

Notes to the Financial Statements

For the year ended 31 December 2000

1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group are the manufacturing and marketing of electric fans and other electrical household appliances, investment holding, property investment and trading of and investments in securities.

2. Significant accounting policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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 income statement 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 have been eliminated on consolidation.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of its issued share capital, controls more than half of the voting power or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in value of the subsidiary that is other than temporary.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provided evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in associates are stated at cost, as reduced by any decline in the value of the associates that is other than temporary.

2. Significant accounting policies (continued)

Revenue recognition

(i) *Development properties*

Income from properties developed for sale, where there are no pre-sales prior to completion of development, is recognised on the execution of a binding sale agreement.

Income from properties pre-sold prior to completion of development is recognised over the period from the execution of a binding sale agreement to the completion of development on the basis of development costs to date as a proportion of estimated total development costs.

(ii) *Others*

Sales of goods are recognised when goods are delivered and title has been passed.

Sales of securities are recognised when the sale transactions are completed and ownership of the securities is transferred.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental from investment properties is recognised on a straight line basis over the periods of the respective tenancies.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuation at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

2. Significant accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment other than properties under development are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost of property, plant and equipment other than properties under development over their estimated useful lives on a straight-line basis at the following rates per annum and after taking into account their estimated residual value, if applicable:

Category of assets	Annual rates
Toll road	Over the remaining operation period
Land and buildings in Hong Kong under long leases	2%
Land and buildings in other regions of the PRC	
Land use rights	Remaining terms of the land use rights
Buildings	The shorter of the estimated useful lives or remaining terms of the land use rights
Land and buildings in the United States of America ("USA") and Canada	
Freehold land	Nil
Buildings	3.33%
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles	20% to 33.33%
Berthing space	Remaining term of the berthing lease

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

2. Significant accounting policies (continued)

Investments in securities (continued)

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities not held for trading purposes, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in income statement.

Properties under development

Properties under development for future investment or for own use purposes are classified under property, plant and equipment and are stated at cost less provision for impairment in value where appropriate. Properties under development for sale are classified under current assets and are stated at the lower of cost and net realisable value. Cost comprises land cost and development expenditure.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is written off to retained profits immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On the disposal of investment in a subsidiary or an associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Taxi licences

Costs incurred in the acquisition of permanent taxi operation licences are capitalised and stated at cost.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as an obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the terms of the respective leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement over the respective terms of leases.

2. Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and the estimated costs necessary to make the sale.

Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries and associates which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed by using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Cash and cash equivalents

Cash and cash equivalents represent short-term and highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Notes to the Financial Statements

For the year ended 31 December 2000

3. Segmental information

The Group's turnover and contribution to (loss) profit from operations, analysed by principal activities are as follows:

	2000		1999	
	Turnover	Contribution to (loss) profit from operations	Turnover	Contribution to (loss) profit from operations
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Manufacturing and marketing of electric fans and other electrical household appliances	733,617	(27,844)	812,887	(65,508)
Manufacturing and marketing of steel pipes and cables	26,554	(4,947)	–	(751)
Steel processing and trading	147,800	(4,543)	154,861	(4,515)
Property rental income	19,469	15,483	21,438	12,678
Property investment income	123,180	(4,631)	72,502	(23,689)
Trading of securities	1,598,250	(71,333)	232,342	109,846
Other businesses	19,386	(257)	1,406	3,295
	<u>2,668,256</u>	<u>(98,072)</u>	<u>1,295,436</u>	<u>31,356</u>
Interest income		19,527		12,440
		<u>(78,545)</u>		<u>43,796</u>

A geographical analysis of the Group's turnover and contribution to (loss) profit from operations, by location of market, is as follows:

	2000		1999	
	Turnover	Contribution to (loss) profit from operations	Turnover	Contribution to (loss) profit from operations
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,267,465	4,973	180,840	6,553
North America	828,893	167	631,496	(25,051)
Europe	133,300	(27,437)	168,436	(43,995)
Asia, other than Hong Kong	393,391	(77,133)	262,191	97,181
Others	45,207	1,358	52,473	(3,332)
	<u>2,668,256</u>	<u>(98,072)</u>	<u>1,295,436</u>	<u>31,356</u>
Interest income		19,527		12,440
		<u>(78,545)</u>		<u>43,796</u>

Notes to the Financial Statements

For the year ended 31 December 2000

4. Turnover

Turnover represents the amounts received and receivable for goods sold to outside customers, property rental income, proceeds on property sale and trading of securities and other investment income during the year, and is analysed as follows:

	2000 HK\$'000	1999 HK\$'000
Sale of goods	907,971	969,154
Proceeds from trading of securities	1,598,250	232,342
Sale of properties	123,180	72,502
Property rental income	19,469	21,438
Toll fee income	19,386	–
	<u>2,668,256</u>	<u>1,295,436</u>

5. Other revenue

Included in other revenue are:

	2000 HK\$'000	1999 HK\$'000
Interest earned from		
Bank deposits	9,389	6,507
Related company	95	2,602
Associates	–	2,698
Deposit on investment in and advances to an investee company	4,835	–
Others	5,208	633
	<u>19,527</u>	<u>12,440</u>
Dividends received from trading securities held	6,989	–
Unrealised gains on trading securities		
– listed	–	86,840
– unlisted	–	5,837
	<u>–</u>	<u>92,677</u>

6. Other operating expenses

Included in other operating expenses are:

	2000 HK\$'000	1999 HK\$'000
Provision for doubtful debts	(10,009)	(31,839)
Overprovision for slow-moving and obsolete inventories	–	6,480
Provision for diminution in value of properties under development for sale	–	(7,800)
Reversal of the write-down of properties under development for sales	–	20,000
	<u>–</u>	<u>20,000</u>

Notes to the Financial Statements

For the year ended 31 December 2000

7. (Loss) profit from operations

	2000 HK\$'000	1999 HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Auditors' remuneration	2,764	2,133
Amortisation and write-off of development costs	–	1,443
Depreciation of property, plant and equipment		
– owned assets	30,761	26,889
– assets held under a finance lease	8	8
Charitable and other donations	21,018	872
Operating lease rental in respect of premises	3,653	3,668
Retirement benefits scheme contributions, net of forfeited contributions of HK\$26,000 (1999: HK\$211,000)	1,795	1,828
Investment properties written off	–	3,028
Loss on disposal of property, plant and equipments	6,387	–
Unrealised loss on trading securities		
– listed	67,340	–
– unlisted	12,871	–
and after crediting:		
Gain on disposal of property, plant and equipment	–	190
Net property rental income (after deduction of outgoings of HK\$3,714,000 (1999: HK\$2,699,000))	15,755	18,739

8. Directors' emoluments

	2000 HK\$'000	1999 HK\$'000
Directors' fees		
Executives	480	420
Non-executives	80	70
Independent non-executives	160	140
	720	630
Other emoluments		
Executives		
Salaries, allowances and other benefits	8,233	8,706
Retirement fund contributions	314	364
Total emoluments	9,267	9,700

Notes to the Financial Statements

For the year ended 31 December 2000

8. Directors' emoluments (continued)

Emoluments of the directors were within the following bands:

<i>Emolument bands</i>	2000 Number of Directors	1999 Number of Directors
Under HK\$1,000,000	6	5
HK\$1,000,001 – HK\$1,500,000	1	2
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	1	1
	<hr/> 1	<hr/> 1

In the current year, 3 (1999: 3) directors waived emoluments of HK\$140,000 (1999: HK\$38,000) in total.

9. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, 3 (1999: 4) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining 2 (1999: 1) were as follows:

	2000 HK\$'000	1999 HK\$'000
Salaries, allowances and other benefits	2,013	1,040
Retirement fund contributions	41	45
	<hr/> 2,054	<hr/> 1,085

Their emoluments were within the following bands:

	2000 Number of employees	1999 Number of employees
Under HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	1	1
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Notes to the Financial Statements

For the year ended 31 December 2000

10. Finance costs

	2000 HK\$'000	1999 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	8,895	7,775
Other borrowings from minority shareholders	26,589	7,289
Obligations under a finance lease	5	5
Others	844	152
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Total borrowing costs	36,333	15,221
Less: amounts capitalised	(16,490)	(6,083)
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	19,843	9,138
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Borrowing cost capitalised during the year arose on specific borrowing pool of HK\$285,571,000 (1999: HK\$303,465,000). The amount capitalised during both years equal to the actual interest incurred on specific borrowing pool.

11. Gains on disposal of investments in securities not held for trading

During 1999, the Group disposed of SMC Kaifa (Holdings) Limited and its subsidiaries, which were engaged in the manufacturing and marketing of fibre-optics products and in which the Group had a 56.6% equity interest for a cash consideration of US\$3,450,000 and 437,157 shares of E-TEK Dynamics Inc. ("E-TEK"), a company publicly listed in the USA.

During the year, the Group disposed of all the shares of E-TEK at a profit amounting to approximately HK\$429,204,000.

12. Retirement benefits scheme

Prior to 1 December 2000, the Group operated a defined contribution retirement benefit scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

With effective from 1 December 2000, the Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong and all the assets of the Defined Contribution Scheme has been transferred to the MPF Scheme. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the Scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the Scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

Notes to the Financial Statements

For the year ended 31 December 2000

12. Retirement benefits scheme (continued)

The retirement benefit scheme contributions arising from the Defined Contribution Scheme and the MPF Scheme are charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

During the year, the Group made retirement benefits scheme contributions of HK\$1,795,000 (1999: HK\$1,828,000) after forfeited contributions utilised in the Defined Contribution Scheme of HK\$26,000 (1999: HK\$211,000).

There was no material forfeited contribution as at the balance sheet date (1999: Nil).

13. Taxation

	2000 HK\$'000	1999 HK\$'000
The charge comprises:		
Profit for the year		
Hong Kong	5,285	2,077
Other regions of the PRC	1,949	1,588
Other jurisdictions	–	4
	<u>7,234</u>	<u>3,669</u>
Deferred taxation		
Current year (<i>note 35</i>)	(50)	–
Under (over) provision in prior years		
Hong Kong	67	(1,073)
	<u>7,251</u>	<u>2,596</u>
Taxation attributable to the Company and its subsidiaries	5,665	2,596
Share of taxation of associates	1,586	–
	<u>7,251</u>	<u>2,596</u>

Hong Kong Profits Tax is calculated at 16% (1999: 16%) of the estimated assessable profit for the year.

Taxation arising in other regions of the PRC is calculated at 33% (1999: 33%) of the estimated assessable profit.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of the potential deferred tax charge not provided for in the year are set out in note 35.

14. Net profit for the year

Of the Group's profit for the year of HK\$134,981,000 (1999: HK\$77,199,000), a profit of HK\$592,292,000 (1999: a loss of HK\$71,520,000) has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

For the year ended 31 December 2000

15. Dividends

	2000 HK\$'000	1999 HK\$'000
Ordinary shares:		
Interim, paid – 2 cents (1999: 1 cent) per share	10,352	5,288
Special interim, paid – 18 cents (1999: Nil) per share	93,169	–
Final, proposed – 3 cents (1999: 5 cents) per share	15,376	26,439
Overprovision in previous year due to shares repurchased	(173)	–
	<u>118,724</u>	<u>31,727</u>

The final dividend of 3 cents (1999: 5 cents) per share has been proposed by the directors and is subject to approval of the shareholders of the Company in the forthcoming annual general meeting.

16. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings for the purposes of basic and diluted earnings per share	<u>134,981</u>	<u>77,199</u>
	2000 '000	1999 '000
Weighted average number of ordinary shares for the purposes of basic earnings per shares	<u>522,973</u>	<u>528,780</u>
Effect of dilutive potential ordinary shares:		
Share options	<u>1,489</u>	
Weighted average number of ordinary shares for the purposes of diluted earnings per shares	<u>524,462</u>	

The exercise prices of the Company's outstanding share options in 1999 and those of the Company's warrants prior to their expiry on 31 May 1999 were higher than the average market share price per share for 1999. Accordingly, diluted earnings per share for 1999 were not calculated and shown.

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17. Investment properties

	The Group 2000 HK\$'000	The Company 2000 HK\$'000
At 1 January 2000	215,312	19,500
Additions	48,974	–
Reclassification to property, plant and equipment	(1,248)	–
Revaluation surplus	30,717	–
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At 31 December 2000	293,755	19,500

The Group's investment properties in Hong Kong were revalued as at 31 December 2000 by Messrs. Knight Frank & Kan, International Property Consultants, on an open market existing use basis. The investment properties in the USA were revalued as at 31 December 2000 on an income capitalisation approach with reference to comparable market conditions by Cushman & Wakefield of California, Inc., an independent firm of professional valuers. These valuations gave a rise to revaluation surplus totalling HK\$30,717,000 (1999: deficit of HK\$21,683,000) which has been credited to the investment property revaluation reserve.

All of the Group's investment properties are rented out under operating leases.

The carrying amount of investment properties comprising land and buildings in Hong Kong, the USA and the PRC is shown as follows:

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
In Hong Kong, held under medium term leases	115,300	117,500	19,500	19,500
In the USA, freehold	129,480	97,812	–	–
In the PRC	48,975	–	–	–
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	293,755	215,312	19,500	19,500

Notes to the Financial Statements

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18. Property, plant and equipment

	Toll road in other regions of the PRC			Furniture, fixtures and office equipment		Motor vehicles	Berthing space	Tools, moulds and equipment	Total
	Land and buildings	Construction Completed	in progress	Plant and machinery					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP									
AT COST									
At 1 January 2000	152,740	212,605	191,509	74,376	36,660	12,074	910	39,731	720,605
Translation adjustment	42	906	–	347	49	22	–	139	1,505
Additions	153,933	35,768	–	3,572	2,634	3,925	–	3,436	203,268
Purchase of subsidiaries	100,255	–	–	150,532	2,687	3,292	–	–	256,766
Disposals	–	–	–	(14,030)	(3,205)	(4,558)	–	(4,464)	(26,257)
Reclassification from investment properties	1,248	–	–	–	–	–	–	–	1,248
Other reclassification	317	191,192	(191,509)	–	–	–	–	–	–
At 31 December 2000	408,535	440,471	–	214,797	38,825	14,755	910	38,842	1,157,135
ACCUMULATED DEPRECIATION									
At 1 January 2000	12,939	594	–	26,754	16,270	7,727	289	38,125	102,698
Translation adjustment	7	2	–	93	5	12	–	133	252
Provided for the year	4,162	8,081	–	8,840	4,122	2,307	35	3,222	30,769
Purchase of subsidiaries	15,014	–	–	36,448	636	2,606	–	–	54,704
Eliminated on disposals	–	–	–	(7,087)	(1,973)	(3,944)	–	(4,464)	(17,468)
At 31 December 2000	32,122	8,677	–	65,048	19,060	8,708	324	37,016	170,955
NET BOOK VALUES									
At 31 December 2000	376,413	431,794	–	149,749	19,765	6,047	586	1,826	986,180
At 31 December 1999	139,801	212,011	191,509	47,622	20,390	4,347	621	1,606	617,907

Included in toll road is interest capitalised of approximately HK\$13,438,000 (1999: HK\$1,352,000).

The net book value of the Group's property, plant and equipment includes an amount of HK\$48,000 (1999: HK\$56,000) in respect of assets held under a finance lease.

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18. Property, plant and equipment (continued)

LAND AND BUILDINGS

	Land and buildings in Hong Kong under long leases HK\$'000	Land and buildings in other regions of the PRC under medium term leases HK\$'000	Land and buildings in other regions of the PRC under long leases HK\$'000	Properties under development (Note) HK\$'000	Freehold land and buildings in the USA and Canada HK\$'000	Total HK\$'000
THE GROUP						
AT COST						
At 1 January 2000	9,994	79,678	11,595	26,223	25,250	152,740
Translation adjustment	–	398	42	64	(462)	42
Additions	–	20,083	–	133,850	–	153,933
Purchase of subsidiaries	–	99,033	–	1,222	–	100,255
Reclassification from investment properties	–	–	–	1,248	–	1,248
Other reclassification	–	14,879	–	(14,562)	–	317
At 31 December 2000	9,994	214,071	11,637	148,045	24,788	408,535
ACCUMULATED DEPRECIATION						
At 1 January 2000	4,322	6,413	83	–	2,121	12,939
Translation adjustment	–	37	–	–	(30)	7
Provided for the year	200	3,302	32	–	628	4,162
Purchase of subsidiaries	–	15,014	–	–	–	15,014
At 31 December 2000	4,522	24,766	115	–	2,719	32,122
NET BOOK VALUES						
At 31 December 2000	5,472	189,305	11,522	148,045	22,069	376,413
At 31 December 1999	5,672	73,265	11,512	26,223	23,129	139,801

Notes to the Financial Statements

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18. Property, plant and equipment (continued)

Note: Properties under development

	2000 HK\$'000	1999 HK\$'000
Land and buildings in other regions of the PRC	126,514	14,816
Land and buildings in the USA	21,531	11,407
	<u>148,045</u>	<u>26,223</u>

	Land and buildings in other region of the PRC under long leases HK\$'000	Land and building in Hong Kong under long leases HK\$'000	Plant and machinery HK\$'000	Furniture, fittings and office equipment HK\$'000	Motor vehicles HK\$'000	Berthing space HK\$'000	Tools, moulds and equipment HK\$'000	Total HK\$'000
THE COMPANY								
AT COST								
At 1 January 2000	1,607	1,478	658	10,938	6,116	910	479	22,186
Additions	-	-	-	964	3,624	-	-	4,588
Disposals	-	-	-	-	(4,077)	-	-	(4,077)
At 31 December 2000	<u>1,607</u>	<u>1,478</u>	<u>658</u>	<u>11,902</u>	<u>5,663</u>	<u>910</u>	<u>479</u>	<u>22,697</u>
ACCUMULATED DEPRECIATION								
At 1 January 2000	83	118	652	4,670	4,052	289	478	10,342
Provided for the year	32	30	2	1,342	1,307	35	-	2,748
Eliminated on disposals	-	-	-	-	(3,610)	-	-	(3,610)
At 31 December 2000	<u>115</u>	<u>148</u>	<u>654</u>	<u>6,012</u>	<u>1,749</u>	<u>324</u>	<u>478</u>	<u>9,480</u>
NET BOOK VALUES								
At 31 December 2000	<u>1,492</u>	<u>1,330</u>	<u>4</u>	<u>5,890</u>	<u>3,914</u>	<u>586</u>	<u>1</u>	<u>13,217</u>
At 31 December 1999	<u>1,524</u>	<u>1,360</u>	<u>6</u>	<u>6,268</u>	<u>2,064</u>	<u>621</u>	<u>1</u>	<u>11,844</u>

Notes to the Financial Statements

For the year ended 31 December 2000

19. Intangible assets

The Group

This represents the cost of the Group's interest in permanent taxi operation licences in the PRC. In the opinion of the directors, the intangible assets are worth at least their cost.

20. Interests in subsidiaries

	The Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	96,202	96,202
Provision for impairment in value	(95,833)	(73,948)
	369	22,254
Loans to subsidiaries (<i>Note</i>)	93,741	93,741
	94,110	115,995

Note: The loans are unsecured and interest-free. Included in the above is a loan of approximately HK\$52,667,000 (1999: HK\$52,667,000) which is repayable after February 28, 2004. In the opinion of the directors, the remaining balances will not be repayable within next twelve months from the balance sheet date and are shown as non-current assets.

Details of the Company's principal subsidiaries as at 31 December 2000 are set out in note 48.

21. Interests in associates

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	–	–	241	241
Share of net assets	15,764	244,286	–	–
Loans to associates (<i>Note</i>)				
Interest-bearing	–	55,779	–	–
Non-interest-bearing	374,754	459,803	–	–
	390,518	759,868	241	241
Provision for impairment in value	–	(6,305)	(171)	–
	390,518	753,563	70	241

Note: The loans to associates are unsecured. In the opinion of the directors, the loans to associates will not be repayable within next twelve months from the balance sheet date and are shown as non-current assets.

Included in last year's balances were loans for approximately HK\$46,419,000 which carried interest at 6.39% per annum and loans of approximately HK\$9,360,000 which carried interest at 12% per annum. The interest-bearing loans were fully settled during the year.

Notes to the Financial Statements

For the year ended 31 December 2000

21. Interests in associates (continued)

The following details have been extracted from the financial statements of the Group's significant associate.

	Hong Kong Construction SMC Development Limited	
	2000	1999
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Results for the year		
Turnover	<u>279,923</u>	<u>159,816</u>
Depreciation	<u>54</u>	<u>32</u>
(Loss) profit before taxation	<u>(541,415)</u>	<u>49,973</u>
(Loss) profit before taxation attributable to the Group	<u>(108,283)</u>	<u>9,995</u>
Financial position		
Total non-current assets	<u>2,109,124</u>	2,442,763
Total current assets	<u>424,343</u>	1,094,528
Total current liabilities	<u>(377,168)</u>	(304,855)
Total non-current liabilities	<u>(2,058,026)</u>	<u>(2,273,708)</u>
Net assets	<u>98,273</u>	<u>958,728</u>
Net assets attributable to the Group	<u>19,655</u>	<u>191,746</u>

Details of the Group's principal associates as at 31 December 2000 are set out in note 49.

Notes to the Financial Statements

For the year ended 31 December 2000

22. Investments in securities

THE GROUP

	Held for trading		Not held for trading		Total	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Equity securities						
Listed outside Hong Kong	61,933	148,153	–	459,048	61,933	607,201
Unlisted	11,939	28,414	224,320	32,012	236,259	60,426
Listed in Hong Kong	101,384	–	–	–	101,384	–
	<u>175,256</u>	<u>176,567</u>	<u>224,320</u>	<u>491,060</u>	<u>399,576</u>	<u>667,627</u>
Debt securities						
Unlisted	17,455	6,000	–	–	17,455	6,000
	<u>192,711</u>	<u>182,567</u>	<u>224,320</u>	<u>491,060</u>	<u>417,031</u>	<u>673,627</u>
Provision of impairment in value	–	–	(77,946)	–	(77,946)	–
	<u>192,711</u>	<u>182,567</u>	<u>146,374</u>	<u>491,060</u>	<u>339,085</u>	<u>673,627</u>
Market value of listed securities	<u>163,317</u>	<u>148,153</u>	<u>–</u>	<u>459,048</u>	<u>163,317</u>	<u>607,201</u>
Carrying amounts analysed:						
Current	192,711	182,567	–	–	192,711	182,567
Non-current	–	–	146,374	491,060	146,374	491,060
	<u>192,711</u>	<u>182,567</u>	<u>146,374</u>	<u>491,060</u>	<u>339,085</u>	<u>673,627</u>

Notes to the Financial Statements

For the year ended 31 December 2000

23. Other receivables and deposits for investment

	The Group	
	2000 HK\$'000	1999 HK\$'000
Balance of sales proceeds receivable (<i>Note a</i>)	13,542	26,941
Loan receivable (<i>Note b</i>)	6,030	6,082
Deposits for investment in and advances to an investee company (<i>note c</i>)	–	82,533
Less: Provision for loss on deposits for investment (<i>note c</i>)	–	(13,000)
	19,572	102,556

	The Group	
	2000 HK\$'000	1999 HK\$'000
Amounts analysed as:		
Current included under trade and other receivables	19,572	13,691
Non-current	–	88,865
	19,572	102,556

Notes:

- (a) Pursuant to the share purchase agreement dated 27 July 1999 for the disposal of certain of the Company's subsidiaries and the Escrow Agent Agreement dated 18 August 1999 made between the Company's subsidiary, SMC Optics Communications Corporation ("SMC Optics") and certain independent third parties, 50% of the balance of sales proceeds receivable plus 100% of the accrued interest are receivable from the Escrow Agent 12 months after 18 August 1999, whereas the remaining balance is receivable 18 months after 18 August 1999. The amounts receivable are subject to deduction of any claims of indemnification under the Share Purchase Agreement of US\$400,000 or above from the purchaser against SMC Optics.

Up to the balance sheet date, no claims were received by or intimated to SMC Optics.

- (b) The loan is guaranteed by an independent third party, bears interest at a rate of 0.49125% per month and is repayable on 17 December 2001.
- (c) Pursuant to agreements entered into between the Group and certain PRC parties, the Company's subsidiary, SMC Steel Pipes Ltd. ("Steel Pipes"), agreed to acquire a 90.1% equity interest in Shunde Hua Feng Stainless Steel Welded Tubes Limited ("Shunde Hua Feng") owned by those PRC parties. Steel Pipes has made payments of approximately HK\$48 million in 1998 to the PRC owners and made advances of approximately HK\$35 million to Shunde Hua Feng in 1999 to finance its operations. The acquisition is subject to the agreement between the Company and the shareholders of Shunde Hua Feng on the net asset values of Shunde Hua Feng as at 15 January 1999 and 15 March 1999, which forms the basis for determination of the purchase consideration and the approval of the relevant PRC authorities. According to the terms of the agreements, Steel Pipes is entitled to share 70% of the profit and loss of Shunde Hua Feng from 16 January 1999 to 15 March 1999 and all profits and losses from 16 March 1999 to 15 January 2004, subject to the approval of the acquisition by the relevant PRC authorities. From 16 January 2004 onwards, the Group will be entitled to share 90.1% interest in Shunde Hua Feng. Last year, the Group provided an amount of approximately HK\$13 million impairment loss on the deposits for investment. Following the completion of the agreements during the year, Shunde Hua Feng has been accounted for as the Company's subsidiary.

Notes to the Financial Statements

For the year ended 31 December 2000

24. Amount due from an investee

Unsecured advances to an investee is as follows:

Name of investee	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Boxford Holland B.V. ("Boxford") (<i>Note</i>)	671	3,926	20	3,926
Less: Current portion, interest bearing	(671)	(893)	(20)	(893)
Non-current	–	3,033	–	3,033

Note: The Company has a 19% interest in Boxford. The non-current portion of last year was interest free and remained a subordinated debt of Boxford and was repayable only upon liquidation of Boxford. Provision of the non-current portion amounting to HK\$3,033,000 (1999: Nil) has been made in the financial statements during the year.

25. Inventories

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Raw materials	101,835	102,863	200	214
Work in progress	8,969	4,440	–	–
Finished goods	23,620	26,076	1,890	1,284
	134,424	133,379	2,090	1,498
<i>Note:</i>				
Inventories stated				
At cost	69,179	101,221	2,090	1,498
At net realisable value	65,245	32,158	–	–
	134,424	133,379	2,090	1,498

26. Amounts due from subsidiaries

The Company

The amounts are unsecured, bear interest at 4% per annum and are repayable on demand.

Notes to the Financial Statements

For the year ended 31 December 2000

27. Properties under development for sale

	The Group	
	2000 HK\$'000	1999 HK\$'000
Properties under development stated		
At cost	94,886	143,326
At net realisable value	–	35,891
	94,886	179,217

Included in properties under development for sale is interest capitalised of approximately HK\$4,404,000 (1999: HK\$4,731,000).

28. Trade and other receivables

Included in trade and other receivables are trade receivables of HK\$100,909,000 (1999: HK\$81,278,000). The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The aged analysis of trade receivables at the balance sheet date is as follows:

	The Group	
	2000 HK\$'000	1999 HK\$'000
Current		
31 – 60 days	52,940	46,207
61 – 90 days	16,188	14,953
91 – 180 days	14,457	10,709
181 – 360 days	16,321	5,131
Over 360 days	1,003	4,056
	–	222
	100,909	81,278

29. Trade and other payables

Included in trade and other payables are trade payables of HK\$50,694,000 (1999: HK\$95,904,000). The aged analysis of trade payables at the balance sheet date is as follows:

	The Group	
	2000 HK\$'000	1999 HK\$'000
Current		
31 – 60 days	27,806	70,285
61 – 90 days	14,774	11,919
91 – 180 days	2,538	2,621
181 – 360 days	1,664	1,194
Over 360 days	636	7,970
	3,276	1,915
	50,694	95,904

Notes to the Financial Statements

For the year ended 31 December 2000

30. Amounts due to minority shareholders

The Group

The amount includes loans of HK\$8,190,000 (1999: Nil) and HK\$11,700,000 (1999: HK\$11,700,000) which are unsecured, bear interest at prevailing market rate and repayable on 9 July 2001 and 31 May 2001 respectively. The remaining balance is unsecured, interest-free and is repayable on demand.

31. Bank and other borrowings

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans	79,210	129,451	11,700	65,130
Trust receipts loans	–	21,741	–	20,320
Bank overdrafts	3,031	1,464	2,879	1,422
Obligations under a finance lease	16	30	–	–
	82,257	152,686	14,579	86,872
Secured	67,525	83,071	–	18,720
Unsecured	14,732	69,615	14,579	68,152
	82,257	152,686	14,579	86,872
The maturity of the above borrowings is as follows:				
Within one year	21,582	146,393	14,579	86,872
More than one year, but not exceeding two years	791	241	–	–
More than two years, but not exceeding five years	2,821	780	–	–
More than five years	57,063	5,272	–	–
	82,257	152,686	14,579	86,872
Less: Amounts due within one year shown under current liabilities	(21,582)	(146,393)	(14,579)	(86,872)
	60,675	6,293	–	–

Notes to the Financial Statements

For the year ended 31 December 2000

32. Share capital

	2000		1999	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
(a) Authorised:				
Ordinary shares of HK\$0.50 each				
Balance at beginning and end of year	<u>900,000</u>	<u>450,000</u>	<u>900,000</u>	<u>450,000</u>
(b) Issued and fully paid:				
Ordinary shares of HK\$0.50 each				
Balance at beginning of year	528,780	264,390	528,780	264,390
Issued upon exercise of share options	2,140	1,070	–	–
Shares repurchased and cancelled	<u>(18,394)</u>	<u>(9,197)</u>	–	–
Balance at end of year	<u>512,526</u>	<u>256,263</u>	<u>528,780</u>	<u>264,390</u>

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK\$0.5 each '000	Price per share		Aggregate consideration paid (including expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
May	3,469	1.57	1.28	5,137
July	2,334	1.61	1.53	3,704
August	2,801	1.60	1.52	4,376
September	2,533	1.58	1.50	3,956
October	3,018	1.56	1.12	4,393
November	2,353	1.22	1.13	2,804
December	1,886	1.21	1.12	2,223
	<u>18,394</u>			<u>26,593</u>

Notes to the Financial Statements

For the year ended 31 December 2000

32. Share capital (continued)

(c) Share option scheme

Under the terms of the share option scheme which became effective in May 1994, the board of directors of the Company may offer to any director or full time employee of the Company or any of its subsidiaries options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options. The number of shares issuable under the option scheme is not to exceed 10% of the issued share capital of the Company from time to time.

As at the balance sheet date, the Company had granted following options to the directors or full time employees of the Company, for a total consideration of HK\$40, to subscribe for shares of the Company:

Date of grant	Exercisable period	Number of shares under options '000	Subscription price per share HK\$
28.01.2000	28.07.2000 – 27.07.2003	4,652	1.38
26.05.2000	26.11.2000 – 25.11.2003	48	1.38
28.01.2000	28.01.2001 – 27.07.2003	4,652	1.38
26.05.2000	26.05.2001 – 25.11.2003	48	1.38
28.01.2000	28.07.2001 – 27.07.2003	4,652	1.38
26.05.2000	26.11.2001 – 25.11.2003	48	1.38
28.01.2000	28.01.2002 – 27.07.2003	4,652	1.38
26.05.2000	26.05.2002 – 25.11.2003	48	1.38
28.01.2000	28.07.2002 – 27.07.2003	4,652	1.38
26.05.2000	26.11.2002 – 25.11.2003	48	1.38
28.01.2000	28.01.2003 – 27.07.2003	5,815	1.38
26.05.2000	26.05.2003 – 25.11.2003	60	1.38
		<u>29,375</u>	

During the year, 2,140,000 share options were exercised to subscribe for shares of the Company.

All the outstanding options granted to directors or full time employees in prior years have lapsed as at the balance sheet date.

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For the year ended 31 December 2000

33. Share premium and reserves

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP							
At 1 January 1999	527,406	83,969	–	–	(2,573)	1,237,319	1,846,121
Revaluation deficit	–	(21,683)	–	–	–	–	(21,683)
Share of revaluation surplus of an associate	–	2,759	–	–	–	–	2,759
Revaluation surplus on investments in securities not held for trading	–	–	–	322,655	–	–	322,655
Profit for the year	–	–	–	–	–	77,199	77,199
Dividends	–	–	–	–	–	(31,727)	(31,727)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	(443)	–	(443)
At 31 December 1999	527,406	65,045	–	322,655	(3,016)	1,282,791	2,194,881
Revaluation surplus	–	30,717	–	–	–	–	30,717
Share of revaluation deficit of an associate	–	(63,983)	–	–	–	–	(63,983)
Share of translation reserve of an associate	–	–	–	–	72	–	72
Profit for the year	–	–	–	–	–	134,981	134,981
Dividends	–	–	–	–	–	(118,724)	(118,724)
Realised on disposal of subsidiaries	–	–	–	–	1,121	–	1,121
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	616	–	616
Share repurchased	–	–	9,197	–	–	(26,593)	(17,396)
Share issued at a premium	1,883	–	–	–	–	–	1,883
Realised on disposal of investments in securities not held for trading	–	–	–	(322,655)	–	–	(322,655)
Goodwill on purchase of – Subsidiaries	–	–	–	–	–	(22,153)	(22,153)
– Associates	–	–	–	–	–	(32,127)	(32,127)
Goodwill on purchase of additional interest in a subsidiary	–	–	–	–	–	(16,390)	(16,390)
At 31 December 2000	529,289	31,779	9,197	–	(1,207)	1,201,785	1,770,843
Reserves attributable to:							
The Company and its subsidiaries	529,289	31,779	9,197	–	(1,279)	1,194,007	1,762,993
The associates	–	–	–	–	72	7,778	7,850
	529,289	31,779	9,197	–	(1,207)	1,201,785	1,770,843

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For the year ended 31 December 2000

33. Share premium and reserves (continued)

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY							
At 1 January 1999	527,406	16,834	–	–	–	985,232	1,529,472
Revaluation deficit	–	(2,300)	–	–	–	–	(2,300)
Loss for the year	–	–	–	–	–	(71,520)	(71,520)
Dividends	–	–	–	–	–	(31,727)	(31,727)
At 31 December 1999	527,406	14,534	–	–	–	881,985	1,423,925
Share repurchase	–	–	9,197	–	–	(26,593)	(17,396)
Share issued at a premium	1,883	–	–	–	–	–	1,883
Profit for the year	–	–	–	–	–	592,292	592,292
Dividends	–	–	–	–	–	(118,724)	(118,724)
At 31 December 2000	529,289	14,534	9,197	–	–	1,328,960	1,881,980

The Company's reserves available for distribution to shareholders amounted to HK\$1,328,960,000 (1999: HK\$881,985,000), being the retained profits at balance sheet date.

34. Minority interests

The Group

Pursuant to the agreements entered into by the Group with minority shareholders, there are contractual obligations for the minority shareholders to contribute to their share of the losses of the respective subsidiaries in proportion to the equity interest they hold.

35. Deferred taxation

	2000 HK\$'000	1999 HK\$'000
The Group		
Balance at beginning of year	50	50
Credit for the year (note 13)	(50)	–
Balance at end of year	–	50

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35. Deferred taxation (continued)

At the balance sheet date, the major component of the deferred taxation liabilities (assets) provided and unprovided, are as follows:

	Provided		Unprovided	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
The Group				
(Shortfall) excess of tax allowances over depreciation	–	50	(30,470)	277
Tax losses	–	–	(124,865)	(64,391)
Other timing difference	–	–	(19,069)	–
	<u>–</u>	<u>50</u>	<u>(174,404)</u>	<u>(64,114)</u>

	Unprovided	
	2000 HK\$'000	1999 HK\$'000
The Company		
Excess of tax allowances over depreciation	1,274	–
Tax losses	(3,988)	(800)
	<u>(2,714)</u>	<u>(800)</u>

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

The amount of the unprovided deferred tax credit (charge) for the year is as follows:

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences because of:				
Shortfall (excess) of tax allowances over depreciation	30,747	18	(1,274)	–
Tax losses arising	60,474	18,772	3,188	800
Other timing difference	19,069	–	–	–
	<u>110,290</u>	<u>18,790</u>	<u>1,914</u>	<u>800</u>

Notes to the Financial Statements

For the year ended 31 December 2000

35. Deferred taxation (continued)

Deferred tax has not been provided on the revaluation surplus arising on the revaluation of investment properties in Hong Kong and investments in securities not held for trading purposes as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

36. Advances from minority shareholders

	The Group	
	2000 HK\$'000	1999 HK\$'000
Loans:		
Interest-bearing (<i>Note a</i>)	285,571	245,633
Non-interest-bearing (<i>Note b</i>)	46,650	22,572
	332,221	268,205
Other advances:		
Non-interest-bearing (<i>Note c</i>)	–	2,986
	332,221	271,191

Notes:

- (a) The interest-bearing loans from a minority shareholder are unsecured and are repayable after the settlement of all operating expenses, interest on loans and tax liabilities of the subsidiary.

An amount of HK\$283,152,000 of the loans and the remaining balance carried interest at 8% per annum and 4% per annum respectively (1999: Whole amount at 11% per annum).

- (b) The amounts are unsecured. Included in the above balance is an amount of HK\$22,572,000 (1999: HK\$22,572,000) which is repayable after February 2004.

- (c) The amounts were unsecured and fully repaid during the year.

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For the year ended 31 December 2000

37. Reconciliation of profit from ordinary activities before taxation to net cash outflow from operating activities

	2000 HK\$'000	1999 HK\$'000
Profit from ordinary activities before taxation	129,067	75,612
Unrealised loss (gain) on trading securities	80,211	(92,677)
Provision on receivable from realisation of toll road investment	–	98,750
Provision for impairment loss on investment in securities	77,946	–
Provision for impairment loss on deposits for investments	–	13,000
Reversal of provision for impairment loss on deposits for investments	(13,000)	–
Provision for impairment in value for the interests in associates	–	352
Interest income	(19,527)	(12,440)
Interest expenses	19,843	9,138
Depreciation of property, plant and equipment	30,769	26,897
Amortisation and write-off of development costs	–	1,443
Loss (gain) on disposal of property, plant and equipment	6,387	(190)
Gain on disposal of securities	(429,204)	–
Share of results of associates	110,721	(2,223)
Loss (gain) on disposal of subsidiaries	26,082	(150,481)
Investment properties written off	–	3,028
Movements in assets/liabilities held for operating activities:		
Decrease in inventories	22,698	25,709
Decrease (increase) in properties under development for sale	34,362	(79)
(Increase) decrease in trade receivables, other receivables, deposits and prepayments	(10,067)	93,554
Decrease in amount due from an associate	30	288
Decrease (increase) in amount due from an investee	3,272	(893)
Increase in investments in securities	(90,355)	(89,890)
Decrease in trade and other payables	(97,505)	(10,447)
Increase (decrease) in amounts due to associates	62	(3,673)
Increase (decrease) in amounts due to minority shareholders	20,021	(69,522)
Decrease in amounts due to related companies	(8,053)	(10,680)
Net cash outflow from operating activities	(106,240)	(95,424)

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For the year ended 31 December 2000

38. Disposal of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net assets disposed of:		
Property under development for sale	54,373	–
Property, plant and equipment	–	15,755
Inventories	–	21,890
Trade and other receivables	204	17,763
Bank balances and cash	–	10,890
Trade and other payables	–	(33,898)
Bank loans and overdrafts	–	(8,626)
Minority interest	–	(10,952)
Exchange reserve	1,121	–
	<u>55,698</u>	12,822
(Loss) gain on disposal	<u>(26,082)</u>	150,481
Total consideration	<u>29,616</u>	163,303
Satisfied by:		
Cash	29,616	26,910
Listed equity securities, overseas	–	136,393
Net cash inflow arising on disposal	<u>29,616</u>	163,303
Analysis of net cash inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration	29,616	26,910
Bank balances and cash disposed of	–	(10,890)
Bank loans and overdraft disposed of	–	8,626
	<u>29,616</u>	24,646

The subsidiary disposed of during the year did not have any material impact on the Group's cash flow or results for the year.

Notes to the Financial Statements

For the year ended 31 December 2000

39. Purchase of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net assets acquired:		
Property, plant and equipment	202,062	397,667
Other investments	–	422
Inventories	23,743	–
Trade and other receivables	21,724	7,380
Bank balances and cash	20,718	2,546
Trade and other payables	(173,497)	(20,752)
Bank overdrafts	–	(41,312)
Minority interests	(1,736)	64,932
Advances from minority shareholders	(9,235)	(189,594)
	<u>83,779</u>	<u>221,289</u>
Goodwill	22,153	–
Share of net assets of associates recognised	(57,625)	–
	<u>48,307</u>	<u>221,289</u>
Satisfied by:		
Accounts receivable for realisation of a toll road investment	–	221,289
Deposit for other investments	48,307	–
	<u>48,307</u>	<u>221,289</u>
Net inflow (outflow) of cash and cash equivalents in connection with the purchase of subsidiaries:		
Bank balances and cash acquired	20,718	2,546
Bank overdrafts acquired	–	(41,312)
	<u>20,718</u>	<u>(38,766)</u>

The subsidiaries acquired during the year did not have any material impact on the Group's cash flow or results for the year.

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For the year ended 31 December 2000

40. Analysis of changes in financing during the year

	Share capital and share premium HK\$'000	Trust receipt loans HK\$'000	Bank loans HK\$'000	Obligations under a finance lease HK\$'000	Advances from minority shareholders HK\$'000
Balance at 1 January 1999	791,796	9,545	6,255	44	23,253
Acquired on purchase of a subsidiary	–	–	–	–	189,594
Net cash inflow (outflow) during the the year	–	12,196	(180)	(14)	58,344
Exchange difference	–	–	415	–	–
Balance at 31 December 1999	791,796	21,741	6,490	30	271,191
Acquired on purchase of subsidiaries	–	–	–	–	9,235
Net cash inflow (outflow) during the year	(23,216)	(21,741)	61,195	(14)	50,746
Exchange difference	–	–	(176)	–	1,049
Accrued consideration on share repurchase	(424)	–	–	–	–
Retained profits utilised on share repurchase	17,396	–	–	–	–
Balance at 31 December 2000	785,552	–	67,509	16	332,221

41. Analysis of balances of cash and cash equivalents

	2000 HK\$'000	1999 HK\$'000
Bank balances and cash	165,810	228,760
Bank loans and overdrafts		
– secured	–	(76,551)
– unsecured	(14,732)	(47,874)
	151,078	104,335

42. Major non-cash transactions

During the year, an associate of the Company assigned an investment property with a value of HK\$47,348,000 to the Group for partial settlement of the loan due to the Group.

Included in other payables at 31 December 2000 is an amount of HK\$8,540,000 in respect of the purchase of property, plant and equipment not yet paid at that date.

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43. Pledge of assets

The Group

Certain of the Group's investment properties, freehold land and buildings and properties under development with a book value of HK\$129,480,000 (1999: Nil), HK\$15,197,000 (1999: HK\$15,946,000) and HK\$21,532,000 (1999: HK\$124,259,000) respectively and listed securities outside Hong Kong with a total market value of nil (1999: HK\$459,048,000) were pledged as securities for credit facilities from bankers. As at the balance sheet date, the amount of bank loans and other loans facilities utilised was HK\$67,509,000 (1999: HK\$83,040,000).

Certain listed equity securities with an aggregate market value of nil (1999: HK\$31,417,000) were pledged together with a cash deposit for US\$2,323,578 (1999: US\$1,000,000) as securities for credit facilities obtained from securities brokers. As at the balance sheet date, the amount of facilities utilised was HK\$13,540,000 (1999: HK\$15,498,000).

A cash deposit of HK\$1,718,000 (1999: HK\$2,601,000) was pledged as security for a construction project in respect of the property under development for sale as required by local authorities in the USA.

The Company

The Company had not pledged any of its assets as at 31 December 2000 (1999: Nil).

44. Contingent liabilities

As at the balance sheet date, the Group and the Company had outstanding contingent liabilities not provided for in the financial statements in respect of shipping and other guarantees given to bankers of HK\$3,707,000 (1999: HK\$936,000) for facilities granted to the Company.

The Company, together with certain of its subsidiaries, issued cross guarantees to bankers as part of the security for credit facilities granted to the Company and its subsidiaries.

45. Capital commitments

As at the balance sheet date, the Group and the Company had commitments as follows:

	The Group	
	2000 HK\$'000	1999 HK\$'000
Contracted but not provided for in the financial statements:		
Purchase of motor vehicles	11,899	—
Development expenditure	12,933	—
Construction of factory premises	805	4,084
	<u>25,637</u>	<u>4,084</u>

Notes to the Financial Statements

For the year ended 31 December 2000

46. Lease commitments

At the balance sheet date, the Group and the Company had outstanding commitments under non-cancellable operating leases in respect of rented premises payable in the next year as follows:

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Operating leases which expire:				
Within one year	8	1,391	8	2
In the second to fifth years inclusive	994	880	–	–
Over five years	–	–	1,200	–
	1,002	2,271	1,208	2

47. Related party transactions

During the year, the Group entered into the following transactions with related parties.

	Note	Minority shareholders		Associates		Related company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Purchases from	(a)	64,775	74,729	–	–	–	–
Interest paid to	(b)	26,589	7,289	–	–	–	–
Commission received from	(c)	1,052	766	–	–	–	–
Interest received from	(b)	–	–	42	2,698	–	–
Management fee paid	(d)	76	–	–	–	–	–
Commission paid	(e)	–	–	–	–	205	–

Notes:

- The transactions were carried out at cost plus a percentage profit mark-up.
- The transactions were based on interest rates agreed by the parties concerned.
- The transactions were based on an agreed rate charged on trading of goods.
- The transactions were based on the predetermined value agreed between the relevant parties.
- The transactions were based on a fixed rate charged on the value of trading of securities. The commission was paid to a Company in which one of the Non-Executive Directors of the Group had beneficiary interests.

Notes to the Financial Statements

For the year ended 31 December 2000

48. Particulars of principal subsidiaries

Name of subsidiary	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Deep Value Investments Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
Dong Wen Investments Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
Extra-Fund Investment Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Securities trading
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US\$1	–	100%	Property investment
Full Revenue Inc.	Samoa	Ordinary	1 share of US\$1	100%	–	Investment holding
Guangdong Macro Cables Co., Ltd.	PRC	Paid up capital	US\$20,960,000	–	98%	Manufacturing and trading of cables and electrical wires
Guangzhou SMC Car Rental Co., Ltd.	PRC	Paid up capital	HK\$15,000,000	–	95%	Taxi operations
Kinder Limited	Samoa	Ordinary	1 share of US\$1	–	100%	Investment holding
Quanta Global Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Trading of electric fans
Quickjay Management Limited	British Virgin Islands	Ordinary	50,000 shares of US\$1 each	90%	–	Investment holding

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For the year ended 31 December 2000

48. Particulars of principal subsidiaries (continued)

Name of subsidiary	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Shell & Shinsho Company Limited	Hong Kong	Ordinary	200 shares of US\$1 each	70%	–	Investment holding and trading of materials
Shell Electric Mfg. (China) Company Limited	British Virgin Islands	Ordinary	100 shares of US\$10 each	100%	–	Trading of electric fans
Shunde Hua Feng Stainless Steel Welded Tubes Ltd.	PRC	Paid up capital	US\$6,792,000	–	90.1%	Manufacturing and trading of stainless steel welded tubes
Shunde Shunyue Highway Construction Ltd.	PRC	Paid up capital	RMB81,587,000	–	52%	Operation of a highway in the PRC
Shunde SMC Multi-Media Products Company Limited	PRC	Paid up capital	US\$8,933,300	–	99.4%	Manufacturing and trading of multi-media products
SMC Cable Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
SMC Development Corp. *	USA	Ordinary	1,000 Shares of US\$10 each	–	100%	Property development
SMC Home Products Corp. *	Canada	Ordinary	2,100,100 shares of CAN\$1 each	100%	–	Marketing of the Group's products
SMC Industries Limited	PRC	Paid up capital	RMB44,175,000	–	63%	Steel processing
SMC Investments Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Property investment
SMC Marketing Corp.*	USA	Ordinary	10,000 shares of US\$1,021 each	100%	–	Marketing of the Group's products

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48. Particulars of principal subsidiaries (continued)

Name of subsidiary	Place/country of incorporation/ operation	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
SMC Microtronic Company Limited	Hong Kong	Ordinary	10,000 shares of HK\$1 each	100%	–	Manufacturing of telephone and other electronic consumer products
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Trading of multi-media products
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	–	100%	Design, management and trading of multi-media products
SMC Optics Communications Corporation	British Virgin Islands	Ordinary	1 share of US\$1	–	100%	Investment holding
SMC Property Investment Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Investment holding
SMC Steel Pipes Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
Speed Power Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Marketing of the Group's products
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
Vineyard Management Company *	USA	Ordinary	1,000 shares of US\$10 each	–	100%	Property investment
Vortex Worldwide Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
業盈置業 (深圳) 有限公司	PRC	Paid Up capital	HKD10,000,000	–	100%	Property investment

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48. Particulars of principal subsidiaries (continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A complete list of all the subsidiaries of the Group will be annexed to the next annual return of the Company.

None of the subsidiaries had any loan capital outstanding during the year.

* Subsidiaries not audited by Deloitte Touche Tohmatsu.

49. Particulars of principal associates

Name of associate	Place/country of incorporation/ operation	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Modern Device (China) Limited	Hong Kong	Ordinary	HK\$5,000,000	–	41%	Trading of computer equipment and provision of computer software support services
Hong Kong Construction SMC Development Limited *	Hong Kong	Ordinary	10,000,000 shares of HK\$1 each	–	20%	Investment holding
Kumagai SMC Development (Guangzhou) Limited*	PRC	Paid up capital	US\$59,000,000	–	20%	Property development

* Associates not audited by Deloitte Touche Tohmatsu.