

# Notes to Financial Statements

31 December 2001

## 27. FINANCE LEASE PAYABLES (CONTINUED)

### Company

	Minimum lease payments 2001 <i>HK\$'000</i>	Minimum lease payments 2000 <i>HK\$'000</i>	Present value of minimum lease payments 2001 <i>HK\$'000</i>	Present value of minimum lease payments 2000 <i>HK\$'000</i>
Amounts payable:				
Within one year	320	319	296	266
In the second year	53	320	53	297
In the third to fifth years, inclusive	–	53	–	52
Total minimum finance lease payments	<u>373</u>	<u>692</u>	<u>349</u>	<u>615</u>
Future finance charges	<u>(24)</u>	<u>(77)</u>		
Total net finance lease payables	349	615		
Portion classified as current liabilities	<u>(296)</u>	<u>(266)</u>		
Long term portion	<u>53</u>	<u>349</u>		

SSAP 14 was revised and implemented during the year, as detailed in note 3 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.



## 28. SHARE CAPITAL

### Shares

	Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Authorised:		
25,000,000,000 (2000: 25,000,000,000) ordinary shares of HK\$0.01 each	<u>250,000</u>	<u>250,000</u>
50 (2000: 50) convertible preference shares of HK\$1,000,000 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
3,993,409,113 (2000: 3,993,409,113) ordinary shares of HK\$0.01 each	<u>39,934</u>	<u>39,934</u>

### Share options

The Company operates a share option scheme, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on page 15.

A summary of the options outstanding and lapsed during the year under the Company's share option scheme is as follows:

Date of grant	Exercise price <i>HK\$</i>	Unexercised options at beginning of year	Options lapsed during the year	Unexercised options at end of the year
10 July 1998	<u>0.10</u>	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>–</u>

The above options can be exercised at any time during the period of the two years commencing on the expiry of six months after the date which the option is accepted and expiring on the last date of the two year period or 15 September 2002, whichever is the earlier. The cash consideration received by the Company or the Group for these options granted was negligible.

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## 29. RESERVES

Group	Share premium account <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	PRC statutory reserves* <i>HK\$'000</i>	Goodwill/ capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2000							
As previously reported	369,446	(5,590)	8,465	(21,342)	187,076	(163,164)	374,891
Prior year adjustment – SSAP 9*	–	–	(1,817)	–	–	1,817	–
As restated	369,446	(5,590)	6,648	(21,342)	187,076	(161,347)	374,891
Premium arising from issue of shares	174,214	–	–	–	–	–	174,214
Expenses in connection with the issue of shares	(1,076)	–	–	–	–	–	(1,076)
Released upon disposal and proposed disposal of subsidiaries and associates	–	3,225	–	2,008	4,313	–	9,546
Goodwill arising on acquisition of subsidiaries	–	–	–	(5,955)	–	–	(5,955)
Appropriations to reserve funds by PRC subsidiaries*	–	–	1,817	–	–	(1,817)	–
Exchange difference arising on translation of overseas subsidiaries and associates	–	(13,290)	–	–	–	–	(13,290)
Net loss for the year	–	–	–	–	–	(82,375)	(82,375)
At 31 December 2000	542,584	(15,655)	8,465	(25,289)	191,389	(245,539)	455,955
At 31 December 2000							
As previously reported	542,584	(15,655)	9,909	(25,289)	191,389	(246,983)	455,955
Prior year adjustment – SSAP 9*	–	–	(1,444)	–	–	1,444	–
As restated	542,584	(15,655)	8,465	(25,289)	191,389	(245,539)	455,955
Released upon disposal of the substantial assets of a subsidiary	–	1,232	–	1,609	–	–	2,841
Released upon liquidation of subsidiaries	–	45,726	–	23,711	–	–	69,437
Appropriations to reserve funds by PRC subsidiaries	–	–	1,444	–	–	(1,444)	–
Exchange difference arising on translation of overseas subsidiaries and associates	–	(27,139)	–	–	–	–	(27,139)
Net loss for the year	–	–	–	–	–	(341,359)	(341,359)
At 31 December 2001	542,584	4,164	9,909	31	191,389	(588,342)	159,735



## 29. RESERVES (CONTINUED)

	Share premium account <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	PRC statutory reserves* <i>HK\$'000</i>	Goodwill/ capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Group</b>							
Attributable to:							
The Company and subsidiaries	542,584	7,575	9,909	31	191,389	(576,324)	175,164
Associates	-	(3,411)	-	-	-	(12,018)	(15,429)
	<u>542,584</u>	<u>4,164</u>	<u>9,909</u>	<u>31</u>	<u>191,389</u>	<u>(588,342)</u>	<u>159,735</u>
At 31 December 2001	<u>542,584</u>	<u>4,164</u>	<u>9,909</u>	<u>31</u>	<u>191,389</u>	<u>(588,342)</u>	<u>159,735</u>
<b>Company</b>							
At 1 January 2000	369,446	-	-	-	192,083	(174,246)	387,283
Premium arising from issue of shares	174,214	-	-	-	-	-	174,214
Expenses in connection with the issue of shares	(1,076)	-	-	-	-	-	(1,076)
Net loss for the year	-	-	-	-	-	(58,410)	(58,410)
	<u>542,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,083</u>	<u>(232,656)</u>	<u>502,011</u>
At 31 December 2000	<u>542,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,083</u>	<u>(232,656)</u>	<u>502,011</u>
Net loss for the year	-	-	-	-	-	(321,909)	(321,909)
	<u>542,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,083</u>	<u>(554,565)</u>	<u>180,102</u>
At 31 December 2001	<u>542,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,083</u>	<u>(554,565)</u>	<u>180,102</u>

\* Pursuant to the relevant laws and regulations for Sino-Foreign joint venture enterprises, a portion of the profits of the Company's subsidiaries in the PRC has been appropriated to PRC statutory reserves which are restricted as to use. The amount of the appropriation is at the discretion of the respective boards of directors. During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 3 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the amount previously transferred to the PRC statutory reserves to the accumulated losses.

The contributed surplus of the Group represents:

- (a) the excess of the nominal value of the subsidiary's share acquired over the nominal value of the Company's shares issued in exchange less the amounts subsequently utilised to eliminate goodwill arising on acquisition of subsidiaries and associates. Upon the disposal of such subsidiaries and associates, the relevant portion of the goodwill previously eliminated at the time of acquisition is released from the contributed surplus to the consolidated profit and loss account and is dealt with in determining the gain/loss arising on such disposals; and



# Notes to Financial Statements

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## 29. RESERVES (CONTINUED)

- (b) the credit arising from the reduction of the nominal value of the shares of the Company from HK\$0.10 each by calculation of HK\$0.09 paid up on each issued share.

The contributed surplus of the Company represents the excess of the nominal value of the share capital of the subsidiaries at the date on which they were acquired by the Company over the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1992 less dividends paid out and amount utilised on redemption of share; and the credit arising from the reduction of HK\$0.09 paid up on each share.

Included in the exchange realignment on translation of overseas subsidiaries as at 31 December 2000 is a loss of HK\$13,190,000 represented the exchange differences arising on translation of an amount due from certain subsidiaries of which a substantial portion was not expected to be repayable in the foreseeable future and, in the opinion of the directors, was part of the Company's net investment in the enterprise and was therefore accounted for as a movement in the translation reserve during the year (note 16). Such translation reserve has been charged to the Group's profit and loss account upon liquidation of respective subsidiaries during the year (note 23).

SSAP 30 was adopted during the year, as detailed in note 3 to the financial statements. As detailed in note 4 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 January 2001 to remain eliminated against reserves or credited to the capital reserve, respectively. Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against reserves for any impairment. The amount of negative goodwill remaining in reserves, arising from the acquisition of a subsidiary prior to 1 January 2001, was HK\$31,000 as at 1 January and 31 December 2001, representing its costs. The amount of goodwill remaining in reserves, arising from the acquisition of certain subsidiaries prior to 1 January 2001, was HK\$25,320,000 as at 1 January 2001, representing its costs. The goodwill has been charged to the Group's profit and loss account as a result of disposal of substantial assets of a subsidiary and liquidation of certain subsidiaries during the year and no goodwill remained in reserves as at 31 December 2001.



## 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of profit from operating activities to net cash inflow/(outflow) from operating activities

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit from operating activities	5,366	5,389
Interest income	(244)	(4,049)
Amortisation of intangible assets	1,377	1,358
Depreciation	15,300	15,860
Provisions for bad and doubtful debts	4,272	15,972
Gain on disposal of property, plant and equipment	(2,553)	(312)
Decrease/(increase) in inventories	46,904	(48,101)
Increase in long term receivables, trade receivables, prepayments, deposits and other receivables	(9,582)	(3,672)
Increase in trade payable, accrued liabilities and other payables	204	9,735
Exchange difference on working capital	(23,656)	(6,958)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	<u>37,388</u>	<u>(14,778)</u>

### (b) Major non-cash transaction

In prior year, the consideration for the Group's acquisition of its long term investment was satisfied by US\$3 million (equivalent to HK\$23,400,000) in cash and the issue of 665,568,000 Company's shares at HK\$0.20 per share, amounted to HK\$133,114,000. The latter element was a major non-cash transaction.



# Notes to Financial Statements

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## 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

### (c) Acquisition of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Property, plant and equipment	–	28,689
Inventories	–	1,947
Trade receivables	–	12
Cash and bank balances	–	882
Prepayments, deposits and other receivables	–	1,315
Trade payables	–	(1,717)
Accrued liabilities and other payables	–	(112)
Finance lease payables	–	(292)
Bank overdrafts	–	(19)
	<hr/>	<hr/>
	–	30,705
Goodwill on acquisition	–	5,955
	<hr/>	<hr/>
	–	36,660
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash, including a deposit of HK\$26,823,000 paid prior to the year of acquisition	–	35,895
Trade receivables forfeited upon disposal	–	765
	<hr/>	<hr/>
	–	36,660
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## 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

### (c) Acquisition of subsidiaries (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Cash consideration, net of a deposit paid prior to the year of acquisition	–	(9,072)
Cash and bank balances acquired	–	882
Bank overdrafts acquired	–	(19)
	<hr/>	<hr/>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>–</u>	<u>(8,209)</u>

The subsidiaries acquired in the prior year contributed approximately HK\$8,182,000 to the Group's turnover and approximately HK\$2,221,000 to the consolidated loss after tax and before minority interests for the prior year.

The subsidiaries acquired in the prior year contributed an outflow of HK\$8,244,000 to the Group's net operating cash flows, paid HK\$8,926,000 and HK\$143,000 in respect of the Group's investing and financing activities, respectively, but had no significant impact in respect of the Group's return on investments and servicing of income and tax for the prior year.





# Notes to Financial Statements

31 December 2001

## 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

### (d) Disposal of subsidiaries

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net assets disposed of:		
Subsidiaries held for disposal	35,000	–
Property, plant and equipment	–	4,459
Amount due from associates	–	413
Short term investments	–	20,414
Cash and bank balances	–	66
Attributable goodwill	–	3,046
Attributable translation reserve	–	3,495
Accrued liabilities and other payables	–	(107)
	<hr/>	<hr/>
	35,000	31,786
Loss on disposal of subsidiaries	–	(11,772)
	<hr/>	<hr/>
	<u>35,000</u>	<u>20,014</u>
Satisfied by:		
Cash	22,000	20,014
Long term receivables	13,000	–
	<hr/>	<hr/>
	<u>35,000</u>	<u>20,014</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Cash consideration	22,000	20,014
Cash and bank balances disposed of	–	(66)
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>22,000</u>	<u>19,948</u>



## 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

### (d) Disposal of subsidiaries (continued)

The results of the subsidiary disposed of in the prior year had no significant impact on the turnover or the consolidated loss after tax for the year ended 31 December 2000.

The subsidiaries disposed of in the prior year made no significant contribution to the Group's cash flows.

### (e) Subsidiaries under liquidation

Further details of the subsidiaries under liquidation have been set out in note 23 to the financial statements.

### (f) Subsidiaries held for disposal

Further details of the subsidiaries held for disposal have been set out in note 24 to the financial statements.

# Notes to Financial Statements

31 December 2001

## 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

### (g) Analysis of changes in financing during the years

	Share capital (including share premium <i>HK\$'000</i>	Bank and other loans <i>HK\$'000</i>	Finance lease obligations <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
Balance at 1 January 2000	395,536	181,526	6,868	99,350
Share subscribed	133,114	–	–	–
Net cash inflow/(outflow) from financing activities during the year	53,868	5,583	(1,420)	18,865
Subsidiaries held for disposal	–	(1,400)	–	–
Share of profit after tax of subsidiaries	–	–	–	9,515
Exchange realignment	–	857	(733)	468
Balance at 31 December 2000 and beginning of year	582,518	186,566	4,715	128,198
Net cash outflow from financing activities during the year	–	(28,001)	(2,203)	(26,398)
Subsidiaries under liquidation	–	(2,190)	(707)	–
Dividend paid	–	–	–	(8,470)
Share of profit after tax of subsidiaries	–	–	–	8,059
Exchange realignment	–	2,155	(1,456)	1,907
Balance at 31 December 2001	582,518	158,530	349	103,296

## 31. RELATED PARTY TRANSACTIONS

During the year, the Group entered into a sale and purchase agreement with Veloso, a 44% owned associate of the Company, to dispose of certain property, plant and equipment of the Group to Veloso for a cash consideration of Rand24,000,000 (approximately HK\$15,600,000).

In the prior year, the Group paid approximately HK\$1,687,000 as a deposit for the purchase of goods and the provision of services to a company in which Mr. Kwee Cahyadi Kumala, director of the Company, has a beneficial interest.

# Notes to Financial Statements

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## 32. CONTINGENT LIABILITIES

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Guarantee of banking facilities granted to subsidiaries	<u>–</u>	<u>–</u>	<u>17,000</u>	<u>49,804</u>

Banking facilities utilised by the subsidiaries amounted to HK\$9,867,000 (2000: HK\$38,804,000) at the balance sheet date.

## 33. OPERATING LEASE ARRANGEMENTS

The Group leases certain properties under operating lease arrangements. These leases are negotiated for terms ranging from one to two years.

At 31 December 2001, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i> <i>(Restated)</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i> <i>(Restated)</i>
Within one year	369	225	228	96
In the second to fifth years, inclusive	254	264	181	–
	<u>623</u>	<u>489</u>	<u>409</u>	<u>96</u>

SSAP 14 (Revised) requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts have been restated to accord with the current year's presentation.



# Notes to Financial Statements

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## 34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following commitments at the balance sheet date:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Capital commitments, contracted for	<u>25,466</u>	<u>25,079</u>

The Company had no significant commitments at the balance sheet date (2000: Nil).

## 35. POST BALANCE SHEET EVENTS

Details of the significant events which took place subsequent to the balance sheet date are set out in notes 2, 11 and 23 to the financial statements.

## 36. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. In addition, the freight and delivery charges of HK\$2,704,000 for the year ended 31 December 2000, which were included in cost of sales in the prior year, have been reclassified as selling and distribution costs, as in the opinion of the directors, such reclassification provided a more appropriate presentation of the Group's operating results. Accordingly, certain comparative amounts have been restated and reclassified to conform with the current year's presentation.

## 37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 April 2002.