

10. FIXED ASSETS

Group

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Equipment HK\$'000	Motor vehicles HK\$'000	Computers HK\$'000	Total HK\$'000
Cost or valuation							
At 1st October							
1999	8,000	2,123	2,724	329	2,276	1,078	16,530
Additions	–	211	93	407	3,546	631	4,888
Disposals	–	(120)	–	–	(1,220)	–	(1,340)
Acquisition of subsidiaries	–	1,102	624	5,650	80	–	7,456
Exchange adjustment	–	–	(1)	–	–	–	(1)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30th September							
2000	8,000	3,316	3,440	6,386	4,682	1,709	27,533
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Accumulated depreciation							
At 1st October 1999	150	34	1,437	17	991	319	2,948
Charge for the year	161	499	455	244	769	439	2,567
Disposals	–	(14)	–	–	(926)	–	(940)
Acquisition of subsidiaries	–	227	89	835	48	–	1,199
Exchange adjustment	–	–	(1)	–	–	–	(1)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30th September							
2000	311	746	1,980	1,096	882	758	5,773
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value							
At 30th September							
2000	7,689	2,570	1,460	5,290	3,800	951	21,760
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30th September							
1999	7,850	2,089	1,287	312	1,285	759	13,582
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

10. FIXED ASSETS (CONTINUED)

Group (continued)

The analysis of the cost or valuation as at 30th September 2000 of the above assets is as follows:—

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Equipment HK\$'000	Motor vehicles HK\$'000	Computers HK\$'000	Total HK\$'000
At cost	—	3,316	3,440	6,386	4,682	1,709	19,533
At 1999 professional revaluation	8,000	—	—	—	—	—	8,000
	<u>8,000</u>	<u>3,316</u>	<u>3,440</u>	<u>6,386</u>	<u>4,682</u>	<u>1,709</u>	<u>27,533</u>

- (i) Leasehold land and buildings are situated in Hong Kong under long leases. The leasehold land and buildings are pledged to a bank to secure banking facilities granted to the Group (note 24).
- (ii) Leasehold land and buildings were revalued on an open market value basis as at 31st January 1999 by DTZ Debenham Tie Leung Limited (previously known as C. Y. Leung & Company Limited), an independent firm of professional valuers. The revaluation of the leasehold land and buildings does not constitute a timing difference for tax purposes.
- (iii) The carrying amount of the leasehold land and buildings that would be included in the accounts had they been carried at cost less depreciation is HK\$10,406,000 (1999: HK\$10,632,000).
- (iv) As at 30th September 2000, net book value of fixed assets held by the Group under hire purchase contracts amounted to HK\$224,000 (1999: HK\$77,000).

10. FIXED ASSETS (CONTINUED)

Company

	Motor vehicles HK\$'000
Cost	
At 1st October 1999	—
Additions	1,794
	<hr/>
At 30th September 2000	1,794
	<hr/>
Accumulated depreciation	
At 1st October 1999	—
Charge for the year	90
	<hr/>
At 30th September 2000	90
	<hr/>
Net book value	
At 30th September 2000	1,704
	<hr/> <hr/>
At 30th September 1999	—
	<hr/> <hr/>

11. SUBSIDIARIES

	Company	
	2000	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	191,093	191,093
Due from subsidiaries	371,051	165,581
	<hr/>	<hr/>
	562,144	356,674
	<hr/> <hr/>	<hr/> <hr/>

- (a) Details of subsidiaries are set out in note 27 to the accounts.
- (b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

12. JOINTLY CONTROLLED ENTITY

	Group	
	2000	1999
	HK\$'000	HK\$'000
Unlisted investment, at cost	2,797	—
Share of post-acquisition loss and exchange differences	(604)	—
	<hr/>	<hr/>
Share of net assets	2,193	—
	<hr/> <hr/>	<hr/> <hr/>

<u>Name</u>	<u>Place of establishment and operation</u>	<u>Principal activities</u>	<u>Percentage of interest</u>
Shenzhen Kejian Samsung Mobile Communication Technology Co., Ltd. ("SKSMCT")	The PRC	Research and development on mobile phone technologies	30%

SKSMCT was established as an equity joint venture company with a joint venture period of five years. SKSMCT has a financial accounting period of 31st December which is not coterminous with the Group.

13. INVESTMENT SECURITIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Equity securities, at fair value:		
Listed overseas	4,225	—
Unlisted		
Hong Kong	55,852	—
Overseas	7,803	—
	<u>67,880</u>	<u>—</u>
Unlisted debt securities, at fair value:		
Hong Kong	—	7,788
Overseas	—	15,242
	<u>—</u>	<u>23,030</u>
	<u>67,880</u>	<u>23,030</u>
Market value of overseas listed equity securities	<u>4,225</u>	<u>—</u>

The revaluation of investment securities does not constitute a timing difference for tax purposes.

14. INVENTORIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Merchandise, at cost	<u>334,408</u>	<u>63,564</u>

15. TRADING INVESTMENTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Listed equity securities, at fair value:		
Hong Kong	<u>27,958</u>	<u>—</u>
Unlisted debt securities, at fair value:		
Hong Kong	7,788	12,510
Overseas	<u>15,242</u>	<u>—</u>
	<u>23,030</u>	<u>12,510</u>
	<u>50,988</u>	<u>12,510</u>
Market value of Hong Kong listed equity securities	<u>27,958</u>	<u>—</u>

16. TRADE RECEIVABLES

At 30th September 2000, the ageing analysis of the trade receivables was analysed as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Within 30 days	247,883	96,080
30-60 days	125,262	54,091
60-90 days	43,966	2,126
Over 90 days	87,152	185
Less: provision	<u>(20,620)</u>	<u>(12,120)</u>
	<u>483,643</u>	<u>140,362</u>

The normal credit period granted to the customers of the Group is up to 90 days, except for sales made to certain credit worthy customers as approved by senior management of the Company of which a slightly longer credit period may be granted.

17. TRADE AND BILLS PAYABLES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Trade payables	121,582	22,765
Bills payables	676,400	573,627
	<u>797,982</u>	<u>596,392</u>

Trade and bills payables of the Group as at 30th September 2000 and 1999 were normally required to be settled within 90 days. All of the trade payables of the Group as at 30th September 2000 and 1999 were aged less than 30 days.

18. LONG-TERM LIABILITIES

	Note	Group	
		2000	1999
		HK\$'000	HK\$'000
Secured long-term bank loan repayable:	24		
Within one year		325	325
In the second year		325	325
In the third to fifth year		402	727
		<u>1,052</u>	<u>1,377</u>
Obligations under hire purchase contracts repayable:			
Within one year		45	177
In the second year		205	—
		<u>250</u>	<u>177</u>
Deferred taxation	22	<u>131</u>	<u>131</u>
Total long-term liabilities		1,433	1,685
Less: amount repayable within one year		<u>(370)</u>	<u>(502)</u>
		<u>1,063</u>	<u>1,183</u>

19. SHARE CAPITAL – COMPANY

	Ordinary shares of HK\$0.10 each		Authorised Ordinary shares of HK\$1.00 each	
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
At 9th December 1998, date of incorporation	—	—	385	385
Sub-division of each share of HK\$1.00 each into ten shares of HK\$0.10 each	3,850	385	(385)	(385)
Increase in authorised ordinary share capital	<u>1,996,150</u>	<u>199,615</u>	<u>—</u>	<u>—</u>
At 30th September 1999 and 2000	<u><u>2,000,000</u></u>	<u><u>200,000</u></u>	<u><u>—</u></u>	<u><u>—</u></u>
Issued and fully paid Ordinary shares of HK\$0.10 each				
	No. of shares '000		HK\$'000	
At 9th December 1998, date of incorporation	—		—	
Issue of shares	100,001		10,001	
Capitalisation issue	299,999		29,999	
Exercise of warrants	130		13	
Exercise of options	<u>3,400</u>		<u>340</u>	
At 30th September 1999	<u><u>403,530</u></u>		<u><u>40,353</u></u>	
At 1st October 1999	403,530		40,353	
Issue of shares (note (a))	10,000		1,000	
Exercise of warrants (note (b))	37,957		3,795	
Exercise of options (note (c))	4,400		440	
Repurchase of shares (note (d))	<u>(1,604)</u>		<u>(160)</u>	
At 30th September 2000	<u><u>454,283</u></u>		<u><u>45,428</u></u>	

19. SHARE CAPITAL – COMPANY (CONTINUED)

- (a) On 21st August 2000, 10,000,000 new ordinary shares of HK\$0.10 each of the Company were issued at HK\$13.00 per share as consideration for the acquisition of the entire issued share capital of Freespeech Technology Limited from an independent third party. The premium on the issue of these ordinary shares of approximately HK\$129,000,000 was credited to the share premium account (note 21).
- (b) During the year, 37,957,190 ordinary shares of HK\$0.10 each of the Company were issued at the subscription price of HK\$2.34 per share to the warrant holders on the exercise of their warrants at a total cash consideration of approximately HK\$88,820,000 (note 20(b)).
- (c) During the year, 4,100,000 ordinary shares of HK\$0.10 each of the Company were issued at a price of HK\$1.50 per share and 300,000 ordinary shares of HK\$0.10 each of the Company were issued at a price of HK\$1.51 per share respectively to the share option holders on the exercise of their share options at a total cash consideration of HK\$6,603,000 (note 20(a)).
- (d) In April 2000, the Company repurchased its own ordinary shares on the Stock Exchange of Hong Kong Limited as follows:

Trading date	Number of ordinary shares purchased of HK\$0.10 each	Price per share		Total Paid HK\$'000
		Highest HK\$	Lowest HK\$	
5th April 2000	500,000	8.50	8.50	4,250
5th April 2000	60,000	10.50	10.50	630
17th April 2000	626,000	8.00	7.15	4,816
19th April 2000	114,000	8.00	8.00	912
20th April 2000	304,000	8.00	7.85	2,398
	<u>1,604,000</u>			<u>13,006</u>

The above ordinary shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these ordinary shares. The premium payable on repurchase was charged against the share premium account.

- (e) Subsequent to the year end, 3,000,000 ordinary shares of HK\$0.10 each of the Company were issued at a price of HK\$1.50 per share to a share option holder on the exercise of his share options at a total cash consideration of HK\$4,500,000.
- (f) Subsequent to the year end, 117,000 ordinary shares of HK\$0.10 each of the Company were issued at a price of HK\$2.34 per share to the warrant holders on the exercise of their warrants at a total cash consideration of approximately HK\$274,000.

20. OPTIONS AND WARRANTS

(a) Options

Under a share option scheme approved by the shareholders of the Company, the Directors of the Company may, at their discretion, invite employees, including Executive Directors of the Company, to take up options to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein.

Details of share options granted by the Company pursuant to the share option scheme and the options outstanding as at 30th September 2000 are as follows:–

Date of grant	Exercise price HK\$	Exercisable period	Balance outstanding as at 1st October 1999	Share options exercised during the year	Balance outstanding as at 30th September 2000
Executive Directors					
23rd April 1999	1.51	22nd May 1999 to 21st May 2009	2,000,000	300,000	1,700,000
26th April 1999	1.50	25th May 1999 to 24th May 2009	20,000,000	–	20,000,000
Employees					
26th April 1999	1.50	25th May 1999 to 24th May 2009	12,100,000	4,100,000	8,000,000

Subsequent to the year end, a total number of 3,000,000 share options were exercised by the employees (including Executive Directors) of the Group at a total cash consideration of HK\$4,500,000. In addition, a total number of 560,000 share options were granted by the Company to certain employees of the Group at an exercise price of HK\$7.15 with exercisable period from 15th November 2000 to 14th November 2010.

20. OPTIONS AND WARRANTS (CONTINUED)

(b) Warrants

On 31st March 1999, the Company issued warrants, at nil consideration, to the Company's shareholders on that day conferring rights to subscribe for a total of 80,000,000 ordinary shares at the initial subscription price of HK\$2.34 per share. These warrants are exercisable from 31st March 1999 to 8th April 2002, both dates inclusive. The total number of outstanding warrants on 1st October 1999 was 79,870,000.

During the year, 37,957,190 ordinary shares of HK\$0.10 each of the Company were issued at the subscription price of HK\$2.34 per share to the warrant holders on the exercise of their warrants at a total cash consideration of approximately HK\$88,820,000 (note 19(b)).

As at 30th September 2000, the Company had outstanding warrants of approximately HK\$98,076,000. Exercise in full of such warrants would result in the issue of 41,912,810 additional ordinary shares of HK\$0.10 each in the Company.

Subsequent to the year end, 117,000 ordinary shares of HK\$0.10 each of the Company were issued at a price of HK\$2.34 per share to the warrant holders on the exercise of their warrants at a total cash consideration of approximately HK\$274,000.

21. RESERVES

Group

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange differences HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st October 1998	–	2,351	–	–	–	150,225	152,576
New issue of shares	170,000	–	–	–	–	–	170,000
Expenses incurred for issue of shares	(16,458)	–	–	–	–	–	(16,458)
Capitalisation issue	(29,999)	–	–	–	–	–	(29,999)
Issue of shares pursuant to the exercise of warrants	291	–	–	–	–	–	291
Issue of shares pursuant to the exercise of share options	4,760	–	–	–	–	–	4,760
Merger reserve arising on the exchange of shares pursuant to the group reorganisation	–	99	–	–	–	–	99
Exchange differences	–	–	–	–	1	–	1
Profit for the year retained	–	–	–	–	–	89,766	89,766
At 30th September 1999	<u>128,594</u>	<u>2,450</u>	<u>–</u>	<u>–</u>	<u>1</u>	<u>239,991</u>	<u>371,036</u>