

## NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December, 2000

### 16. Investments in Unconsolidated Subsidiaries (Continued)

Particulars of the Company's unconsolidated subsidiaries as at 31st December, 2000 are as follows:

Name of subsidiary	Place of incorporation/ registration	Proportion of nominal value of issued share capital/ registered capital held indirectly by the Company %	Principal activities
Capital Champion International Limited	Hong Kong	100	Inactive
Capital Master International Limited	Hong Kong	100	Inactive
Capital Star International Limited	Hong Kong	100	Investment holding
Kinsen Limited	Hong Kong	100	Inactive
Mengcheng Hua Feng Flour Co. Limited	The People's Republic of China	60	Manufacture and sale of flour
Million Universal Limited	Hong Kong	100	Inactive
Polyrife China Limited	Hong Kong	100	Investment holding
Qingdao Ji Xing Flour Co. Limited	The People's Republic of China	60	Manufacture and sale of flour
Shanghai Hualiang Flour Co. Limited	The People's Republic of China	60	Manufacture and sale of flour
Wuxi Hua Feng Flour Co. Limited	The People's Republic of China	60	Manufacture and sale of flour
Xian Renmin Flour Industry Co. Limited	The People's Republic of China	60	Leasing of assets
Xinyi Hua Feng Flour Co. Limited	The People's Republic of China	60	Manufacture and sale of flour

The Company's unconsolidated subsidiaries listed above principally operate at the place of their incorporation/registration.

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## 17. Investments in Associates

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Share of net assets	4,529	29,286

Particulars of the Group's associates as at 31st December, 2000 are as follows:

Name of associate	Place of incorporation/ registration	Proportion of nominal value of issued ordinary share capital held by the Group	Principal activity
Topdomain Network Limited	Hong Kong	23.6%	Provision of internet solution service
Tealink Development Limited	Hong Kong	22.2%	Provision of information technology solutions

On 20th April, 2000, the Group purchased the remaining 60% interest in e2-Capital Securities (formerly known as "Goodwill Financial Services (Holdings) Limited"), a principal associate of the Group as at 31st December, 1999, from Jardine Fleming (B.V.I.) Investment Limited ("JFBVI") and Great Mark Investments Limited ("Great Mark") for an aggregate consideration of HK\$57,000,000. Details of e2-Capital Securities and its principal subsidiaries as at 31st December, 2000 are set out in note 15.



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### 17. Investments in Associates (Continued)

The summary of financial information of e2-Capital Securities for the year ended 31st December, 1999, is as follows:

	1999
	<u>HK\$'000</u>
<b>Consolidated income statement</b>	
Turnover	198,839
Depreciation	783
Provision written back for bad debts	7,545
Profit before taxation	5,968
Profit before taxation attributable to the Group	2,387
<b>Consolidated balance sheet</b>	
Current assets	536,770
Current liabilities	(470,063)
Net current assets	66,707
Total net assets	71,986
Group's share of net assets	28,794

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## 18. Investments in Securities

### THE GROUP

	Investment securities		Other investments		Total	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Equity securities:						
Listed in Hong Kong	–	–	65,050	8,401	65,050	8,401
Listed overseas	–	–	5,704	6,050	5,704	6,050
Unlisted	46,642	16,448	9,614	9,962	56,256	26,410
	<u>46,642</u>	<u>16,448</u>	<u>80,368</u>	<u>24,413</u>	<u>127,010</u>	<u>40,861</u>
Unlisted debt securities	2,392	2,392	3,899	3,899	6,291	6,291
Warrants						
Listed in Hong Kong	–	–	76,237	–	76,237	–
Total:						
Listed	–	–	146,991	14,451	146,991	14,451
Unlisted	49,034	18,840	13,513	13,861	62,547	32,701
	<u>49,034</u>	<u>18,840</u>	<u>160,504</u>	<u>28,312</u>	<u>209,538</u>	<u>47,152</u>
Market value of listed securities	–	–	146,991	14,446	146,991	14,446
Carrying amount analysed for reporting purposes as:						
Current	–	–	90,767	10,687	90,767	10,687
Non-current	49,034	18,840	69,737	17,625	118,771	36,465
	<u>49,034</u>	<u>18,840</u>	<u>160,504</u>	<u>28,312</u>	<u>209,538</u>	<u>47,152</u>

The warrants listed in Hong Kong as at 31st December, 2000 of approximately HK\$76,237,000 (1999: Nil) are held for hedging the call options mentioned in note 38.

## NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December, 2000

### 18. Investments in Securities (Continued)

	Investment securities	
	2000 HK\$'000	1999 HK\$'000
<b>THE COMPANY</b>		
Unlisted equity shares acquired during the year, at cost	36,605	—
Less: provision for impairment loss	10,000	—
	<u>26,605</u>	<u>—</u>

The cost represents the Company's 20% investment in Pacific Connections Limited ("PCL"), a web-development service company incorporated in Hong Kong. In the opinion of the directors, the Company does not have significant influence in the financial and operating policy decision of PCL in view of the fact that the other 80% equity interest in PCL is owned by another entity.

### 19. Loans to Investee Companies

Loans to investee companies are interest free, unsecured and is not expected to be repaid in the next twelve months.

### 20. Mortgage Loans Receivable

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Due within one year	62	57
Due after one year	4,261	6,506
	<u>4,323</u>	<u>6,563</u>

The mortgage loans receivable are secured by sub-mortgages of second ranking on certain residential properties in Hong Kong and bear interest at commercial rate.

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For the year ended 31st December, 2000

### 21. Other Non-Current Assets

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Statutory and other deposits relating to the securities and futures dealing businesses	4,000	–	–	–
Chinese antiques	2,017	2,017	2,017	2,017
Other deposits	3,196	–	–	–
	<u>9,213</u>	<u>2,017</u>	<u>2,017</u>	<u>2,017</u>

### 22. Properties Under Development for Sale

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
<b>COST</b>		
At 1st January	168,403	–
Additions	14,217	–
Reclassified from properties under development (note 14)	–	168,403
At 31st December	<u>182,620</u>	<u>168,403</u>
<b>PROVISION</b>		
At 1st January	55,000	–
Reclassified from properties under development (note 14)	–	55,000
At 31st December	<u>55,000</u>	<u>55,000</u>
	<u>127,620</u>	<u>113,403</u>

Up to the balance sheet date, interest expenses capitalised in the cost of properties under development for sale amounted to HK\$22,360,000 (1999: HK\$17,969,000).

At 31st December, 2000 the properties are situated in Hong Kong and are held under long leases.

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For the year ended 31st December, 2000

### 23. Inventories

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Raw materials	9,349	12,333
Work in progress	2,008	1,800
Finished goods	3,577	2,040
	<u>14,934</u>	<u>16,173</u>

Included above are raw materials of approximately HK\$2,773,000 (1999: HK\$3,936,000) and finished goods of approximately HK\$249,000 (1999: Nil) which are carried at net realisable value.

### 24. Trade Debtors

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities	81,819	—
Loans to share margin clients	33,184	—
Accounts receivable from Hong Kong Futures Exchanges Clearing Corporation ("HKFECC") arising from the ordinary course of business of dealing in futures contracts	3,434	—
Other trade debtors ("non-financial services trade debtors")	17,964	7,600
	<u>136,401</u>	<u>7,600</u>

The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities are two days after trade date, and from HKFECC is one day after trade date.

Loans to share margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. No ageing analysis is disclosed as in the opinion of directors, the ageing analysis does not give additional value in view of the nature of business of share margin financing.

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For the year ended 31st December, 2000

### 24. Trade Debtors (Continued)

The Group allows an average credit period of 60 - 90 days to the non-financial services trade debtors. The ageing analysis of the non-financial services trade debtors at the reporting date is as follows:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
0 - 60 days	10,329	5,624
61 - 90 days	3,758	1,473
> 90 days	3,877	503
	<u>17,964</u>	<u>7,600</u>

### 25. Other Receivables, Prepayments and Deposits

#### THE GROUP

The balance as at 31st December, 1999 included an amount of HK\$2,000,000 due from former ultimate holding company, being the deposit paid for the acquisition of Sunyork Investment Limited ("Sunyork"), a wholly owned subsidiary of the Company's former ultimate holding company.

### 26. Trade Creditors

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Accounts payable arising from the ordinary course of business of dealing in securities	101,882	—
Accounts payable to clients arising from the ordinary course of business of dealing in futures contracts	2,923	—
Amounts due to share margin clients	2,013	—
Premium received for call options granted to a client (note 38)	76,237	—
Other trade creditors ("non-financial services trade creditors")	9,809	2,431
	<u>192,864</u>	<u>2,431</u>





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For the year ended 31st December, 2000

### 26. Trade Creditors (Continued)

The settlement terms of accounts payable arising from the ordinary course of business of dealing in securities are two days after trade date. The age of these balances is within 30 days.

Accounts payable to clients arising from the ordinary course of business of dealing in futures contracts are margin deposits received from clients for their trading of futures contracts on Hong Kong Futures Exchanges ("HKFE"). The excesses of the outstanding amounts over the required initial margin deposits stipulated by HKFE are repayable to clients on demand. No ageing analysis is disclosed as in the opinion of directors, the ageing analysis does not give additional value in view of the nature of business of futures contract dealing.

Amounts due to share margin clients are repayable on demand. No ageing analysis is disclosed as in the opinion of directors, the ageing analysis does not give additional value in view of the nature of business of share margin financing.

The ageing analysis of the non-financial services trade creditors at the reporting date is as follows:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
0 - 60 days	6,588	2,431
61 - 90 days	696	—
> 90 days	2,525	—
	<u>9,809</u>	<u>2,431</u>

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### 27. Obligations under Finance Leases and Hire Purchase Contracts

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Within one year	71	—
More than one year but not exceeding two years	45	—
	116	—
Less: Amount due within one year shown under current liabilities	(71)	—
	45	—

### 28. Secured Bank Loans

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
The schedule of the principal repayments is as follows:				
Within one year	137,805	43,300	7,700	2,400
One to two years	16,400	43,600	10,500	7,700
Two to five years	37,426	28,200	—	10,500
Over five years	8,850	14,750	—	—
	200,481	129,850	18,200	20,600
Less: Amount due within one year included in current liabilities	(137,805)	(43,300)	(7,700)	(2,400)
Non-current portion of secured bank loans	62,676	86,550	10,500	18,200