

# NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2000

## 10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic loss per share for the year is based on the net loss for the year attributable to shareholders of HK\$104,581,000 (1999: net profit of HK\$5,921,000) and the weighted average number of 1,274,399,541 ordinary shares (1999: 870,443,000 ordinary shares) in issue during the year.

Diluted earnings/(loss) per share reflecting the exercise of subscription rights under the share options granted pursuant to the Company's Share Option Scheme is not presented because the impact is anti-dilutive.

## 11. FIXED ASSETS

### Group

	Land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures, office and computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost:</b>						
At beginning of year	106,794	3,484	220,778	5,689	3,820	340,565
Additions	—	20	14,679	604	707	16,010
Disposals	(1,270)	(764)	(46,660)	(329)	(1,279)	(50,302)
<b>At 31 December 2000</b>	<b>105,524</b>	<b>2,740</b>	<b>188,797</b>	<b>5,964</b>	<b>3,248</b>	<b>306,273</b>
<b>Accumulated depreciation:</b>						
At beginning of year	25,915	2,952	135,815	5,375	3,273	173,330
Provided during the year	5,302	330	20,152	257	151	26,192
Disposals	(458)	(764)	(22,635)	(308)	(969)	(25,134)
<b>At 31 December 2000</b>	<b>30,759</b>	<b>2,518</b>	<b>133,332</b>	<b>5,324</b>	<b>2,455</b>	<b>174,388</b>
<b>Net book value:</b>						
<b>At 31 December 2000</b>	<b>74,765</b>	<b>222</b>	<b>55,465</b>	<b>640</b>	<b>793</b>	<b>131,885</b>
At 31 December 1999	80,879	532	84,963	314	547	167,235

All of the fixed assets are held by the Company's subsidiaries.

# NOTES TO FINANCIAL STATEMENTS (CONT'D)

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## 11. FIXED ASSETS (continued)

An analysis of the cost of the land and buildings of the Group at the balance sheet, all of which are located outside Hong Kong, is as follows:

	2000 HK\$'000	1999 HK\$'000
Freehold property	—	1,270
Long term leasehold property	1,315	1,315
Medium term leasehold property	104,209	104,209
	<u>105,524</u>	<u>106,794</u>

At the balance sheet date, certain land and buildings were pledged to secure a bank loan of HK\$167,000 (1999: HK\$250,000), as set out in note 22.

## 12. INTERESTS IN SUBSIDIARIES

	Company 2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	136,380	136,380
Provisions for permanent diminutions in values	(88,480)	(88,480)
	<u>47,900</u>	<u>47,900</u>
Due from subsidiaries	540,867	488,962
Due to subsidiaries	—	(240)
Provisions against amounts due from subsidiaries	(379,990)	(262,546)
	<u>160,877</u>	<u>226,176</u>
	<u>208,777</u>	<u>274,076</u>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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## 12. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Company	Place of incorporation/ registration and principal operations	Issued ordinary share capital/ registered capital	Equity interest attributable to the Company		Nature of business
			Direct %	Indirect %	
Linkful (Holdings) Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$20,000,000	—	100	Investment holding
Linkful Material Supply Limited	Hong Kong	HK\$1,000,000	—	100	Metal trading
Linkful Metals Trading Limited	British Virgin Islands/Thailand	US\$1	—	100	Metal trading
Linkful Worldwide (Holdings) Limited	British Virgin Islands	US\$100	100	—	Investment holding
Linkful Worldwide Investment Limited	British Virgin Islands	US\$1	—	100	Investment holding
Linkful (PRC) Investments Limited	Hong Kong	HK\$2	—	100	Investment holding
Linkful Investment (Holdings) Limited	British Virgin Islands	US\$1	100	—	Investment holding
Katarti Navigation Company Limited	Cyprus	C£100	—	100	Vessel holding
Linkful Management Consultancy Limited	British Virgin Islands	US\$1	100	—	Investment holding
Linkful Management Services Limited	Hong Kong	HK\$2	—	100	Provision of management services
Linkful Secretarial Services Limited	Hong Kong	HK\$10,000	—	100	Provision of consultancy services

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## 12. INTERESTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration and principal operations	Issued ordinary share capital/ registered capital	Equity interest attributable to the Company		Nature of business
			Direct %	Indirect %	
Linkful Strategic Investment Limited	British Virgin Islands	US\$1	100	—	Investment holding
Linkful Properties Company Limited	Hong Kong	HK\$2	—	100	Property holding
Linkful (PRC) Holdings Limited	British Virgin Islands	US\$1	100	—	Investment holding
Inter China Limited	British Virgin Islands	US\$100	—	57	Investment holding
Jiangyin Bofeng Steel Company Limited	People's Republic of China	US\$16,800,000	—	51.3	Manufacture and sale of steel products
Wuxi Xifeng Iron & Steel Company Limited	People's Republic of China	US\$9,000,000	—	51	Manufacture and sale of steel products
East Winner Limited	British Virgin Islands	US\$1	100	—	Investment holding
Linkful Electronics Limited	British Virgin Islands	US\$1	100	—	Investment holding
Alphatronics Limited	Hong Kong	HK\$6,000,000	—	75	Trading of electronic products
Alphatronics Electronic (Shenzhen) Co., Ltd.	People's Republic of China	US\$3,100,000	—	75	Manufacture of electronic components
Snowdon Worldwide Limited	British Virgin Islands	US\$1	—	100	Investment holding

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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## 13. INTEREST IN AN ASSOCIATE

	Group	
	2000 HK\$'000	1999 HK\$'000
Share of net liabilities	(283)	(130)
Loan to an associate	670	620
	<u>387</u>	<u>490</u>

The loan to the associate is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the associate at the balance sheet date were as follows:

Company	Business structure	Place of incorporation	Equity interest attributable to the Group	Nature of business
Prince Properties Limited	Corporate	Hong Kong	37.5%	Investment holding

The shareholding in the associate's equity shares was held through a wholly-owned subsidiary. The goodwill arising on the acquisition of the associate of HK\$32,000 was charged to the consolidated profit and loss account in prior year as the amount was not significant.

## 14. INTEREST IN AN UNCONSOLIDATED SUBSIDIARY

	Group	
	2000 HK\$'000	1999 HK\$'000
Investment in an unconsolidated subsidiary, at cost	—	57,880
Share of post-acquisition losses	—	(52,482)
	<u>—</u>	<u>5,398</u>

In prior years, Tianjin Shunfeng Steel Co., Ltd. ("Tianjin Shunfeng") was a 51% subsidiary of the Group. During the year ended 31 December 1999, the management of the Group initiated negotiations with the joint venture partner of Tianjin Shunfeng for the disposal of the Group's 51% interests in Tianjin Shunfeng. During the negotiation process, the joint venture partner refused to provide production and financial records to the Group and the management of the Group was not able to participate in the operating and financing decisions of Tianjin Shunfeng. Accordingly, the Group was not able to exercise either control or significant influence over Tianjin Shunfeng throughout the year ended 31 December 1999 and Tianjin Shunfeng was accounted for as an unconsolidated subsidiary of the Group as at 31 December 1999.

During the year, the Group entered into an agreement to dispose of the Group's 51% equity interest in Tianjin Shunfeng which resulted in a gain of HK\$3,660,000.

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## 15. INVESTMENTS

### Long term investments:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Unlisted investments, at cost	51,757	42,542	330	330
Provisions for impairment in values	(10,007)	(10,007)	—	—
	<u>41,750</u>	<u>32,535</u>	<u>330</u>	<u>330</u>
Listed investments in Hong Kong, at market value	74	3,043	—	2,959
Total long term investments	<u>41,824</u>	<u>35,578</u>	<u>330</u>	<u>3,289</u>

### Short term investments:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Listed equity investments in Hong Kong, at market value	<u>24,959</u>	<u>21,322</u>	<u>4,778</u>	<u>21,322</u>

The market values of the Group's long term listed investments at the date of approval of these financial statements were approximately HK\$132,000. The market value of the Group's and the Company's short term listed investments at the date of approval of these financial statements was approximately HK\$24,709,000 and HK\$3,700,000, respectively.

## 16. INVENTORIES

	Group	
	2000 HK\$'000	1999 HK\$'000
Raw materials	62,984	44,590
Work in progress	3,127	32
Finished goods	<u>39,877</u>	<u>55,437</u>
	<u>105,988</u>	<u>100,059</u>

As at 31 December 2000, no inventories were carried at net realisable value or pledged as security for any liabilities of the Group (1999: Nil).

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## 17. TRADE AND BILLS RECEIVABLES

	Group	
	2000 HK\$'000	1999 HK\$'000
Accounts receivable	85,246	116,663
Less: Provisions for doubtful debts	(11,805)	(6,488)
	<u>73,441</u>	<u>110,175</u>
Bills receivables	12,153	32,251
	<u>85,594</u>	<u>142,426</u>

The aged analysis of accounts receivable was as follows:

	2000 HK\$'000	1999 HK\$'000
Aged:		
Within three months	69,994	99,905
Within four to six months	2,089	135
Within seven months to one year	1,358	1,854
Over one year	—	8,281
	<u>73,441</u>	<u>110,175</u>

Trading terms with customers are largely on credit. Invoices are normally payable within two months of issuance, except for certain well established customers, where the terms are extended to three months to six months in some cases, subject to the approval of senior management. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management.

The aged analysis of bills receivable was as follows:

	2000 HK\$'000	1999 HK\$'000
Aged:		
Within three months	7,303	16,136
Within four to six months	4,850	12,322
Within seven months to one year	—	3,793
	<u>12,153</u>	<u>32,251</u>

# NOTES TO FINANCIAL STATEMENTS (CONT'D)

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## 18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Cash and bank balances	90,264	68,602	2	2
Time deposits	30,716	44,687	—	—
Pledged deposits	4,890	4,899	—	—
	<u>125,870</u>	<u>118,188</u>	<u>2</u>	<u>2</u>

Certain time deposits of HK\$4,890,000 (1999: HK\$4,899,000) were pledged as security for banking facilities granted.

## 19. TRADE AND BILLS PAYABLES

	Group	
	2000 HK\$'000	1999 HK\$'000
Trade payables	36,965	42,193
Bills payable	—	117,098
	<u>36,965</u>	<u>159,291</u>

The Group's aged analysis of trade payables is as follows:

	2000 HK\$'000	1999 HK\$'000
Aged:		
Within three months	34,548	40,954
Within four to six months	477	85
Within seven months to one year	496	1,154
Over one year	1,444	—
	<u>36,965</u>	<u>42,193</u>

The Group's aged analysis of bills payable is as follows:

	2000 HK\$'000	1999 HK\$'000
Aged:		
Within three months	—	56,349
Within four to six months	—	60,749
	<u>—</u>	<u>117,098</u>