

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited.

During the year, the Company acts as an investment holding company. The principal activities of the principal subsidiaries and associates are set out in note 31 and 15 respectively. In the opinion of the directors, the ultimate holding company is the Grande International Holdings Limited, a company incorporated in the British Virgin Islands.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of accounting**

These financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries for the year ended 31 December 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their respective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

- on the sale of goods, when the goods are delivered and title, significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- on the rendering of services, based on the stage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction; and
- interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Subsidiaries**

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

Shares in subsidiaries are stated in the Company's balance sheet at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

### **Associates**

An associate is an enterprise, not being a subsidiary, in which the Group is in a position to exercise significant influence, including participation in the financial and operating policy decisions.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's investment in associates is stated in the consolidated balance sheet at the Group's share of the net assets. Where audited financial statements are not co-terminous with those of the Group, the share of the results is arrived at from the latest audited financial statements available or unaudited management financial statements to 31 December.

Upon the disposal of associates, the relevant portion of unamortised premium or discount on acquisition is realised and accounted for in arriving at the gain or loss on disposal.

### **Divestment gain / loss**

The gain / loss arising from divestment of interests in subsidiaries and associates is dealt with in the income statement.

### **Goodwill**

Goodwill arising on consolidation of subsidiaries and on acquisition of associates represents the excess of purchase consideration paid for subsidiaries / associates over the fair values ascribed to the net underlying assets acquired and is either eliminated against reserves in the year of acquisition, or amortised on the straight-line basis over 20 years.

Upon the disposal of subsidiaries / associates, the relevant portion of attributable goodwill previously eliminated against reserves is realised and accounted for in arriving at the gain or loss on disposal.

### **Capital reserve**

Capital reserve arising on consolidation of subsidiaries and on acquisition of associates represents the excess of fair values ascribed to the net underlying assets acquired for subsidiaries / associates over the purchase consideration paid.

Upon the disposal of subsidiaries / associates, the relevant portion of attributable capital reserve is realised and accounted for in arriving at the gain or loss on disposal.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation less accumulated depreciation, except for freehold land which is stated at cost or valuation and is not depreciated. Surpluses arising on revaluation are credited directly to reserves, except that a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

In accordance with the transitional provisions set out in paragraph 72 of the Statements of Standard Accounting Practice (“SSAP”) 17, “Property, plant and equipment” issued by the Hong Kong Society of Accountants in 1995, subsequent revaluations of the leasehold land and buildings of the Group and the Company will not be undertaken on a regular basis.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life as set out below:

Freehold buildings outside Hong Kong	5 to 50 years
Long term leasehold land outside Hong Kong	99 years
Long term leasehold buildings outside Hong Kong	45 years
Medium term leasehold land and buildings in Hong Kong	20 to 40 years
Medium term leasehold land and buildings outside Hong Kong	Over the lease terms
Plant, equipment and other assets	2 to 15 years
Moulds	2 to 5 years

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is normally charged as an expense in the period in which it is 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.

Upon the disposal of properties which have been revalued, the relevant portion of the revaluation reserve attributable to the properties realised is transferred directly to retained profits as a reserve movement.

The gain or loss on disposal or retirement of an asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### **Properties held for sale**

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes all costs attributable to such development, including finance charges. No depreciation is provided on properties held for sale.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length. They are stated at their open market values on the basis of annual valuations. Any surplus or deficit on revaluation is taken to the investment properties revaluation reserve unless the total of this reserve is insufficient to cover a deficit, in which case the amount by which the deficit exceeds the amount in the reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, the surplus is credited to the income statement to the extent of the deficit previously charged.

Upon the disposal of an investment property, the relevant portion of the investment properties revaluation reserve recognised in respect of previous valuations is released to the income statement.

No depreciation is provided in respect of investment properties with an unexpired lease term of more than 20 years since the valuations take into account the state of the buildings.

### **Leased assets**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. The rentals applicable to such operating leases are charged to the income statement on the straight-line basis over the lease terms.

### **Long term investments**

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Long term investments** *(Continued)*

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the income statement for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the income statement to the extent of the amount previously charged.

### **Short term investments**

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement for the period in which they arise.

### **Deferred development costs**

Expenditure incurred on projects in developing new products is capitalised and deferred only when the projects are clearly defined, the expenditure is separately identifiable and can be measured reliably; there is a reasonable certainty that the projects are technically feasible and the products have commercial value. Product development expenditure which does not meet these criteria and research expenditure are expensed when incurred.

Deferred development costs are amortised, using the straight-line basis, over the expected useful lives of the products not exceeding five years, commencing in the year when the products are put into commercial production.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Deferred tax**

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

### **Foreign currencies**

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries and the Group's share of net assets of overseas associates are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

### **Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### **Cash equivalents**

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

### 3. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the year ended 31 December 2000:

	<i>Notes</i>	<b>2000</b> <b>HK\$</b> <b>million</b>	1999 <i>HK\$</i> <i>million</i>
Purchases of finished products from associates	<i>(i)</i>	<b>295</b>	76
Sales of goods to associates	<i>(ii)</i>	<b>263</b>	403
Interest from / (to) associates	<i>(iii)</i>	<b>40</b>	(1)

In addition, during the year ended 31 December 2000, the Group provided a guarantee of trade finance banking facilities to certain associates (note 27).

*Notes:*

- (i) The directors consider that the purchases of finished products were made according to prices and conditions similar to those offered by non-related suppliers of the Group.
- (ii) The directors consider that the sales of goods were made according to prices and conditions similar to those offered to non-related major customers of the Group.
- (iii) The interest from / (to) associates arose from loans, the terms and other details of which are set out in the note 15 to the financial statements.

### 4. TURNOVER AND SEGMENTED INFORMATION

Turnover represents the net invoiced value of goods sold after allowances for returns and trade discounts; and corporate finance and investment income but excludes intra-group transactions.

Revenue from the following activities has been included in the Group's turnover:

	<b>2000</b> <b>HK\$</b> <b>million</b>	1999 <i>HK\$</i> <i>million</i>
Sales of goods	<b>8,050</b>	5,436
Provision of corporate finance, investment and other services	<b>259</b>	321
	<b>8,309</b>	5,757

4. TURNOVER AND SEGMENTED INFORMATION (Continued)

An analysis of Group's turnover and contribution to operating profit by principal activity and geographical area of operations for the years 1999 and 2000 is as follows:

	Turnover		Contribution	
	2000 <i>HK\$</i> <i>million</i>	1999 <i>HK\$</i> <i>million</i>	2000 <i>HK\$</i> <i>million</i>	1999 <i>HK\$</i> <i>million</i>
By principal activity:				
Computer related products	<b>2,544</b>	1,351	<b>242</b>	273
Consumer electronic products	<b>5,506</b>	4,085	<b>(60)</b>	133
Corporate finance, investment and others	<b>259</b>	321	<b>637</b>	117
	<b>8,309</b>	5,757	<b>819</b>	523
By geographical area:				
United States of America	<b>2,671</b>	2,453	<b>236</b>	316
Europe	<b>1,760</b>	968	<b>(80)</b>	50
Asia	<b>3,878</b>	2,336	<b>663</b>	157
	<b>8,309</b>	5,757	<b>819</b>	523



## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging / (crediting):

	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
Depreciation:		
Owned property, plant and equipment	<b>187</b>	179
Leased property, plant and equipment	-	2
	<b>187</b>	181
Operating lease rentals:		
Land and buildings	<b>16</b>	38
Interest on:		
Bank overdrafts and loans wholly repayable within five years	<b>95</b>	57
Other loans wholly repayable within five years	<b>1</b>	5
Auditors' remuneration	<b>6</b>	5
Amortisation of other assets	<b>62</b>	14
Staff costs	<b>300</b>	209
Research and development expenditure	<b>43</b>	59
Gain on disposal of long term investments	-	(3)
(Gain) / loss on disposal of property, plant and equipment	<b>(3)</b>	12
Interest income	<b>(35)</b>	(9)

## 6. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS

### Directors' Remuneration

	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
Fees	-	-
Other emoluments:		
Basic salaries, housing, other allowances and benefits in kind	<b>15</b>	13
Bonuses paid and payable	<b>3</b>	1
	<b>18</b>	14

6. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS (Continued)

The number of directors whose remuneration fell within the bands set out below is as follows:

<i>HK\$</i>	<b>2000 Number of directors</b>	1999 Number of directors
Nil – 1,000,000	<b>9</b>	9
1,000,001 – 1,500,000	<b>1</b>	1
1,500,001 – 2,000,000	<b>2</b>	1
2,000,001 – 2,500,000	–	1
2,500,001 – 3,000,000	<b>1</b>	2
3,000,001 – 3,500,000	<b>1</b>	–
3,500,001 – 4,000,000	–	–
4,000,001 – 4,500,000	<b>1</b>	–

There was no arrangement under which a director had waived or agreed to waive any remuneration.

The directors' fee payable to each of the independent non-executive directors of the Company for the year ended 31 December 2000 amounted to HK\$100,000 per annum (1999: HK\$50,000).

**Employee Costs**

	<b>2000 HK\$ million</b>	1999 HK\$ million
Basic salaries, housing, other allowances and benefits in kind	<b>6</b>	–
Bonuses paid and payable	<b>6</b>	–
	<b>12</b>	–

The number of non-directors whose remuneration fell within the bands set out below is as follows:

<i>HK\$</i>	<b>2000 Number of non-directors</b>	1999 Number of non-directors
3,000,001 – 3,500,000	<b>1</b>	–
4,000,001 – 4,500,000	<b>2</b>	–

The five highest paid individuals were all directors in 1999. In 2000, the five highest paid individuals included two directors and three non-directors, details of whose remuneration are set out above.

## 7. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$</b>	<b>HK\$</b>
	<b>million</b>	<b>million</b>
Current year provision:		
Hong Kong	<b>3</b>	8
Overseas	<b>4</b>	2
Under provision in prior year		
Hong Kong	<b>2</b>	–
Overseas	<b>5</b>	–
Deferred tax		
Hong Kong	<b>(2)</b>	–
Share of tax of associates	<b>1</b>	1
	<b>13</b>	11

## 8. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company is HK\$105 million (1999: HK\$120 million).

## 9. DIVIDENDS

	<b>2000</b>	1999
	<b>HK\$</b>	<b>HK\$</b>
	<b>million</b>	<b>million</b>
Interim – HK12 cents (1999: HK8 cents) per ordinary share	<b>48</b>	21
Proposed final – HK20 cents (1999: HK10 cents) per ordinary share	<b>80</b>	36
	<b>128</b>	57

## 10. EARNINGS PER SHARE

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

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
Earnings for the purposes of basic earnings per share:		
Net profit attributable to shareholders	406	195
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds of a subsidiary	1	5
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	(4)	(26)
	<hr/>	<hr/>
Earnings for the purposes of diluted earnings per share	403	174
	<hr/> <hr/>	<hr/> <hr/>
Weighted average number of ordinary shares for the purposes of basic earnings per share	337.9	261.3
Effect of dilutive potential ordinary shares:		
Warrants	3.1	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	341.0	261.3
	<hr/> <hr/>	<hr/> <hr/>

As the exercise price of the outstanding share options and warrants of the Company were greater than the average market price of the Company's shares prevailing in 1999, the computation of the diluted earnings per share for the year ended 31 December 1999 did not assume the exercise of the Company's outstanding share options and warrants.

## 11. PROPERTY, PLANT AND EQUIPMENT

### Group

	<b>Land and buildings</b>	<b>Plant, equipment and other assets</b>	<b>Moulds</b>	<b>Total</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Cost or valuation:				
At beginning of year	921	933	106	1,960
Foreign currency adjustment	(2)	(6)	(1)	(9)
Additions	15	68	18	101
Arising on acquisition of subsidiaries	268	453	59	780
Disposal of subsidiaries	(111)	(276)	(13)	(400)
Disposals	(44)	(30)	–	(74)
At 31 December 2000	<u>1,047</u>	<u>1,142</u>	<u>169</u>	<u>2,358</u>
Accumulated depreciation:				
At beginning of year	51	498	99	648
Provided during the year	43	124	20	187
Disposal of subsidiaries	(16)	(60)	(6)	(82)
Disposals	–	(16)	(1)	(17)
At 31 December 2000	<u>78</u>	<u>546</u>	<u>112</u>	<u>736</u>
Net book value:				
At 31 December 2000	<u>969</u>	<u>596</u>	<u>57</u>	<u>1,622</u>
At 31 December 1999	<u>870</u>	<u>435</u>	<u>7</u>	<u>1,312</u>

11. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Land and buildings comprise:

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
Freehold land and buildings outside Hong Kong:		
At cost	<b>24</b>	6
Long term leasehold land and buildings outside Hong Kong:		
At cost	<b>68</b>	76
Medium term leasehold land and buildings in Hong Kong:		
At cost	<b>14</b>	75
At 1993 professional valuation	<b>279</b>	279
	<b>293</b>	354
Medium term leasehold land and buildings outside Hong Kong:		
At cost	<b>357</b>	180
At 1993 professional valuation	<b>305</b>	305
	<b>662</b>	485
Total cost or valuation	<b>1,047</b>	921

The valuation of medium term leasehold land and buildings in Hong Kong of HK\$301 million was carried out by Chesterton Petty Limited, a firm of independent professional valuers, on an open market, existing use basis as at 31 December 1993. During the year ended 31 December 1998, HK\$22 million of these leasehold land and buildings was disposed.

The valuation of medium term leasehold land and buildings outside Hong Kong of HK\$281 million was carried out by Chesterton Petty Limited, a firm of independent professional valuers, on an open market, existing use basis as at 31 January 1993.

The valuation of medium term leasehold land and buildings outside Hong Kong of HK\$24 million was carried out by Chesterton Petty Limited, a firm of independent professional valuers, on an open market, existing use basis as at 31 December 1993.

The Group has adopted the transitional arrangement set out in SSAP 17 "Property, plant and equipment" issued in 1995 of not making subsequent regular revaluations on the above premises.

## 11. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Had the revalued assets been stated at their cost less accumulated depreciation, the carrying amount of land and buildings as at 31 December 2000 would be restated at HK\$605 million (1999: HK\$498 million).

Certain of the above properties and plant and machinery held by the Group were pledged to secure banking facilities (note 29).

## 12. INVESTMENT PROPERTIES

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
At beginning of year	<b>33</b>	–
Arising on acquisition of subsidiaries	–	14
Transfer from long term investments	–	19
Disposal	<b>(2)</b>	–
Disposal of subsidiaries	<b>(31)</b>	–
	<hr/>	<hr/>
At 31 December	<b>–</b>	<b>33</b>
	<hr/> <hr/>	<hr/> <hr/>
Analysed by lease term and geographical location:		
Medium term leasehold properties situated in Hong Kong	–	8
Long term leasehold properties situated outside Hong Kong	–	25
	<hr/>	<hr/>
	<b>–</b>	<b>33</b>
	<hr/> <hr/>	<hr/> <hr/>

The investment properties were revalued by DTZ Debenham Tie Leung Limited (formerly C. Y. Leung & Company Limited), registered professional surveyors, on an open market, existing use basis as at 31 December 1999.

### 13. PROPERTIES HELD FOR SALE

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
At cost		
At beginning of year	<b>175</b>	171
Foreign currency adjustment	<b>(9)</b>	4
	<hr/>	<hr/>
At 31 December	<b>166</b>	175
	<hr/> <hr/>	<hr/> <hr/>

The properties held for sale are situated outside Hong Kong and held under a freehold lease. In years prior to 1998, these properties were classified as current assets. During the year ended 31 December 1998, the management of the Company changed the classification of these properties to long term asset as it is envisaged that the sale is unlikely to be completed within the next twelve months based on the current market situation.

### 14. INTERESTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
Unlisted shares, at cost	<b>1,237</b>	1,237
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The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are set out in note 31 to the financial statements.



## 15. INTERESTS IN ASSOCIATES

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
Share of net assets other than goodwill	<b>409</b>	469

The amounts due from associates included HK\$105 million (1999: HK\$46 million) which bears interest at commercial rates. The interest income from associates during the year amounted to HK\$40 million (1999: interest paid HK\$1 million). The remaining balances with associates were in respect of trading activities and are unsecured, interest-free and have no fixed terms of repayment.

The Group's share of aggregate losses attributable to the associates for the year was HK\$183 million (1999: HK\$144 million).

The Group's share of post-acquisition accumulated losses of associates at 31 December 2000 was HK\$127 million (1999: HK\$149 million).

Particulars of the Group's principal associates are as follows:

<b>Name</b>	<i>Notes</i>	<b>Place of incorporation/ registration and operations</b>	<b>Percentage of equity attributable to the Group</b>		<b>Principal activities</b>
			<b>2000</b>	1999	
Nakamichi Corporation ("Nakamichi") <sup>#</sup>	<i>(a) and (c)</i>	Japan	<b>45%</b>	45%	Development, manufacture and sales of acoustics and audio consumer electronic products
GrandeTel Technologies Inc. ("GrandeTel") <sup>+</sup>	<i>(b)</i>	Canada	<b>30%</b>	18%	Telecommunications
Ross Group Plc <sup>*</sup>		United Kingdom	<b>48%</b>	–	Manufacture, sale and distribution of automotive products and power supplies

## 15. INTERESTS IN ASSOCIATES *(Continued)*

- # Listed on the Tokyo Stock Exchange. The Group's equity interest in Nakamichi is held as to 45% by the Company and certain subsidiaries of the Company and 7% by certain of the Group's associates. The Group is not in a position to exercise effective control over this investee company and it is therefore not accounted for as a subsidiary.
  - + Traded over the counter on the Nasdaq Stock Exchange.
  - \* Listed on the London Stock Exchange.
- (a) Nakamichi was acquired in January 1997 as a 70% owned subsidiary. Immediately after the acquisition, a share swap arrangement with an associate and the conversion of certain bank debts of Nakamichi into equity were effected under which the Group's interest in Nakamichi was reduced to 56%. Following a further divestment of interest in Nakamichi in December 1997, the Group's effective equity interest in Nakamichi was reduced to 52%, of which only a 45% equity interest was held by the Company and its subsidiaries.
- (b) The following events which occurred prior to the Group's acquisition of the interest in GrandeTel in 1994 are still pending as at the date of the financial statements:
- (i) Four class action lawsuits alleging securities fraud committed by the former GrandeTel chairman and secretary were brought against GrandeTel and other defendants before the Group's acquisition of the interest in GrandeTel. The plaintiffs were seeking compensatory damages of an unspecified amount, plus legal fees and other costs and expenses, for persons who purchased GrandeTel's shares within a specific period. An agreement was reached for GrandeTel to settle these class actions with cash of approximately US\$5 million and 10 million new shares of US\$0.50 each to be issued by GrandeTel plus interest. In addition, under the agreement, the plaintiffs will have the option to sell the shares to GrandeTel at their issuance price at any time for a period not to exceed 120 business days after the second anniversary of the effective date of the settlement. In the event that GrandeTel is unable to honour the put option, it will be honoured by the Company. The new shares were issued to the plaintiffs in August 1999.
  - (ii) The United States Securities and Exchange Commission ("SEC") is still conducting an enquiry into possible violations of the federal securities laws by GrandeTel prior to the Group's acquisition. The enquiry relates to public statements and filings with SEC by GrandeTel, and trading in GrandeTel's securities.

## 15. INTERESTS IN ASSOCIATES *(Continued)*

- (c) The following details have been extracted from the audited financial information of the Group's significant associate:

	<b>Nakamichi</b>	
	<b>2000</b> <i>JPY million</i>	1999 <i>JPY million</i>
Turnover	<b>8,878</b>	14,404
Operating loss	<b>(1,557)</b>	(242)
Net loss for the year	<b>(1,562)</b>	(247)
Property, plant and equipment	<b>1,050</b>	924
Other assets	<b>19</b>	9
Long term investments	<b>32,642</b>	33,323
Current assets	<b>7,951</b>	8,130
Current liabilities	<b>9,227</b>	8,010
Non-current liabilities	<b>6,960</b>	7,339

## 16. LONG TERM INVESTMENTS

	<b>Group</b>	
	<b>2000</b> <i>HK\$ million</i>	1999 <i>HK\$ million</i>
Listed investments, at market value		
Hong Kong	<b>21</b>	9
Outside Hong Kong	<b>6</b>	–
Unlisted investments, at fair value	<b>151</b>	110
	<b>178</b>	119

Included in the unlisted investments were convertible instruments amounting to HK\$42 million (1999: HK\$44 million) which were issued by associates of the Group.

## 17. OTHER ASSETS

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
Deferred development costs:		
At beginning of year	-	5
Additions	<b>19</b>	5
Acquisition of subsidiaries	<b>32</b>	1
Amortisation	<b>(32)</b>	(11)
	<hr/>	<hr/>
At 31 December	<b>19</b>	0
	<hr/>	<hr/>
Deposit for purchase of share investments	-	119
	<hr/>	<hr/>
Total other assets	<b>19</b>	119
	<hr/> <hr/>	<hr/> <hr/>

## 18. ACCOUNTS, BILLS AND OTHER RECEIVABLE

The Group allows an average credit period of 30 to 90 days to its trade customers. The aging analysis of trade and other receivables (net of provision for doubtful debts) is as follows:

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
0 – 3 months	<b>1,584</b>	1,574
3 – 6 months	<b>15</b>	69
Over 6 months	<b>24</b>	151
	<hr/>	<hr/>
	<b>1,623</b>	1,794
	<hr/> <hr/>	<hr/> <hr/>

At 31st December, 2000, included in the amount of accounts, bills and other receivable was an amount of HK\$513 million due from a former subsidiary, O2New Technology Limited ("O2New"), formerly Toyo Holdings Limited. The amount is unsecured and bears interest at 3% above Hong Kong dollars prime rate.

## 19. INVENTORIES

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
Raw materials	<b>759</b>	520
Work in progress	<b>75</b>	99
Finished goods	<b>369</b>	121
	<hr/>	<hr/>
	<b>1,203</b>	740
	<hr/> <hr/>	<hr/> <hr/>

## 20. BANK LOANS AND OTHER BORROWINGS

	Group		Company	
	2000 HK\$ million	1999 HK\$ million	2000 HK\$ million	1999 HK\$ million
Secured bank loans wholly repayable:				
Within one year	<b>653</b>	146	-	-
In the second year	-	-	-	-
	<b>653</b>	146	-	-
Portion classified as current liabilities	<b>(653)</b>	(146)	-	-
	-	-	-	-
Unsecured bank loans wholly repayable:				
Within one year	<b>114</b>	123	<b>103</b>	79
In the second year	-	4	-	-
	<b>114</b>	127	<b>103</b>	79
Portion classified as current liabilities	<b>(114)</b>	(123)	<b>(103)</b>	(79)
	-	4	-	-
Unsecured other loans wholly repayable:				
Within one year	-	101	-	-
In the second year	-	-	-	-
	-	101	-	-
Portion classified as current liabilities	-	(101)	-	-
	-	-	-	-
Non-current portion	-	4	-	-

The unsecured other loans were in respect of the redeemable convertible bonds issued by a subsidiary which bear interest at a coupon rate of 5% per annum and were converted into shares of the subsidiary upon the listing of the shares of the subsidiary on Singapore Exchange Securities Trading Limited ("The Singapore Stock Exchange") in 2000.

## 21. ACCOUNTS AND BILLS PAYABLE

The aging analysis of accounts and bills payable is as follows:

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
0 – 3 months	<b>1,414</b>	1,067
3 – 6 months	<b>270</b>	78
Over 6 months	<b>46</b>	72
	<b>1,730</b>	1,217

## 22. DEFERRED TAX

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
Balance at beginning of year	<b>9</b>	–
Arising on acquisition of subsidiaries	<b>5</b>	9
Disposal of subsidiaries	<b>(8)</b>	–
Write back of over provision	<b>(2)</b>	–
Balance at 31 December	<b>4</b>	9

The principal component of the Group's deferred tax liabilities provided for / (deferred tax assets recognised), and the amounts not provided / (not recognised) are as follows:

	<b>Group</b>			
	<b>Provided</b>		<b>Not provided</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$</b>	HK\$	<b>HK\$</b>	HK\$
	<b>million</b>	million	<b>million</b>	million
Tax losses carried forward	–	–	<b>(49)</b>	(54)
Accelerated depreciation allowances	<b>4</b>	9	<b>2</b>	2
Other timing differences	–	–	<b>(9)</b>	–
	<b>4</b>	9	<b>(56)</b>	(52)

The revaluation of the Group's investment properties and land and buildings does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

## 23. SHARE CAPITAL

	<b>Number of ordinary shares of HK\$2.50 each million</b>	<b>Amount HK\$ million</b>
Authorised:		
At 1 January 1999, 31 December 1999 and 31 December 2000	400	1,000
Issued and fully paid:		
At 1 January 1999 and 31 December 1999	261	653
Issue of new shares	104	259
Exercise of warrants	35	88
At 31 December 2000	400	1,000

On 30 March 2000, Barrican Investments Corporation ("BIC"), the controlling shareholder of the Company, placed 26,000,000 shares of the Company at HK\$4.25 per share to certain independent investors. Subsequent to the placement, BIC's interest in the Company was reduced from 74.9% to 64.9%.

On 30 March 2000, the Company entered into two subscription agreements with BIC, pursuant to which BIC would subscribe for 52,261,927 shares (the "First Subscription") and 51,300,530 shares (the "Second Subscription") at HK\$4.25 per share.

Pursuant to the agreement regarding the First Subscription dated 30 March 2000, BIC subscribed for 52,261,927 shares, representing approximately 20.0% of the Company's issued share capital as at 30 March 2000 and approximately 16.7% of its issued share capital as enlarged by the First Subscription, for a total subscription price of HK\$222 million. The First Subscription Shares were issued under the general mandate granted to the Directors at the Company's annual general meeting held on 23 June 1999, and were issued to BIC on 3 April 2000, pursuant to a general mandate which was granted to the Directors.

Pursuant to the agreement regarding the Second Subscription dated 30 March 2000, BIC subscribed for 51,300,530 shares, representing approximately 19.6% of the Company's issued share capital as at 30 March 2000 and approximately 14.1% of its issued share capital as enlarged by the First Subscription and the Second Subscription, for a total subscription price of HK\$218 million. By virtue of the interests of BIC in the Company, the Second Subscription constitutes a connected transaction for the Company under the Listing Rules, and it was approved by the Independent Shareholders at the Special General Meeting on 23 May 2000.

## 23. SHARE CAPITAL *(Continued)*

It was the intention of the Company to use net proceeds of HK\$438 million as additional working capital for its business of the manufacture of consumer electronic audio and video products.

The directors also believed that the above would result in the broadening of the Company's shareholders base.

### **Share options**

Pursuant to a share option scheme (the "Share Option Scheme") of the Company adopted on 26 November 1990, the board of directors may grant options to eligible employees of the Company, including executive directors, to subscribe for shares of the Company. The subscription price is the higher of the nominal value of the Company's shares or 80% of the average of the closing share prices for the five trading days immediately preceding the date of grant of the option. The maximum nominal amount of shares in respect of which options may be granted, together with options exercised and options then outstanding under the Share Option Scheme, may not exceed 10% of the aggregate nominal amount of the issued share capital of the Company from time to time. In addition, the maximum number of share options granted to any one person may not exceed 25% of the total number of shares for which options may be granted under the Share Option Scheme. The options granted have to be exercised within 2 years commencing on the expiry of 6 months after the date of acceptance of the grant.

There were no options outstanding during the year ended 31 December 2000.

### **Warrants**

Pursuant to a shareholders' resolution and as part of the interim dividend declared for the six months ended 30 June 1997, a bonus issue of warrants was made on the basis of one bonus warrant for every five ordinary shares then held by shareholders (other than overseas shareholders).

Each warrant entitles the holder to subscribe for one fully paid ordinary share of HK\$2.50 each in the Company at any time from the date of issue up to and including 15 October 2000 at a subscription price, subject to adjustment, of HK\$4.50 per share.

None of the 52,261,927 units of warrants granted in 1997 had been exercised and all were outstanding as at 31 December 1999.

As a result of exercise of warrants from March 2000 to October 2000, 35,055,228 ordinary shares of HK\$2.50 each in the Company were issued at a subscription price of HK\$4.50 per share and 17,206,699 units of warrants lapsed upon their expiry, accordingly, there were no warrants outstanding as at 31 December 2000.



## 24. SHARE PREMIUM

	<b>2000 HK\$ million</b>	1999 HK\$ million
At beginning of year	4	4
Issue of new shares	<b>181</b>	–
Exercise of warrants	<b>70</b>	–
Share issue expenses	<b>(2)</b>	–
	<hr/>	
At 31 December	<b>253</b>	4

## 25. RESERVES

	<b>Investment revaluation reserve HK\$ million</b>	<b>Capital reserve HK\$ million</b>	<b>Exchange fluctuation reserve HK\$ million</b>	<b>Retained profits HK\$ million</b>	<b>Total HK\$ million</b>
<b>1999</b>					
<b>Group</b>					
At 1 January 1999	(44)	27	(154)	917	746
Arising from acquisition of subsidiaries	–	46	–	–	46
Arising from acquisition of additional interests in subsidiaries	–	54	–	–	54
Elimination of goodwill arising from acquisition of subsidiaries	–	(6)	–	–	(6)
Elimination of goodwill arising from acquisition of additional interests in subsidiaries	–	(4)	–	–	(4)
Arising from acquisition of additional interests in an associate	–	1	–	–	1
Arising on consolidation of overseas subsidiaries	–	–	5	–	5
Share of reserve movements of associates	–	(2)	(24)	–	(26)
Arising from partial divestment of interest in an associate	–	(3)	2	–	(1)
Surplus on revaluation of long term equity securities	2	–	–	–	2
Reversed on disposal of long term investments	44	–	–	–	44
Profit for the year	–	–	–	195	195
Dividends	–	–	–	(57)	(57)
	<hr/>				
At 31 December 1999	2	113	(171)	1,055	999
	<hr/>				
The reserves are retained as follows:					
Company and subsidiaries	2	104	(108)	1,204	1,202
Associates	–	9	(63)	(149)	(203)
	<hr/>				
	2	113	(171)	1,055	999
	<hr/>				
<b>Company</b>					
At 1 January 1999	–	361	–	134	495
Profit for the year	–	–	–	120	120
Dividends	–	–	–	(57)	(57)
	<hr/>				
At 31 December 1999	–	361	–	197	558

25. RESERVES (Continued)

	<b>Investment revaluation reserve</b>	<b>Capital reserve</b>	<b>Exchange fluctuation reserve</b>	<b>Retained profits</b>	<b>Total</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
<b>2000</b>					
<b>Group</b>					
At 1 January 2000	2	113	(171)	1,055	999
Elimination of goodwill arising from acquisition of subsidiaries	–	(724)	–	–	(724)
Elimination of goodwill arising from acquisition of additional interests in subsidiaries	–	(238)	–	–	(238)
Elimination of goodwill arising from acquisition of additional interests in associates	–	(32)	–	–	(32)
Arising on consolidation of overseas subsidiaries	–	–	(23)	–	(23)
Share of reserve movements of associates	–	(4)	16	–	12
Reversed on disposal of subsidiaries	–	(55)	(2)	–	(57)
Surplus on revaluation of long term equity securities	1	–	–	–	1
Profit for the year	–	–	–	406	406
Dividends	–	–	–	(128)	(128)
	<u>3</u>	<u>(940)</u>	<u>(180)</u>	<u>1,333</u>	<u>216</u>
At 31 December 2000					
The reserves are retained as follows:					
Company and subsidiaries	3	(940)	(151)	1,460	372
Associates	–	–	(29)	(127)	(156)
	<u>3</u>	<u>(940)</u>	<u>(180)</u>	<u>1,333</u>	<u>216</u>
<b>Company</b>					
At 1 January 2000	–	361	–	197	558
Profit for the year	–	–	–	105	105
Dividends	–	–	–	(128)	(128)
	<u>–</u>	<u>361</u>	<u>–</u>	<u>174</u>	<u>535</u>
At 31 December 2000					

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	<b>2000</b>	1999
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Profit from operating activities	<b>915</b>	585
Interest income	<b>(35)</b>	(9)
Depreciation	<b>187</b>	181
Amortisation of other assets	<b>62</b>	14
(Gain) / losses on disposal of property, plant and equipment	<b>(3)</b>	12
(Gain) / losses on disposal of interests in certain subsidiaries and associates	<b>(522)</b>	77
Gain on disposal of long term investments	-	(3)
Provision for long term investments	<b>24</b>	-
Write back of provision for long term investments	<b>(1)</b>	(13)
Decrease / (increase) in accounts, bills and other receivables	<b>2,146</b>	(776)
Increase in inventories	<b>(39)</b>	(131)
Decrease in short term investments	<b>47</b>	112
Increase in prepayments, deposits and other assets	<b>(33)</b>	(35)
Increase in amounts due from associates	<b>(104)</b>	(57)
(Decrease) / increase in accounts and bills payable	<b>(3,179)</b>	37
Increase in accrued liabilities and other payable	<b>51</b>	243
	<hr/>	<hr/>
Net cash (outflow) / inflow from operating activities	<b>(484)</b>	237

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

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

	<b>Share capital (including premium)</b> <i>HK\$ million</i>	<b>Loans and finance lease obligations</b> <i>HK\$ million</i>	<b>Minority interests</b> <i>HK\$ million</i>
At 1 January 1999	657	743	415
Net cash inflow / (outflow) from financing	–	28	(3)
Arising from acquisition of subsidiaries	–	242	305
Arising from acquisition of additional interests in subsidiaries	–	–	(188)
Arising from disposal of subsidiaries	–	–	1
Minority shareholders' share of:			
Profit for the year	–	–	174
Exchange fluctuation reserve	–	–	1
At 31 December 1999 and 1 January 2000	657	1,013	705
Net cash inflow / (outflow) from financing	596	(35)	(2)
Arising from acquisition of subsidiaries	–	654	219
Arising from acquisition of additional interests in subsidiaries	–	–	10
Arising from disposal of subsidiaries	–	(299)	(74)
Minority shareholders' share of:			
Profit for the year	–	–	218
Exchange fluctuation reserve	–	–	(14)
At 31 December 2000	1,253	1,333	1,062

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Purchases of subsidiaries

	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
Net assets acquired:		
Property, plant and equipment	<b>780</b>	409
Investment properties	–	14
Long term investments	–	21
Interest in associates	<b>39</b>	13
Other assets	<b>62</b>	1
Cash and bank balances	<b>119</b>	73
Accounts and bills receivables	<b>2,873</b>	412
Other receivables	–	103
Inventories	<b>1,021</b>	336
Prepayments and deposits	<b>32</b>	20
Bank overdraft	<b>(24)</b>	(15)
Trust receipts loans	<b>(338)</b>	(143)
Accounts and bills payable	<b>(4,384)</b>	(471)
Accrued liabilities and other payable	<b>(88)</b>	(220)
Bank loans	<b>(316)</b>	(99)
Provision for tax	<b>(3)</b>	–
Deferred tax	<b>(5)</b>	(9)
Minority interests	<b>(194)</b>	(8)
	<b>(426)</b>	437
Goodwill arising on acquisition	<b>724</b>	6
Capital reserve arising on acquisition	–	(46)
	<b>298</b>	397
Represented by:		
Cash consideration paid	<b>92</b>	100
Discharged through accounts receivable	<b>181</b>	–
Minority interests	<b>25</b>	297
	<b>298</b>	397

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

**(c) Purchases of subsidiaries** *(Continued)*

The subsidiaries acquired during the year 1999 contributed HK\$128 million to the Group's net operating cash flows, paid HK\$3 million in respect of returns on investments and servicing of finance, paid HK\$2 million in respect of taxation, contributed HK\$49 million in respect of investing activities and paid HK\$74 million for financing activities.

The subsidiaries acquired during the year 2000 contributed HK\$582 million to the Group's net operating cash flows, paid HK\$7 million in respect of returns on investments and servicing of finance, paid HK\$11 million in respect of taxation, paid HK\$55 million in respect of investing activities.

The analysis of net inflow / (outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
Cash consideration paid	<b>(92)</b>	(100)
Cash and bank balances of acquired subsidiaries	<b>119</b>	73
Bank overdraft of acquired subsidiaries	<b>(24)</b>	(15)
	<b>3</b>	(42)

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

**(d) Disposal, deemed disposal and partial divestment of interests in subsidiaries and associates**

Summary of the effects on disposal, deemed disposal and partial divestment of interests in subsidiaries and associates

	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
Net assets disposed of:		
Property, plant and equipment	<b>318</b>	19
Investment properties	<b>31</b>	–
Interests in associates	<b>–</b>	52
Cash and bank balances	<b>18</b>	–
Accounts, bills and other receivables	<b>720</b>	109
Inventories	<b>570</b>	12
Prepayments and deposits	<b>16</b>	8
Amounts due from associates	<b>3</b>	–
Bank overdraft	<b>(14)</b>	–
Trust receipts loans	<b>(182)</b>	–
Accounts and bills payable	<b>(694)</b>	(1)
Accrued liabilities and other payable	<b>(238)</b>	(7)
Bank loans	<b>(16)</b>	–
Provision for tax	<b>(2)</b>	–
Deferred tax	<b>(8)</b>	–
Minority interests	<b>(11)</b>	–
	<b>511</b>	192
Represented by:		
Cash consideration received	<b>641</b>	108
(Gain) / losses on disposal of interests in certain subsidiaries and associates	<b>(522)</b>	77
Accounts receivable	<b>102</b>	–
Short term investment	<b>–</b>	14
Long term investment	<b>16</b>	–
Interests in an associate	<b>53</b>	(6)
Convertible bonds issued by a subsidiary	<b>101</b>	–
Release of reserves	<b>57</b>	–
Minority interests	<b>63</b>	(1)
	<b>511</b>	192

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

**(d) Disposal, deemed disposal and partial divestment of interests in subsidiaries and associates (Continued)**

The subsidiaries disposed of during the year ended 31 December 1999 had no material effect on the cashflow of the Group.

The subsidiaries disposed of during the year 2000 utilized HK\$252 million of the Group's net operating cash flows, paid HK\$6 million in respect of returns on investments and servicing of finance, paid HK\$2 million in respect of taxation, utilized HK\$25 million in respect of investing activities and paid HK\$8 million for financing activities.

The analysis of net inflow of cash and cash equivalents in respect of the disposal, deemed disposal and partial divestment of interests in subsidiaries and associates is as follows:

	<b>2000</b> <b>HK\$</b> <b>million</b>	1999 <i>HK\$</i> <i>million</i>
Cash consideration received	<b>641</b>	108
Cash and bank balances of disposed subsidiaries	<b>(18)</b>	–
Bank overdraft of disposed subsidiaries	<b>14</b>	–
	<hr/> <b>637</b> <hr/>	108

**(e) Major non-cash transactions**

Purchase consideration for subsidiaries of HK\$398 million during the year was discharged through accounts receivable and deposit paid in prior year.

27. CONTINGENT LIABILITIES

	<b>Group</b>		<b>Company</b>	
	<b>2000</b> <b>HK\$</b> <b>million</b>	1999 <i>HK\$</i> <i>million</i>	<b>2000</b> <b>HK\$</b> <b>million</b>	1999 <i>HK\$</i> <i>million</i>
Bills discounted with recourse	<b>11</b>	28	–	–
Guarantee of trade finance banking facilities granted to:				
Subsidiaries	–	–	<b>1,171</b>	725
Associates	<b>35</b>	602	<b>35</b>	602
Former subsidiaries	<b>14</b>	71	<b>14</b>	71
	<hr/> <b>60</b> <hr/>	701	<hr/> <b>1,220</b> <hr/>	1,398



## 27. CONTINGENT LIABILITIES *(Continued)*

All trade bills discounted at the balance sheet date were subsequently honoured by customers with no losses to the Group. Subsequent to the balance sheet date, the contingent liabilities in respect of the guarantee of banking facilities extended to former subsidiaries were further reduced to HK\$9 million as at 31 March 2001, being the latest practicable date of ascertaining the amount of contingent liabilities prior to the approval of these financial statements by the board of directors.

## 28. COMMITMENTS

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$</b>	HK\$
	<b>million</b>	million
(a) Capital commitments:		
Contracted for	<b>1</b>	119
Authorised, but not contracted for	<b>5</b>	–
	<hr/> <b>6</b>	<hr/> 119
(b) Annual commitments payable in the following year under non-cancellable operating leases:		
Land and buildings expiring:		
Within one year	<b>15</b>	17
In the second to fifth years, inclusive	<b>32</b>	48
After five years	–	7
	<hr/> <b>47</b>	<hr/> 72
Other operating leases expiring:		
Within one year	–	2
In the second to fifth years, inclusive	–	4
	<hr/> –	<hr/> 6
Total operating lease commitments	<hr/> <b>47</b>	<hr/> 78

## 29. BANKING FACILITIES

Certain banking facilities available to the Group were secured by the following:

- (i) Legal charges over medium term leasehold land and buildings in Hong Kong with an aggregate carrying value of HK\$250 million (1999: HK\$256 million);
- (ii) Pledge of medium term leasehold land and buildings outside Hong Kong with an aggregate carrying value of HK\$124 million (1999: nil);
- (iii) Pledge of inventories with an aggregate carrying value of HK\$180 million (1999: HK\$59 million); and
- (iv) Pledge of accounts receivable and bank deposit with an aggregate carrying value of HK\$331 million (1999: HK\$65 million).

## 30. PROVIDENT FUND SCHEMES

From 1 December 2000 onwards, all the staff in Hong Kong of the Group are offered the opportunity to join the Mandatory Provident Fund Scheme, which is introduced by the Hong Kong Special Administrative Region. The Group is required to contribute 5%, while the employees are required to contribute 5% of their salaries to the Scheme.

## 31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			2000	1999	
Directly held:					
Broadland Investments Limited	British Virgin Islands	US\$106	<b>100%</b>	100%	Investment holding
The Grande Leisure and Entertainment Holdings Limited	British Virgin Islands	US\$2	<b>100%</b>	100%	Investment holding

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			2000	1999	
Directly held (Continued):					
The Grande Capetric Holdings Limited	British Virgin Islands	US\$100	<b>100%</b>	100%	Investment holding
The Grande (Nominees) Limited	British Virgin Islands	US\$1	<b>100%</b>	100%	Investment holding
The Grande Industries Limited	British Virgin Islands	US\$101	<b>100%</b>	100%	Investment holding
The Grande Group Limited*	Singapore	S\$5,000,000	<b>100%</b>	100%	Provision of management services
Tomei Technologies Limited	British Virgin Islands	US\$100	<b>100%</b>	–	Investment holding
Grande N.A.K.S. Limited	British Virgin Islands	US\$10,000	<b>100%</b>	–	Investment holding
Indirectly held:					
The Grande Group (Hong Kong) Limited	Hong Kong	HK\$20	<b>100%</b>	100%	Provision of administration services
The Alpha Capital Group Limited	British Virgin Islands	US\$100	<b>100%</b>	100%	Corporate finance and investment holding

\* Audited by certified public accountants other than Deloitte Touche Tohmatsu.

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			2000	1999	
Indirectly held (Continued):					
The Alpha Capital Limited	Hong Kong	HK\$10,000,000	<b>100%</b>	100%	Provision of corporate finance, investment and financial advisory services
Polycrown Company Limited*	Hong Kong	HK\$100,000	<b>86%</b>	86%	Property holding
South Sea International Press Limited*	Hong Kong	HK\$10,000,000	<b>86%</b>	86%	Manufacture and sale of printed products
E-Zone Group Holdings Limited*	British Virgin Islands	US\$50,000	<b>100%</b>	100%	Investment holding
E-Zone Leisure Holdings Limited*	British Virgin Islands	US\$15,000,000	<b>100%</b>	100%	Investment holding
Hi-Tech Precision Products Limited	Hong Kong	HK\$50,000,000	<b>100%</b>	56%	Manufacture and trading of electronic products
Tomei Industrial (Holdings) Limited	Hong Kong	HK\$129,301,200	<b>100%</b>	56%	Investment holding

\* Audited by certified public accountants other than Deloitte Touche Tohmatsu.

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			2000	1999	
Indirectly held (Continued):					
Tomei Shoji Limited	Hong Kong	HK\$2,000,000	100%	56%	Trading of mechadecks and video products
TWD International Limited	Hong Kong	HK\$200,000	100%	56%	Manufacture and trading of electronic products
TWD Asia Limited	British Virgin Islands	US\$100	100%	–	Trading of electronic products
Soshin Onkyo International Limited	British Virgin Islands	US\$1	100%	–	Trading of electronic products
Capetronic Consumer Electronics Holdings Limited	British Virgin Islands	US\$49,100	100%	100%	Investment holding
Capetronic Manufacturing Limited	British Virgin Islands	US\$2,000,000	100%	100%	Manufacture and trading of electronic products
Capetronic (Taiwan) Corporation*	Taiwan	NT\$290,825,200	100%	100%	Property holding
Vandyke Limited	British Virgin Islands	US\$1,000	100%	100%	Property holding

\* Audited by certified public accountants other than Deloitte Touche Tohmatsu.

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			2000	1999	
Indirectly held (Continued):					
Capetronic Consumer Electronics Holdings Berhad <sup>#</sup>	Malaysia	RM55,410,180	<b>60%</b>	60%	Manufacture of consumer electronic products
Capetronic International (Thailand) Public Company Limited <sup>§</sup>	Thailand	BATH9,507,123,180	<b>82%</b>	17%	Manufacture of computer monitors
Capetronic Computer Peripherals Holdings Limited <sup>*</sup>	Bahamas	US\$100	<b>91%</b>	50%	Trading of computer and electronic products
Lafe International Holdings Limited	Cayman Islands	HK\$83,238,000	<b>76%</b>	76%	Investment holding
The Grande Properties Limited	Hong Kong	HK\$10,000,000	<b>76%</b>	76%	Property holding
Lafe Technology Limited <sup>+</sup>	Bermuda	US\$40,000,000	<b>47%</b>	100%	Investment holding
Lafe Computer Magnetics Limited	Hong Kong	HK\$10,000,000	<b>47%</b>	76%	Marketing agent
Lafe Investment Limited	Hong Kong	HK\$20	<b>47%</b>	76%	Property holding

\* Audited by certified public accountants other than Deloitte Touche Tohmatsu

# Audited by certified public accountants other than Deloitte Touche Tohmatsu and listed on the Kuala Lumpur Stock Exchange in Malaysia.

§ Audited by certified public accountants other than Deloitte Touche Tohmatsu and listed on the Stock Exchange of Thailand.

+ Listed on the Singapore Stock Exchange.

### 31. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities
			2000	1999	
Indirectly held (Continued):					
Lafe Electronic Components (Panyu) Co., Ltd.	The People's Republic of of China	HK\$35,000,000	<b>47%</b>	76%	Manufacture of computer magnetic heads
Lafe Management Services Limited	Hong Kong	HK\$20	<b>47%</b>	76%	Procurement agent
Lafe Peripherals International Limited	British Virgin Islands	US\$100	<b>47%</b>	76%	Trading of computer magnetic heads
Lafe (China) Corporation Limited	British Virgin Islands	US\$100	<b>47%</b>	76%	Manufacture of computer magnetic heads

### 32. POST BALANCE SHEET EVENT

On 9 January 2001, a Special General Meeting of the Company was held to approve the increase in authorised share capital from HK\$1 billion divided into 400 million shares of HK\$2.5 each (the "Shares") to HK\$2.5 billion by an additional 600 million Shares.

### 33. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

### 34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 26 April 2001.