	35,425
Principal markets				
Hong Kong	53,413	(32,512)	46,688	2,385
China Mainland	317,421	(94,760)	368,659	29,510
Singapore	53,572	7,280	38,295	2,955
Other countries	5,922	(781)	7,939	575
	430,328	(120,773)	461,581	35,425

For the year ended 31st December, 2000

3. OPERATING (LOSS)/PROFIT

	Year ended 31.12.2000 HK\$'000	Nine months ended 31.12.1999 HK\$'000
Operating (loss)/profit is stated after charging the following:		
Cost of stocks sold	253,303	206,462
Stocks written off and provision for slow moving stocks	22,214	39,859
Outgoings in respect of investment properties	10,432	6,219
Operating lease rentals – land and buildings	17,160	14,351
Depreciation (note)	19,350	18,311
Fixed assets written off	12,950	–
Staff costs	66,322	41,203
Compensation for loss of office of a senior staff	25,117	–
Auditors' remuneration	1,364	1,343
Project deposit written off	–	1,944
Provision for doubtful debts	8,755	4,915
Loss on disposal of investment properties	816	–
Unrealised losses on trading investments	363	–
<i>Note</i>		
Depreciation	24,434	24,192
Less: amount included in stocks	(5,084)	(5,881)
	19,350	18,311

4. FINANCE COSTS

	Year ended 31.12.2000 HK\$'000	Nine months ended 31.12.1999 HK\$'000
Interest expense on bank loans and overdrafts	536	528

For the year ended 31st December, 2000

5. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (nine months ended 31.12.1999: 16%) on the estimated assessable profit for the year. Taxation on profits arising outside Hong Kong has been calculated on the estimated assessable profit for the year/period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Year ended 31.12.2000 HK\$'000	Nine months ended 31.12.1999 HK\$'000
Hong Kong profits tax		
Current year/period charge	(100)	(574)
Over provision in prior years	51	6,929
	(49)	6,355
Taxation outside Hong Kong		
Current year/period charge	(916)	(1,506)
Under provision in prior years	(3,867)	-
Tax rebate on re-investment of retained profits in a PRC subsidiary	1,441	-
	(3,342)	(1,506)
Deferred taxation (<i>note 19</i>)	-	325
	(3,391)	5,174
	Year ended 31.12.2000 HK\$'000	Nine months ended 31.12.1999 HK\$'000
Deferred tax (credit)/charge for the year/period not provided for in respect of:		
Tax losses	(6,480)	(7,637)
Other timing differences	2,215	3,674

6. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The (loss)/profit attributable to shareholders include a loss of the Company to the extent of HK\$1,756,000 (nine months ended 31.12.1999: profit of HK\$740,000).

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7. DIVIDENDS

	Year ended 31.12.2000 HK\$'000	Nine months ended 31.12.1999 HK\$'000
Interim, payable, of nil (nine months ended 31.12.1999: 3 HK cents) per share	-	26,313
Final, proposed, of 2.5 HK cents (nine months ended 31.12.1999: 2 HK cents) per share	21,928	17,542
	21,928	43,855

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on loss attributable to shareholders of HK\$124,313,000 (nine months ended 31.12.1999: profit of HK\$40,667,000) and on the weighted average number 877,114,035 (nine months ended 31.12.1999: 877,114,035) shares in issue during the year.

There was no dilution effect on the basic loss per share for the year ended 31st December, 2000 as all share options granted by the Company to certain senior officers were expired on 31st December, 1999. As the respective prices of the share options were greater than the average market prices of the Company's share for the nine months ended 31st December, 1999, there was no dilution effect on basic earnings per share.

9. RETIREMENT BENEFIT COSTS

	Year ended 31.12.2000 HK\$'000	Nine months ended 31.12.1999 HK\$'000
Retirement schemes for:		
– The Hong Kong and Singaporean employees (note a)	1,325	1,065
– The PRC employees (note b)	775	595
	2,100	1,660

- (a) This represents gross contributions paid and payable by the Group to the schemes totalling HK\$2,040,000 (nine months ended 31.12.1999: HK\$1,437,000) less forfeited contributions utilised totalling HK\$715,000 (nine months ended 31.12.1999: HK\$372,000). Contributions totalling HK\$642,000 (1999: HK\$334,000) payable to the schemes at the year end are included in other payables. There was no unutilised forfeited contribution at year/period end.

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9. RETIREMENT BENEFIT COSTS (continued)

- (b) This represents gross contributions made by the Group to employee pension schemes operated by the municipal governments of various cities in the PRC. No contributions payable (1999: HK\$255,000) to the municipal governments at the year/period end are included in other payables.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of emoluments payable to the Directors of the Company during the year/period are as follows:

	Year ended 31.12.2000 HK\$'000	Nine months ended 31.12.1999 HK\$'000
Fees	360	360
Basic salaries, housing and other allowances, and benefits in kind	8,565	6,492
	8,925	6,852

The emoluments of the Directors fell within the following bands:

	Number of Directors	
	Year ended 31.12.2000	Nine months ended 31.12.1999
Emolument bands		
HK\$ nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$7,000,001 – HK\$7,500,000	1	–

Directors' fees include HK\$240,000 (nine months ended 31.12.1999: HK\$240,000) paid to two independent non-executive Directors.

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10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

- (b) The five individuals whose emoluments were the highest in the Group for the year included two Directors whose emoluments are reflected in the analysis presented in 10(a) above. The emoluments payable to the remaining 3 (nine months ended 31.12.1999: 3) individuals during the year/period are as follows:

	Year ended 31.12.2000 HK\$'000	Nine months ended 31.12.1999 HK\$'000
Basic salaries, housing and other allowances, and benefits in kind	4,415	3,850
Contributions to retirement schemes	41	35
Compensation for loss of office	25,117	–
	29,573	3,885

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31.12.2000	Nine months ended 31.12.1999
Emolument bands		
HK\$500,001 – HK\$1,000,000	1	2
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$27,000,001 – HK\$27,500,000	1	–

- (c) Other than those disclosed above, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No Directors waived or agreed to waive any emoluments during the year.

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11 FIXED ASSETS – GROUP

	Investment properties HK\$'000	Other properties HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Computers HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation							
At 1st January, 2000	951,170	583,693	33,238	86,597	8,647	18,376	1,681,721
Translation differences	(660)	(1,696)	(191)	(446)	(38)	(139)	(3,170)
Additions	45,741	14	210	779	2,267	2,079	51,090
Disposals	(6,540)	(333)	-	(2,097)	(599)	(1,518)	(11,087)
Write-off	-	-	-	(24,238)	-	-	(24,238)
Transfer	68,800	(68,800)	-	-	-	-	-
Revaluation deficit (note 11(a))	(75,582)	-	-	-	-	-	(75,582)
At 31st December, 2000	982,929	512,878	33,257	60,595	10,277	18,798	1,618,734
Accumulated depreciation							
At 1st January, 2000	-	76,830	18,998	61,121	6,739	15,203	178,891
Translation differences	-	(297)	(82)	(241)	(24)	(121)	(765)
Charge for the year	-	15,482	1,422	5,172	919	1,439	24,434
Disposals	-	(7)	-	(2,097)	(574)	(1,537)	(4,215)
Write-off	-	-	-	(11,288)	-	-	(11,288)
Transfer	7,353	(7,353)	-	-	-	-	-
Revaluation (Note 11(a))	(7,353)	-	-	-	-	-	(7,353)
At 31st December, 2000	-	84,655	20,338	52,667	7,060	14,984	179,704
Net book value							
At 31st December, 2000	982,929	428,223	12,919	7,928	3,217	3,814	1,439,030
At 31st December, 1999	951,170	506,863	14,240	25,476	1,908	3,173	1,502,830
The analysis of the cost or valuation at 31st December, 2000 of the above assets is as follows:							
At cost	-	512,878	33,257	60,595	10,277	18,798	635,805
At 2000 professional valuation	982,929	-	-	-	-	-	982,929
	982,929	512,878	33,257	60,595	10,277	18,798	1,618,734

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11 FIXED ASSETS – GROUP (continued)

- (a) Investment properties were revalued at 31st December, 2000 on an open market value basis by Mr. Ng Sai Hee, an independent professional valuer, for properties located in Hong Kong and the PRC, and by Knight Frank Pte Limited, an independent professional valuer, for properties located in Singapore. The net revaluation deficit of HK\$68,229,000 (1999: HK\$13,335,000) has been taken to investment properties revaluation reserve (note 18(a)).
- (b) The Group's interests in investment properties and other properties are analysed at their net book values as follows:

	2000		1999	
	Investment properties HK\$'000	Other properties HK\$'000	Investment properties HK\$'000	Other properties HK\$'000
In Hong Kong, held on:				
Leases of over 50 years	46,400	-	52,000	-
Leases of between 10 to 50 years	206,700	251,141	113,800	318,762
	253,100	251,141	165,800	318,762
Outside Hong Kong, held on:				
Freehold	13,549	14,596	13,637	15,141
Leases of over 50 years	12,280	5,396	19,733	5,918
Leases of between 10 to 50 years	704,000	157,090	752,000	167,042
	729,829	177,082	785,370	188,101
	982,929	428,223	951,170	506,863

- (c) Included in investment properties and other properties are properties with aggregate net book value of HK\$827,859,000 (1999: HK\$882,192,000) located in the PRC in respect of which title documents have not been issued by the relevant government authorities.

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11 FIXED ASSETS – GROUP (continued)

- (d) Included in investment properties is a property with valuation of HK\$704,000,000 as at 31st December, 2000 (1999: HK\$752,000,000) which represents the Group's interests of approximately 53% of the gross floor area and the car parking spaces of a commercial complex, named as Goldlion Digital Network Centre (formerly "Guangzhou Goldlion Tower"), situated at Ti Yu Dong Road, Tianhe District, the city of Guangzhou, the PRC (the "Designated Property").

On 22nd July, 1994, Goldlion (Guangdong) Limited ("Goldlion Guangdong"), a wholly owned subsidiary of the Group entered into a contract (the "Contract") with Goldlion Property Development Limited ("GPDL") to acquire 53% of GPDL's capital contribution to, and the right and obligation to contribute 53% of the capital requirement of, Guangzhou Goldlion City Properties Company Limited ("GGCP"). The entire issued share capital of GPDL is owned by two Directors, Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and the Tsang family trust. The principal activity of GGCP is to develop, construct, market, let and manage Goldlion Digital Network Centre. In consideration of the capital contribution to GGCP, Goldlion Guangdong, on completion of Goldlion Digital Network Centre, is entitled to receive, free of further payment to GGCP or any other partner thereto, approximately 53% of the Designated Property. The construction of Goldlion Digital Network Centre was practically completed as at 31st March, 1999.

In accordance with GGCP's Articles of Association, Goldlion Guangdong, other than receiving the Designated Property as mentioned above, will not participate in any profit or loss of GGCP and will not be entitled to the distribution of GGCP's assets on liquidation.

On 29th May, 1999, Goldlion Guangdong entered into a supplemental contract and a memorandum with GPDL and the other PRC joint venture partner of GGCP to amend certain terms of the Contract for the purpose of minimising tax liabilities of GGCP. Simultaneously, Dr. Tsang Hin Chi and GPDL had executed an indemnity in favour of Goldlion Guangdong as an additional measure to safeguard Goldlion Guangdong's interest in the Designated Property. The Directors are of the opinion that the entitlements and the rights of the Group in the Designated Property before and after the amendment of the terms of the Contract remain unchanged.

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12 SUBSIDIARIES – COMPANY

	2000	1999
	HK\$'000	HK\$'000
Unlisted investments, at cost	10	10
Amounts due by subsidiaries, net of provision	1,044,148	1,089,706
Amount due to a subsidiary	(827)	(827)
	1,043,331	1,088,889

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

The following is a list of principal subsidiaries which in the opinion of the Directors, are significant to the results and net assets of the Group:

Name	Place of incorporation/ operation	Principal activities	Issued share capital/paid-up capital	Class of shares held	Group equity interest	
					2000	1999
China Silverlion Limited	PRC	Distribution and manufacturing of garments	RMB3,613,724	–	90%	90%
Goldlion (China) Clothing and Leatherware Limited	PRC	Distribution and manufacturing of garments	RMB103,640,175	–	99.25%	99.25%
Goldlion Clothes Making Company Limited	PRC	Distribution and manufacturing of garments	US\$6,330,110	–	98.82%	98.82%
# Goldlion Enterprise (Singapore) Pte Limited	Singapore	Distribution of garments	S\$1,000,000	Ordinary	100%	100%
Goldlion (Europe) GmbH	Germany	Europe buying office	DM250,000	Ordinary	90%	90%
Goldlion (Far East) Limited	Hong Kong	Distribution and manufacturing of garments	HK\$200 HK\$50,000,000 (non-voting deferred shares)	Ordinary	100%	100%

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12 SUBSIDIARIES – COMPANY (continued)

Name	Place of incorporation/ operation	Principal activities	Issued share capital/paid-up capital	Class of shares held	Group equity interest	
					2000	1999
* Goldlion Group (BVI) Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$10,000	Ordinary	100%	100%
Goldlion (Guangdong) Limited	Hong Kong/ PRC	Property holding	HK\$2	Ordinary	100%	100%
Hallman Properties Limited	British Virgin Islands/ Hong Kong	Property holding	US\$50,000	Ordinary	100%	100%
Renard Investments Limited	British Virgin Islands/ Hong Kong	Property holding	HK\$2 HK\$59,999,998 (redeemable shares)	Ordinary	100%	100%
Shenyang Goldlion Commercial Mansion Limited	PRC	Property holding	RMB70,000,000	–	100%	100%
Rich Smart Resources Limited	Hong Kong	Property holding	HK\$2	Ordinary	100%	100%
Smart View Investment Limited	Hong Kong	Investment holding	HK\$2	Ordinary	100%	100%

* Subsidiary held directly by the Company

Subsidiaries not audited by PricewaterhouseCoopers

The aggregate net assets and turnover of subsidiaries not audited by PricewaterhouseCoopers accounted for approximately 1% and 12% (1999: 1% and 8%) of the Group's net assets and turnover respectively.

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13 STOCKS - GROUP

	2000 HK\$'000	1999 <i>HK\$'000</i>
Raw materials	49,743	45,118
Work in progress	2,637	14,581
Finished goods	256,662	415,157
	309,042	474,856
Less: provision	(208,479)	(283,271)
	100,563	191,585

At 31st December, 2000, the carrying amount of stocks that are carried at net realisable value amounted to HK\$87,756,000(1999:HK\$156,363,000).

14 TRADE DEBTORS - GROUP

The majority of the Group's turnover is on letter of credit or cash on delivery. At 31st December, 2000, the age analysis of the trade debtors, net of provision, was as follows:

	2000 HK\$'000	1999 <i>HK\$'000</i>
Current	26,595	36,140
30-90 days	8,879	17,140
Over 90 days	-	36,150
	35,474	89,430

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15 TRADING INVESTMENTS – GROUP

	2000 HK\$'000	1999 <i>HK\$'000</i>
Equity securities listed in Hong Kong at fair value	1,195	–

16 CREDITORS AND BILLS PAYABLES – GROUP

At 31st December, 2000, the age analysis of the creditors and bills payable was as follows:

	2000 HK\$'000	1999 <i>HK\$'000</i>
Current	13,536	34,775
30-90 days	10,806	18,593
Over 90 days	1,730	36,706
	26,072	90,074

17 SHARE CAPITAL

	2000 HK\$'000	1999 <i>HK\$'000</i>
<i>Authorised:</i>		
1,100,000,000 shares of HK\$0.10 each	110,000	110,000
<i>Issued and fully paid:</i>		
877,114,035 shares of HK\$0.10 each	87,711	87,711

At an extraordinary general meeting of the Company held on 26th August, 1992, a share option scheme (the "Scheme") was approved and adopted. No share options were outstanding as at 31st December, 2000 and 1999.

On 8th March, 2001, options to subscribe for 60,000,000 shares (subject to adjustment) of HK\$0.10 each in the Company have been granted to two executive Directors and selected executives. The grantees are entitled to exercise their options in whole or in part at a price of HK\$0.3136 per share (subject to adjustment). The options are exercisable in whole or in part at any time not less than six months from the date of acceptance to 25th August, 2002.

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18 RESERVES**(a) Group**

	Share premium	Investment properties revaluation reserve	Capital reserve on consolidation	Capital redemption reserve	Other reserves	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 1999	916,573	425,434	183,844	484	25,662	(10,164)	321,799	1,863,632
Deficit on revaluation of investment properties (note 11(a))	-	(13,335)	-	-	-	-	-	(13,335)
Exchange translation differences	-	-	-	-	-	1,728	-	1,728
Profit for the period	-	-	-	-	-	-	40,667	40,667
Dividends (note 7)	-	-	-	-	-	-	(43,855)	(43,855)
At 31st December, 1999	916,573	412,099	183,844	484	25,662	(8,436)	318,611	1,848,837
At 1st January, 2000	916,573	412,099	183,844	484	25,662	(8,436)	318,611	1,848,837
Deficit on revaluation of investment properties (note 11(a))	-	(68,229)	-	-	-	-	-	(68,229)
Reserve realised upon disposal of investment properties	-	526	-	-	-	-	-	526
Exchange translation differences	-	-	-	-	-	(1,435)	-	(1,435)
Transfer	-	-	-	-	2,139	-	(2,139)	-
Loss for the year	-	-	-	-	-	-	(124,313)	(124,313)
Dividend (note 7)	-	-	-	-	-	-	(21,928)	(21,928)
At 31st December, 2000	916,573	344,396	183,844	484	27,801	(9,871)	170,231	1,633,458

Other reserves are attributable to certain subsidiaries established in the PRC. These reserves, comprising a general reserve fund and an enterprise development fund, are set aside in accordance with the relevant statutory requirements in the PRC. The amount set aside is determined by the board of directors of these subsidiaries at their financial year end.

For the year ended 31st December, 2000

18 RESERVES (continued)

(b) Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 1999	916,573	484	82,771	999,828
Profit for the period	–	–	740	740
Dividends (note 7)	–	–	(43,855)	(43,855)
	<hr/>			
At 31st December, 1999	916,573	484	39,656	956,713
	<hr/>			
At 1st January, 2000	916,573	484	39,656	956,713
Loss for the year	–	–	(1,756)	(1,756)
Dividend (note 7)	–	–	(21,928)	(21,928)
	<hr/>			
At 31st December, 2000	916,573	484	15,972	933,029

Distributable reserves of the Company at 31st December, 2000, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$15,972,000 (1999: HK\$39,656,000).

For the year ended 31st December, 2000

19 DEFERRED TAXATION – GROUP

	2000 HK\$'000	1999 HK\$'000
Provided for in the accounts in respect of accelerated depreciation allowances:		
At the beginning of the year/period	–	325
Transfer to profit and loss account (<i>note 5</i>)	–	(325)
At the end of the year/period	–	–
The deferred tax assets at the end of the year/period not provided for in respect of:		
Tax losses	22,222	15,742
Other timing differences	7,391	9,606

The revaluation of investment properties does not constitute a timing difference for deferred tax purpose as the realisation of the revaluation surplus would not result in a tax liability.

20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of operating (loss)/profit to net cash inflow from operating activities**

	Year ended 31.12.2000 HK\$'000	Nine months ended 31.12.1999 HK\$'000
Operating (loss)/profit	(120,773)	35,425
Depreciation	24,434	24,192
Fixed assets written off	12,950	–
Interest income	(13,902)	(10,348)
Gain on disposal of fixed assets	(48)	(3,105)
Loss on disposal of investment properties	816	–
Unrealised loss on trading investments	363	–
Decrease/(increase) in stocks	91,022	(15,487)
Decrease in trade debtors, prepayments and deposits	67,540	111,692
Decrease in creditors, bills and other payables and accruals	(41,346)	(58,413)
Net cash inflow from operating activities	21,056	83,956

For the year ended 31st December, 2000

20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)**(b) Analysis of changes in financing during the year/period**

	Bank loans HK\$'000	Minority interests HK\$'000
Balance at 1st April, 1999	12,457	2,861
Minority interests in share of results	-	(596)
Exchange differences	-	7
	12,457	2,272
Balance at 31st December, 1999	12,457	2,272
Balance at 1st January, 2000	12,457	2,272
Minority interests in share of results	-	(387)
Repayment of bank loans	(8,166)	-
Balance at 31st December, 2000	4,291	1,885

(c) Analysis of balances of cash and cash equivalents

	2000 HK\$'000	1999 HK\$'000
Bank balances and cash	271,938	339,026
Bank overdrafts	(23)	(1,254)
Trust receipt loans	(9,646)	(7,915)
	262,269	329,857

(d) Analysis of bank loans

	2000 HK\$'000	1999 HK\$'000
Bank loans (maturity more than 3 months)	4,291	12,457

For the year ended 31st December, 2000

21 CONTINGENT LIABILITIES – COMPANY

	2000 HK\$'000	1999 <i>HK\$'000</i>
Guarantees for credit facilities given to subsidiaries	284,000	232,000

22 COMMITMENTS – GROUP**(a) Capital commitments**

	2000 HK\$'000	1999 <i>HK\$'000</i>
Contracted but not provided for:		
Computer system	-	2,550
Property development project	-	39,420
	-	41,970

(b) Commitments under operating leases

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

	2000 HK\$'000	1999 <i>HK\$'000</i>
Land and buildings:		
Within one year	494	868
In the second to fifth year inclusive	3,609	2,327
After the fifth year	-	1,103
	4,103	4,298

For the year ended 31st December, 2000

23 RELATED PARTY TRANSACTION – GROUP

Related party transaction, which was carried out in the normal course of the Group's business is as follows:

	2000 HK\$'000	1999 HK\$'000
Building management fees paid to a related company (<i>note</i>)	1,229	–

Note

Building management fees were paid to Guangzhou Silver Disk Property Management Company Limited which were calculated at approximately HK\$9 per square meter on areas of vacant units of Goldlion Digital Network Centre owned by the Group. Mr. Tsang Chi Hung and Mr. Tsang Chi Ming, Ricky, chief executives of the subsidiaries of the Group have direct beneficial interests in Guangzhou Silver Disk Property Management Company Limited.

24 COMPARATIVE FIGURES

The financial year end of the Company was changed from 31st March to 31st December with effect from 1st April, 1999. Accordingly, the accounts for the last period presented for a period of nine months. The comparative figures for the consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of recognised gains and losses and related notes are not directly comparable to those of current financial year ended 31st December, 2000.

25 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 11th April, 2001.