

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

The Company was incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 12 to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of presentation

The financial statements have been prepared under the historical cost convention and in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

b. Basis of consolidation

The consolidated financial statements include the accounts of PCL Enterprises Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”). Significant intra-group transactions and balances have been eliminated on consolidation.

Goodwill and capital reserve arising on acquisition of subsidiaries, representing respectively the excess or shortfall of purchase consideration over the fair value of the Group’s share of the separable net assets of subsidiaries acquired, is written off against available retained profit or reserves and credited directly to reserves respectively in the year of acquisition or when the purchase consideration is subsequently adjusted.

Upon disposal of interests in subsidiaries, the attributable amount of goodwill previously eliminated against or credited to reserves is reversed to investment cost in the determination of the gain or loss on disposal.

c. Subsidiaries

A company is a subsidiary company if more than 50% of the issued voting capital is held long-term, directly or indirectly. In the Company’s financial statements, investment in subsidiaries is carried at cost less provision for impairment in value where considered necessary by the directors. The results of the subsidiaries are included in the Company’s income statement to the extent of dividends declared by the subsidiaries.

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

d. Turnover

Turnover comprises:

- (i) gross invoiced sales net of returns and discounts;
- (ii) rental income from leasing of investment properties;
- (iii) income derived from trading of other investments;
- (iv) design fees;
- (v) agency service fees; and
- (vi) commission income from distribution of products of a related company and a third party.

e. Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, turnover and other revenue are recognized on the following bases:

(i) Sales of goods

Sales of goods are recognized when the significant risks and rewards of ownership of the goods have been transferred to customers.

(ii) Rental income

Rental income is recognized when it becomes receivable.

(iii) Sale of other investments

Sale of other investments is recognized on the transaction date.

(iv) Design fees

Design fees are recognized when design services are rendered.

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

e. Revenue recognition (Cont'd)

(v) Agency service fees and commission income

Agency service fees and commission income are recognized when related services are rendered.

(vi) Interest income

Interest income from bank deposits is recognized on a time proportion basis on the principal outstanding and at the rate applicable.

f. Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation. 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 fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which 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 fixed assets, the expenditure is capitalized as an additional cost of the fixed asset.

Depreciation is provided on a straight-line basis at an annual rate estimated to write off the cost or valuation of each asset over its expected useful life. Leasehold land is depreciated over the remaining period of the respective lease. The annual rates are as follows:

Leasehold land	Over the remaining period of the lease
Buildings	2.5% - 3%
Leasehold improvements	Over the remaining period of the lease
Furniture, fixtures and equipment	12.5% - 25%
Plant and machinery	20% - 33%
Motor vehicles	25%

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

g. Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential and for the long-term.

Investment properties are included in the balance sheet at their open market value, on the basis of an annual valuation by independent qualified valuers. Changes in the value of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a reduction in the open market value on a portfolio basis, the excess is charged to the income statement.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realized in respect of previous valuations is released from the investment property revaluation reserve to the income statement as part of the profit or loss on disposal of the investment property.

No depreciation is provided on investment properties unless the unexpired lease term is 20 years or less, in which case depreciation is provided on the then carrying value over the unexpired lease term.

h. Investment securities

Securities, which include both debt and equity securities, intended to be held on a continuing basis, are classified as investment securities and are included in the balance sheet at cost less any provision for impairment in value.

The carrying amounts of investment securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When such a decline has occurred, the carrying amounts are reduced and the reduction is recognized as an expense in the income statement unless there is evidence that the decline is temporary.

Provisions against the carrying value of investment securities are reversed to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Upon disposal or transfer of investment securities, any profit or loss thereon is accounted for in the income statement.

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

i. Other investments

Securities other than investment securities or held-to-maturity securities are classified as other investments and are carried at fair value in the balance sheet. An unrealized holding gain or loss on other investments is recognized in the income statement in the period when it arises.

Upon disposal or transfer of other investments, any profit or loss thereon is accounted for in the income statement.

j. Inventories

Inventories are stated at the lower of actual cost and net realizable value. Cost comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for obsolete, slow-moving or defective items where considered necessary by the directors.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of a write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Spare parts purchased and consumed during the year are charged to the income statement. Spare parts held at year end are capitalized and included in the balance sheet as inventories at cost.

k. Deferred taxation

Deferred taxation is provided under the liability method, at the current tax rate, in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except where it is considered that no liability will arise in the foreseeable future.

A deferred tax asset is not recognized unless the related benefits are expected to crystallize in the foreseeable future.

l. Operating leases

Leases where substantially all the rewards and risks of ownership of the leased assets remain with the lessor are accounted for as operating leases. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

m. Foreign currencies

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations (“functional currencies”). In the accounts of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange in effect at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. Exchange gains or losses are dealt with in the income statement of the individual companies.

The Group prepares consolidated financial statements in Hong Kong dollars. For the purpose of consolidation, the financial statements of those subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date. Exchange differences arising from such translations are dealt with as movements of exchange reserve.

n. Research and development costs

Research and development costs represent all costs directly attributable to the design and development of the integrated circuits products of the Group. Research costs are written off as incurred. Development costs incurred on specific projects are carried forward when recoverability can be foreseen with reasonable assurance. The costs are amortised based on the sales from such projects. The directors believe this accounting results in a proper matching of costs and revenue. All other development costs are written off as incurred.

3. RELATED PARTY TRANSACTIONS

A related party is a company in which one or more of the directors or shareholders of the Group have direct or indirect beneficial interests or are in a position to exercise significant influence on the company. Parties are also considered to be related if they are subject to common control or common significant influence.

During the year, the Group had certain significant transactions with related companies as set out below:

- a. Rental income of approximately \$502,000 and \$1,212,000 (1999 - \$502,000 and \$1,212,000) were received and/or became receivable from Fong Wing Shing Construction Company Limited and PCL Holdings Limited respectively. The directors of the Company, Mr. Yip Chi Hung and Mr. Pang Hong, are in a position to exercise significant influence over these companies.
- b. Commission income of \$1,832,000 (1999 - \$15,097,000) was received from Mosel Vitelic Inc. (“MVI”), an indirect substantial shareholder of Vitelic (Hong Kong) Limited (“VHK”), a subsidiary up to 31st July, 2000, pursuant to a sales agency agreement dated 30th November, 1996 (the “Agency Agreement”). The Agency Agreement was terminated with effect from 1st April, 2000.

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

3. RELATED PARTY TRANSACTIONS (Cont'd)

c. Amounts due from related companies:

	Group		Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
PCL Development Limited	17	—	4	—
Mosel Vitelic Inc.	6	8,615	6	91
Pacific Capital (Asia) Limited	4	4	—	1
	<u>27</u>	<u>8,619</u>	<u>10</u>	<u>92</u>

PCL Development Limited and Pacific Capital (Asia) Limited are companies over which Mr. Yip Chi Hung and Mr. Pang Hong, who are directors of the Company, are in a position to exercise significant influence.

d. Amounts due to related companies:

	Group		Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
PCL Holdings Limited	116	44	116	44
Pacific Capital (Asia) Limited	282	—	—	—
Mosel Vitelic Inc.	1,670	—	—	—
	<u>2,068</u>	<u>44</u>	<u>116</u>	<u>44</u>

PCL Holdings Limited is a company over which Mr. Yip Chi Hung and Mr. Pang Hong, who are directors of the Company, are in a position to exercise significant influence.

e. All outstanding balances with related companies, minority shareholders and subsidiaries were unsecured, non-interest bearing and without fixed repayment terms.

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

4. TURNOVER AND OTHER REVENUE

Analysis of turnover by principal activity is as follows:

	2000	1999
	<u>\$'000</u>	<u>\$'000</u>
		(Note 27)
Sales of integrated circuits	91,978	63,528
Agency service fees	15,797	—
Rental income	6,433	6,579
Commission income	2,931	15,619
Integrated circuits design fees	1,246	—
	<u>118,385</u>	<u>85,726</u>

Analysis of turnover by geographical location is as follows:

	2000	1999
	<u>\$'000</u>	<u>\$'000</u>
		(Note 27)
Hong Kong	55,417	83,681
Taiwan	46,740	—
The People's Republic of China	16,228	2,045
	<u>118,385</u>	<u>85,726</u>

Analysis of other revenue is as follows:

	2000	1999
	<u>\$'000</u>	<u>\$'000</u>
		(Note 27)
Interest income	2,788	2,992
Gain on sale of other investments	40	3,886
Handling and probing fees	174	3,016
Exchange gain, net	673	—
Others	2,155	781
	<u>5,830</u>	<u>10,675</u>

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

5. PROFIT (LOSS) BEFORE TAX

Profit (Loss) before tax was determined after charging and crediting the following items:

	2000	1999
	\$'000	\$'000
Charging:		
Provident fund contributions	1,144	1,533
Less: Forfeited contribution	(966)	(138)
	<u>178</u>	<u>1,395</u>
Auditors' remuneration	920	762
Depreciation	7,781	11,149
Staff costs (including directors' and senior executives' emoluments)	28,612	31,628
Operating lease rentals in respect of land and buildings	1,016	946
Loss on disposal of fixed assets	88	38
Research and development costs	7,989	—
Unrealized holding loss on other investments	535	—
Interest on bank loans, overdrafts and other loans repayable		
within five years	2,737	1,601
Provision for doubtful debts	408	—
Exchange loss, net	—	67
	<u> </u>	<u> </u>
Crediting:		
Gross rental income from investment property	6,433	6,579
Less: Outgoings	(213)	(289)
	<u>6,220</u>	<u>6,290</u>
Write-back of inventory obsolescence provision	—	5,268
Gain on sale of other investments	40	3,886
Gain on disposal of a subsidiary	8,444	—
Unrealized holding gain on other investments	—	600
Exchange gain, net	673	—
Interest income on bank deposits	2,788	2,992
	<u> </u>	<u> </u>

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

a. Details of directors' emoluments were:

	<u>2000</u>	<u>1999</u>
	<u>\$'000</u>	<u>\$'000</u>
Fees for executive directors	—	—
Fees for non-executive directors	200	200
Other emoluments for executive directors		
— Basic salaries and allowances	2,157	2,110
— Provident fund contributions	96	111
	<u>2,453</u>	<u>2,421</u>

No directors waived any emoluments during the year.

Analysis of executive directors' emoluments by number of directors and emolument ranges was as follows:

	<u>2000</u>	<u>1999</u>
Nil to \$1,000,000	4	4
\$1,000,001 to \$1,500,000	—	—
\$1,500,001 to \$2,000,000	1	1
	<u>5</u>	<u>5</u>

b. Details of emoluments paid to the five highest paid individuals (including directors and other employees) were:

	<u>2000</u>	<u>1999</u>
	<u>\$'000</u>	<u>\$'000</u>
Basic salaries and allowances	4,281	4,603
Bonus	—	—
Contributions to provident fund	167	244
	<u>4,448</u>	<u>4,847</u>

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as inducement to join or as compensation for loss of office.

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Cont'd)

b. (Cont'd)

Analysis of emoluments paid to the five highest paid individuals (including directors and other employees) by number of individuals and emolument ranges was as follows:

	<u>2000</u>	<u>1999</u>
Nil to \$1,000,000	3	3
\$1,000,001 to \$1,500,000	1	1
\$1,500,001 to \$2,000,000	1	1
	<u>5</u>	<u>5</u>

One (1999 - One) of the five highest paid individuals was a director of the Company, whose emoluments have been included in Note 6.a.

7. TAXATION

The Company is exempt from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16% (1999 - 16%) on the estimated assessable profit for the year. Overseas taxation has been calculated on the estimated assessable profit for the year at the rates prevailing in the respective jurisdictions.

	<u>2000</u>	<u>1999</u>
	<u>\$'000</u>	<u>\$'000</u>
Hong Kong profits tax	324	215
Overseas taxation	364	—
Special rebate by the Government of the Hong Kong Special Administrative Region	—	(27)
	<u>688</u>	<u>188</u>

There was no significant unprovided deferred taxation.

8. NET PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders included a net loss of approximately \$5,226,000 (1999 - loss of approximately \$4,424,000) dealt with in the financial statements of the Company.

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31st December, 2000 was based on the consolidated net profit attributable to shareholders of approximately \$4,153,000 (1999 - loss of approximately \$9,110,000) and the weighted average number of 336,587,142 shares (1999 - 336,587,142 shares) in issue during the year.

The calculation of diluted earnings per share for the year ended 31st December, 2000 was based on the consolidated net profit attributable to shareholders of approximately \$4,153,000 and the weighted average number of 342,403,652 shares that would be in issue having been adjusted to reflect the effect of all dilutive potential shares during the year. Diluted loss per share for the year ended 31st December, 1999 was not presented as there was no dilution effect on the loss per share.

10. FIXED ASSETS

Group

	2000					1999	
	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
Beginning of year	36,500	1,403	28,026	107,828	167	173,924	165,544
Additions arising from acquisition of a subsidiary	—	—	—	—	—	—	4,006
Additions	—	—	11,619	291	—	11,910	4,651
Disposals arising from disposal of a subsidiary	(36,500)	—	(21,443)	(107,865)	(167)	(165,975)	—
Disposals	—	(95)	—	—	—	(95)	(277)
End of year	—	1,308	18,202	254	—	19,764	173,924
Accumulated depreciation							
Beginning of year	9,355	889	14,526	93,300	167	118,237	107,323
Charge for the year	637	200	3,301	3,643	—	7,781	11,149
Disposals arising from disposal of a subsidiary	(9,992)	—	(14,053)	(96,929)	(167)	(121,141)	—
Disposals	—	(7)	—	—	—	(7)	(235)
End of year	—	1,082	3,774	14	—	4,870	118,237
Net book value							
End of year	—	226	14,428	240	—	14,894	55,687
Beginning of year	27,145	514	13,500	14,528	—	55,687	58,221

The leasehold land and buildings are situated in Hong Kong and are held under medium-term leases.

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

10. FIXED ASSETS (Cont'd)

Company

	2000			1999
	Leasehold improvements	Furniture, fixtures and equipment	Total	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
Beginning of year	1,074	468	1,542	1,540
Additions	—	47	47	5
Disposals	—	—	—	(3)
End of year	1,074	515	1,589	1,542
Accumulated depreciation				
Beginning of year	889	412	1,301	940
Charge for the year	181	44	225	362
Disposals	—	—	—	(1)
End of year	1,070	456	1,526	1,301
Net book value				
End of year	4	59	63	241
Beginning of year	185	56	241	600

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

11. INVESTMENT PROPERTY

	<u>2000</u>	<u>1999</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance, beginning of year	72,000	74,000
Revaluation deficit	<u>(2,000)</u>	<u>(2,000)</u>
Balance, end of year	<u><u>70,000</u></u>	<u><u>72,000</u></u>

The Group's investment property is situated at 18 Lee Chung Street, Chai Wan, Hong Kong under a long-term lease. The property is rented out under operating leases.

The Group's investment property was revalued on 31st December, 2000 by Vigers Hong Kong Limited, an independent qualified valuer, at its open market value on an existing use basis.

12. INVESTMENT IN SUBSIDIARIES

In the Company's balance sheet, investment in subsidiaries comprised:

	<u>2000</u>	<u>1999</u>
	<u>\$'000</u>	<u>\$'000</u>
Unlisted shares, at cost	88,010	88,010
Amounts due from subsidiaries	<u>71,260</u>	<u>107,583</u>
	159,270	195,593
Less: Provision for impairment in value	<u>(19,280)</u>	<u>(19,280)</u>
	<u><u>139,990</u></u>	<u><u>176,313</u></u>

Except for the outstanding balances with Wellba Investment Limited which bore interest at 10% per annum, all other outstanding balances with subsidiaries were unsecured and non-interest bearing. The Company has agreed not to demand repayment from the subsidiaries until the subsidiaries have become financially capable to do so.

The underlying value of investment in subsidiaries was, in the opinion of the directors, not less than the Company's carrying value as at 31st December, 2000.

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

Details of the subsidiaries as at 31st December, 2000 were as follows:

Name	Place of incorporation/ business	Issued and fully paid capital	Percentage of equity interest attributable to the Group		Principal activities
			Directly held	Indirectly held	
Ryder Properties Limited	British Virgin Islands	US\$1 ordinary	100%	—	Investment holding
Win Win Property Investments Limited	British Virgin Islands	US\$1 ordinary	100%	—	Investment holding
Wellba Investment Limited	Hong Kong	HK\$2 ordinary HK\$2,000,001 non-voting deferred	—	100%	Investment property holding
Rockey Company Limited	Hong Kong	HK\$2 ordinary	100%	—	Investment holding
Harvest Century Enterprises Limited	Hong Kong	HK\$10,000 ordinary	100%	—	Inactive
SyncMOS Technologies, Inc. (BVI)	British Virgin Islands	US\$1 ordinary	100%	—	Investment holding, design and trading of integrated circuits products
Shanghai SyncMOS Semiconductor Company Limited	Shanghai, the People's Republic of China ("PRC")	US\$5,000,000 ordinary	—	70%	Design and trading of integrated circuits products, provision of agency services and distribution of products
SyncMOS Hong Kong Limited	Hong Kong	HK\$2 ordinary	—	100%	Inactive
總茂電子技術(深圳)有限公司	Shenzhen, the PRC	US\$1,000,000 ordinary	—	100%	Research and development of integrated circuits products
SyncMOS Technologies, Inc. (Cayman Islands)	Cayman Islands	US\$1 ordinary	100%	—	Inactive

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13. INVESTMENT SECURITIES

	2000	1999
	\$'000	\$'000
Unlisted equity securities, at cost	—	69,697

The investment securities represent a 5% equity interest in ChipMOS Technologies Inc. ("ChipMOS"), a company incorporated in Taiwan, which is engaged in the manufacture, assembly, packaging, testing and sale of integrated circuits and other related business. During the year, the directors of the Company changed their intention from holding the investment on a continuing basis to that of a disposal in the near term. As a result, the balance, together with additional investments during the year, was transferred to other investments at \$114,818,000 (Note 16).

14. INVENTORIES

	Group	
	2000	1999
	\$'000	\$'000
Raw materials	1,216	3,618
Work-in-progress	—	6,989
Finished goods	15,826	10,367
Spare parts	—	10,376
	17,042	31,350
Less: Provision for inventory obsolescence	—	(4,636)
	17,042	26,714

Of the amount stated above, the amount of inventories carried at net realizable value is approximately \$15,826,000 (1999 - approximately \$5,478,000).

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15. ACCOUNTS RECEIVABLE

	Group		Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Accounts receivable	29,673	32,100	587	88
Less: Provision for doubtful debts	(542)	(7,593)	—	—
	<u>29,131</u>	<u>24,507</u>	<u>587</u>	<u>88</u>

Aging analysis of accounts receivable after provision for doubtful debts was as follows:

	Group		Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Within 3 months	24,893	348	587	88
Between 4 to 6 months	3,767	872	—	—
Between 6 to 12 months	—	807	—	—
Over 12 months	471	2,953	—	—
Unclassified	—	19,527*	—	—
	<u>29,131</u>	<u>24,507</u>	<u>587</u>	<u>88</u>

The Group normally grants credit period to customers ranging from 1 month to 4 months.

* The amount represented the accounts receivable of Vitelic (Hong Kong) Limited, a subsidiary up to 31st July, 2000, of which the aging information as at 31st December, 1999 was not available for presentation.

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16. OTHER INVESTMENTS

	Group		Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Listed equity securities in Hong Kong	165	840	—	—
Unlisted equity securities in Taiwan (a)	114,818	—	114,818	—
	<u>114,983</u>	<u>840</u>	<u>114,818</u>	<u>—</u>
Quoted market value for listed equity as at year end	<u>165</u>	<u>840</u>	<u>—</u>	<u>—</u>

- (a) The amount represented by the company's investment in equity securities of ChipMOS transferred from investment securities of \$114,818,000 due to a change in directors' intention (Note 13). In accordance with Statement of Standard Accounting Practice Number 24 "Accounting for investments in securities", the transfer of the investment from investment securities to other investments was effected at fair value. In the opinion of the directors, due to the absence of quoted market prices and other comparable measurable values, the best estimate of the fair value of the investment in ChipMOS is the cost of the investment at \$114,818,000 as cost is the only reliable measure of value of such investment.

17. ACCOUNTS PAYABLE AND ACCRUALS

Included in accounts payable and accruals were accounts payable, accrued charges and other payable as follows:

	Group		Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Accounts payable	30,095	8,590	—	—
Accrued charges and other payable	11,999	7,275	694	712
	<u>42,094</u>	<u>15,865</u>	<u>694</u>	<u>712</u>

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

17. ACCOUNTS PAYABLE AND ACCRUALS (Cont'd)

Aging analysis of accounts payable was as follows:

	Group		Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Within 3 months	28,662	8,326	—	—
Between 4 to 6 months	1,321	—	—	—
Between 6 to 12 months	—	2	—	—
Over 12 months	112	262	—	—
	<u>30,095</u>	<u>8,590</u>	<u>—</u>	<u>—</u>

18. SHORT-TERM BANK LOANS

All of the short-term bank loans were secured, interest bearing at market rates and repayable within one year (Note 25).

19. SHARE CAPITAL

	Number of shares	Nominal value \$'000
Authorized — Ordinary shares of \$0.1 each	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid — Ordinary shares of \$0.1 each	<u>336,587,142</u>	<u>33,659</u>

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

20. RESERVES

Group

	2000					1999	
	Share premium	Investment property revaluation reserve	Capital reserve	Exchange reserve	Retained profit	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Beginning of year	101,263	19,694	30,026	(221)	47,989	198,751	208,128
Revaluation deficit on investment property	—	(2,000)	—	—	—	(2,000)	(2,000)
Negative goodwill resulting from acquisition of a subsidiary	—	—	—	—	—	—	1,954
Adjustment of negative goodwill due to subsequent adjustments to the net asset value of a subsidiary	—	—	2,306	—	—	2,306	—
Write back of negative goodwill resulting from disposal of a subsidiary	—	—	(28,072)	—	—	(28,072)	—
Movement in exchange difference	—	—	—	(183)	—	(183)	(221)
Profit (loss) for the year	—	—	—	—	4,153	4,153	(9,110)
End of year	<u>101,263</u>	<u>17,694</u>	<u>4,260</u>	<u>(404)</u>	<u>52,142</u>	<u>174,955</u>	<u>198,751</u>

Company

	2000				1999	
	Share premium	Contributed surplus	Capital reserve	Deficit	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Beginning of year	101,263	137,800	20,566	(41,243)	218,386	222,810
Loss for the year	—	—	—	(5,226)	(5,226)	(4,424)
End of year	<u>101,263</u>	<u>137,800</u>	<u>20,566</u>	<u>(46,469)</u>	<u>213,160</u>	<u>218,386</u>

The contributed surplus of the Company represents the excess of the net asset value of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

21. SHARE OPTION SCHEME

On 25th January, 1994, a share option scheme was approved by the shareholders of the Company, under which the directors of the Company may, at their discretion, invite senior executives of the Group, including executive directors, to take up options to subscribe for shares in the Company at an exercise price of \$0.824 per share, subject to the terms and conditions stipulated therein.

The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time to time. During the year, no new share options were granted and 6,500,000 share options were cancelled. As at 31st December, 2000, the total number of share options granted was 11,750,000 (1999 - 18,250,000) expiring in August 2003. The scheme will remain in force for a period of ten years from 25th January, 1994, being the date of its adoption.

22. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of profit (loss) before tax to net cash inflow from operating activities:

	2000	1999
	\$'000	\$'000
Profit (Loss) before tax	5,255	(17,511)
Unrealized holding loss (gain) on other investments	535	(600)
Loss on disposal of fixed assets	88	38
Gain on disposal of a subsidiary	(8,444)	—
Gain on disposal of other investments	(40)	(3,886)
Interest income	(2,788)	(2,992)
Interest expense	2,737	1,601
Depreciation	7,781	11,149
(Increase) Decrease in inventories	(16,454)	11,802
Increase in accounts receivable	(7,793)	(11,494)
Increase in notes receivable	(2,263)	—
Decrease in bills receivable	—	1,532
Increase in prepayments, deposits and others	(1,919)	(1,664)
Decrease in amounts due from related companies	7,453	21,126
Increase in pledged deposits	(1,183)	—
Increase in accounts payable and accruals	32,616	4,945
Increase in bills payable	11,859	—
Increase in amounts due to related companies	2,024	19
Increase in amount due to minority shareholders	658	—
	<u>30,122</u>	<u>14,065</u>
Net cash inflow from operating activities	<u>30,122</u>	<u>14,065</u>

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

22. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

b. Net cash outflow from acquisition of a subsidiary:

	2000	1999
	\$'000	\$'000
Fixed assets	—	4,006
Bank overdraft	—	(1,690)
Pledged time deposit	—	2,330
Accounts receivable	—	5,672
Prepayments, deposits and others	—	96
Inventories	—	978
Bank loans	—	(5,858)
Accounts payable and accruals	—	(2,744)
Minority interest	—	(836)
	—	1,954
Capital reserve	—	(1,954)
	—	—
	<u>—</u>	<u>—</u>
Net cash outflow from acquisition of a subsidiary		
Bank overdraft acquired	—	(1,690)
	<u>—</u>	<u>(1,690)</u>

c. Net cash outflow from disposal of a subsidiary:

	2000	1999
	\$'000	\$'000
Fixed assets	44,834	—
Amounts due from related companies	1,139	—
Pledged deposits	5,000	—
Cash and cash equivalents	50,981	—
Inventories	26,126	—
Accounts receivable	6,464	—
Prepayments, deposits and others	1,290	—
Accounts payable and accruals	(6,387)	—
Long-term loan (Note 22.d)	(29,400)	—
Amount due to immediate holding company	(30,600)	—
Minority interest (Note 22.d)	(34,029)	—
Capital reserve	(28,072)	—
	7,346	—
Net assets disposed of		
Gain on disposal	8,444	—
	<u>15,790</u>	<u>—</u>
Consideration received (cash)		
Less: Cash and cash equivalents disposed of	(50,981)	—
	<u>(35,191)</u>	<u>—</u>
Net cash outflow from disposal of a subsidiary		

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

22. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

d. Analysis of changes in financing during the year:

	2000			1999	
	Long-term loan from a related company \$'000	Short-term bank loans \$'000	Minority interests \$'000	Total \$'000	Total \$'000
Beginning of year	29,400	12,908	34,392	76,700	114,172
Additional loan	—	89,261	—	89,261	10,936
Disposal of a subsidiary (Note 22.c)	(29,400)	—	(34,029)	(63,429)	—
Additional loan arising from acquisition of a subsidiary	—	—	—	—	5,858
Repayment of loan	—	—	—	—	(46,513)
Subsequent change in net asset value of a subsidiary	—	—	989	989	—
Net profit (loss) attributable to minority interests	—	—	414	414	(8,589)
Contributions from minority shareholders	—	—	—	—	836
End of year	—	102,169	1,766	103,935	76,700

23. PENSION FUND

The Group operates a defined contribution provident fund scheme for its employees, who are eligible and have elected to participate in the scheme, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on 5% to 7.5% of the participating employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group employer contributions being fully vested, the ongoing contributions payable by the Group are reduced by the relevant amount of forfeited contributions (Note 5).

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

24. COMMITMENTS

a. Operating lease commitments

Operating lease commitments as of 31st December, 2000 amounted to approximately \$324,000 (1999 - \$1,528,000) of which approximately \$172,000 (1999 - \$720,000) was payable in the next twelve months. The amounts payable in the next twelve months, analyzed according to the period in which the leases expire, are as follows:

	Group	
	2000	1999
	\$'000	\$'000
Within one year	16	—
In the second to fifth years, inclusive	156	720
	<u>172</u>	<u>720</u>

b. Capital commitments

	Group	
	2000	1999
	\$'000	\$'000
Machinery and equipment:		
Authorized and contracted for	—	2,865
	<u>—</u>	<u>2,865</u>

- c. In connection with the disposal of its 51% interest in Vitelic (Hong Kong) Limited (“VHK”), the Company provided a guarantee to Champion Microelectronic Corp. (“CMC”), the purchaser of VHK. Pursuant to an agreement dated 31st July, 2000 entered into between CMC, Ryder Properties Limited (a wholly owned subsidiary of the Company), Mosel Vitelic Corporation (“MVC”) and the Company, the Company and MVC guaranteed that all of VHK’s accounts receivable balances as at 30th June, 2000 would be collected within six months subsequent to the transfer of VHK at 31st July, 2000. Any outstanding receivables after the six months would be used to offset VHK’s loans due to the Company and MVC in proportion to the loans due to the respective companies. Up to 31st January, 2001, all of the accounts receivable of VHK as at 30th June, 2000 had been collected.

NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars)

25. BANKING FACILITIES

As at 31st December, 2000, the Group had aggregate banking facilities of approximately \$103,159,000 (1999 - \$113,831,000). Unused facilities as at the same date amounted to approximately \$990,000 (1999 - \$99,778,000). These facilities were secured by:

- (a) Bank deposits of \$3,513,000 (1999 - \$7,330,000);
- (b) First mortgage in favor of the bank over certain properties held by related companies.

26. SUBSEQUENT EVENT

In January 2001, SyncMOS Technologies, Inc. (BVI) (“SyncMOS”), a wholly-owned subsidiary of the Company, entered into an agreement with Mao-Fu Investment Co., Ltd. (“MF”), a related company, to set up a joint venture company in Taiwan named 新茂國際科技股份有限公司 (“JV Co.”), for the wholesale distribution of electronic materials and components and the provision of industrial and commercial services and product design. Upon incorporation of the JV Co., the JV Co. will be held as to 55% by SyncMOS, approximately 10.94% by MF and approximately 34.06% by other minority shareholders (including certain connected persons of the Group). The capital contribution by SyncMOS in the JV Co. was NT\$176 million (equivalent to approximately \$41.9 million) in cash.

27. COMPARATIVE FIGURES

Certain 1999 figures have been reclassified to conform to the current year’s presentation.