

Notes to Financial Statements (continued)

31 December 2000

10. FIXED ASSETS (continued)

The net book value of assets held under finance leases included in the total amount of fixed assets at 31 December 2000 was HK\$2,822,000 (1999: HK\$3,086,000).

The Group's leasehold land and buildings are held under medium term leases.

The Group's leasehold land and buildings in Hong Kong are pledged to secure the Group's bank loans (note 18).

A provision for impairment in value of HK\$1,601,000 was made during the year as the recoverable amount of certain moulds and tools has declined below the carrying amount.

11. INTERESTS IN SUBSIDIARIES

	2000	Company
	<i>HK\$'000</i>	<i>1999</i>
		<i>HK\$'000</i>
Unlisted shares/capital contributions, at cost	94,687	94,687
Due from subsidiaries	148,944	74,245
	<hr/> 243,631	<hr/> 168,932
Provisions for permanent diminutions in values	(74,974)	(38,874)
	<hr/> 168,657	<hr/> 130,058
	<hr/> <hr/> 168,657	<hr/> <hr/> 130,058

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

Notes to Financial Statements (continued)

31 December 2000

11. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yanion (BVI) Limited	British Virgin Islands	HK\$370,000	100%	–	Investment holding
Yacata Limited	British Virgin Islands	US\$1	100%	–	Investment holding
Yanion Company Limited	Hong Kong	HK\$31,202,370	–	100%	Trading of cassette deck mechanisms, CD/VCD mechanisms and players, amplifiers and related products, personal office appliances and medical devices
Chia Neng Spring (HK) Limited	Hong Kong	HK\$1,350,000	–	77.78%	Manufacture and trading of precision springs
Dongguan Yanion Electronics Manufacturing Limited	People's Republic of China	HK\$155,000,000	–	100%	Manufacture and trading of cassette deck mechanisms, CD/VCD mechanisms and players, amplifiers and related products, personal office appliances and medical devices
Dongguan Yanion Mould & Die Manufacturing Limited	People's Republic of China	HK\$21,499,997	–	100%	Manufacture and trading of precision moulds and dies

The above table lists the subsidiaries of the Company as at 31 December 2000 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Subsequent to the balance sheet date, the Group entered into an agreement to acquire the entire equity interest in Kongnet Group Limited, as detailed in note 28(e) to the financial statements.

Notes to Financial Statements (continued)

31 December 2000

12. DEFERRED DEVELOPMENT COSTS

	2000	Group
	<i>HK\$'000</i>	<i>1999</i>
		<i>HK\$'000</i>
At beginning of year	10,063	10,833
Additions during the year	3,488	4,812
Amortisation/write off during the year	(7,998)	(5,582)
At end of year	5,553	10,063

13. LONG TERM INVESTMENTS

	2000	Group
	<i>HK\$'000</i>	<i>1999</i>
		<i>HK\$'000</i>
Unlisted equity investments, at cost	81,000	1,000

Included in the balance is an investment in Global Cyber Limited ("Global Cyber") of HK\$80,000,000. At the balance sheet date, the Group held 100,000 ordinary shares in Global Cyber, which represented a 10% equity interest. Global Cyber is an investment holding company incorporated in the British Virgin Islands. The main asset of Global Cyber is an 80% equity interest in Shanghai Dazheng Worldvest Technology Company Limited ("Shanghai Dazheng"). Shanghai Dazheng commenced operations in the middle of 2000 and its principal activities are research and development and the manufacture of set-top boxes, servers and related operating software in relation to interactive video-on-demand systems, the sale of self-manufactured products, contract work relating to network design, installation, testing and commissioning, and the provision of technical consultancy services.

At the balance sheet date, a long term investment with a carrying amount of HK\$1,000,000 (1999: HK\$1,000,000) was pledged to secure other borrowings of HK\$800,000 granted to the Group (note 18).

Subsequent to the balance sheet date, the Group entered into an agreement to acquire an additional 4% interest in Global Cyber, as detailed in note 28 (g) to the financial statements.

Notes to Financial Statements (continued)

31 December 2000

14. INVENTORIES

	2000	Group
	<i>HK\$'000</i>	<i>1999</i>
		<i>HK\$'000</i>
Raw materials	36,027	40,338
Work in progress	4,850	8,563
Finished goods	8,956	20,781
	49,833	69,682

The amount of inventories carried at net realisable value included in the above is HK\$661,000 (1999: HK\$6,000).

15. ACCOUNTS RECEIVABLE

The Group maintains a defined credit policy and allows credit periods ranged from 15 to 90 days to its trade customers. The aged analysis of the accounts receivable at the end of the year is as follows:

	2000	Group
	<i>HK\$'000</i>	<i>1999</i>
		<i>HK\$'000</i>
Within 1 month	12,410	15,298
2 to 3 months	10,227	9,874
4 to 6 months	2,586	2,459
7 to 12 months	1,190	871
Over 1 year	2,073	5,344
	28,486	33,846

Notes to Financial Statements (continued)

31 December 2000

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Cash and bank balances	<u>27,654</u>	<u>8,818</u>	<u>21,210</u>	<u>12</u>

17. ACCOUNTS PAYABLE

The aged analysis at the end of year is as follows:

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Within 1 month	12,695	13,567
2 to 3 months	20,010	25,380
4 to 6 months	4,554	7,991
7 to 12 months	350	108
Over 1 year	1,438	2,318
	<u>39,047</u>	<u>49,364</u>

Notes to Financial Statements (continued)

31 December 2000

18. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans:				
Bank overdrafts, secured	442	6,693	–	–
Trust receipt and export loans, secured	30,583	26,305	–	–
	<u>31,025</u>	<u>32,998</u>	<u>–</u>	<u>–</u>
Other borrowings:				
Secured	800	3,000	800	3,000
Unsecured	2,000	1,000	–	–
	<u>2,800</u>	<u>4,000</u>	<u>800</u>	<u>3,000</u>
Total bank loans and other borrowings	<u>33,825</u>	<u>36,998</u>	<u>800</u>	<u>3,000</u>
Portion classified as current liabilities	<u>(33,825)</u>	<u>(36,998)</u>	<u>(800)</u>	<u>(3,000)</u>
Long term portion	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The above bank loans are secured by the following:

- (i) A fixed charge on the Group's leasehold land and buildings in Hong Kong with a net book value of HK\$8,298,000 (1999: HK\$8,692,000); and
- (ii) A fixed charge on time deposits of HK\$13,370,000 (1999: HK\$14,922,000).

Other borrowings are secured by the Group's long term investment of HK\$1,000,000 (1999:HK\$1,000,000). The other borrowings bear interest at prevailing interest rates and are repayable within one year.

Notes to Financial Statements (continued)

31 December 2000

19. FINANCE LEASE PAYABLES

There were non-cancellable obligations under finance leases at the balance sheet date as follows:

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts payable:		
Within one year	822	977
In the second year	356	822
In the third to fifth years, inclusive	355	711
	<hr/>	<hr/>
Total minimum finance lease payments	1,533	2,510
Future finance charges	(249)	(464)
	<hr/>	<hr/>
Total net finance lease payables	1,284	2,046
Portion classified as current liabilities	(659)	(762)
	<hr/>	<hr/>
Long term portion	<u>625</u>	<u>1,284</u>

20. DEFERRED TAX

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning and end of year	<u>341</u>	<u>341</u>

The principal components of the Group's provision for deferred tax, and net deferred tax asset position not recognised in the financial statements are as follows:

	Provided		Not Provided	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accelerated capital allowances	341	341	4,640	2,900
Tax losses	–	–	(25,146)	(15,450)
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>341</u>	<u>341</u>	<u>(20,506)</u>	<u>(12,550)</u>

Notes to Financial Statements (continued)

31 December 2000

21. SHARE CAPITAL

Shares

	2000 HK\$'000	1999 HK\$'000
Authorised:		
500,000,000 (1999: 200,000,000) ordinary shares of HK\$0.50 each	<u>250,000</u>	<u>100,000</u>
Issued and fully paid:		
228,750,673 (1999: 98,350,673) ordinary shares of HK\$0.50 each	<u>114,375</u>	<u>49,175</u>

Pursuant to an ordinary resolution passed on 24 July 2000, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$250,000,000 by the creation of 300,000,000 new ordinary shares of HK\$0.50 each, ranking pari passu in all respects with the then existing ordinary shares of the Company.

The movements in the issued share capital of the Company during the year were as follows:

	Number of ordinary shares	Carrying amount HK\$'000
At beginning of year	98,350,673	49,175
Issue of new ordinary shares (a)	128,000,000	64,000
Exercise of share options (b)	<u>2,400,000</u>	<u>1,200</u>
At end of year	<u>228,750,673</u>	<u>114,375</u>

(a) Pursuant to a placing agreement dated 12 June 2000, a total of 90,000,000 ordinary shares with a par value of HK\$0.50 each in the Company were issued and allotted to independent institutional investors at a consideration of HK\$0.90 per placing share. The net proceeds from the placing, being HK\$80 million, were used to finance the acquisition of 10% interest in Global Cyber Limited, a company incorporated in the British Virgin Islands.

Pursuant to a placing agreement dated 6 December 2000, a total of 38,000,000 ordinary shares with a par value of HK\$0.50 each in the Company were issued and allotted to independent institutional investors at a consideration of HK\$0.65 per placing share. The net proceeds from the placing, being HK\$24 million, were used as general working capital for the Group.

31 December 2000

21. SHARE CAPITAL (continued)

Shares (continued)

- (b) Pursuant to the exercise of share options granted to certain employees and directors, the Company allotted and issued 2,400,000 new ordinary shares with a par value of HK\$0.50 each at an exercise price of HK\$0.60 per share for a total cash consideration of HK\$1,440,000.

There were no changes to the carrying amount or number of ordinary shares in issue during the prior year.

Subsequent to the balance sheet date, the authorised share capital of the Company was increased, and new shares were issued to independent institutional investors and on the exercise of share options, as detailed in notes 28 (a), (c), (d) and (f) to the financial statements.

Share options

On 30 September 1991, the Company adopted a share option scheme under which the directors may, at their discretion, invite any eligible employee or executive director of the Group to take up options to subscribe for shares in the capital of the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued share capital of the Company.

Movements in share options during the year were as follows:

	Number of share options
Share options outstanding at beginning of year	2,400,000
Share options exercised	(2,400,000)
Share options cancelled	(70,000)
Share options granted and accepted during the year	4,040,000
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Share options outstanding at end of year	<u>3,970,000</u>

- (a) During the year, 2,400,000 share options were exercised at an exercise price of HK\$0.60 per share, resulting in the issue of 2,400,000 shares of HK\$0.50 each for a total cash consideration of HK\$1,440,000.
- (b) On 23 February 2000, the Company granted a total of 4,040,000 share options for nil consideration which entitle the holders to subscribe for shares of the Company at any time during the period from 23 August 2000 to 25 October 2001. The exercise price payable upon the exercise of each option is HK\$1.81, subject to adjustment.