

## Notes to Consolidated Cash Flow Statement

### a Purchase of Subsidiary Companies

During the year, the Group mainly acquired 56.63% interest in Daye Special Steel Co., Ltd. ('Daye') and other acquired companies. The amount recognised upon acquisition of Daye in October 2005 of its assets and liabilities are HK\$3,392 million and HK\$2,413 million respectively. The aggregate amounts recognised, which approximated the carrying amount of the acquired companies at the acquisition date of their assets and liabilities are HK\$304 million and HK\$202 million respectively. The acquired business contributed aggregate revenues of HK\$837 million and aggregate net profit of HK\$6 million since acquisition.

The aggregate revenue and aggregate net profit of the acquired companies as though the acquisition for the business combinations effected during the year had been the beginning of that year are HK\$4,423 million and HK\$64 million respectively.

Details of net assets acquired and goodwill are as follows:

<i>in HK\$ million</i>	2005	2004
<i>Purchase consideration</i>		
Cash paid	107	541
Direct costs relating to the acquisition	–	4
Accounts receivable	382	–
Accounts payable	–	64
Interest in an associated company	–	73
Interest in an other financial assets	209	–
Total purchase consideration	698	682
Fair value of net assets acquired	(657)	(668)
Goodwill	41	14

The goodwill is attributable to the development potential of business acquired.

**a Purchase of Subsidiary Companies** *continued*

<i>in HK\$ million</i>	<b>2005</b>	2004
<b>Net Assets Acquired</b>		
Leasehold land	<b>30</b>	–
Properties under development	<b>271</b>	–
Property, plant and equipment	<b>1,589</b>	971
Investment	<b>3</b>	–
Inventories	<b>778</b>	417
Debtors, accounts receivable, deposits and prepayments	<b>783</b>	335
Deferred tax assets	<b>72</b>	–
Cash and bank deposits	<b>170</b>	354
Bank loans	<b>(1,090)</b>	(130)
Creditors, accounts payable, deposits and accruals	<b>(1,525)</b>	(1,037)
Provision for taxation	<b>–</b>	(117)
Minority interests	<b>(424)</b>	(125)
	<b>657</b>	668
Less: Interest in an associated company	<b>–</b>	(73)
Other financial assets	<b>(209)</b>	–
Goodwill	<b>41</b>	14
	<b>489</b>	609
<i>Satisfied by</i>		
<b>Cash</b>	<b>107</b>	545
<b>Accounts Receivable</b>	<b>382</b>	–
<b>Accounts Payable</b>	<b>–</b>	64
	<b>489</b>	609
Analysis of the net (inflow) / outflow of cash and cash equivalents in respect of the purchase of subsidiary companies		
<i>in HK\$ million</i>	<b>2005</b>	2004
Cash consideration	<b>107</b>	545
Cash and bank deposits acquired	<b>(170)</b>	(354)
	<b>(63)</b>	191

## b Disposal of Subsidiary Companies

<i>in HK\$ million</i>	2005	2004
<b>Net Assets Disposal</b>		
Property, plant and equipment	27	50
Properties under development	520	–
Jointly controlled entities	–	26
Inventories	–	60
Debtors, accounts receivable, deposits and prepayments	11	162
Cash and bank deposits	20	36
Creditors, accounts payable, deposits and accruals	(401)	(87)
Bank loans	–	(20)
Deferred tax assets	–	1
Minority interests	(47)	(62)
Goodwill	–	2
	130	168
Profit on disposal	362	112
Accounts payable	(26)	–
Release of reserve	–	(4)
	466	276
<i>Satisfied by</i>		
<b>Cash</b>	496	141
<b>Listed Investment</b>	–	113
<b>Accounts Receivable</b>	–	22
<b>Interest in Jointly Controlled Entities</b>	(30)	–
	466	276

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiary companies

<i>in HK\$ million</i>	2005	2004
Cash consideration	496	141
Cash and bank deposits disposed of	(20)	(36)
	476	105

## c Reconciliation of the Balance of Cash and Cash Equivalents in Respect of Bank Loans, Other Loans and Overdrafts

<i>in HK\$ million</i>	2005	2004
Bank loans, other loans and overdrafts	2,406	811
Bank loans and other loans	(2,351)	(775)
Bank overdrafts	55	36