

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 31st December, 2000

21. Reserves (Cont'd)

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries which were acquired by the Company at the date of a group reorganisation in 1996 (the "Group Reorganisation") and the nominal amount of the shares issued by the Company which were issued under the Group Reorganisation.

The merger reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the Group Reorganisation.

In addition to the retained profits of the Company, the share premium and the contributed surplus accounts of the Company are also available for distribution to shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

22. Reconciliation Of Profit Before Taxation To Net Cash Inflow From Operating Activities

	2000 HK\$'000	1999 HK\$'000
Profit before taxation	28,549	36,901
Loss on disposal of a subsidiary	1,534	—
Interest expense	12,465	9,517
Finance charge on obligations under finance leases and hire purchase contracts	1,406	2,172
Interest income	(3,505)	(1,186)
Dividend income	(15)	(30)
Impairment loss on property, plant and equipment	12,478	—
Impairment loss on other securities	780	—
Depreciation and amortisation	36,308	26,489
Gain on disposal of investments in securities	(148)	(467)
Loss on disposal of property, plant and equipment	470	—
Increase in inventories	(15,953)	(11,304)
Increase in trade receivables	(67,145)	(7,054)
Decrease in deposits, prepayments and other receivables	4,247	11,126
Decrease in bills receivable	523	1,185
Increase in trade payables	6,159	31,414
(Decrease) increase in accrued charges and other payables	(2)	1,133
Net cash inflow from operating activities	18,151	99,896

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 31st December, 2000

23. Disposal of a Subsidiary

	2000	1999
	HK\$'000	HK\$'000
Net assets disposed of:		
Property, plant and equipment	9	—
Trade receivables	2,515	—
Bank balances and cash	171	—
Trade payables	(1,537)	—
Accrued charges and other payables	(1,087)	—
	71	—
Goodwill	2,963	—
Loss on disposal of a subsidiary	(1,534)	—
	1,500	—

Satisfied by:

Cash consideration received	1,500	—
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Analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary:

	2000	1999
	HK\$'000	HK\$'000
Cash consideration received	1,500	—
Bank balances and cash disposed of	(171)	—
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	1,329	—

The subsidiary disposed of during the year did not contribute significantly to the Group's cash flows or operating results.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 31st December, 2000

24. Purchase of Subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net assets acquired:		
Trade receivables	—	763
Deposits, prepayments and other receivables	—	278
Bank balances and cash	—	293
Trade payables	—	(568)
Accrued charges and other payables	—	(5,061)
Amount due to former shareholder	—	(16,465)
	—	(20,760)
Goodwill	—	4,295
	—	(16,465)
Satisfied by:		
Assignment of amount due to former shareholder	—	(16,465)

The subsidiaries acquired in 1999 did not contribute significantly to the Group's cash flows or operating results.

Analysis of the inflow of cash and cash equivalents in respect of the purchase of subsidiaries:

	2000 HK\$'000	1999 HK\$'000
Bank balances and cash acquired and inflow of cash and cash equivalents in respect of the purchase of subsidiaries	—	293

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 31st December, 2000

25. Analysis of Changes in Financing during the Year

	Share capital and premium HK\$'000	Bank loans HK\$'000	Import loans HK\$'000	Other loans HK\$'000	Obligations under finance leases and hire purchase contracts HK\$'000
At 1st January, 1999	100,101	42,976	—	13,032	33,688
Inception of finance leases and hire purchase contracts (note 26)	—	—	—	—	10,000
New loans raised	—	17,511	—	—	—
Repayments during the year	—	(21,935)	—	(5,345)	(23,719)
At 31st December, 1999	100,101	38,552	—	7,687	19,969
Inception of finance leases and hire purchase contracts (note 26)	—	—	—	—	6,869
New loans raised	—	32,668	71,677	—	—
Proceeds from issue of shares	69,285	—	—	—	—
Expenses incurred in connection with the issue of shares	(1,679)	—	—	—	—
Repayments during the year	—	(26,389)	(40,385)	(6,121)	(11,208)
At 31st December, 2000	167,707	44,831	31,292	1,566	15,630

26. Major Non-Cash Transactions

During the year, the Group entered into finance leases and hire purchase contracts in respect of new assets acquired with a total capital value at the inception of the leases and contracts of approximately HK\$6,869,000 (1999: HK\$10,000,000).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 31st December, 2000

27. Capital Commitments

The Group and the Company had no significant capital commitments at 31st December, 2000.

At 31st December, 1999, the Group had commitments of approximately HK\$4,626,000 for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment, and the Company had no significant capital commitments.

28. Operating Lease Commitments

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises. The portion of these commitments which are payable in the following year is as follows:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Operating leases expiring:		
Within one year	461	3,631
In the second to fifth year inclusive	3,612	431
	4,073	4,062

The Company had no commitments under non-cancellable operating leases at the balance sheet date.