

Notes to the Financial Statements

For the Year ended 31st December, 2000

30. Deferred taxation (continued)

At the balance sheet date, the major components of the deferred taxation asset not recognised in the financial statements 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:				
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	(5,773)	(5,867)	(340)	(346)
Unutilised tax losses	198,599	166,740	23,273	41,938
Other timing differences	5,269	5,269	7,632	7,632
	198,095	166,142	30,565	49,224

The deferred taxation asset is not recognised because it is uncertain whether the tax benefit will be realised in the foreseeable future.

31. Bank loans and other borrowings

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Bank loans	1,932,970	1,270,449
Bank overdrafts	11,902	—
Other borrowings	1,886	1,878
	1,946,758	1,272,327
Repayable as follows:		
Within one year	1,351,545	1,157,591
Between one and two years	48,080	78,779
Between two and five years	32,152	30,323
Over five years	514,981	5,634
	1,946,758	1,272,327
Less: Amount due within one year included under current liabilities	(1,351,545)	(1,157,591)
Amount due after one year	595,213	114,736

Of the bank loans and other borrowings of the Group, HK\$1,298,298,000 (1999: HK\$387,581,000) are secured by property, plant and equipment and bank deposits of the Group.

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32. Deposits received

THE GROUP

The amounts represent deposits received in connection with the pre-sale of certain properties under/held for development. The deposits will be transferred to the income statement upon the execution of the binding sale and purchase agreement.

In the opinion of the directors, the binding sales and purchase agreement is unlikely to be executed within one year and the deposits are therefore shown in the balance sheet as non-current.

33. Deferred revenue

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Balance at 1st January	109,736	109,736	142,074	142,074
Eliminated during the year	(109,736)	—	(142,074)	—
Balance at 31st December	—	109,736	—	142,074

The deferred revenue at 31st December, 1999 represented deferred gain on disposal of Westronix to AFH and is eliminated upon the acquisition of the entire interest in Westronix from AFH, details of which are set out in note 19.

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34. Reconciliation of (loss) profit before taxation to net cash inflow (outflow) from operating activities

	2000 HK\$'000	1999 HK\$'000
(Loss) profit before taxation	(812,883)	1,093,641
Share of results of associates	12,147	12,993
Share of results of a subsidiary not consolidated	—	12,623
Dividend income	(6,509)	(1,787)
Interest income	(114,714)	(26,571)
Rental income	(5,420)	(87)
Interest expenses	88,487	96,938
Depreciation of property, plant and equipment	110,944	154,766
Amortisation of intangible asset	448	—
Unrealised loss (gain) on investments in securities	482,656	(365,486)
Loss (gain) on disposal of investments in securities	260,946	(688,157)
Provision for doubtful debts	57,382	194,863
Deficit arising on revaluation of investment properties	—	23,000
Impairment in value of goodwill	26,724	—
Provision in respect of inventories	42,277	35,604
Provision for diminution in value of property, plant and equipment	—	128,494
Loss (gain) on disposal of properties, plant and equipment	310	(447)
Provision for crystallisation of guarantee made	—	15,549
Gain on disposal/dilution of interests in subsidiaries/subsidiaries not consolidated/business	(24,692)	(517,149)
(Gain) Loss on disposal/dilution of interest in associates	(14,977)	13,109
Increase in inventories	(92,242)	(46,678)
Increase in trade debtors	(63,569)	(100,308)
Increase in properties held for sale	16,000	—
(Increase) decrease in other receivables, deposits and prepayments	(160,084)	10,517
Decrease in other tax recoverable	—	3,661
Increase (decrease) in creditors and accrued charges and other payables	338,005	(187,244)
Increase in other tax payable	14,133	—
Decrease in deposits received	(3,447)	—
Net cash inflow (outflow) from operating activities	151,922	(138,156)

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For the Year ended 31st December, 2000

35. Disposal of subsidiaries/subsidiaries not consolidated/business

	2000 HK\$'000	1999 HK\$'000
Net assets disposed of:		
Investment properties	51,954	19,400
Property, plant and equipment	109,152	560,212
Interest in subsidiaries not consolidated	—	91,106
Investments in securities	—	242,822
Interests in associates	—	34,866
Inventories	15,548	211,716
Loan receivables	—	109,000
Trade debtors	93,406	271,605
Other receivables, debtors and prepayments	84,922	198,268
Bank balances and cash	22,503	652,838
Creditors and accrued charges	(136,735)	(422,051)
Income and other taxes payable	—	(2,405)
Deferred taxation	—	(1,081)
Minority interests	(76,472)	(459,355)
Bank loans and other borrowings	(61,465)	(400,268)
	102,813	1,106,673
Goodwill reserve realised	(3,958)	551,672
Exchange reserve realised	(691)	(2,717)
Other non-distributable reserves realised	(3,151)	(4,736)
	95,013	1,650,892
Gain on disposal	24,692	517,149
	119,705	2,168,041
Satisfied by:		
Cash	68,999	1,725,833
Other receivables	32,015	40,438
Investments in securities	18,691	294,270
Loan receivables	—	107,500
	119,705	2,168,041
Analysis of the net inflow of cash and cash equivalents in connection with the disposal of subsidiaries/subsidiaries not consolidated/business:		
Cash consideration received	68,999	1,725,833
Bank balances and cash disposed of	(22,503)	(652,838)
Net inflow of cash and cash equivalents	46,496	1,072,995

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For the Year ended 31st December, 2000

35. Disposal of subsidiaries/subsidiaries not consolidated/business (continued)

The subsidiaries disposed of during the year contributed cash outflow of HK\$6,288,000 (1999: cash inflow of HK\$390,744,000) to the Group's net operating cash outflow, paid tax liabilities of HK\$1,727,000 in 1999, paid HK\$1,787,000 in respect of investing activities (1999: paid HK\$746,010,000) and received HK\$12,217,000 in respect of financing activities (1999: paid HK\$18,357,000).

36. Purchase of subsidiaries/business

	2000 HK\$'000	1999 HK\$'000
Net assets acquired:		
Property, plant and equipment	1,428,425	—
Intangible assets	107,656	—
Investment properties	71,818	—
Property under development	173,869	—
Properties held for sale	4,073	—
Investments in securities	35,563	—
Inventories	1,205	—
Trade debtors	7,462	—
Advances to contractors	169,082	—
Bank balances and cash	177,325	—
Creditors and accrued charges	(138,636)	—
Deposits received	(80,085)	—
Bank loans and other borrowings	(457,665)	—
Minority interests	(521,090)	—
	979,002	—
Negative goodwill arising on acquisition	(170,114)	—
	808,888	—
Satisfied by:		
Cash	703,637	—
Interests in an associate	92,711	—
Investments in securities	12,540	—
	808,888	—

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36. Purchase of subsidiaries/business (continued)

Analysis of the net cash outflow of cash and cash equivalents in connection with the purchase of subsidiaries:

	2000 HK\$'000	1999 HK\$'000
Cash consideration paid	703,637	—
Bank balances and cash acquired	(177,325)	—
Net cash outflow of cash and cash equivalents in connection with the purchase of subsidiaries	526,312	—

The subsidiaries/business acquired during the year contributed cash outflow of HK\$107,130,000 to the Group's net operating cash outflow, paid HK\$16,659,000 in respect of net returns on investments and servicing of finance, received refund of income tax of HK\$1,213,000, utilised HK\$139,959,000 in respect of investing activities and raised HK\$177,088,000 in respect of financing activities.

The subsidiaries/business acquired during the year contributed HK\$66,208,000 to the Group's turnover, and HK\$9,074,000 to the Group's loss from operations.

37. Analysis of changes in financing during the year

	Share capital and share premium HK\$'000	Bank loans and other borrowings HK\$'000	Minority interests HK\$'000
Balance at 1st January, 1999	2,291,278	1,360,798	1,848,872
Proceed on issue of new shares, net of expenses	900	—	—
New borrowings obtained	—	370,177	—
Contribution from minority shareholders	—	—	118,572
Repayments	—	(58,380)	—
On disposal of subsidiaries	—	(400,268)	(459,355)
Profit attributable to minority shareholders	—	—	40,649
Non-cash related movements	—	—	2,437
Dividends paid to minority shareholders	—	—	(194,643)
Balance at 31st December, 1999	2,292,178	1,272,327	1,356,532
Proceed on issue of new shares, net of expenses	45,530	—	—
New borrowings obtained	—	1,509,767	—
Contribution from minority shareholders	—	—	15,348
Purchase of additional interests in subsidiaries	—	—	(11,514)
Repayments	—	(1,243,438)	—
Acquisition of subsidiaries/business	—	457,665	521,090
On disposal/partial disposal of subsidiaries	—	(61,465)	(76,472)
Loss attributable to minority shareholders	—	—	(88,809)
Non-cash related movements	—	—	4,748
Dividends paid to minority shareholders	—	—	(23,140)
Balance at 31st December, 2000	2,337,708	1,934,856	1,697,783

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38. Major non-cash transactions

During the year, the major non-cash transactions are as follows:

- (a) Addition to investments in securities of HK\$18,691,000 and receivables of HK\$32,015,000 were part of the consideration received from the disposal of a subsidiary. Increase in investments in securities of HK\$7,542,000 was the settlement of an outstanding receivable.

Interest in associates of HK\$4,817,000 was re-classified as investments in securities following the dilution of the Group's interest in the associate.

- (b) Convertible note receivable from an associate of HK\$232,110,000 was set off against the amount of consideration required for the acquisition of interest in a company from the associate.
- (c) Properties under/held for development of HK\$43,009,000 was transferred to properties held for sale.

In 1999, the major non-cash transactions are as follows:

- (a) Addition to investment properties and increase in other debtors, deposits and prepayments, amounting to HK\$74,954,000 and HK\$4,449,000 respectively were transferred from deposit paid on acquisition of properties.
- (b) Addition to investment in securities amounting to HK\$294,270,000 was part of the consideration received from the disposal of subsidiaries. An amount of HK\$46,392,000 included in investment in securities was converted into receivables due within one year.

39. Commitments

At the balance sheet date, the Group had the following capital commitments:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Contracted for but not provided in the financial statements relating to:		
– Property, plant and equipment	—	19,565
– Properties under/held for development	23,640	—
– Properties under construction	227,150	—
– Construction in progress	173,849	—
	424,639	19,565

The Company had no capital commitment at the balance sheet date.