

NOTES TO THE FINANCIAL STATEMENTS

| (HK\$m)                             | Share premium | Investment property revaluation reserve | Other property revaluation reserve | Translation deficit | Non-distributable reserve | Con-tributed surplus | Other distributable reserves (deficit) | Total   |
|-------------------------------------|---------------|---|------------------------------------|---------------------|---------------------------|----------------------|--|---------|
| <b>The Company</b>                  |               |   |                                    |                     |                           |                      |  |         |
| At 1st January, 1999                | 438.4         | –                                       | –                                  | –                   | –                         | 635.0                | (0.3)                                  | 1,073.1 |
| Loss for the year ( <i>note 9</i> ) | –             | –                                       | –                                  | –                   | –                         | –                    | (45.7)                                 | (45.7)  |
| At 31st December, 1999              | 438.4         | –                                       | –                                  | –                   | –                         | 635.0                | (46.0)                                 | 1,027.4 |
| Loss for the year ( <i>note 9</i> ) | –             | –                                       | –                                  | –                   | –                         | –                    | (68.9)                                 | (68.9)  |
| At 31st December, 2000              | 438.4         | –                                       | –                                  | –                   | –                         | 635.0                | (114.9)                                | 958.5   |

The contributed surplus account of the Group and the Company arose as a result of the group reorganisation in 1991 and the Company's capital reduction in 1996.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus of a company is available for distribution to shareholders in addition to retained profits. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

## 25. BANK LOANS

The bank loans carry interest at the prevailing market rates and are repayable as follows:

| (HK\$m)  | The Group     |        |
|--|---------------|--------|
|  | 2000          | 1999   |
| Within one year  | 48.5          | 34.6   |
| Between one to two years   | 52.6          | 52.8   |
| Between two to five years  | 491.2         | 547.1  |
| After five years   | 93.2          | 25.9   |
|  | <b>685.5</b>  | 660.4  |
| Less: Amount due within one year shown under current liabilities | <b>(48.5)</b> | (34.6) |
|  | <b>637.0</b>  | 625.8  |
| Analysed as:   |               |        |
| – secured  | <b>435.0</b>  | 374.4  |
| – unsecured  | <b>250.5</b>  | 286.0  |
|  | <b>685.5</b>  | 660.4  |

To the extent that the Group has obtained an agreement subsequent to the balance sheet date to refinance a loan facility of HK\$248.0 million (1999: HK\$59.2 million) which would otherwise be due within the following year, that amount has not been included in “Amount due within one year” set out above.

## 26. OTHER LONG-TERM LOANS

| (HK\$m)                | The Group   |      |
|------------------------|-------------|------|
|                        | 2000        | 1999 |
| Interest bearing loans | 23.5        | 21.4 |
| Interest free loan     | 17.3        | 17.3 |
|                        | <b>40.8</b> | 38.7 |

The loans are from minority shareholders of subsidiaries. The interest bearing loans carry interest at market rates and are extended to the Group to finance property development projects. All the loans are unsecured and have no fixed repayment terms. In the opinion of the directors, demand for repayment of these loans will not be made within one year and the loans are therefore shown in the balance sheet as non-current liabilities.

## 27. DEFERRED TAXATION

| (HK\$m)                                  | The Group |      |
|--|-----------|------|
|  | 2000      | 1999 |
| Balance at 1st January and 31st December | 0.6       | 0.6  |

The above deferred taxation liability principally arose from the excess of tax allowance over depreciation.

The Group had no significant unprovided deferred taxation during the year and at 31st December, 2000 except for an unrecognised deferred taxation asset of HK\$27.7 million (1999: HK\$39.3 million) arising from tax losses which are available to set-off against future assessable profits. The deferred taxation asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

In the opinion of the directors, the surplus arising on revaluation of the Group's investment properties situated in Hong Kong does not constitute a timing difference for tax purposes. In addition, the directors contend that the Group has no intention of disposing of its investment properties situated outside Hong Kong in the foreseeable future. Accordingly, deferred taxation has not been provided on the revaluation surplus of the Group's property interests.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

## 28. RECONCILIATION OF (LOSS) PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| (HK\$m)   | <b>2000</b>   | 1999   |
|---|---------------|--------|
| (Loss) profit before taxation   | <b>(55.7)</b> | 37.8   |
| Provision for impairment in value of associates holding property development projects | <b>39.0</b>   | –      |
| Interest and investment income  | <b>(45.1)</b> | (41.0) |
| Interest expenses   | <b>64.3</b>   | 64.5   |
| Share of results of associates  | <b>1.7</b>    | (6.7)  |
| Amortisation of permanent textile quota entitlements                                  | <b>4.3</b>    | 3.3    |
| Amortisation of trademark   | <b>0.1</b>    | 0.1    |
| Depreciation and amortisation of other properties, plant and equipment                | <b>28.1</b>   | 27.8   |
| Gain on disposal of investment properties   | <b>–</b>      | (0.6)  |
| (Gain) loss on disposal of other properties, plant and equipment                      | <b>(0.1)</b>  | 0.1    |
| Decrease in inventories   | <b>30.8</b>   | 26.1   |
| Decrease in trade and other receivables and prepayments                               | <b>54.2</b>   | 1.2    |
| Decrease (increase) in bills receivable   | <b>24.1</b>   | (18.8) |
| Increase in amounts due from associates   | <b>(3.2)</b>  | (8.3)  |
| Increase in trade and other payables  | <b>6.0</b>    | 18.2   |
| Increase (decrease) in bills payable  | <b>7.5</b>    | (56.2) |
| Net cash inflow from operating activities   | <b>156.0</b>  | 47.5   |

**29. PURCHASE OF SUBSIDIARIES**

| (HK\$m)                                     | <b>2000</b> | 1999  |
|---|-------------|-------|
| Net assets acquired:                        |             |       |
| Trade and other receivables and prepayments | –           | 0.5   |
| Trade and other payables                    | –           | (1.0) |
|   | –           | (0.5) |
| Goodwill arising on acquisition             | –           | 2.0   |
| Consideration given                         | –           | 1.5   |
| Satisfied by:                               |             |       |
| Cash paid                                   | –           | 1.5   |

The net outflow of cash and cash equivalents in connection with the purchase of subsidiaries in 1999 was HK\$1.5 million.

The subsidiaries acquired in 1999 made no significant impact on the Group's cash flows, turnover or operating results for the year.

### 30. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

| (HK\$m)                 | Short-term<br>bank loans | Other<br>bank loans | Other<br>long-term<br>loans |
|-------------------------|--------------------------|---------------------|-----------------------------|
| At 1st January, 1999    | 250.6                    | 687.5               | 36.6                        |
| New loans raised        | 30.0                     | 337.9               | 0.4                         |
| Interest accrued        | –                        | –                   | 1.7                         |
| Repayment of bank loans | (73.6)                   | (365.0)             | –                           |
| At 31st December, 1999  | 207.0                    | 660.4               | 38.7                        |
| Currency realignment    | –                        | (2.3)               | –                           |
| New loans raised        | 48.0                     | 165.2               | 0.2                         |
| Interest accrued        | –                        | –                   | 1.9                         |
| Repayment of bank loans | (116.0)                  | (137.8)             | –                           |
| At 31st December, 2000  | 139.0                    | 685.5               | 40.8                        |

### 31. ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS

| (HK\$m)                         | <b>2000</b>   | 1999   |
|---------------------------------|---------------|--------|
| Bank balances and cash*         | <b>72.0</b>   | 83.3   |
| Trust receipts and import loans | <b>(58.1)</b> | (94.4) |
| Bank overdrafts                 | <b>(14.0)</b> | (15.2) |
| Balance at 31st December        | <b>(0.1)</b>  | (26.3) |

\* The balance at 31st December, 1999 did not include bank deposits of HK\$28.4 million which were pledged to banks. There were no pledged bank deposits at 31st December, 2000.

### 32. OPERATING LEASE COMMITMENTS

While the Company had no outstanding operating lease commitments at the balance sheet date, its subsidiaries were committed under certain non-cancellable operating leases to make the following payments within one year for:

| (HK\$'m)                                | The Group   |      |
|---|-------------|------|
|   | <b>2000</b> | 1999 |
| <b>(a) Land and buildings</b>           |             |      |
| In respect of leases expiring           |             |      |
| – within one year                       | <b>1.8</b>  | 1.7  |
| – between one to five years             | <b>12.8</b> | 2.8  |
| – after five years                      | <b>3.8</b>  | 12.7 |
|   | <b>18.4</b> | 17.2 |
| <b>(b) Equipment and motor vehicles</b> |             |      |
| In respect of leases expiring           |             |      |
| – within one year                       | <b>0.5</b>  | 0.1  |
| – between one to five years             | <b>1.0</b>  | 1.7  |
|   | <b>1.5</b>  | 1.8  |
| <b>Total</b>                            | <b>19.9</b> | 19.0 |

### 33. CAPITAL COMMITMENTS

| (HK\$'m)   | The Group    |      |
|--|--------------|------|
|  | <b>2000</b>  | 1999 |
| Capital expenditure contracted for but not provided in the financial statements in respect of: |              |      |
| – Property development   | <b>118.7</b> | 11.0 |
| – Acquisition of other properties, plant and equipment   | <b>2.1</b>   | –    |
|  | <b>120.8</b> | 11.0 |

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

### 34. CONTINGENT LIABILITIES

| (HK\$m)  | The Group |      | The Company |       |
|--|-----------|------|-------------|-------|
|  | 2000      | 1999 | 2000        | 1999  |
| Export bills discounted with recourse  | 17.9      | 10.6 | –           | –     |
| Guarantees given to banks in respect of utilised credit facilities extended to |           |      |             |       |
| – subsidiaries   | –         | –    | 549.0       | 725.7 |
| – associates ( <i>see note below</i> )   | 60.6      | 92.0 | 60.6        | 92.0  |
|  | 60.6      | 92.0 | 609.6       | 817.7 |

*Note:*

*To the extent that certain utilised credit facilities were repaid or released subsequent to the balance sheet date, such amounts are not included above.*

*At 31st December, 2000, the Company's share of several and proportionate guarantees in respect of unutilised credit facilities granted to associates engaged in property development amounted to HK\$146.8 million (1999: HK\$236.6 million). Subsequent to the balance sheet date, guarantee in respect of HK\$26.2 million unutilised credit facilities was released upon repayment of loan by an associate.*

*At 31st December, 2000, the Group had a number of employees who had completed the required number of years of service to be eligible for long service payments under the Employment Ordinance in Hong Kong. If these employees were terminated at 31st December, 2000, and their termination meets the circumstances specified in the relevant laws, the long service payments payable by the Group would be HK\$16.3 million (1999: HK\$15.8 million). No provision was made for this amount in the financial statements.*