

15 LONG-TERM INVESTMENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Club debentures and others, at cost	1,506	1,506	1,075	1,075

16 INVENTORIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Raw materials	26,673	44,248
Work in progress	22,611	17,768
Finished goods	65,649	23,002
	114,933	85,018

At 31st December 2000, there were no inventories which were carried at net realisable value (1999: Nil).

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due from subsidiaries*	–	–	176,110	195,816
Due from ultimate holding company*	146	491	–	–
Due from non-consolidated subsidiaries	19,330	17,461	–	–
Due from an associated company*	256	265	–	–
Due from fellow subsidiaries*	17,848	–	–	–
Due from a minority shareholder of a subsidiary*	–	4,766	–	–
Trade receivables	139,910	117,373	–	4,673
Other receivables, prepayments and deposits	35,647	53,378	2,858	6,367
	213,137	193,734	178,968	206,856

* The balances are unsecured, interest-free and have no fixed terms of repayment.

17 TRADE AND OTHER RECEIVABLES (cont'd)

The Group allows an average credit period of 90 days to its trade customers.

At 31st December 2000, the ageing analysis of the trade receivables was as follows:

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current	131,891	102,993	-	-
3-6 months	904	353	-	-
7-12 months	4,304	1,015	-	-
Over 12 months	2,811	13,012	-	4,673
	<u>139,910</u>	<u>117,373</u>	<u>-</u>	<u>4,673</u>

18 CASH AND BANK BALANCES

- (a) At 31st December 2000, bank balance of HK\$42,256,000 (1999: Nil) had been pledged as security for the Group's bank borrowings as mentioned in note 22(a).
- (b) Included in the amount of the Group are cash and bank balances which are denominated in Reminbi, totalling RMB356,523,000 (equivalent to HK\$333,199,000 (1999: HK\$69,059,000)). Reminbi is not a freely convertible currency.

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Due to subsidiaries*	-	-	4,871	9,252
Due to former holding companies*	-	12	-	-
Due to immediate holding company*	4,051	5,569	-	-
Due to an intermediate holding company*	-	19,217	-	-
Due to fellow subsidiaries*	34,732	-	-	-
Trade payables	167,320	126,640	-	-
Bills payable	3,865	10,409	-	-
Other payables, deposits received and accrued charges	24,719	27,831	6,865	8,320
	<u>234,687</u>	<u>189,678</u>	<u>11,736</u>	<u>17,572</u>

* The balances are unsecured, interest-free and have no fixed terms of repayment.

At 31st December 2000, the ageing analysis of the trade payables was as follows

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Current	152,815	121,661	-	-
3-6 months	11,941	62	-	-
7-12 months	80	243	-	-
Over 12 months	2,484	4,474	-	-
	<u>167,320</u>	<u>126,440</u>	<u>-</u>	<u>-</u>

20 SHARE CAPITAL

	Ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
Authorised:		
At 31st December 1998	2,100,000,000	210,000
Increase in authorised ordinary share capital (note (a))	1,900,000,000	190,000
At 31st December 1999 and 31st December 2000	<u>4,000,000,000</u>	<u>400,000</u>
Issued and fully paid:		
At 31st December 1998	1,368,649,620	136,865
Rights issue (note (b))	1,140,541,350	114,054
Exercise of warrants and options	<u>58,066,000</u>	<u>5,807</u>
At 31st December 1999	2,567,256,970	256,726
Issue of shares (note (c))	350,000,000	35,000
Exercise of options (notes (d))	<u>46,700,000</u>	<u>4,670</u>
At 31st December 2000	<u>2,963,956,970</u>	<u>296,396</u>

- (a) By a special resolution passed on 19th January 1999 the authorised ordinary share capital of the company was increased from HK\$210,000,000 to HK\$400,000,000 by the creation of an additional 1,900,000,000 shares of HK\$0.1 each.
- (b) On 9th February 1999, 1,140,541,350 rights share of HK\$0.10 each in the proportion of five rights shares for every six then shares in issue were issued at HK\$0.465 per rights share. These shares rank *pari passu* with the then existing shares. A wholly-owned subsidiary of Guangzhou Automobile, China Lounge Investments Limited which effectively held 32% equity interest in the Company before the rights issue, agreed to underwrite the rights issue. The net proceeds of approximately HK\$529 million from the rights issue had been used to repay in full the loan from and interest due to Guangzhou Automobile. Pursuant to the rights issue, Guangzhou Automobile became the ultimate controlling shareholder of the Company.

20 SHARE CAPITAL (cont'd)

- (c) On 21st September 2000, 350,000,000 shares of HK\$0.1 each were issued to China Lounge Investments Limited, the immediate holding company of the Company, at a price of HK\$1.28 per share (the "Subscription Price"). These shares rank *pari passu* with the existing shares. The net proceeds to the Company will be used to finance the expansion of the business of and as workshop capital for the Company and its subsidiaries and associated companies.

The Subscription Price represents a discount of approximately 5.2% to the closing price of HK\$1.35 per share quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at the close of business on 6th September, 2000 and a discount of approximately 1.8% to the average closing price of the shares as quoted on the Stock Exchange for the ten trading days prior to 7th September 2000, the announcement date.

- (d) On 1st February 1993, a share option scheme was approved at an Extraordinary General Meeting of the Company under which the directors may, at their discretion, invite full time employees including executive directors of any member of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. Details of share options granted to the employees and directors of the Group are as follows:

Date of grant/ Number of share options granted	Number of share options outstanding as at 31st December		Number of share options exercised		Exercise price HK\$
	2000	1999	2000	1999	
20th December 1996/ 52,800,000(i)	–	–	–	466,000	0.4562 (ii)
4th August 1997/ 39,600,000	1,400,000	19,500,000	18,100,000	20,100,000	1.0398 (ii)
14th July 1998/ 42,600,000	14,202,000	15,104,000	902,000	27,496,000	0.3395 (ii)
5th March 1999/ 70,000,000	47,178,000	59,998,000	12,820,000	10,002,000	0.3112
15th June 1999/ 44,744,000	29,866,000	44,744,000	14,878,000	–	0.4056
	<u>92,646,000</u>	<u>139,346,000</u>	<u>46,700,000</u>	<u>58,064,000</u>	

- (i) On 28th June 1999, 3,690,000 number of outstanding share options were cancelled.
- (ii) The exercise prices have been adjusted as a result of the rights issue in 1999.
- (iii) During 1999, 2,000 shares were issued for the exercise of warrants at an exercise price of HK\$2.10. As at 31st December 2000, there was no warrant outstanding (1999: Nil).

Share options may be exercised during the three-year period commencing on the expiry of six months after the date on which the option is granted, and shall expire at the end of the three years period or 31st January 2003, whichever is earlier.

Notes to the Accounts

31ST DECEMBER 2000

21 RESERVES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Share premium				
At 1st January	1,333,865	889,809	1,333,865	889,809
Issue of shares	437,481	444,056	437,483	444,056
Share issue expenses	(12,042)	–	(12,044)	–
At 31st December	<u>1,759,304</u>	<u>1,333,865</u>	<u>1,759,304</u>	<u>1,333,865</u>
Exchange reserve				
At 1st January	(30,277)	(33,517)	–	–
Exchange difference on translation of accounts of foreign subsidiaries and associated companies	(415)	(59)	–	–
Transfer to profit and loss account upon				
– disposal of subsidiaries	–	3,299	–	–
– liquidation of subsidiaries	334	–	–	–
At 31st December	<u>(30,358)</u>	<u>(30,277)</u>	<u>–</u>	<u>–</u>
Accumulated losses (note a)				
At 1st January	(707,120)	(744,033)	(380,368)	(288,344)
Profit/(loss) for the year	453,203	37,867	(20,771)	(92,024)
Transfer to capital reserves	(64,287)	(954)	–	–
At 31st December	<u>(318,204)</u>	<u>(707,120)</u>	<u>(401,139)</u>	<u>(380,368)</u>
Capital reserve (note b)				
At 1st January	21,266	20,826	–	–
Transfer from profit and loss account	64,287	954	–	–
Transfer to profit and loss account upon				
– disposal of subsidiaries	–	(514)	–	–
– liquidation of subsidiaries	(114)	–	–	–
At 31st December	<u>85,439</u>	<u>21,266</u>	<u>–</u>	<u>–</u>
Total reserves	<u>1,496,181</u>	<u>617,734</u>	<u>1,358,165</u>	<u>953,497</u>

21 RESERVES (cont'd)

(a) Accumulated losses

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company and subsidiaries	(545,611)	(701,623)	(401,139)	(380,368)
A jointly controlled entity	216,217	(27,169)	–	–
Non-consolidated subsidiaries and associated companies	11,190	21,672	–	–
	<u>(318,204)</u>	<u>(707,120)</u>	<u>(401,139)</u>	<u>(380,368)</u>

- (b) The reserve represents transfers made to the reserve fund and the enterprise development fund set up by certain subsidiaries and associates, which are foreign investment enterprises in the PRC, pursuant to regulations in the PRC. According to the regulations, the reserve fund may be used for making up losses, if any, and increasing capital while the enterprise development fund may be used for increasing capital.

22 LONG-TERM LIABILITIES

	Note	Group		Company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans and overdrafts, secured	(a)	125,563	101,558	18,799	27,795
Other loans	(b)	2,710	6,840	–	–
		128,273	108,398	18,799	27,795
Current portion of long-term liabilities		(103,872)	(58,187)	(18,799)	(9,029)
		<u>24,401</u>	<u>50,211</u>	<u>–</u>	<u>18,766</u>

(a) At 31st December 2000, the bank loans and overdrafts were repayable as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Within one year	101,162	52,622	18,799	9,029
In the second year	4,268	9,383	–	5,399
In the third to fifth years inclusive	11,402	21,131	–	8,474
After the fifth year	8,731	18,422	–	4,893
	125,563	101,558	18,799	27,795
Less: Portion due within one year included in current liabilities	(101,162)	(52,622)	(18,799)	(9,029)
	<u>24,401</u>	<u>48,936</u>	<u>–</u>	<u>18,766</u>

Included in the balance above amounts totalling HK\$47,755,000 (1999:HK\$61,353,000) were secured by certain land and building investment properties(note 10) and bank balances (note 18(a)) of the Group.

22 LONG-TERM LIABILITIES (cont'd)

(b) At 31st December 2000, other loans mainly represent unsecured loans granted by third parties. Such loans bear interest at prevailing market rates. They are repayable as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Within one year	2,710	5,565
In the second year	–	1,275
	2,710	6,840
Less: Portion due within one year included in current liabilities	(2,710)	(5,565)
	–	1,275

23 DEFERRED TAXATION

	Group	
	2000	1999
	HK\$'000	HK\$'000
At 1st January	1,202	1,104
Transfer (to)/from profit and loss account (note 6)	(14)	98
At 31st December	1,188	1,202
Provided for in respect of:		
Accelerated depreciation allowances	1,188	1,202

No other potential deferred taxation has been provided in the accounts as the effect is not material to the Group.

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow/(outflow) from operating activities:

	2000 HK\$'000	1999 HK\$'000
Profit before taxation	456,917	33,537
Deficit on revaluation of investment properties	5,819	2,478
Interest income	(18,396)	(9,101)
Interest expenses	15,475	15,810
Share of profits less losses of		
A jointly controlled entity	(460,367)	12,628
Associated companies	11,422	1,054
Non-consolidated subsidiaries	(1,134)	461
Amortisation of intangible assets	–	2,858
Depreciation of fixed assets	10,963	13,787
Loss/(gain) on disposal of fixed assets	57	(826)
Gain on liquidation/disposal of subsidiaries	(114)	(53,900)
Loss on liquidation of an associated company	151	–
(Increase)/decrease in inventories	(29,915)	16,403
Increase in trade and other receivables	(19,403)	(49,642)
Increase in trade and other payables	45,009	11,409
Effect of foreign exchange rate changes	(256)	205
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Net cash inflow/(outflow) from operating activities	<u>16,228</u>	<u>(2,839)</u>