

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group are the manufacturing and marketing of electric fans and other electrical household appliances, investment holding, property investment and trading of and investments in securities.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods:

### Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (Note 4).

### Provisions

In accordance with SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Adoption of this accounting policy has resulted in the derecognition of general provisions. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (Note 4).

### Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 31st December, 2000 have been amended so that they are presented on a consistent basis.

Taxi licence fee income for the year ended 31st December, 2000 amounting to HK\$2,225,000 has also been reclassified from other revenue to turnover to conform with current year's presentation.

### Intangible assets

In prior years, the Group did not recognise any regular amortisation charge in respect of its intangible assets due to the fact that the recoverable amount of the assets was considered to be in excess of their carrying amount. SSAP 29 "Intangible Assets" requires that all intangible assets should be amortised over their useful lives. Accordingly, in the current year, the Group has adopted a policy of amortisation over the estimated useful lives of its intangible assets, not exceeding 20 years. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (Note 4).

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES (Continued)

### Goodwill

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill previously eliminated against reserves. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 have been recognised retrospectively (Note 4). Goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as further impairment losses are identified.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life not exceeding 20 years. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

### Goodwill

Goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented as a separate intangible asset.

On disposal of a subsidiary or associate, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the gain or loss on disposal.

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

### Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivables during the year. In the Company's balance sheet, investments in associates are stated at cost less any identified impairment loss.

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition

#### (i) *Development properties*

Income from properties developed for sale, where there are no pre-sales prior to completion of the development, is recognised on the execution of a binding sale agreement.

Income from properties pre-sold prior to completion of the development is recognised over the period from the execution of a binding sales agreement to the completion of the development on the basis of development costs to date as a proportion of estimated total development costs.

#### (ii) *Others*

Sales of goods are recognised when goods are delivered and title has passed.

Sales of securities are recognised when the sale transactions are completed and ownership of the securities is transferred.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental from investment properties is recognised on a straight line basis over the periods of the respective tenancies.

### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

### Property, plant and equipment and depreciation

Property, plant and equipment other than properties under development are stated at cost less depreciation and accumulated impairment losses.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, plant and equipment and depreciation (continued)

Depreciation is provided to write off the cost of property, plant and equipment other than properties under development over their estimated useful lives on a straight-line basis at the following rates per annum and after taking into account their estimated residual value, if applicable:

Category of assets	Annual rates
Land and buildings in Hong Kong under long leases	2%
Land and buildings in other regions of the PRC	
Land use rights	Remaining terms of the land use rights
Buildings	The shorter of the estimated useful lives or remaining terms of the land use rights
Land and buildings in the United States of America ("USA") and Canada	
Freehold land	Nil
Buildings	3.33%
Toll road	Over the remaining operation period
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles	20% to 33.33%
Berthing space	Remaining term of the berthing lease

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

#### Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities not held for trading purposes, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

#### Properties under development

Properties under development for future investment or for own use purposes are classified under property, plant and equipment and are stated at cost less any identified impairment loss. Properties under development for sale are classified under current assets and are stated at the lower of cost and net realisable value. Cost comprises land cost and development expenditure.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried a revalued amount under another accounting standard, in which case the impairment loss is treated as revaluation decrease under that standard.

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

### Taxi licences

Costs incurred in the acquisition of permanent taxi operation licences are measured initially at cost and amortised on a straight-line basis over 20 years.

### Trademark

Trademark is measured initially at cost and amortised on a straight-line basis over 5 years.

### Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the terms of the respective leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight-line basis over the respective terms of leases.

### Inventories

Inventories are stated at the lower of cost, computed using weighted average method, and net realisable value.

### Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries and associates which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

#### Retirement benefit scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution scheme and the Mandatory Provident Fund Scheme.

#### Cash and cash equivalents

Cash and cash equivalents represent short-term and highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

### 4. PRIOR PERIOD ADJUSTMENTS

The financial effect of the adoption of the new/revised accounting policies described in Note 2 is summarised below:

	Retained profits HK\$'000	Dividend reserve HK\$'000	Total HK\$'000
Balance at 1st January, 2000			
As originally stated	1,282,791	–	1,282,791
Derecognition of liability for final dividend for 1999	–	26,439	26,439
Reversal of general provision	5,000	–	5,000
Amortisation of intangible assets for the first time, net of effect of minority interests	(1,438)	–	(1,438)
As restated	<u>1,286,353</u>	<u>26,439</u>	<u>1,312,792</u>

The effect on these changes in accounting policies on the results for the current and prior years is as follows:

	2001 HK\$'000	2000 HK\$'000
Amortisation of goodwill and intangible assets, net of effect of minority interests	3,249	308
Retrospective recognition of impairment of goodwill ( <i>Note</i> )	–	42,044
	<u>3,249</u>	<u>42,352</u>

*Note:*

In connection with the adoption of the new SSAPs, the directors of the Company have reviewed goodwill arising on acquisition of subsidiaries previously written off to retained profits on consolidation. In particular, the directors of the Company have reviewed the financial performance and the market conditions of the PRC subsidiaries engaged in the manufacturing of steel pipes and cables and the car rental business acquired during the last year. Subsequent to the acquisition, the subsidiaries continued to have operating losses and there was a general downturn in the market conditions of related industries, the directors are of opinion that had an impairment review been carried out the goodwill amounting to approximately HK\$42,044,000 should have been fully impaired in the year ended 31st December, 2000. Accordingly the impairment charges have been accounted for retrospectively.

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 5. TURNOVER

Turnover represents the amounts received and receivable for goods sold to outside customers, property rental income, proceeds from property sale and trading of securities and other investment income during the year, and is analysed as follows:

	2001 HK\$'000	2000 HK\$'000
Sale of goods	943,835	907,971
Proceeds from trading of securities	1,025,804	1,598,250
Sale of properties	167,944	123,180
Property rental income	45,731	19,469
Toll fee income	22,591	19,386
Taxi licence fee income	6,138	2,225
	<b>2,212,043</b>	<b>2,670,481</b>

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group is currently organised into nine operating divisions – electrical household appliances, electric cables and steel pipes, steel processing, property leasing, property investment, securities trading, toll road operations, car rental and direct investments. These divisions form the basis on which the Group reports its primary segment information.

The principal activities are as follows:

Electrical household appliances	–	manufacture and marketing of electric fans, vacuum cleaners and other electrical household appliances
Electric cables and steel pipes	–	manufacture and trading of electric cables and steel pipes
Steel processing	–	steel plate processing and trading
Property leasing	–	leasing of property for rental
Property investment	–	property investment and development
Securities trading	–	trading of securities
Toll road operations	–	toll road management and operations
Car rental	–	licencing of taxi operating licences and fleet management
Direct investments	–	investments in hi-tech securities

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business segments (continued)

Segment information about these businesses is presented below.

#### 2001

	Electrical household appliances HK\$'000	Electric cables and steel pipes HK\$'000	Steel processing HK\$'000	Property leasing HK\$'000	Property investment HK\$'000	Securities trading HK\$'000	Toll road operations HK\$'000	Car rental HK\$'000	Direct investments HK\$'000	Others HK\$'000	Consolidated HK\$'000
REVENUE (Note)	782,272	62,192	99,371	45,731	167,944	1,025,804	22,591	6,138	-	-	2,212,043
RESULT											
Segment result	9,846	(38,276)	(2,259)	40,857	4,777	(29,543)	2,431	1,256	(75,776)	-	(86,687)
Unallocated corporate expenses											(27,400)
Interest income											45,270
Loss from operations											(68,817)
Finance costs	(1,173)	-	(1,156)	(5,375)	-	(966)	(23,614)	(491)	-	(1,664)	(34,439)
Shares of results of associates	-	-	-	109,988	(21,269)	-	-	-	(2,247)	10,054	96,526
Gain on deemed and partial disposal of interest in an associate	-	-	-	-	-	-	-	-	-	12,512	12,512
Profit from ordinary activities before taxation											5,782
Taxation											(171)
Profit before minority interest											5,611
Minority interests											27,127
Net profit for the year											32,738

Note: There is no inter-segment sales between different business segments for the year ended 31st December, 2001.

### BALANCE SHEET

	Electrical household appliances HK\$'000	Electric cables and steel pipes HK\$'000	Steel processing HK\$'000	Property leasing HK\$'000	Property investment HK\$'000	Securities trading HK\$'000	Toll road operations HK\$'000	Car rental HK\$'000	Direct investments HK\$'000	Unallocated assets/liabilities HK\$'000	Consolidated HK\$'000
ASSETS											
Segment assets	287,481	200,732	145,501	564,837	43,113	182,736	423,531	148,477	104,574	-	2,100,982
Investments in associates	-	-	-	442,610	40,611	-	-	-	42,526	101	525,848
Unallocated corporate assets	-	-	-	-	-	-	-	-	-	77,007	77,007
Consolidated total assets											2,703,837
LIABILITIES											
Segment liabilities	90,824	24,677	73,256	103,226	2,802	30,332	309,578	69,016	5,790	-	709,501
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	49,391	49,391
Consolidated total liabilities											758,892

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### OTHER INFORMATION

	Electrical household appliances HK\$'000	Electric cables and steel pipes HK\$'000	Steel processing HK\$'000	Property leasing HK\$'000	Property investment HK\$'000	Securities trading HK\$'000	Toll road operations HK\$'000	Car rental HK\$'000	Direct investments HK\$'000	Unallocated amounts HK\$'000	Consolidated HK\$'000
Capital additions	10,498	227	588	97,644	-	-	242	86,724	11,722	2,009	209,654
Depreciation and amortisation	12,363	35,284	4,380	-	-	-	16,166	2,556	1,185	3,039	74,973
Impairment losses recognised in income statement	-	-	-	-	-	-	-	-	72,743	-	72,743

### 2000

	Electrical household appliances HK\$'000	Electric cables and steel pipes HK\$'000	Steel processing HK\$'000	Property leasing HK\$'000	Property investment HK\$'000	Securities trading HK\$'000	Toll road operations HK\$'000	Car rental HK\$'000	Direct investments HK\$'000	Others HK\$'000	Consolidated HK\$'000
REVENUE (Note)	733,617	26,554	147,800	19,469	123,180	1,598,250	19,386	2,225	-	-	2,670,481
RESULT											
Segment result	(17,576)	(13,729)	(2,474)	15,755	(2,907)	(48,961)	5,290	(16,106)	345,357	(3,500)	261,149
Unallocated corporate expenses											(37,349)
Interest income											19,527
Profit from operations											243,327
Finance cost	(860)	-	(1,164)	-	(906)	(709)	(13,349)	(100)	-	(2,755)	(19,843)
Share of results of associates	-	(1,547)	-	(106,622)	(1,661)	-	-	-	-	(891)	(110,721)
Loss on disposal of subsidiaries											(26,082)
Profit from ordinary activities before taxation											86,681
Taxation											(7,251)
Profit before minority interests											79,430
Minority interests											13,199
Net profit for the year											92,629

Note: There is no inter-segment sales between different business segments for the year ended 31st December, 2000.

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### BALANCE SHEET

	Electrical household appliances HK\$'000	Electric cables and steel pipes HK\$'000	Steel processing HK\$'000	Property leasing HK\$'000	Property investment HK\$'000	Securities trading HK\$'000	Toll road operations HK\$'000	Car rental HK\$'000	Direct investments HK\$'000	Unallocated assets/liabilities HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>											
Segment assets	330,884	251,902	145,919	493,707	97,185	254,134	435,006	13,263	137,496	-	2,159,496
Investments in associates	-	-	-	254,919	115,000	-	-	-	20,529	70	390,518
Unallocated corporate assets	-	-	-	-	-	-	-	-	-	72,439	72,439
Consolidated total assets											<u>2,622,453</u>
<b>LIABILITIES</b>											
Segment liabilities	114,356	33,627	78,634	77,638	4,376	15,151	292,791	14,694	3,080	-	634,347
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	30,909	30,909
Consolidated total liabilities											<u>665,256</u>

### OTHER INFORMATION

	Electrical household appliances HK\$'000	Electric cables and steel pipes HK\$'000	Steel processing HK\$'000	Property leasing HK\$'000	Property investment HK\$'000	Securities trading HK\$'000	Toll road operations HK\$'000	Car rental HK\$'000	Direct investments HK\$'000	Unallocated amounts HK\$'000	Consolidated HK\$'000
Capital additions	20,822	64	7,851	173,956	8,875	-	36,053	33	-	4,588	252,242
Depreciation and amortisation	11,006	4,061	4,665	-	1	-	8,115	345	-	2,918	31,111
Impairment losses recognised in income statement	-	22,154	-	-	-	-	-	16,390	81,446	-	119,990

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Geographical segments

The Group's operations are located in Hong Kong, PRC, North America, Europe and Asia other than Hong Kong and PRC.

The following table provides an analysis of the Group's sales and contribution to (loss) profit from operations by geographical market, irrespective of the origin of the goods:

	Sale revenue by geographical market		Contribution to (loss) profit from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	735,910	1,267,465	6,131	22,714
PRC	321,580	220,272	(32,797)	(34,914)
North America	907,141	828,893	(13,634)	363,027
Europe	108,907	133,300	(17,160)	(25,571)
Asia, other than Hong Kong and PRC	64,817	175,344	(27,285)	(66,098)
Others	73,688	45,207	(1,942)	1,991
	<b>2,212,043</b>	<b>2,670,481</b>	<b>(86,687)</b>	<b>261,149</b>
Unallocated corporate expenses			(27,400)	(37,349)
Interest income			45,270	19,527
			<b>(68,817)</b>	<b>243,327</b>

The following is an analysis of the carrying amount of segment assets, and additions to investment properties, property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to investment properties, property, plant and equipment and intangible assets	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	390,084	411,848	2,441	4,823
PRC	1,810,411	1,685,386	120,884	238,188
North America	419,486	477,559	86,329	9,231
Europe	3,311	3,574	-	-
Asia, other than Hong Kong and PRC	64,855	43,059	-	-
Others	15,690	1,027	-	-
	<b>2,703,837</b>	<b>2,622,453</b>	<b>209,654</b>	<b>252,242</b>

# Notes to the Financial Statements

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## 7. OTHER REVENUE

Included in other revenue are:

Interest earned from

Bank deposits

Associates

Related company

Deposit on investment in and advances to an investee company

Others

Dividends received from trading securities held

Exchange gain

	2001 HK\$'000	2000 HK\$'000
	4,270	9,389
	37,960	–
	–	95
	–	4,835
	3,040	5,208
	45,270	19,527
	2,791	6,989
	3,225	2,677

## 8. OTHER OPERATING EXPENSES

Included in other operating expenses are:

Provision for doubtful debts

	2001 HK\$'000	2000 HK\$'000
	9,519	10,009

## 9. IMPAIRMENT LOSS ON INVESTMENT IN SECURITIES NOT HELD FOR TRADING

During the year, the directors of the Company reviewed the carrying value of the investment securities not held for trading. For the investments with business at the initial setup stage in developing the advanced semiconductor, internet related hardware and software, the related investment cost of approximately HK\$72,743,000 (2000: HK\$77,946,000) was considered to be fully impaired with regard to the current market situation.

## 10. (LOSS) PROFIT FROM OPERATIONS

(Loss) profit from operations has been arrived at after charging:

Amortisation of goodwill (included in depreciation and amortisation expenses)

Amortisation of intangible assets (included in depreciation and amortisation expenses)

Auditors' remuneration

Depreciation of property, plant and equipment

– owned assets

– assets held under a finance lease

Charitable and other donations

Minimum operating lease rental in respect of premises

Retirement benefits scheme contributions, net of forfeited contributions of HK\$37,000 (2000: HK\$26,000)

Loss on disposal of property, plant and equipments

Unrealised loss on trading securities

– listed

– unlisted

and after crediting:

Gain on disposal of property, plant and equipment

Net property rental income (after deduction of outgoings of HK\$4,874,000 (2000: HK\$3,714,000))

Gain on disposal of investments in securities not held for trading (Note)

	2001 HK\$'000	2000 HK\$'000
	1,387	–
	1,992	342
	2,025	2,764
	71,586	30,761
	8	8
	2,214	21,018
	1,311	3,653
	3,459	1,795
	–	6,387
	26,228	67,340
	350	12,871
	1,558	–
	40,857	15,755
	–	429,204

Note: During 1999, the Group disposed of SMC Kaifa (Holdings) Limited and its subsidiaries, which were engaged in the manufacturing and marketing of fibre-optics products and in which the Group had a 56.6% equity interest for a cash consideration of US\$3,450,000 and 437,157 shares of E-TEK Dynamics Inc. ("E-TEK"), a company publicly listed in the USA.

During the year ended 31st December, 2000, the Group disposed of all the shares of E-TEK at a profit amounting to approximately HK\$429,204,000.

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 11. DIRECTORS' EMOLUMENTS

	2001 HK\$'000	2000 HK\$'000
Directors' fees		
Executives	480	480
Non-executives	80	80
Independent non-executives	160	160
	<u>720</u>	<u>720</u>
Other emoluments		
Executives		
Salaries, allowances and other benefits	8,845	8,233
Retirement fund contributions	426	314
	<u>9,991</u>	<u>9,267</u>

Emoluments of the directors were within the following bands:

Emolument bands	2001 Number of Directors	2000 Number of Directors
Under HK\$1,000,000	5	6
HK\$1,000,001 – HK\$1,500,000	2	1
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	–	–
HK\$2,500,001 – HK\$3,000,000	1	1
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$3,500,001 – HK\$4,000,000	1	–
	<u>1</u>	<u>–</u>

In the current year, 3 (2000: 3) directors waived emoluments of HK\$28,300 (2000: HK\$140,000) in total.

## 12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, 3 (2000: 3) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining 2 (2000: 2) were as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries, allowances and other benefits	2,656	2,013
Retirement fund contributions	133	41
	<u>2,789</u>	<u>2,054</u>

Their emoluments were within the following bands:

	2001 Number of employees	2000 Number of employees
Under HK\$1,000,000	–	1
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	–
	<u>1</u>	<u>–</u>

## 13. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	8,465	8,895
Other borrowings from minority shareholders	24,856	26,589
Obligations under a finance lease	5	5
Others	1,113	844
	<hr/>	<hr/>
Total borrowing costs	34,439	36,333
Less: amounts capitalised	–	(16,490)
	<hr/>	<hr/>
	<b>34,439</b>	<b>19,843</b>

Borrowing cost capitalised in the prior year arose on a specific borrowing pool of HK\$285,571,000. The amount capitalised for the year ended 31st December, 2000 equaled the actual interest incurred on specific borrowing pool.

## 14. RETIREMENT BENEFITS SCHEME

In 2000, the Group joined a Mandatory Provident Fund scheme (“MPF Scheme”) for all employees in Hong Kong. The MPF scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No contribution could be forfeited to reduce the contribution payable in the future years.

Prior to joining the MPF Scheme, the Group operated a defined contribution retirement benefit scheme (“Old Scheme”) for its qualifying employees in Hong Kong and paid contributions to the scheme at rates specified in the rules of the Old Scheme on the monthly compensation to the qualifying employees. All the assets under the Old Scheme were transferred to the MPF Scheme and are separately identified within the MPF Scheme and members can withdraw their entitled benefits from the Old Scheme in accordance with the scheme rules once they resign from the Group and all the respective forfeited contributions of the Group will be used to reduce the contributions payable in the future years.

According to the relevant laws and regulations in the PRC, the PRC subsidiaries are required to contribute a certain percentage of the salaries and wages of their employees to the retirement benefits schemes to fund the retirement benefits of their employees (the “PRC Scheme”).

There was no material forfeited contribution under the Old Scheme as at the 31st December, 2000 and 2001. For the MPF Scheme and the PRC Scheme, no forfeited contribution is available to reduce the contribution payable in the future years.

The Group’s contribution to the MPF Scheme, the Old Scheme and the PRC Scheme are charged to the income statement as expenses.

During the year, the Group made retirement benefit scheme contributions of HK\$3,459,000 (2000: HK\$1,795,000), net of the forfeited contributions utilised in the Old Scheme amounting to HK\$37,000 (2000: HK\$26,000).

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 15. TAXATION

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The charge comprises:

Profit for the year

Hong Kong

Other regions in the PRC

Deferred taxation

Current year (Note 38)

(Over)underprovision in prior years

Hong Kong

Other regions in the PRC

Taxation attributable to the Company and its subsidiaries

Share of taxation of associates

2001  
HK\$'000

2000  
HK\$'000

4,773

5,285

641

1,949

5,414

7,234

–

(50)

(33)

67

(5,210)

–

(5,243)

67

171

7,251

4,651

5,665

(4,480)

1,586

171

7,251

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the year.

Taxation arising in other regions of the PRC is calculated at 33% (2000: 33%) of the estimated assessable profit.

Details of the potential deferred tax charge not provided for the year are set out in note 38.

## 16. DIVIDENDS

Ordinary shares:

Interim, paid - 1.5 cents (2000: 2 cents) per share

Special interim, paid – nil cents (2000: 18 cents) per share

Final, proposed – 2.5 cents (2000: 3 cents) per share

2001  
HK\$'000

2000  
HK\$'000

7,654

10,352

–

93,169

12,744

15,376

20,398

118,897

The final dividend of 2.5 cents (2000: 3 cents) per share has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

## 17. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2001 HK\$'000	2000 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<b>32,738</b>	92,629
	2001 '000	2000 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>510,474</b>	522,973
Effect of dilutive potential ordinary shares: Options	-	1,489
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>510,474</b>	524,462

Note: As the exercise price of the options outstanding during the year ended 31st December, 2001 was higher than the average market price of the Company's ordinary shares, there was no dilutive effect on earnings per share.

## 18. INVESTMENT PROPERTIES

	THE GROUP 2001 HK\$'000	THE COMPANY 2001 HK\$'000
At 1st January, 2001	293,755	19,500
Additions	684	-
Written off	(1,023)	-
Reclassification from property, plant and equipment	162,961	-
Revaluation decrease	(12,910)	(2,500)
At 31st December, 2001	<b>443,467</b>	<b>17,000</b>

The Group's investment properties in Hong Kong and the PRC were revalued as at 31st December, 2001 by Messrs. Knight Frank, International Property Consultants, on an open market existing use basis. The investment properties in the USA were revalued as at 31st December, 2001 on an income capitalisation approach with reference to comparable market conditions by Cushman & Wakefield of California, Inc., an independent firm of professional valuers. The investment properties in Canada were revalued as at 31st December, 2001 on an income approach to value by JMS Real Estate Appraisers & Consultants Limited, an independent firm of professional valuers. These valuations gave rise to a revaluation deficit totalling HK\$12,910,000 (2000: surplus of HK\$30,717,000) which has been debited (credited) to the investment property revaluation reserve.

All of the Group's investment properties are rented out under operating leases.

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 18. INVESTMENT PROPERTIES (continued)

The carrying amount of investment properties comprises land and buildings in Hong Kong, the USA, the PRC and Canada as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
In Hong Kong, held under medium term leases	103,000	115,300	17,000	19,500
In the USA, freehold	120,900	129,480	–	–
In other region of PRC, held under medium term leases	208,001	48,975	–	–
In Canada, freehold	11,566	–	–	–
	<b>443,467</b>	<b>293,755</b>	<b>17,000</b>	<b>19,500</b>

## 19. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Toll road in other regions of the PRC HK\$'000	Plant and machinery HK\$'000	Tools, moulds and equipment HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Berthing space HK\$'000	Total HK\$'000
<b>THE GROUP</b>								
<b>AT COST</b>								
At 1st January, 2001	408,535	440,471	214,797	38,842	38,825	14,755	910	1,157,135
Translation adjustment	(953)	–	–	–	–	–	–	(953)
Additions	94,912	–	745	15,762	8,038	621	–	120,078
Disposals	(312)	–	(29,540)	–	(2,375)	(851)	–	(33,078)
Reclassification to investment properties	(164,382)	–	–	–	–	–	–	(164,382)
At 31st December, 2001	337,800	440,471	186,002	54,604	44,488	14,525	910	1,078,800
<b>ACCUMULATED DEPRECIATION</b>								
At 1st January, 2001	32,122	8,677	65,048	37,016	19,060	8,708	324	170,955
Translation adjustment	(79)	–	–	–	–	–	–	(79)
Provided for the year	5,341	16,090	38,772	4,570	4,778	2,008	35	71,594
Eliminated on disposals	(7)	–	(13,843)	–	(2,054)	(802)	–	(16,706)
Reclassification to investment properties	(1,421)	–	–	–	–	–	–	(1,421)
At 31st December, 2001	35,956	24,767	89,977	41,586	21,784	9,914	359	224,343
<b>NET BOOK VALUES</b>								
At 31st December, 2001	301,844	415,704	96,025	13,018	22,704	4,611	551	854,457
At 31st December, 2000	376,413	431,794	149,749	1,826	19,765	6,047	586	986,180

The net book value of the Group's property, plant and equipment includes an amount of HK\$nil (2000: HK\$48,000) in respect of assets held under a finance lease.

## 19. PROPERTY, PLANT AND EQUIPMENT (continued)

### Land and buildings

	Land and buildings in Hong Kong under long leases HK\$'000	Land and buildings in other regions of the PRC under medium term leases HK\$'000	Land and buildings in other regions of the PRC under long leases HK\$'000	Properties under development (Note) HK\$'000	Freehold land and buildings in the USA and Canada HK\$'000	Total HK\$'000
<b>THE GROUP</b>						
<b>AT COST</b>						
At 1st January, 2001	9,994	214,071	11,637	148,045	24,788	408,535
Translation adjustment	-	-	-	-	(953)	(953)
Additions	-	981	-	93,931	-	94,912
Disposals	-	(312)	-	-	-	(312)
Reclassification to investment properties	-	-	-	(148,739)	(15,643)	(164,382)
Other reclassification	-	1,554	-	(1,554)	-	-
At 31st December, 2001	9,994	216,294	11,637	91,683	8,192	337,800
<b>ACCUMULATED DEPRECIATION</b>						
At 1st January, 2001	4,522	24,766	115	-	2,719	32,122
Translation adjustment	-	-	-	-	(79)	(79)
Provided for the year	200	4,699	32	-	410	5,341
Eliminated on disposals	-	(7)	-	-	-	(7)
Reclassification to investment properties	-	-	-	-	(1,421)	(1,421)
At 31st December, 2001	4,722	29,458	147	-	1,629	35,956
<b>NET BOOK VALUES</b>						
At 31st December, 2001	5,272	186,836	11,490	91,683	6,563	301,844
At 31st December, 2000	5,472	189,305	11,522	148,045	22,069	376,413

Note: Properties under development

Land and buildings in other regions of the PRC, held under medium term leases  
Land and buildings in the USA, freehold

2001 HK\$'000	2000 HK\$'000
-	126,514
<b>91,683</b>	21,531
<b>91,683</b>	148,045

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 19. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and building in other regions of the PRC under long leases HK\$'000	Land and building in Hong Kong under long leases HK\$'000	Plant and machinery HK\$'000	Tools and moulds HK\$'000	Furniture, fittings and office equipment HK\$'000	Motor vehicles HK\$'000	Berthing space HK\$'000	Total HK\$'000
<b>THE COMPANY</b>								
<b>COST</b>								
At 1st January, 2001	1,607	1,478	658	479	11,902	5,663	910	22,697
Additions	-	-	45	-	1,773	-	-	1,818
Disposals	-	-	(369)	-	(1,131)	(189)	-	(1,689)
At 31st December, 2001	1,607	1,478	334	479	12,544	5,474	910	22,826
<b>ACCUMULATED DEPRECIATION</b>								
At 1st January, 2001	115	148	654	478	6,012	1,749	324	9,480
Provided for the year	33	29	6	1	1,425	1,326	35	2,855
Eliminated on disposals	-	-	(369)	-	(1,131)	(189)	-	(1,689)
At 31st December, 2001	148	177	291	479	6,306	2,886	359	10,646
<b>NET BOOK VALUES</b>								
At 31st December, 2001	1,459	1,301	43	-	6,238	2,588	551	12,180
At 31st December, 2000	1,492	1,330	4	1	5,890	3,914	586	13,217

## 20. GOODWILL

	<b>THE GROUP HK\$'000</b>
<b>COST</b>	
At 1st January, 2001	-
Acquisition of additional interest in subsidiaries	15,147
At 31st December, 2001	15,147
<b>AMORTISATION</b>	
At 1st January, 2001	-
Provided for the year	1,387
At 31st December, 2001	1,387
<b>NET BOOK VALUE</b>	
At 31st December, 2001	13,760
At 31st December, 2000	-

The amortisation period adopted for goodwill ranges from 5 to 20 years.

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 21. INTANGIBLE ASSETS

	Taxi licences HK\$'000	THE GROUP Trademark HK\$'000	Total HK\$'000	THE COMPANY Trademark HK\$'000
<b>COST</b>				
At 1st January, 2001	6,848	–	6,848	–
Exchange adjustments	54	–	54	–
Additions	86,393	2,499	88,892	2,499
At 31st December, 2001	93,295	2,499	95,794	2,499
<b>AMORTISATION</b>				
At 1st January, 2001	1,940	–	1,940	–
Charge for the year	1,971	21	1,992	21
At 31st December, 2001	3,911	21	3,932	21
<b>NET BOOK VALUE</b>				
At 31st December, 2001	89,384	2,478	91,862	2,478
At 31st December, 2000	4,908	–	4,908	–

All of the Group's intangible assets were acquired from third parties.

In the opinion of the directors, the values of the Group's intangible assets are worth at least their respective carrying values at the balance sheet date.

## 22. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	105,032	96,202
Provision for impairment in value	(95,833)	(95,833)
Loans to subsidiaries ( <i>Note</i> )	9,199	369
	93,741	93,741
	102,940	94,110

*Note:* The loans are unsecured and interest-free. Included in the above is a loan of approximately HK\$52,667,000 which is capitalised to cost of investment in the relevant subsidiary subsequent to the balance sheet date. In the opinion of the directors, the remaining balances will not be repayable within twelve months from the balance sheet date and accordingly are shown as non-current assets.

Details of the Company's principal subsidiaries as at 31st December, 2001 are set out in note 50.

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 23. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	–	–	195	241
Share of net assets	155,072	15,764	–	–
Premium on acquisition of associates	1,081	–	–	–
Loans to associates (Note)				
Interest-bearing	369,695	–	–	–
Non-interest-bearing	–	374,754	–	–
	<u>525,848</u>	<u>390,518</u>	<u>195</u>	<u>241</u>
Provision for impairment in value	–	–	(94)	(171)
	<u>525,848</u>	<u>390,518</u>	<u>101</u>	<u>70</u>

Note: The loans to associates are unsecured and carry interest at 10% (2000: nil) per annum. In the opinion of the directors, the loans to associates will not be repayable within twelve months from the balance sheet date and accordingly are shown as non-current assets.

The following details have been extracted from the financial statements of the Group's significant associate.

	Hong Kong Construction SMC Development Limited ("HKC-SMC")	
	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Audited) (Note)
<b>Results for the year</b>		
Turnover	<u>112,190</u>	<u>266,562</u>
Depreciation	<u>511</u>	<u>54</u>
Loss before taxation	<u>(76,160)</u>	<u>(12,859)</u>
Loss before taxation attributable to the Group	<u>(15,232)</u>	<u>(2,572)</u>
<b>Financial position</b>		
Total non-current assets	1,985,437	1,822,656
Total current assets	213,397	391,306
Total current liabilities	(455,762)	(399,322)
Total non-current liabilities	(1,175,446)	(1,174,610)
Net assets	<u>567,626</u>	<u>640,030</u>
Net assets attributable to the Group	<u>113,525</u>	<u>128,006</u>

Note: Last year, the Group equity accounted for HKC-SMC based on the unaudited financial statements for the results and net assets at 31st December, 2000. The unaudited financial statement includes a revaluation deficit in excess of the investment property revaluation reserves amounting to approximately HK\$565 million which was based on a valuation prepared by a firm of independent valuers. The Group's attributable share of HKC-SMC's loss, amounting to HK\$116 million, was accordingly recorded in the consolidated income statement for the year ended 31st December, 2000.

The audited financial statements of HKC-SMC for the year ended 31st December, 2000 were issued on 12th March, 2002 and revealed that the revaluation deficit in excess of the investment property revaluation reserves had been reduced to approximately HK\$16 million based on a valuation prepared by another firm of independent valuers. Accordingly, the revaluation deficit amounting to approximately HK\$113 million was reversed in the consolidated income statement of the Group during the year.

Details of the Group's principal associates as at 31st December, 2001 are set out in note 51.

## Notes to the Financial Statements

For the year ended 31st December, 2001

### 24. INVESTMENTS IN SECURITIES

#### THE GROUP

	Held for trading		Not held for trading		Total	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Equity securities						
Listed outside						
Hong Kong	<b>44,696</b>	61,933	–	–	<b>44,696</b>	61,933
Unlisted	<b>326</b>	11,939	<b>261,424</b>	224,320	<b>261,750</b>	236,259
Listed in Hong Kong	<b>104,231</b>	101,384	–	–	<b>104,231</b>	101,384
	<b>149,253</b>	175,256	<b>261,424</b>	224,320	<b>410,677</b>	399,576
Debt securities						
Unlisted	–	17,455	–	–	–	17,455
	<b>149,253</b>	192,711	<b>261,424</b>	224,320	<b>410,677</b>	417,031
Impairment loss in value	–	–	<b>(150,689)</b>	(77,946)	<b>(150,689)</b>	(77,946)
	<b>149,253</b>	192,711	<b>110,735</b>	146,374	<b>259,988</b>	339,085
Market value of listed securities	<b>148,927</b>	163,317	–	–	<b>148,927</b>	163,317
Carrying amounts analysed:						
Current	<b>149,253</b>	192,711	–	–	<b>149,253</b>	192,711
Non-current	–	–	<b>110,735</b>	146,374	<b>110,735</b>	146,374
	<b>149,253</b>	192,711	<b>110,735</b>	146,374	<b>259,988</b>	339,085

### 25. INVENTORIES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Raw materials	<b>71,641</b>	101,835	–	200
Work in progress	<b>4,533</b>	8,969	–	–
Finished goods	<b>35,152</b>	23,620	<b>3,852</b>	1,890
	<b>111,326</b>	134,424	<b>3,852</b>	2,090
Note:				
Inventories stated				
At cost	<b>59,118</b>	69,179	<b>3,852</b>	2,090
At net realisable value	<b>52,208</b>	65,245	–	–
	<b>111,326</b>	134,424	<b>3,852</b>	2,090

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 26. AMOUNTS DUE FROM SUBSIDIARIES

### THE COMPANY

The amounts are unsecured, bear interests at prevailing market rates and are repayable on demand.

## 27. PROPERTIES UNDER DEVELOPMENT FOR SALE

### THE GROUP

	2001 HK\$'000	2000 HK\$'000
Properties under development for sales, stated at cost	<b>19,883</b>	94,886

Included in properties under development for sale is interest capitalised of approximately HK\$nil (2000: HK\$4,404,000).

## 28. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$91,844,000 (2000: HK\$100,909,000). The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The aged analysis of trade receivables at the balance sheet date is as follows:

### THE GROUP

	2001 HK\$'000	2000 HK\$'000
Current	<b>46,699</b>	52,940
31 – 60 days	<b>10,180</b>	16,188
61 – 90 days	<b>9,599</b>	14,457
91 – 180 days	<b>7,970</b>	16,321
181 – 360 days	<b>12,722</b>	1,003
Over 360 days	<b>4,674</b>	–
	<b>91,844</b>	100,909

## 29. AMOUNT(S) DUE FROM INVESTEE(S)

### THE GROUP/COMPANY

The amounts are unsecured, bear interest at prevailing market rates and are repayable on demand.

## 30. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$55,070,000 (2000: HK\$50,694,000). The aged analysis of trade payables at the balance sheet date is as follows:

### THE GROUP

	2001 HK\$'000	2000 HK\$'000
Current	<b>41,476</b>	27,806
31 – 60 days	<b>7,500</b>	14,774
61 – 90 days	<b>3,031</b>	2,538
91 – 180 days	<b>1,525</b>	1,664
181 – 360 days	<b>318</b>	636
Over 360 days	<b>1,220</b>	3,276
	<b>55,070</b>	50,694

## 31. AMOUNTS DUE TO MINORITY SHAREHOLDERS

### THE GROUP

The amount includes loans of HK\$19,890,000 (2000: HK\$19,890,000) which are unsecured and bear interest at the prevailing market rates. The repayment period of these loans was extended to 31st May, 2002 during the year.

The remaining balance, other than the amount of approximately HK\$25,550,000 (2000: HK\$nil) which bears interest at 8% per annum, is unsecured, interest-free and is repayable on demand.

## 32. AMOUNT DUE TO A RELATED COMPANY

### THE GROUP AND THE COMPANY

The balance represents the amount due to a company controlled by Mr. Billy Yung Kwok Kee, the director of the Company. The amount is unsecured, interest-free and has no fixed repayment terms.

## 33. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans	113,860	79,210	38,213	11,700
Bank overdrafts	25	3,031	25	2,879
Obligations under a finance lease	–	16	–	–
	<b>113,885</b>	<b>82,257</b>	<b>38,238</b>	<b>14,579</b>
Secured	75,647	67,525	–	–
Unsecured	38,238	14,732	38,238	14,579
	<b>113,885</b>	<b>82,257</b>	<b>38,238</b>	<b>14,579</b>
The maturity of the above borrowings is as follows:				
Within one year	53,936	21,582	38,238	14,579
More than one year, but not exceeding two years	788	791	–	–
More than two years, but not exceeding five years	2,821	2,821	–	–
More than five years	56,340	57,063	–	–
	<b>113,885</b>	<b>82,257</b>	<b>38,238</b>	<b>14,579</b>
Less: Amounts due within one year shown under current liabilities	(53,936)	(21,582)	(38,238)	(14,579)
	<b>59,949</b>	<b>60,675</b>	<b>–</b>	<b>–</b>

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## 34. SHARE CAPITAL

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	2001		2000	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
<b>(a) Authorised:</b>				
<b>Ordinary shares of HK\$0.50 each</b>				
Balance at beginning and end of year	<b>900,000</b>	<b>450,000</b>	900,000	450,000
<b>(b) Issued and fully paid:</b>				
<b>Ordinary shares of HK\$0.50 each</b>				
Balance at beginning of year	512,526	256,263	528,780	264,390
Issued upon exercise of share options	–	–	2,140	1,070
Shares repurchased and cancelled	<b>(2,767)</b>	<b>(1,384)</b>	(18,394)	(9,197)
Balance at end of year	<b>509,759</b>	<b>254,879</b>	512,526	256,263

During the year, the Company repurchased its own shares through the Hong Kong Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK\$0.50 each '000	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
January	708	1.21	1.16	846
February	582	1.30	1.18	732
March	749	1.27	1.15	905
June	245	1.01	1.01	250
September	418	0.62	0.60	261
October	65	0.74	0.74	49
	<b>2,767</b>			<b>3,043</b>

### (c) Share option scheme

Under the terms of the share option scheme (the Scheme) which became effective in May 1994, the board of directors of the Company may offer to any directors or full time employees of the Company or any of its subsidiaries options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options. The number of shares issuable under the Scheme is not to exceed 10% of the issued share capital of the Company from time to time.

## 34. SHARE CAPITAL (continued)

### (c) Share option scheme (continued)

At 31st December, 2001, the following options to subscribe for shares were outstanding under the Company's share option scheme:

Exercisable period	Number of shares issuable under options '000	Subscription price per share HK\$
28.07.2000 - 27.07.2003	2,252	1.38
26.11.2000 - 25.11.2003	48	1.38
28.01.2001 - 27.07.2003	4,392	1.38
26.05.2001 - 25.11.2003	48	1.38
28.07.2001 - 27.07.2003	4,392	1.38
26.11.2001 - 25.11.2003	48	1.38
28.01.2002 - 27.07.2003	4,392	1.38
26.05.2002 - 25.11.2003	48	1.38
28.07.2002 - 27.07.2003	4,392	1.38
26.11.2002 - 25.11.2003	48	1.38
28.01.2003 - 27.07.2003	5,490	1.38
26.05.2003 - 25.11.2003	60	1.38
	25,610	

No option has been granted to or exercised by any of the option holders during the year and 425,000 share options have been lapsed as at the balance sheet date.

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 35. SHARE PREMIUM AND RESERVES

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Dividend reserve HK\$'000	Retained profits (note b) HK\$'000	Total HK\$'000
<b>THE GROUP</b>									
At 1st January, 2000									
– as originally stated	527,406	65,045	–	322,655	(3,016)	–	–	1,282,791	2,194,881
– prior period adjustments (Note 4)	–	–	–	–	–	–	26,439	3,562	30,001
– as restated	527,406	65,045	–	322,655	(3,016)	–	26,439	1,286,353	2,224,882
Revaluation surplus	–	30,717	–	–	–	–	–	–	30,717
Share of revaluation deficit of an associate	–	(63,983)	–	–	–	–	–	–	(63,983)
Share of translation reserve of an associate	–	–	–	–	72	–	–	–	72
Dividends paid	–	–	–	–	–	–	(26,266)	(103,521)	(129,787)
Overprovision of dividend in previous year due to shares repurchased	–	–	–	–	–	–	(173)	173	–
Realised on disposal of subsidiaries	–	–	–	–	1,121	–	–	–	1,121
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	616	–	–	–	616
Shares repurchased	–	–	9,197	–	–	–	–	(26,593)	(17,396)
Shares issued at a premium	1,883	–	–	–	–	–	–	–	1,883
Realised on disposal of investments in securities not held for trading	–	–	–	(322,655)	–	–	–	–	(322,655)
Goodwill on purchase of an associate	–	–	–	–	–	–	–	(28,626)	(28,626)
Goodwill on purchase of subsidiaries	–	–	–	–	–	–	–	(42,044)	(42,044)
Profit for the year	–	–	–	–	–	–	–	92,629	92,629
Proposed final dividend	–	–	–	–	–	–	15,376	(15,376)	–
Decrease in fair value of securities not held for trading	–	–	–	(77,946)	–	–	–	–	(77,946)
Impairment loss	–	–	–	77,946	–	42,044	–	–	119,990
Reclassification of goodwill (Note a)	–	–	–	–	–	(70,670)	–	70,670	–
At 31st December, 2000	529,289	31,779	9,197	–	(1,207)	(28,626)	15,376	1,233,665	1,789,473
Revaluation deficit	–	(12,910)	–	–	–	–	–	–	(12,910)
Share of revaluation surplus of an associate	–	8,795	–	–	–	–	–	–	8,795
Realised on disposal of partial interest in an associate	–	–	–	–	–	2,765	–	–	2,765
Share of translation reserve of an associate	–	–	–	–	(44)	–	–	–	(44)
Dividends paid	–	–	–	–	–	–	(15,307)	(7,654)	(22,961)
Overprovision of dividend in previous year due to shares repurchased	–	–	–	–	–	–	(69)	69	–
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	793	–	–	–	793
Shares repurchased	–	–	1,384	–	–	–	–	(3,043)	(1,659)
Profit for the year	–	–	–	–	–	–	–	32,738	32,738
Proposed final dividend	–	–	–	–	–	–	12,744	(12,744)	–
Decrease in fair value of securities not held for trading	–	–	–	(72,743)	–	–	–	–	(72,743)
Impairment loss of securities not held for trading	–	–	–	72,743	–	–	–	–	72,743
At 31st December, 2001	529,289	27,664	10,581	–	(458)	(25,861)	12,744	1,243,031	1,796,990

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 35. SHARE PREMIUM AND RESERVES (continued)

Notes:

- (a) Previously, goodwill arising on acquisition of subsidiaries or associates was written off to retained profits immediately on acquisition. Upon adoption of SSAP 30 "Business Combinations" in the current year, such goodwill is reclassified from retained profits to goodwill reserve.
- (b) The retained profits of the Group include HK\$106,064,000 (2000: HK\$7,778,000) retained by associates of the Group.

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>THE COMPANY</b>						
At 1st January, 2000						
– as originally stated	527,406	14,534	–	–	881,985	1,423,925
– prior period adjustments (Note 4)	–	–	–	26,439	–	26,439
– as restated	527,406	14,534	–	26,439	881,985	1,450,364
Shares repurchased	–	–	9,197	–	(26,593)	(17,396)
Shares issued at a premium	1,883	–	–	–	–	1,883
Profit for the year	–	–	–	–	592,292	592,292
Proposed Final dividend	–	–	–	15,376	(15,376)	–
Dividends paid	–	–	–	(26,266)	(103,521)	(129,787)
Overprovision of dividend in previous year due to shares repurchased	–	–	–	(173)	173	–
At 31st December, 2000	529,289	14,534	9,197	15,376	1,328,960	1,897,356
Revaluation deficit	–	(2,500)	–	–	–	(2,500)
Shares repurchased	–	–	1,384	–	(3,043)	(1,659)
Loss for the year	–	–	–	–	(85,266)	(85,266)
Proposed final dividend	–	–	–	12,744	(12,744)	–
Dividends paid	–	–	–	(15,307)	(7,654)	(22,961)
Overprovision of dividend in previous year due to shares repurchased	–	–	–	(69)	69	–
At 31st December, 2001	529,289	12,034	10,581	12,744	1,220,322	1,784,970

The Company's reserves available for distribution to shareholders are as follows:

	2001 HK\$'000	2000 HK\$'000
Dividend reserve	12,744	15,376
Retained profits	1,220,322	1,328,960
	<b>1,233,066</b>	<b>1,344,336</b>

## 36. MINORITY INTERESTS

### THE GROUP

Pursuant to the agreements entered into by the Group with minority shareholders, there are contractual obligations for the minority shareholders to contribute to the losses of the subsidiaries in which they are shareholders in proportion to the equity interests they hold in these subsidiaries.

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 37. LOANS FROM MINORITY SHAREHOLDERS

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Interest-bearing ( <i>Note a</i> )	<b>283,152</b>	285,571
Non-interest-bearing ( <i>Note b</i> )	<b>34,809</b>	46,650
	<hr/>	<hr/>
Balance at end of year	<b>317,961</b>	332,221
	<hr/>	<hr/>

Notes:

- (a) The interest-bearing loans from a minority shareholder are unsecured and are repayable after the settlement of all operating expenses, interest on loans and tax liabilities of the subsidiary.

The whole amount (2000: an amount of HK\$283,152,000 of the loans) carries interest at 8% per annum and the remaining balance of 2000 carried interest at 4% per annum.

- (b) The amounts are unsecured. Included in the above balance is an amount of HK\$22,572,000 which is capitalised as share capital of the relevant subsidiary subsequent to the balance sheet date.

## 38. DEFERRED TAX LIABILITIES

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
<b>THE GROUP</b>		
Balance at beginning of year	–	50
Credit for the year ( <i>Note 15</i> )	–	(50)
	<hr/>	<hr/>
Balance at end of year	–	–
	<hr/>	<hr/>

At the balance sheet date, the major components of the unprovided deferred taxation assets (liabilities) are as follows:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
<b>THE GROUP</b>		
Shortfall of tax allowances over depreciation	<b>16,711</b>	30,470
Tax losses	<b>113,230</b>	124,865
Other timing differences	<b>13,417</b>	19,069
	<hr/>	<hr/>
	<b>143,358</b>	174,404
	<hr/>	<hr/>
<b>THE COMPANY</b>		
Excess of tax allowances over depreciation	<b>(1,472)</b>	(1,274)
Tax losses	<b>2,877</b>	3,988
	<hr/>	<hr/>
	<b>1,405</b>	2,714
	<hr/>	<hr/>

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 38. DEFERRED TAX LIABILITIES (continued)

The amount of the unprovided deferred tax charge (credit) for the year is as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of:				
Excess (shortfall) of tax allowances over depreciation	13,759	(30,747)	198	1,274
Tax losses utilised (arising)	11,635	(60,474)	1,111	(3,188)
Other timing difference	5,652	(19,069)	–	–
	<b>31,046</b>	<b>(110,290)</b>	<b>1,309</b>	<b>(1,914)</b>

Deferred tax has not been provided on the revaluation surplus arising on the revaluation of investment properties in Hong Kong as profits arising on the disposal of these assets are not subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

Deferred tax has not been provided on the revaluation deficit arising on the revaluation of the investment properties in other regions of the PRC and overseas as they are held for long term investment purpose and are not expected to be disposed of in the foreseeable future.

## 39. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit from ordinary activities before taxation	5,782	86,681
Unrealised loss on trading securities	26,578	80,211
Impairment loss on investment in securities not held for trading	72,743	77,946
Impairment of goodwill	–	42,044
Reversal of impairment loss on deposits for investments	–	(13,000)
Write-off interest in an associate	(31)	–
Interest income	(45,270)	(19,527)
Interest expenses	34,439	19,843
Depreciation and amortisation expenses	74,973	31,111
(Gain) loss on disposal of property, plant and equipment	(1,558)	6,387
Gain on disposal of investments in securities not held for trading	–	(429,204)
Gain on deemed and partial disposal interest in an associate	(12,512)	–
Share of results of associates	(96,526)	110,721
Loss on disposal of subsidiaries	–	26,082
Investment properties written off	1,023	–
Movements in assets/liabilities held for operating activities:		
Decrease in inventories	23,098	22,698
Decrease in properties under development for sale	75,003	34,362
Decrease (increase) in trade and other receivables	31,407	(10,067)
(Increase) decrease in amount due from an associate	(504)	30
(Increase) decrease in amount due from investees	(976)	3,272
Decrease (increase) in investments in securities	23,451	(90,355)
Increase (decrease) in trade and other payables	45,165	(97,505)
Increase in amounts due to associates	157	62
Increase in amounts due to minority shareholders	26,960	20,021
Decrease in amount due to an investee	(156)	–
Decrease in amount due to a related company	–	(8,053)
Net cash inflow (outflow) from operating activities	<b>283,246</b>	<b>(106,240)</b>

# Notes to the Financial Statements

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## 40. DISPOSAL OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Property under development for sale	-	54,373
Trade and other receivables	-	204
Exchange reserve	-	1,121
	<hr/>	<hr/>
	-	55,698
Loss on disposal	-	(26,082)
	<hr/>	<hr/>
Total consideration	-	29,616
	<hr/>	<hr/>
Satisfied by:		
Cash	-	29,616
	<hr/>	<hr/>
Analysis of net cash inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration	-	29,616
	<hr/>	<hr/>

## 41. PURCHASE OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Property, plant and equipment	-	202,062
Inventories	-	23,743
Trade and other receivables	-	21,724
Bank balances and cash	-	20,718
Trade and other payables	-	(173,497)
Minority interests	-	(1,736)
Advances from minority shareholders	-	(9,235)
	<hr/>	<hr/>
	-	83,779
Goodwill	-	22,153
Share of net assets of associates recognised	-	(57,625)
	<hr/>	<hr/>
	-	48,307
	<hr/>	<hr/>
Satisfied by:		
Deposit for other investments	-	48,307
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in connection with the purchase of a subsidiary:		
Bank balances and cash acquired	-	20,718
	<hr/>	<hr/>

# Notes to the Financial Statements

For the year ended 31st December, 2001

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

	Share capital and share premium HK\$'000	Trust receipt loans HK\$'000	Bank loans and obligations under a finance lease HK\$'000	Loans from minority shareholders HK\$'000	Amounts due to related companies HK\$'000
Balance at 1st January, 2000	791,796	21,741	6,520	271,191	8,209
Acquired on purchase of a subsidiary	-	-	-	9,235	-
Net cash inflow (outflow) from financing during the year	(23,216)	(21,741)	61,181	50,746	-
Net operating cash outflow	-	-	-	-	(8,053)
Exchange difference	-	-	(176)	1,049	-
Accrued consideration on share repurchase	(424)	-	-	-	-
Retained profits utilised on share repurchase	17,396	-	-	-	-
<b>Balance at 31st December, 2000</b>	<b>785,552</b>	<b>-</b>	<b>67,525</b>	<b>332,221</b>	<b>156</b>
Net cash inflow (outflow) from financing during year	(3,043)	-	8,474	(1,151)	(5,000)
Net operating cash outflow	-	-	-	-	(155)
Capitalisation of payable as capital contribution to a subsidiary	-	-	-	(2,192)	-
Reclassification from (to) amounts due to minority shareholders	-	-	-	(10,917)	9,083
Accrued consideration on purchase of additional interest in a subsidiary	-	-	-	-	8,829
Exchange difference	-	-	(352)	-	-
Retained profits utilised on share repurchase	1,659	-	-	-	-
<b>Balance at 31st December, 2001</b>	<b>784,168</b>	<b>-</b>	<b>75,647</b>	<b>317,961</b>	<b>12,913</b>

## 43. ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK\$'000	2000 HK\$'000
Bank balances and cash	220,144	165,810
Unsecured bank loans and overdrafts	(38,238)	(14,732)
	<b>181,906</b>	<b>151,078</b>

## 44. MAJOR NON-CASH TRANSACTIONS

- The sale consideration of the partial disposal of interest in an associate during the year was settled by listed securities amounting to approximately HK\$6,571,000.
- In respect of the additions of property, plant and equipment during the year, an amount of approximately HK\$12,730,000 (2000: HK\$8,540,000) was included in trade and other payables as at 31st December, 2001 and an amount of HK\$9,360,000 was settled by the Group's investments in securities not held for trading purposes.
- The remaining balance of the purchase consideration of additional interest in a subsidiary amounting to approximately HK\$8,829,000 was included in amounts due to related companies as at 31st December, 2001.

# Notes to the Financial Statements

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## 45. PLEDGE OF ASSETS

### THE GROUP

Certain of the Group's investment properties, freehold land and buildings and properties under development for sale with an aggregate book value of HK\$132,466,000 (2000: HK\$129,480,000), HK\$nil (2000: HK\$15,197,000) and HK\$91,683,000 (2000: HK\$21,532,000) respectively and part of the taxi licences with a carrying value of HK\$24,515,000 (2000: HK\$ nil) were pledged as securities for credit facilities obtained from bankers. As at the balance sheet date, the amount of bank loans and other loan facilities utilised was HK\$75,647,000 (2000: HK\$67,509,000).

A cash deposit of HK\$727,000 (2000: HK\$1,718,000) was pledged as security for a construction project in respect of a property under development for sale as required by local authorities in the USA.

As at 31st December, 2000, cash deposit of US\$2,323,578 was pledged as security for credit facilities obtained from securities brokers and the amount of facilities utilised was HK\$13,540,000.

## 46. CONTINGENT LIABILITIES

As at the balance sheet date, the Group and the Company had the following contingent liabilities not provided for in the financial statements.

	2001 HK\$'000	2000 HK\$'000
Shipping and other guarantees	1,632	3,707
Letter of credit to secure the banking facilities granted to: an associate	30,457	–
an investee	3,120	–
	<u>33,209</u>	<u>3,707</u>

The Company, together with certain of its subsidiaries, issued cross guarantees to bankers as part of the security for credit facilities granted to the Company and its subsidiaries.

## 47. CAPITAL COMMITMENTS

As at the balance sheet date, the Group and the Company had commitments as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Contracted but not provided for in the financial statements:		
Establishment of a joint venture to develop manufacturing facilities in the PRC	9,360	–
Purchase of motor vehicles	–	11,899
Development expenditure	–	12,933
Construction of factory premises	–	805
	<u>9,360</u>	<u>25,637</u>

# Notes to the Financial Statements

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## 48. OPERATING LEASE COMMITMENTS

The Group/Company as lessee

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	<b>1,311</b>	3,653	<b>1,393</b>	1,341

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	<b>863</b>	1,002	<b>1,200</b>	1,208
In the second to fifth years inclusive	<b>173</b>	1,106	<b>4,800</b>	4,800
Over five years	–	–	<b>2,100</b>	3,300
	<b>1,036</b>	2,108	<b>8,100</b>	9,308

Operating lease payments represent rental payable by the Group for certain of its office properties. Leases are negotiated on terms of and rentals are fixed for ranging from one to two years.

### The Group/Company as lessor

Property rental income earned during the year was HK\$45,731,000 (2000: HK\$19,469,000). The investment properties of the Group are expected to generate rental yields of 10% on an ongoing basis. All of the investment properties held have committed tenants ranging from one to ten years.

At the balance sheet date, the Group and the Company had contracted with tenants for the following future minimum lease payments:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	<b>43,412</b>	41,469	<b>4,521</b>	7,364
In the second to fifth years inclusive	<b>128,217</b>	122,685	<b>1,483</b>	2,207
Over five years	<b>104,963</b>	141,815	–	–
	<b>276,592</b>	305,969	<b>6,004</b>	9,571

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 49. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties.

	Note	Minority shareholders		Associates		Related Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Purchases from	(a)	51,195	64,775	-	-	-	-
Interest paid to	(b)	24,856	26,589	-	-	-	-
Commission received from	(c)	955	1,052	-	-	-	-
Interest received from	(b)	-	-	37,960	-	-	-
Management fee paid	(d)	133	76	-	-	-	-
Commission paid	(e)	-	-	-	-	255	205

Notes:

- (a) The transactions were carried out at cost plus a percentage profit mark-up.
- (b) The transactions were based on interest rates agreed by the parties concerned.
- (c) The transactions were based on an agreed rate charged on trading of goods.
- (d) The transactions were based on the predetermined value agreed between the relevant parties.
- (e) The transactions were based on a fixed rate charged on the value of trading of securities. The commission was paid to a Company in which one of the Non-Executive Directors of the Group had beneficiary interests.

On 19th December, 2001, the Company acquired the remaining 10% equity interest in Quickjay Management Limited ("Quickjay"), a 90% owned subsidiary of the Company, from a company controlled by Mr. Billy Yung Kwok Kee, the director of the Company, and settled the corresponding amount due by the Company and Quickjay to this related company, at an aggregate consideration of approximately HK\$17,913,000.

The Company had issued a standby letter of credit amounting to approximately HK\$30,457,000 to secure the credit facility granted by a bank to its associate.

## Notes to the Financial Statements

For the year ended 31st December, 2001

### 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company (Note a)		Principal activities
				Directly	Indirectly	
Brentwood Ventures Limited	British Virgin Islands	Ordinary	8 shares of US\$1	–	62.5%	Investment holding
Deep Value Investments Limited	British Virgin Islands	Ordinary	1 share of US\$1	–	100%	Investment holding
Dong Wen Investments Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
Extra-Fund Investment Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Securities trading
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US\$1	–	100%	Property investment
Full Revenue Inc.	Samoa	Ordinary	1 share of US\$1	100%	–	Investment holding
Guangdong Macro Cables Co., Ltd.	PRC	Paid up capital	US\$20,960,000	–	49.41% (Note b)	Manufacturing and trading of cables and electrical wires
Guangzhou SMC Car Rental Company Limited	PRC	Paid up capital	HK\$15,000,000	–	95%	Taxi operations
Kinder Limited	Samoa	Ordinary	1 share of US\$1	–	100%	Investment holding
Quanta Global Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Trading of electric fans
Quickjay Management Limited	British Virgin Islands	Ordinary	50,000 shares of US\$1 each	100%	–	Investment holding
Shell & Shinsho Company Limited	Hong Kong	Ordinary	200 shares of US\$1 each	70%	–	Investment holding and trading of materials
Shell Electric Mfg. (China) Company Limited	British Virgin Islands	Ordinary	100 shares of US\$10 each	100%	–	Trading of electric fans
Shell Electric Mfg. (China) Company Sdn. Bhd.	Malaysia	Ordinary	2 shares of RM1 each	100%	–	Trading of electric fans

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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Name of subsidiary	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company (Note a)		Principal activities
				Directly	Indirectly	
Shell Electric Mfg. (China) Company Limited	Samoa	Ordinary	1 share of US\$1	100%	–	Trading of electric fans
Shunde Hua Feng Stainless Steel Welded Tubes Limited	PRC	Paid up capital	US\$6,792,000	–	90.1%	Manufacturing and trading of stainless steel welded tubes
Shunde Shunyue Highway Construction Limited	PRC	Paid up capital	RMB81,587,000	–	52%	Operation of a highway in the PRC
Shunde SMC Multi-Media Products Company Limited	PRC	Paid up capital	US\$9,533,300	–	99.48%	Manufacturing and trading of multi-media products
SMC Cable Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
SMC Development Corp. *	USA	Ordinary	1,000 Shares of US\$10 each	–	100%	Property development
SMC Home Products Corp.*	Canada	Ordinary	2,100,100 shares of CAN\$1 each	100%	–	Property development
SMC Industries Limited	PRC	Paid up capital	RMB44,175,000	–	63%	Steel processing
SMC Investments Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Property investment
SMC Marketing Corp. *	USA	Ordinary	10,000 shares of US\$1,021 each	100%	–	Marketing of the Group's products
SMC Microtronic Company Limited	Hong Kong	Ordinary	10,000 shares of HK\$1 each	100%	–	Trading of electronic consumer products

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company (Note a)		Principal activities
				Directly	Indirectly	
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Trading of multi-media products
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	–	100%	Design, management and trading of multi-media products
SMC Property Investment Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Investment holding
SMC Steel Pipes Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	–	Investment holding
Speed Power Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	–	Marketing of the Group's products
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US\$1 each	100%	–	Investment holding
Vineyard Management Company *	USA	Ordinary	1,000 shares of US\$10 each	–	100%	Property investment
Vortex Worldwide Limited	British Virgin Islands	Ordinary	1 share of US\$1	–	100%	Investment holding
業盈置業(深圳)有限公司	PRC	Paid up capital	HK\$10,000,000	–	100%	Property investment

*Notes:*

- (a) Unless otherwise stated in the notes to the financial statements, the proportion of nominal value of issued/registered capital directly or indirectly held by the Company is equal to the proportion of the ownership interest held and the proportion of the voting power held for respective company.
- (b) Pursuant to shareholders' agreement, the Group controls the board of directors of the company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A complete list of all the subsidiaries of the Group will be annexed to the next annual return of the Company.

None of the subsidiaries had any loan capital outstanding during the year.

\* Subsidiaries not audited by Deloitte Touche Tohmatsu.

# Notes to the Financial Statements

For the year ended 31st December, 2001

## 51. PARTICULARS OF PRINCIPAL ASSOCIATES

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Name of associated company	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
MDCL-Frontline (China) Limited	British Virgin Islands	Ordinary	56,774,194 shares of HK\$1 each	–	30.52%	Trading of computer equipment and provision of computer software support services
Hong Kong Construction SMC Development Limited *	Hong Kong	Ordinary	10,000,000 shares of HK\$1 each	–	20%	Investment holding
Hong Kong Construction SMC Development (Guangzhou) Ltd. *	PRC	Paid up capital	US\$59,000,000	–	20%	Property development
Yoama International Limited * (Formerly known as China Med World Limited)	British Virgin Islands	Ordinary	143 ordinary shares of US\$1 each	–	30%	Trading of Chinese healthcare products

\* Associates not audited by Deloitte Touche Tohmatsu.