

# Notes to the Financial Statements

For the Year ended 31st December, 2000

## 20. Investments in securities (continued)

The carrying value of listed securities in Hong Kong at 31st December, 2000 included an amount of HK\$47,309,000, HK\$29,225,000 and HK\$74,178,000 (1999: HK\$nil, HK\$703,500,000 and HK\$99,911,000) representing 5.58%, 8.10% and 10.01% (1999: nil%, 15.63% and 9.91%) interest in STAREASTnet.com Corporation ("Stareastnet"), Pearl Oriental Cyberforce Limited ("Pearl Orient") and Ming Pao Enterprises Corporation Limited ("Ming Pao"), respectively. These companies are incorporated in Bermuda. Stareastnet is listed on the Growth Enterprise Market of the Hong Kong Stock Exchange. Pearl Orient and Ming Pao are listed on the Hong Kong Stock Exchange.

The carrying value of the overseas listed debt securities included an investment of HK\$208,854,000 in PCCW convertible bonds ("PCCW Bond"). The PCCW Bond is guaranteed by PCCW, carries interest at 3.5% per annum, matures on 5th December, 2005 and will be redeemed at 120.12 per cent of the principal amount together with accrued interest.

Unless previously redeemed or purchased and cancelled, the PCCW Bond entitles the holders at any time after 5th January, 2001 up to 21st November, 2005 to convert the PCCW Bond into shares of PCCW at an initial conversion price of US\$1.0083 per share (equivalent to approximately HK\$7.865 per share), subject to adjustment.

The carrying value of the unlisted debt securities, included an investment of HK\$50,400,000 in convertible bond ("G-Prop Bond") issued by G-Prop (Holdings) Limited, a company listed on the Hong Kong Stock Exchange. The G-Prop Bond carries interest at 7.5% per annum and is due to redeem on 10th November, 2002. It entitles the holders at any time after 10th November, 2000 and up to 11 November, 2002 to convert the G-Prop Bond into shares in G-Prop (Holdings) Limited at a conversion price of HK\$0.291 per share (subject to adjustment).

During the year, the Group increased its interest in China Development Corporation Limited ("CDC"), a company listed on the Hong Kong Stock Exchange, from 9.88% to 30.67% and then disposed of its entire interest in CDC to a third party. Accordingly, the investment is classified as investment in securities and the gain on disposal of the investment was classified as gain on disposal of investment in securities.

## 21. Receivables – due after one year

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Receivables from PRC entities	65,212	65,429
Promissory notes	—	30,000
Loan receivables	50,000	—
Notes receivable	—	46,392
	<b>115,212</b>	141,821
Less: Provision	<b>(46,000)</b>	(32,138)
	<b>69,212</b>	109,683
Less: Amount due within one year and shown under current assets	<b>(50,217)</b>	(91,224)
Receivables – due after one year	<b>18,995</b>	18,459

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## 21. Receivables – due after one year (continued)

Receivables from PRC entities consisted primarily of a loan to Chongqing Factory, as more fully described in note 6.

Included in loan receivables is an amount of HK\$34,000,000 advanced to CDC. All of the loan receivables are unsecured, bear interest at prevailing market rate and repayable within one year.

Promissory notes in 1999 represented the non-interest bearing promissory notes due from Pacific Century Regional Development Limited, which was settled during the year.

Notes receivable in 1999 represented promissory notes in relation to outstanding interest receivable on South Sea Note A and B due from Sino-i.com Limited ("Sino-i") after the conversion of HK\$24,779,000 into 42,720,000 shares of Sino-i. The notes bore interest at 9% per annum and was settled during the year.

## 22. Loans from/to minority shareholders

### THE GROUP

The amounts are unsecured, interest-free and will not be repaid within one year and are therefore shown as non-current.

## 23. Properties held for sale

### THE GROUP

Properties held for sale were carried at net realisable value.

## 24. Inventories

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Raw materials	268,242	298,410
Work in progress	30,842	52,117
Finished goods	570,249	483,185
	<b>869,333</b>	833,712

Included above are raw materials of HK\$268,242,000 (1999: HK\$298,410,000), work in progress of HK\$30,842,000 (1999: HK\$52,117,000) and finished goods of HK\$568,099,000 (1999: HK\$482,767,000) which are carried at their net realisable value.

The cost of inventories recognised as an expense during the year was approximately HK\$2,751,170,000 (1999: HK\$3,162,390,000).

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## 25. Trade debtors

The Group allows its trade customers with credit period normally ranging from 90 days to 180 days. The aged analysis of the trade debtors at the balance sheet date is as follows:

	2000 HK\$'000	1999 HK\$'000
0-90 days	323,133	274,270
90-180 days	244,787	312,200
Over 180 days	99,897	147,242
	<b>667,817</b>	<b>733,712</b>

## 26. Creditors and accrued charges

Included in creditors and accrued charges are creditors with the following aged analysis:

	2000 HK\$'000	1999 HK\$'000
0-90 days	322,077	190,929
90-180 days	82,623	75,920
Over 180 days	96,901	76,101
	<b>501,601</b>	<b>342,950</b>
Add: Accrued charges	<b>172,965</b>	<b>48,562</b>
	<b>674,566</b>	<b>391,512</b>

## 27. Share capital

	Number of shares	Value HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each At 1st January, 1999 and 31st December, 2000	8,000,000,000	800,000
<i>Issued and fully paid:</i>		
At 1st January, 1999	4,477,289,420	447,729
Exercise of share options (note a)	3,000,000	300
At 1st January, 2000	4,480,289,420	448,029
Exercise of share options (note b)	129,500,000	12,950
At 31st December, 2000	4,609,789,420	460,979

*Note:*

- (a) During the year ended 31st December, 1999, the Company issued and allotted 3,000,000 shares of HK\$0.10 each in the Company for cash at HK\$0.30 per share as a result of the exercise of share options. The shares issued rank pari passu with the then existing shares in issue in all respects.
- (b) During the year ended 31st December, 2000, the Company issued and allotted 47,000,000, 32,500,000 and 50,000,000 shares of HK\$0.10 each in the Company for cash at HK\$0.3, HK\$0.344 and HK\$0.405 per share respectively as a result of the exercise of share options. The shares issued rank pari passu with the then existing shares in issue in all respects.

# Notes to the Financial Statements

For the Year ended 31st December, 2000

## 28. Share options

### THE COMPANY

In accordance with the terms of the Company's Executive Share Option Scheme adopted on 20th July, 1992, the Company granted to directors and employees of the Company and its subsidiaries share options to subscribe for its ordinary shares. The subscription price, subject to adjustment, is based on 80% of the average of the last dealt prices of the shares of the Company on the five trading days immediately before the options were offered. Options granted are exercisable not earlier than one year and not later than ten years after the date the options are granted.

A summary of movements of share options under the scheme during the year is as follows:

Exercisable period	Exercise price HK\$	Number of shares under option				Outstanding at 31.12.2000
		Outstanding at 1.1.2000	Granted during the year	Exercised during the year	Lapsed during the year	
21.7.1998 to 20.7.2002	0.606	21,647,500	—	—	—	21,647,500
27.5.1999 to 26.5.2004	0.300	72,000,000	—	(47,000,000)	—	25,000,000
22.11.1999 to 21.11.2004	0.320	2,000,000	—	—	—	2,000,000
12.1.2000 to 11.1.2005	0.344	—	33,500,000	(32,500,000)	—	1,000,000
14.2.2000 to 13.2.2005	0.405	—	87,900,000	(50,000,000)	(30,000,000)	7,900,000
		95,647,500	121,400,000	(129,500,000)	(30,000,000)	57,547,500

The amount of consideration received by the Company for options granted during the year is not material.

### SUBSIDIARY

#### China Tire

Pursuant to the Executive Share Option Scheme adopted on 7th June, 1994, China Tire granted options to officers and employees, and directors who are also employees, of China Tire and its subsidiaries to subscribe for common stock in China Tire, subject to a maximum of 910,000 shares. Shares of common stock to be issued upon the exercise of options will be authorised and unissued shares. An independent committee (the "Committee") of China Tire's board of directors was formed to monitor and consider the granting of options under the scheme. The subscription price will be determined by the Committee, and will not be less than 80% of the average closing price of shares of common stock on the New York Stock Exchange over the five trading days immediately preceding the date of offer of the option.

# Notes to the Financial Statements

For the Year ended 31st December, 2000

## 28. Share options (continued)

A summary of movements of share options under the scheme during the year is as follows:

Exercisable period	Exercise price US\$	Number of common stock under option				Outstanding at 31.12.2000
		Outstanding at 1.1.2000	Granted during the year	Exercised during the year	Surrendered/ lapsed during the year	
23.2.1995 to 22.2.2005	10.25	280,000	—	—	(250,000)	30,000
1.6.1999 to 31.5.2009	5.875	380,000	—	(10)	(190,000)	189,990
3.2.2000 to 2.2.2010	9.9375	—	20,000	—	—	20,000
		660,000	20,000	(10)	(440,000)	239,990

The amount of consideration received by China Tire for options granted was not material.

### *China Land*

Pursuant to the share option scheme adopted on 27th June, 2000, China land may grant options to executive directors and full time employees of China Land or any one of its subsidiaries to subscribe for shares in China Land 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 Hong Kong Stock Exchange on the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% of the issued share capital of China Land from time to time.

No options under the share option scheme were granted or exercised during the year and no options were outstanding as at 31st December, 2000.

# Notes to the Financial Statements

For the Year ended 31st December, 2000

## 29. Reserves

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Goodwill on consolidation HK\$'000	Exchange reserve HK\$'000	Other non- distributable reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP							
At 31st December, 1998 and 1st January, 1999	1,843,549	233	(548,901)	4,381	45,137	2,073	1,346,472
Exchange adjustment	—	—	—	10,283	—	—	10,283
Premium on issue of shares	600	—	—	—	—	—	600
Arising on acquisition of interests in subsidiaries and associates	—	—	(7,640)	—	—	—	(7,640)
Realised on disposal of interest in subsidiaries/subsidiaries not consolidated	—	—	551,672	(2,717)	(4,736)	—	544,219
Realised on disposal of interest in associates	—	—	35,562	359	2,008	—	37,929
Share of net reserves movement of associates	—	—	—	4,538	(9,453)	—	(4,915)
Appropriated from retained profits	—	—	—	—	1,412	(1,412)	—
Net profit for the year	—	—	—	—	—	1,047,596	1,047,596
Dividend for the year	—	—	—	—	—	(46,098)	(46,098)
At 31st December, 1999	1,844,149	233	30,693	16,844	34,368	1,002,159	2,928,446
Exchange adjustment	—	—	—	(1,223)	—	—	(1,223)
Premium on issue of shares	32,580	—	—	—	—	—	32,580
Arising on acquisition of interests in subsidiaries and associates	—	—	157,581	—	—	—	157,581
Impairment in value of goodwill of an associate	—	—	26,724	—	—	—	26,724
Realised on disposal of interest in subsidiaries	—	—	(3,958)	(691)	(3,151)	—	(7,800)
Realised on disposal/dilution of interest in associates	—	—	3,751	(2,735)	(557)	—	459
Share of net reserves movement of associates	—	—	(12,097)	(7,317)	2,204	—	(17,210)
Appropriated from retained profits	—	—	—	—	1,539	(1,539)	—
Net loss for the year	—	—	—	—	—	(730,682)	(730,682)
At 31st December, 2000	1,876,729	233	202,694	4,878	34,403	269,938	2,388,875
Attributable to:							
The Company and its subsidiaries	1,876,729	233	226,027	23,116	16,810	347,610	2,490,525
Associates	—	—	(23,333)	(18,238)	17,593	(77,672)	(101,650)
	1,876,729	233	202,694	4,878	34,403	269,938	2,388,875

## Notes to the Financial Statements

For the Year ended 31st December, 2000

### 29. Reserves (continued)

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY				
At 31st January, 1999	1,843,549	233	284,683	2,128,465
Premium on issue of shares	600	—	—	600
Net loss for the year	—	—	(92,872)	(92,872)
Dividend for the year	—	—	(46,098)	(46,098)
At 31st December, 1999	1,844,149	233	145,713	1,990,095
Premium on issue of shares	32,580	—	—	32,580
Net loss for the year	—	—	(569,315)	(569,315)
At 31st December, 2000	1,876,729	233	(423,602)	1,453,360

The other non-distributable reserves of the Group include statutory reserves required to be appropriated from the profit after taxation of the Company's PRC subsidiaries under PRC laws and regulations. The amount of the appropriation is at the discretion of the PRC subsidiaries' board of directors.

At 31st December, 1999, the Company's reserves available for distribution to shareholders represented the retained profits was HK\$145,713,000. At 31st December, 2000, the Company had no reserves available for distribution to shareholders.

### 30. Deferred taxation

The major components of the deferred taxation charge (credit) not recognised for the year are as follows:

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences attributable to:				
Difference between depreciation allowances claimed for tax purposes and depreciation charged in the financial statements	(216)	46	(6)	46
Tax loss (incurred) utilised	(15,295)	(124,122)	18,665	(3,083)
	(15,511)	(124,076)	18,659	(3,037)