

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounts also comply with the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

#### (b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

#### (c) Basis of consolidation

- (i) The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions and balances are eliminated on consolidation.
- (ii) Goodwill arising on consolidation represents the excess of the cost of investments in subsidiaries over the fair value of their separable net assets on acquisition. Goodwill on consolidation is charged directly to reserves in the year in which it arises. Where the fair values ascribed to the net underlying assets acquired exceed the purchase consideration given, the excess is credited to capital reserve in the year of acquisition.

On disposal of subsidiaries, the relevant portion of attributable goodwill previously eliminated against reserves or capital reserve credited to reserve on consolidation is realised and accounted for in determining the gain or loss on disposal.

#### (d) Investments in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investments in subsidiaries in the Company's balance sheet are stated at cost less provisions for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the profit and loss account.

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(e) Investments**

The group's policies for investments in securities other than investments in subsidiaries are as follows:

- (i) All other securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise. Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from fluctuations in price or dealer's margin.
- (ii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

**(f) Fixed assets**

- (i) Fixed assets are carried in the balance sheets on the following bases:
  - investment properties with an unexpired lease term of more than 20 years are stated at their open market value which is assessed annually by external qualified valuers; and
  - other fixed assets are stated at cost less accumulated depreciation.
- (ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:
  - when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties, immediately prior to the revaluation; and
  - when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the profit and loss account.
- (iii) The carrying amount of other fixed assets (other than investment properties with an unexpired lease term of more than 20 years) is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account. In determining the recoverable amount, expected future cash flows generated by the fixed assets are not discounted to their present values.

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Fixed assets (continued)

When the circumstances and events that led to the write-down or write-off cease to exist, any subsequent increase in the recoverable amount of an asset is written back to the profit and loss account. The amount written back is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

- (iv) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the relevant asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (v) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year. For all other fixed assets, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

#### (g) Depreciation

##### (i) Investment properties

No depreciation is provided on investment properties except for those held on leases with an unexpired lease term of 20 years or less which are depreciated over the remaining portion of leases.

##### (ii) Other fixed assets

Depreciation on other fixed assets is calculated to write off the cost of fixed assets on a straight-line basis over a period of 5 years.

#### (h) Deferred taxation

Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.



**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(i) Translation of foreign currencies**

Foreign currencies transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

The results of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the average exchange rates for the year, balance sheet items are translated at the rates of exchange ruling at the balance sheet date. The resulting exchange differences arising thereon are dealt with as a movement in reserves.

**(j) Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

**(i) Rental income**

Rental in respect of properties is recognised on a straight-line basis over the periods of the respective tenancies.

**(ii) Interest and property management fee**

Interest income from bank deposits and property management fee are recognised on a time-apportioned basis.

**(iii) Securities trading**

Sales proceeds on dealing of listed trading securities are recognised on deal date.

**(k) Properties development**

Properties under development are stated at specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less any provisions considered necessary by the directors.

Properties held for resale are stated at the lower of cost and the estimated net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(l) Operating leases**

Rentals payable under operating leases are accounted for in the profit and loss account on a straight-line basis over the periods of the respective leases.

**(m) Borrowing costs**

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred.

**(n) Related parties**

For the purpose of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

**(o) Cash equivalents**

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

**2. TURNOVER**

The principal activities of the Company are investment holding, property investment and securities trading. The principal activities of the subsidiaries are set out in note 13 to the accounts.

Turnover represents securities trading, rental income, property management income and interest income. The amount of each significant category of revenue recognized in turnover during the year is as follows:

	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Securities trading	<b>81,082</b>	—
Rental income	<b>12,029</b>	11,521
Property management income	<b>5,100</b>	900
Interest income	<b>3,064</b>	2,795
	<b>101,275</b>	15,216

# Notes to the Accounts (cont'd)

*(Expressed in Hong Kong dollars)*

## 3. SEGMENTAL INFORMATION

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year is as follows:

	Group turnover		Contributions to operating profit	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
<b>Principal activities</b>				
Securities trading	81,082	—	23,232	—
Rental income	12,029	11,521	11,076	9,818
Property management income	5,100	900	7,207	270
Interest income	3,064	2,795	3,064	2,794
	<b>101,275</b>	15,216	<b>44,579</b>	12,882
Administrative and other expenses			<b>(13,806)</b>	(2,761)
			<b>30,773</b>	10,121
<b>Geographical locations of operations</b>				
			Group turnover	
			2000	1999
			\$'000	\$'000
Hong Kong, the People's Republic of China ("PRC")			92,154	12,566
Rest of the PRC			9,121	2,650
			<b>101,275</b>	15,216



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## Notes to the Accounts (cont'd)

(Expressed in Hong Kong dollars)

### 4. OTHER INCOME, NET

	2000 \$'000	1999 \$'000
Net unrealised gains on trading securities carried at fair value	4,929	—
Income from warranty (Note)	5,500	—
(Deficit)/surplus on revaluation of investment properties (note 12(d))	(695)	3,443
Loss on disposal of investment properties and other fixed assets	(37)	(808)
	<b>9,697</b>	<b>2,635</b>

Note: The amount represents a claim against an independent third party under a warranty in respect of the acquisition of a subsidiary in the previous year.

### 5. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2000 \$'000	1999 \$'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within 5 years	4,344	2,668
Finance charges on obligations under finance lease	22	—
Other borrowing costs	218	268
	<b>4,584</b>	<b>2,936</b>
(b) Other items:		
Staff costs (including retirement costs of \$88,000 (1999: \$Nil))	3,842	1,992
Auditors' remuneration		
— current year	307	205
— prior year	106	—
Depreciation	373	313
Operating lease charges on land and buildings	1,008	790
Rental income from investment properties (net of outgoings)	(11,076)	(10,823)
Number of employees as at 31 December	<b>49</b>	<b>15</b>

# Notes to the Accounts (cont'd)

*(Expressed in Hong Kong dollars)*

## 6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

### (a) Executive directors

	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Fees	—	—
Salaries and other emoluments	<b>1,620</b>	1,295
	<b>1,620</b>	1,295

### (b) Non-executive directors

	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Fees	—	—
Salaries and other emoluments	<b>173</b>	80
	<b>173</b>	80

All non-executive directors are independent directors.

The remuneration of all directors is within the following band:

	<b>2000</b>	1999
	<b>Number of</b>	Number of
	<b>directors</b>	Directors
\$Nil – \$1,000,000	<b>6</b>	10



### 7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (1999: five) are directors whose emoluments are disclosed in note 6 above. The aggregate of the emoluments in respect of the other two (1999: Nil) individuals are as follows:

	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Salaries and other emoluments	<b>475</b>	—

Their remuneration fell within the \$Nil – \$1,000,000 band.

### 8. TAXATION

#### (a) Taxation in the consolidated profit and loss account represents:

	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Provision for Hong Kong profits tax for the year	<b>2,561</b>	634
Overprovision in respect of prior years	—	(82)
Taxation outside Hong Kong	<b>266</b>	552
	<b>2,827</b>	757

The provision for Hong Kong profits tax is calculated based on the estimated assessable profits for the year ended 31 December 2000 at 16% (1999: 16%). The taxation outside Hong Kong is calculated based on the applicable rate of taxation prevailing in the countries in which the Group operates based on prevailing laws, practices and interpretations thereof.

**8. TAXATION** (continued)

**(b) Taxation in the balance sheets represents:**

	<b>The Group</b>		<b>The Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Provision for Hong Kong profits tax for the year	<b>2,561</b>	634	—	—
Provisional profits tax refunded/(paid)	<b>181</b>	(45)	<b>181</b>	(45)
	<b>2,742</b>	589	<b>181</b>	(45)
Provision for taxation outside Hong Kong	<b>266</b>	611	—	—
Balance of tax provision relating to prior years	<b>1,064</b>	(136)	<b>(181)</b>	(136)
Tax payable/(recoverable)	<b>4,072</b>	1,064	—	(181)

**(c) Deferred taxation**

The potential deferred tax asset which has not been recognised in the accounts is as follows:

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Taxation losses arising from revaluation deficit of investment properties	<b>343</b>	460

**9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

The profit attributable to shareholders includes a loss of \$14,897,000 (1999: \$30,068,000) which has been dealt with in the accounts of the Company.

### 10. DIVIDEND

	The Company	
	2000 \$'000	1999 \$'000
Proposed final dividend of nil cents per share (1999: 0.35 cents)	—	6,018

### 11. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders for the year of \$23,943,000 (1999: \$6,415,000) and the weighted average of 1,741,801,838 (1999: 1,438,949,290) ordinary shares in issue during the year. There was no potential dilution of earnings per share during 2000 and 1999.

### 12. FIXED ASSETS

#### (a) The Group

	Investment properties \$'000	Buildings \$'000	Properties under development \$'000	Other fixed assets \$'000	Total \$'000
<b>Cost or valuation:</b>					
At 1 January 2000	177,471	—	—	973	178,444
Additions	—	2,597	1,743	2,692	7,032
Disposals	(690)	—	—	(21)	(711)
Deficit on revaluation	(695)	—	—	—	(695)
<b>At 31 December 2000</b>	<b>176,086</b>	<b>2,597</b>	<b>1,743</b>	<b>3,644</b>	<b>184,070</b>
<b>Representing:</b>					
Cost	—	2,597	1,743	3,644	7,984
Valuation — 2000	176,086	—	—	—	176,086
	176,086	2,597	1,743	3,644	184,070
<b>Aggregate depreciation:</b>					
At 1 January 2000	—	—	—	373	373
Charge for the year	—	7	—	366	373
Written back on disposal	—	—	—	(4)	(4)
<b>At 31 December 2000</b>	<b>—</b>	<b>7</b>	<b>—</b>	<b>735</b>	<b>742</b>
<b>Net book value:</b>					
<b>At 31 December 2000</b>	<b>176,086</b>	<b>2,590</b>	<b>1,743</b>	<b>2,909</b>	<b>183,328</b>
At 31 December 1999	177,471	—	—	600	178,071



# Notes to the Accounts (cont'd)

*(Expressed in Hong Kong dollars)*

## 12. FIXED ASSETS *(continued)*

### (b) The Company

	Investment properties \$'000	Other fixed assets \$'000	Total \$'000
<b>Cost or valuation:</b>			
At 1 January 2000	38,000	973	38,973
Additions	—	1,250	1,250
Disposal	—	(21)	(21)
Deficit on revaluation (note 23(b))	(3,000)	—	(3,000)
<b>At 31 December 2000</b>	<b>35,000</b>	<b>2,202</b>	<b>37,202</b>
<b>Representing:</b>			
Cost	—	2,202	2,202
Valuation — 2000	35,000	—	35,000
	35,000	2,202	37,202
<b>Aggregate depreciation:</b>			
At 1 January 2000	—	373	373
Charge for the year	—	366	366
Written back on disposal	—	(4)	(4)
<b>At 31 December 2000</b>	<b>—</b>	<b>735</b>	<b>735</b>
<b>Net book value:</b>			
<b>At 31 December 2000</b>	<b>35,000</b>	<b>1,467</b>	<b>36,467</b>
At 31 December 1999	38,000	600	38,600

### 12 FIXED ASSETS (continued)

(c) An analysis of net book value of properties is as follows:

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
<b>In Hong Kong</b>				
Under medium-term leases	<b>142,030</b>	143,570	<b>35,000</b>	38,000
<b>Outside Hong Kong</b>				
Under long leases	<b>38,389</b>	33,901	—	—
	<b>180,419</b>	177,471	<b>35,000</b>	38,000

(d) Movements on investment property revaluation deficit/(surplus) comprise:

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Accumulated deficit/(surplus) at 1 January	<b>34,712</b>	38,155	<b>(3,456)</b>	—
Deficit/(surplus) on revaluation for the year	<b>695</b>	(3,443)	<b>3,000</b>	(3,456)
Reversal of deficit on revaluation upon disposal	<b>(2,961)</b>	—	—	—
Accumulated deficit/(surplus) at 31 December	<b>32,446</b>	34,712	<b>(456)</b>	(3,456)

(e) The investment properties were revalued at 31 December 2000 by an independent firm of surveyors, Chung, Chan & Associates who have amongst their staff fellows of the Royal Institution of Chartered Surveyors, on an open market value basis calculated on net rental income allowing for reversionary potential.

(f) Other fixed assets represent leasehold improvements, furniture and fixtures and motor vehicles.

(g) The net book value of other fixed assets held under finance lease of the Group was \$1,442,000 as at 31 December 2000 (1999: \$Nil).

# Notes to the Accounts (cont'd)

*(Expressed in Hong Kong dollars)*

## 13. INVESTMENTS IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Unlisted shares, at cost	<b>265,621</b>	265,544
Less: Provisions	<b>(93,939)</b>	(75,755)
	<b>171,682</b>	189,789

Details of the principal subsidiaries are as follows:

<b>Name</b>	<b>Place of incorporation/ establishment and operation</b>	<b>Nominal value of issued ordinary shares</b>	<b>Percentage of equity attributable to the Company</b>		<b>Principal activities</b>
			<b>Direct</b>	<b>Indirect</b>	
Sun Man Tai International (B.V.I.) Limited	British Virgin Islands ("BVI")	\$274,051	100%	—	Investment holding
Marwell Estates Limited	BVI	US\$1	100%	—	Securities trading
Sun Man Tai Technology Limited (formerly known as Maincon H.K. Limited)	Hong Kong	\$2 *Non-voting deferred \$2,000,100	—	100%	Dormant
Sun Man Tai International Architectural Decoration Design Co., Limited	Hong Kong	\$40	—	100%	Dormant
Express Century Limited	Hong Kong	\$2	—	100%	Property investment
Master Venture Limited	Hong Kong	\$2	—	100%	Property investment
Talent Ocean Limited	Hong Kong	\$2	—	100%	Property investment
Great Luck Property Limited	Hong Kong	\$2	—	100%	Investment holding, property investment and securities trading



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## Notes to the Accounts (cont'd)

(Expressed in Hong Kong dollars)

### 13. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment and operation	Nominal value of issued ordinary shares	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sun Man Tai Investment Holding (S) Co Pte Ltd	Republic of Singapore	S\$5,000,000	—	100%	Dormant
Sun Man Tai Property Management Pte Ltd	Republic of Singapore	S\$2	—	100%	Dormant
BOCMT Real Estate Holdings Limited	Hong Kong	\$1,000,000	95%	—	Property management and investment holding
Sherwell Property Corp.	BVI	US\$200	—	95%	Investment holding
BOC Mantai Property Management (Shanghai) Corp. Ltd <sup>#</sup>	PRC	US\$500,000	—	95%	Property management
Coastal Broadband Network Development Limited	BVI	US\$10,000	100%	—	Dormant
Xian BOCMT Estate Company Ltd <sup>#</sup>	PRC	\$20,000,000	—	52.3%	Property development

\* These non-voting deferred shares are entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year of which the audited net profit of this company available for dividends exceeds \$1,000,000,000.

<sup>#</sup> The companies are sino-foreign investment enterprises established in the PRC and the English names are translated from their corresponding Chinese registered names.

**14. INVESTMENTS**

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Trading securities listed in Hong Kong (at market value)	<b>13,209</b>	—

**15. PROPERTIES HELD FOR RESALE**

	<b>The Group and the Company</b>	
	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Properties held for resale, at cost	<b>24,000</b>	—

China Wan Tai Group Limited, the ultimate holding company, has issued a guarantee to indemnify the Group from any loss in respect of the purchase of the properties (note 25(e)).

On 5 December 2000, the Company entered into a sales and purchase agreement (the "Agreement") with independent third parties to dispose of its properties in Shanghai, the PRC, for a consideration of \$27,500,000. The completion of the Agreement is subject to a valuation being performed and certain conditions as set out in the Agreement. The profit arising on sale of the properties has not been recognised in the profit and loss account for the year as the terms and conditions of the sale have not been fulfilled as at 31 December 2000.

**16. ACCOUNTS RECEIVABLE**

Included in account receivables, debts are normally due within 30 days from the date of billing. The ageing analysis is included as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Current	<b>1,128</b>	4,736	—	1,350

**17. LOANS RECEIVABLE**

The amounts are unsecured, interest-bearing at rates ranging from 5% to 15% per annum and repayable within one year. The loans receivable are guaranteed by China Wan Tai Group Limited (note 25 (e)).

## 18. OTHER RECEIVABLES AND PREPAYMENTS

Included in the other receivables and prepayments was a deposit for investment of \$21,840,000 (1999: \$Nil) in a proposed joint venture. The principal activities of the joint venture is the provision of satellite data transmission services. The proposed investment is subject to certain terms and conditions which are yet to be consummated. If the conditions are not fulfilled on or before 6 May 2001, the investment deposit will be refunded in full to the Company. The repayment of the deposit is guaranteed by China Wan Tai Group Limited (note 25 (e)).

## 19. BANK LOANS AND OVERDRAFTS

The bank loans and overdrafts are repayable as follows:

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Within 1 year or on demand	<b>22,813</b>	3,737	<b>687</b>	502
After 1 year but within 2 years	<b>3,008</b>	4,129	<b>741</b>	547
After 2 years but within 5 years	<b>10,530</b>	15,197	<b>2,534</b>	1,972
After 5 years	<b>32,267</b>	20,787	<b>14,914</b>	16,336
	<b>45,805</b>	40,113	<b>18,189</b>	18,855
	<b>68,618</b>	43,850	<b>18,876</b>	19,357

The bank loans and overdrafts are secured on certain investment properties of the Group with an aggregate carrying value totalling \$137,200,000 as at 31 December 2000 (1999: \$137,700,000), together with the right to receive rentals thereon. The bank overdraft facilities of \$20,000,000 were fully utilised as at 31 December 2000 (1999: \$Nil).

The repayment of a bank loan of \$18,876,000 (1999: \$19,357,000) is guaranteed by Mr Qian Yong Wai, a director of the Company.



# Notes to the Accounts (cont'd)

*(Expressed in Hong Kong dollars)*

## 20. OBLIGATIONS UNDER FINANCE LEASE

At 31 December 2000, the Group had obligations under finance leases repayable as follows:

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>\$'000</b>	<b>\$'000</b>
Within 1 year	<b>731</b>	—
After 1 year but within 2 years	<b>487</b>	—
	<b>1,218</b>	—
Finance charges relating to future periods	<b>(110)</b>	—
	<b>1,108</b>	—
Amount due within 1 year	<b>(665)</b>	—
	<b>443</b>	—

## 21. ACCOUNTS PAYABLE

Included in account payable, debts are normally payable within one month or on demand. The ageing analysis is set out as follows:

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>\$'000</b>	<b>\$'000</b>
Due within 1 month or on demand	<b>350</b>	1,586

### 22. SHARE CAPITAL

	2000		1999	
	No. of shares '000	Amount \$'000	No. of shares '000	Amount \$'000
<b>Authorised:</b>				
Ordinary shares at \$0.01 each (1999: \$0.05 each)	<b>5,000,000</b>	<b>50,000</b>	1,000,000	50,000
<b>Issued and fully paid:</b>				
At 1 January	<b>314,409</b>	<b>15,720</b>	286,569	14,328
Shares split (note (c))	<b>1,257,637</b>	—	—	—
Issue of new shares	<b>397,371</b>	<b>3,974</b>	27,840	1,392
At 31 December	<b>1,969,417</b>	<b>19,694</b>	314,409	15,720

Notes:

- On 20 August 1999, BOCMT Real Estate Holdings Limited, a 95% owned subsidiary of the Company, entered into a sale and purchase agreement with independent third parties in connection with the acquisition of the entire issued share capital of Sherwell Property Corp., a company incorporated under the laws of the British Virgin Islands, for a consideration of \$60,000,000. The consideration was satisfied by the payment of \$35,000,000 in cash and issuance of a convertible note in the principal sum of \$25,000,000.
- The convertible note referred to in the above note (a) carried interest at the Hong Kong prime rate and was repayable on or before 3 October 2001 unless the conversion right was exercised prior to that date. On 15 December 1999, the note was converted to 27,839,643 ordinary shares at \$0.898 per share. These shares rank pari passu in all material respects with the existing issued shares of the Company. Upon conversion of the note to ordinary shares, \$1,392,000 was credited to share capital and the remaining balance of \$23,608,000 (note 23(b)) was credited to the share premium account.
- By an ordinary resolution passed on 1 March 2000, the ordinary shares of \$0.05 each of the Company were split into five ordinary shares of \$0.01 each ("new ordinary shares") with effect from 2 March 2000.
- On 24 March 2000, 27 March 2000 and 10 April 2000, the Company placed 15,000,000, 25,000,000 and 107,371,275 new ordinary shares respectively at \$0.28 per share to three independent subscribers. The new shares rank pari passu in all material aspects with the existing issued shares of the Company.
- On 28 September 2000, 13 October 2000 and 16 October 2000, the Company placed 160,000,000, 50,000,000 and 40,000,000 new ordinary shares respectively at \$0.30 per share to seven independent subscribers. The new shares rank pari passu in all material aspects with the existing issued shares of the Company.

# Notes to the Accounts (cont'd)

*(Expressed in Hong Kong dollars)*

## 23. RESERVES

### (a) The Group

	Share premium \$'000	Contributed surplus \$'000	Capital reserve \$'000	Exchange reserve \$'000	Retained earnings/ (accumulated losses) \$'000	Total \$'000
At 1 January 1999	57,840	158,079	—	(3,792)	(32,822)	179,305
Exchange differences	—	—	—	(23)	—	(23)
Issue of new shares (note 22 (b))	23,608	—	—	—	—	23,608
Goodwill arising on acquisition of subsidiaries	—	—	(60,892)	—	—	(60,892)
Transfer	—	(126,729)	—	—	126,729	—
Retained profit for the year	—	—	—	—	397	397
<b>At 31 December 1999</b>	<b>81,448</b>	<b>31,350</b>	<b>(60,892)</b>	<b>(3,815)</b>	<b>94,304</b>	<b>142,395</b>
At 1 January 2000	81,448	31,350	(60,892)	(3,815)	94,304	142,395
Exchange differences	—	—	—	(179)	—	(179)
Issue of new shares (notes 22(d) and (e))	112,291	—	—	—	—	112,291
Retained profit for the year	—	—	—	—	23,943	23,943
<b>At 31 December 2000</b>	<b>193,739</b>	<b>31,350</b>	<b>(60,892)</b>	<b>(3,994)</b>	<b>118,247</b>	<b>278,450</b>



# SMT

## Notes to the Accounts (cont'd)

(Expressed in Hong Kong dollars)

### 23. RESERVES (continued)

#### (b) The Company

	Share premium \$'000	Contributed surplus \$'000	Revaluation reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 1999	57,840	242,344	—	(96,661)	203,523
Issue of new shares (note 22 (b))	23,608	—	—	—	23,608
Revaluation surplus (note 12 (d))	—	—	3,456	—	3,456
Transfer	—	(126,729)	—	126,729	—
Loss for the year	—	—	—	(30,068)	(30,068)
<b>At 31 December 1999</b>	<b>81,448</b>	<b>115,615</b>	<b>3,456</b>	<b>—</b>	<b>200,519</b>
At 1 January 2000	81,448	115,615	3,456	—	200,519
Issue of new shares (notes 22(d) and (e))	112,291	—	—	—	112,291
Revaluation deficit (note 12(d))	—	—	(3,000)	—	(3,000)
Loss for the year	—	—	—	(14,897)	(14,897)
<b>At 31 December 2000</b>	<b>193,739</b>	<b>115,615</b>	<b>456</b>	<b>(14,897)</b>	<b>294,913</b>

The contributed surplus represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation in 1995.

According to the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of contributed surplus.

## 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of profit from operations to net cash outflow from operating activities

	2000 \$'000	1999 \$'000
Profit from operations	<b>30,773</b>	10,121
Interest income	<b>(3,064)</b>	(2,795)
Deficit/(surplus) on revaluation of investment properties	<b>695</b>	(3,443)
Depreciation	<b>373</b>	313
Loss on disposal of investment properties and other fixed assets	<b>37</b>	808
Unrealised gain on investment in securities	<b>(4,929)</b>	—
Increase in investments	<b>(8,280)</b>	—
Increase in properties held for resale	<b>(24,000)</b>	—
Increase in accounts receivable, other receivables and prepayments	<b>(63,302)</b>	(17,278)
Increase in amounts due from ultimate holding company and fellow subsidiary	<b>(1,635)</b>	(3,209)
(Decrease)/increase in accounts payable, other payables and accruals	<b>(1,263)</b>	3,813
Increase in amount due to related party	<b>1,800</b>	—
Exchange differences	<b>(179)</b>	(23)
<b>Net cash outflow from operating activities</b>	<b>(72,974)</b>	(11,693)

**24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** (continued)

**(b) Analysis of changes in financing during the year**

	Minority interest \$'000	Share capital \$'000	Share premium \$'000	Bank loans \$'000	Finance lease obligations \$'000
At 1 January 1999	—	14,328	57,840	19,810	—
Share of profits	13	—	—	—	—
Cash flows from financing	50	1,392	23,608	24,040	—
<b>At 31 December 1999</b>	<b>63</b>	<b>15,720</b>	<b>81,448</b>	<b>43,850</b>	<b>—</b>
At 1 January 2000	63	15,720	81,448	43,850	—
Share of loss	(581)	—	—	—	—
Cash flows from financing	9,000	3,974	112,291	4,768	(222)
Inception of finance lease contract	—	—	—	—	1,330
Share of exchange reserve	(164)	—	—	—	—
<b>At 31 December 2000</b>	<b>8,318</b>	<b>19,694</b>	<b>193,739</b>	<b>48,618</b>	<b>1,108</b>

**25. RELATED PARTY TRANSACTIONS**

- (a) In December 1999, a subsidiary of the Company entered into a property management contract with Shanghai Taigu Apartment Service & Management Co., Ltd ("Taigu"), a fellow subsidiary of the Company, for a term of two years commencing 1 January 2000. Pursuant to the contract, the Group appointed Taigu as its agent in Shanghai, the PRC, for the leasing of the Group's investment properties in Shanghai. In this connection, a service fee of RMB8,000 (equivalent to \$7,500) per month is payable to Taigu. During the year, Taigu received rental income and net deposits of \$4,021,000 (1999: \$1,750,000) and \$7,000 (1999: \$724,000) respectively on behalf of the Group. In return, the Group paid service fees totalling \$90,000 to Taigu (1999: \$Nil).

The amount due from Taigu as at 31 December 2000 was \$4,844,000 (1999: \$2,333,000) and is included in the amounts due from ultimate holding company and fellow subsidiary.

- (b) During the year, the Company paid management fee of \$900,000 (1999: \$Nil) to the ultimate holding company for the provision of certain management services. No balance with the ultimate holding company was outstanding at the year end.



## 25. RELATED PARTY TRANSACTIONS *(continued)*

- (c) During the year, a director deposited \$1,800,000 with the Company and was included in amount due to related party as at 31 December 2000. The amount was unsecured, interest-free and repayable on demand.
- (d) Mr Qian Yong Wei, a director of the Company, guaranteed a bank loan of \$18,876,000 (1999: \$19,357,000) granted to the Company.
- (e) On 31 December 2000, China Wan Tai Group Limited, the ultimate holding company, provided an irrevocable guarantee to the Group in respect of properties held for resale, loans receivable and certain other receivables totalling \$83,840,000, whereby China Wan Tai Group Limited agrees to reimburse any loss suffered by the Company, in the event that the Company is unable to recover the amount from the various parties on or before the agreed dates.

## 26. CAPITAL AND OTHER COMMITMENTS

Capital commitments outstanding at 31 December 2000 not provided for in the accounts were as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Contracted for	<b>426</b>	797	—	797
Authorised but not contracted for	<b>26,178</b>	—	—	—
	<b>26,604</b>	797	—	797

At 31 December 2000, the Group and the Company had commitments under operating leases of land and buildings to make payments in the next year as follows:

	<b>The Group and the Company</b>	
	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Leases expiring:		
Within 1 year	—	862
After 1 year but within 5 years	<b>1,402</b>	—
	<b>1,402</b>	862

### 27. POST BALANCE SHEET EVENTS

- (a) On 5 January 2001, the Company announced the placing of 93,880,000 new ordinary shares of the Company at \$0.74 per share to six independent parties. The placing of a total of 53,880,000 shares was completed on 20 February 2001. The new shares rank pari passu in all material aspects with the existing shares of the Company. The placing of the remaining 40,000,000 shares was terminated on 4 April 2001.
- (b) On 20 February 2001, Coastal Broadband Network Development Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with China Wan Tai Group Limited and Shanghai Wan Tai Property Company Limited (上海萬泰房地產發展有限公司), to acquire a 98% interest of Taigu for a consideration of \$156,028,531. The consideration was satisfied by the payment of \$55,737,105 in cash, assumption of debt of \$76,190,476 from, and issuance of 33,945,000 ordinary shares at \$0.71 per share each at a valuation of \$24,100,950 to China Wan Tai Group Limited.

### 28. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 31 December 2000 to be China Wan Tai Group Limited, which is incorporated in Hong Kong.