

Annual
Report 2000



SHELL ELECTRIC MFG. (HOLDINGS) CO. LTD.

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of the shareholders of the Company will be held at Coral Room, 3rd Floor, Furama Hotel Hong Kong, 1 Connaught Road Central, Hong Kong on Friday, the 1st day of June, 2001 at 12:00 noon for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st December, 2000.
2. To declare a final dividend.
3. To elect directors and to fix their directors' fees.
4. To appoint auditors for the ensuing year and to authorise the directors to fix their remuneration.

By Order of the Board

PETER LEE YIP WAH

Secretary

Hong Kong, 18th April, 2001.

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more than one proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's registered office, Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
3. The register of members of the Company will be closed from Tuesday, 29th May, 2001 to Friday, 1st June, 2001, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Monday, 28th May, 2001.

Corporate Information

Directors

Dr. Yung Yau (*Chairman*)

Mr. Billy Yung Kwok Kee (*Group Managing Director*)

** Cav Gr Cr, Dr. Leo Tung-Hai Lee, GBS, OBE,
Chev Leg d'Hon, Comm Leopold II, LLD, JP

** Mr. Shiu-Kit Ngai, OBE, JP

* Mr. Simon Yung Kwok Choi
Madam Yung Ho Wun Ching
Mr. Nicholas Yang Wei Hsiung
Mr. Leung Chun Wah
Mr. Plato Poon Chak Sang

(* *Non-Executive Directors*)

(** *Independent Non-Executive Directors*)

Bankers

Bank of America, N.A.

The Hongkong & Shanghai Banking Corporation Limited

Bank of China, Hong Kong Branch

Hang Seng Bank Limited

Solicitors

Woo, Kwan, Lee & Lo

Company Secretary

Mr. Peter Lee Yip Wah

Registered Office

Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.

Auditors

Deloitte Touche Tohmatsu

Share Registrars

Standard Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong.

Chairman's Statement

Profit

The Group's audited consolidated profit for the year attributable to shareholders in 2000 amounted to HK\$134,981,000 as compared with HK\$77,199,000 for the previous year.

Dividend

The Board recommends the payment of a final dividend of 3 cents per share, payable to shareholders whose names appear in the Register of Members of the Company on 1st June, 2001. This dividend, together with the interim dividend of 2 cents per share and a special interim dividend of 18 cents per share already paid, will make a total distribution of 23 cents per share for the full year. Subject to shareholders' approval in the Annual General Meeting, warrants for the final dividend will be sent to shareholders on or about 8th June, 2001.

Closure Of Registers

The Register of Members of the Company will be closed from Tuesday, 29th May, 2001 to Friday, 1st June, 2001, both days inclusive, during which period no transfer of the Company's shares will be effected.

In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Monday, 28th May, 2001.

Review Of Operations

Electric Fans: Ceiling Fans and Table Fans

Despite keen market competition, sales for the Group's electric fans maintained growth during the year, particularly the industrial fans. The anticipated slow down in the United States economy will affect sales but we expect that the demand generated from the opening up of emerging markets will be stable. These factors coupled with higher end products are expected to sustain a stable business turnover for this product category in Year 2001.

Household Vacuum Cleaners

In Year 2000, the turnover of the Household Vacuum Cleaners recorded an increase as compared to previous year. Under the continuing keen competition on these products in mainland China, the Group is focusing on the development of more advanced and proprietary designs to differentiate the Group's high quality products from its competitors. Two advanced patented bagless upright models will be launched in the second half of Year 2001 and they are expected to achieve higher profit margins. It is anticipated that the business turnover for this product category will increase in Year 2001.

Chairman's Statement

Fiber-optic Communication Products

During the year, the Group disposed of all the investment in the fiber-optic products business for a total consideration of HK\$565,597,000 and generated a profit of HK\$429,204,000 from the disposal. Please refer to the notice to shareholders on 5th May 2000 for further details concerning the disposal.

Steel Processing and Trading

The Group owns a 70% equity interest in the steel products processing joint venture business with Shinsho Corporation, Japan. This JV operates a coil center in Huang Pu district in Guangzhou. The continuing fall in steel prices has affected the selling prices, and orders became unsteady. Although there was a slight improvement in turnover in the second half of Year 2000, the trend is not expected to continue in Year 2001.

Cables Business

The Group holds a 98% interest in Guangdong Macro Cables Co., Ltd. The electric cable business has been successful in controlling cost and improving productivity which resulted in a small profit for the year. Market competition in selling electric cables is still very keen which exerts pressure on prices. The business outlook for electric cables in Year 2001 is expected to be steady because costs have stabilised. The Group will continue to develop new products and improve productivity to increase market share.

Stainless Steel Welded Tubes Products

Loss was recorded for the year in Shunde Hua Feng Stainless Steel Welded Tubes Ltd. in which the Group holds a 90.1% equity interest. The market for welded stainless steel tubes in mainland China is still underdeveloped. The prevailing drop in prices for stainless steel material has enabled our products to be more competitive in the market. The emphasis of the Group in Year 2001 for this business category will be improvement in product quality and cost control.

Taxi Operations

The Group currently holds an 85.5% equity interest in Guangzhou SMC Car Rental Co., Ltd. which owns 200 taxi licenses. This company has recently entered into new agreements with the taxi drivers and we expect that the monthly rental and management income of taxi will increase in the coming years. The market value per Guangzhou taxi license has increased substantially during the second half of Year 2000. This company purchased 32 additional taxi licenses in January 2001 and will seek to purchase additional taxi licenses in the future.

Real Estate Investment & Development

The Group holds a 20% equity interest in Hong Kong Construction SMC Development Limited. This company owns the "CITIC Plaza" project in Tianhe district, Guangzhou. The property complex comprised one 80-storey Grade A office tower, two 38-storey blocks of deluxe service apartment towers and a shopping mall. Sales and leasing of the premises in CITIC Plaza have been

Chairman's Statement

satisfactory. Currently, over 90% of the total floor area has been either sold or leased. Previously, CITIC Plaza was managed by one of the major shareholders, Hong Kong Construction (Holdings) Limited. At the end of Year 2000, the management was assumed by a new management team formed by the Group together with other substantial shareholders (members of new management controlling an aggregate of 60% shareholding in the project). Since then, strong improvement and promotional activities have been initiated by the new management team. A qualified independent valuer has also been employed to reassess the present value of this company's assets, and a decision of value write-down has been made subsequently. As a result, the Group shared the loss of this associated company amounting to HK\$108,283,000.

The equity interest of the property development project at Yuen Kong Road, Guangzhou previously held by the Group was disposed of to a third party at the end of Year 2000 and resulted in a loss of HK\$26,082,000.

The Group invested approximately US\$17,000,000 to build a high tech industrial complex in mainland China. The building was leased to a reputable international fiber-optic communication products company starting in January 2001 which is expected to generate stable long-term income for the Group.

Phase I, amounting to 130,000 square feet, of the Group's office buildings in Livermore California, United States has been fully leased, generating an annual rental income of approximately HK\$11,000,000. Meanwhile, Phase II, of 110,000 square feet space, is expected to be completed in the second half of 2001 which is expected to provide additional rental income for the Group.

Liang Xing Highway

During the year, income generated from the Group's 52% interest in Shunde Shunyue Highway Construction Limited in Shunde, China was below expectation. After the completion of the 16.357 kilometers Liang Xing Highway in the mid of November 2000, the average traffic flow recorded was 18,000 vehicle journeys per day in December 2000. Compared to pre-completion period, the traffic flow and toll fee has increased by 10% and 13% respectively. It is expected that the toll fee income for this company will continue to grow in Year 2001.

Technology Investment Projects

Internet Server

The Group has acquired a 27% equity interest in Neutility Corp., a company incorporated in Delaware, United States. This company develops innovative internet super engines and provides monthly leasing service in terms of internet bandwidth, connection capacity, data storage/management and application softwares. This series of internet super engines are designed by the company founders who were the chief architect of the Cray I and Cray II super computers. These new internet super engines are expected to have enough capacity to capture market shares in internet-server business in the major cities. The Group has set up a joint venture with Neutility Corp. and Pacific Century CyberWorks Limited for the incorporation of PowerBaseEngines Holdings Company Limited to provide engine and consultancy services in Hong Kong. The joint venture has started to operate and is expected to generate revenue in Year 2001.

Chairman's Statement

SI & Software Development

The Group has acquired a 41% interest in an SI & software development company operating in Hong Kong and China. This company offers software development and assistance to Chinese enterprises on a total solution basis. Business activities include system integration management, software research & development and customized software. As a result of the rapid growth in computerization and modernization of Chinese enterprises, this company recorded respectable growth in turnover in two consecutive years in 1999 and 2000. It is expected that this company will continue to maintain growth in the future.

Broadband Communication IC

The Group has acquired a 43% equity interest in a company incorporated in California, United States which specializes in the research and design of broadband communication IC. The technique is originated from the advanced patent "wavelet" technology. The first IC prototype has been successfully developed. This company is pursuing to develop the broadband IC into finished product and expects to launch shipment in the second half of Year 2002. The IC is suitable for connection of all broadband communication equipment.

Electronic Integrated Rectifier Chips

The Group has acquired a 23% equity interest in a company incorporated in California, United States which designs and manufactures electronic integrated rectifier chips. The chips with built-in technology of electronic circuitry can handle high electric current and achieve less voltage drop, lower heat emission and power saving when compared with other similar products in the market. This company has been accelerating the trial production of such electronic integrated rectifier chips.

Software to expedite Internet Content Transmission

The Group has also acquired a 52% equity interest in a company incorporated in California, United States which develops software to enhance the speed of the internet content transmission. The software can significantly consolidate the information contained on the internet interface screen and shortens the communication time and reduces the reliance on supporting hardware. This company has already signed up over 30 United States companies for the testing of the software. The Group expects this company to expand its customer base rapidly and commence generating income in Year 2001.

Others

In addition to the above technology investment projects, the Group has also invested in various overseas advanced technology companies conducting proprietary product research and development activities. These companies are involved in the development of internet communication technology, sales and services providers in internet. The majority of these companies owns patented technology. The purpose of the Group to make these strategic investments is to explore and strengthen the Group's business opportunities offered by the high technology sector and new business environment. We expect to nurture these investments to generate economic benefits to the Group.

Chairman's Statement

Due to the recent consolidation in the market for technology investments, the Group has prudently made a provision of HK\$77,946,000 for its technology investment projects.

Securities Investment

The objective of the Group's investment in securities is to manage the surplus funds conservatively to generate satisfactory returns. The instruments invested are mainly shares or equity-linked notes of blue chip companies listed in Hong Kong or the United States. For the current year, the realized profits generated from securities investment was HK\$30,932,000 (realized profit for last year was HK\$24,717,000) and the unrealized loss was HK\$80,211,000 (unrealized profit for last year was HK\$92,677,000).

Group Financial Position

Turnover for the year 2000 totalled HK\$2,668,256,000 representing 106% increase over the same period of last year. Major increase of the turnover stemmed from the trading of securities which jumped from HK\$232,342,000 last year to HK\$1,598,250,000 in Year 2000.

During the year, certain production lines and subsidiary companies which reported losses or offered unfavorable business prospects had been reorganized or disposed of by the Group. Approximately half of the proceeds of HK\$565,597,000 in respect of the disposal of 437,157 shares of E-TEK Dynamics Inc. has been allocated and applied to the Group's strategic investments the development and progress of which will be closely monitored by the Group.

As at 31st December 2000, the Group had liquid funds amounting to HK\$165,000,000 which comprised HK\$45,000,000, US\$6,019,000 and RMB72,000,000 cash and deposits.

The Group's liquidity and financial resources continued to be in a healthy condition. The total debit-to-equity ratio for the current year expressed as a percentage of total debt of approximately HK\$686,000,000 (1999: HK\$709,000,000) to the equity of approximately HK\$2,027,000,000 (1999: HK\$2,459,000,000) remained at a low level of 34% (1999: 29%).

Banking facilities totalling HK\$417,000,000 were available, of which loan draw-down for HK\$14,579,000 and US\$7,870,000 and utilisation of trade finance facilities for HK\$10,066,000 had been effected.

Funding requirements for capital expenditures were met by internal cash flows.

The Group entered into foreign exchange contracts to manage its foreign currency exposure arising from acquisition of raw materials where settlement in Japanese Yen was required.

YUNG YAU

Chairman of the Board

Hong Kong, 18th April, 2001.

Brief Biographical Details of Directors and Senior Management Staff

Executive directors

Dr. Yung Yau, D.B.A. (Hon.), aged 76, is the Chairman of the Group. Dr. Yung is the founder of the Group and has a major interest in the share capital of the Company.

Mr. Billy Yung Kwok Kee, B.Sc., M.Sc., aged 47, eldest son of Dr. Yung, is the Group Managing Director of the Company, Chief Executive Officer of Sybond Venture Limited and Director of SMC Multi-Media Products Company Limited. He has worked for the Group for over 20 years.

Madam Yung Ho Wun Ching, aged 69, is the wife of the Group founder Dr. Yung Yau. She has been involved in the development of the Group since inception and was appointed as an executive director in 1984.

Mr. Nicholas Yang Wei Hsiung, B.Sc., M.B.A., aged 46, Dr. Yung's son-in-law, was appointed as an executive director in 1984.

Mr. Leung Chun Wah, B.B.A., aged 54, joined the Group in 1977 and was appointed as an executive director in 1990. Mr. Leung is the General Manager of the ceiling fan division and General Manager and Director of Shell & Shinsho Company Limited.

Mr. Plato Poon Chak Sang, aged 55, joined the Group in 1982 and was appointed as an executive director in 1992. He has over thirty years' experience in export and international marketing. Mr. Poon is the General Manager of the oscillating fan division and is also responsible for the management of the Company's heater sales business.

Non-executive director

Mr. Simon Yung Kwok Choi, B.A., M.A., aged 44, son of Dr. Yung, was appointed as a non-executive director in 1991. He is the Chairman of Venes Group of Companies.

Independent non-executive directors

Dr. Leo Tung-Hai Lee, GBS, LLD, JP, aged 79, has been a director of the Company since 1984. Dr. Lee is the Chairman of Tung Tai Group of Companies and a non-executive director of several publicly listed companies in Hong Kong, including Beijing Enterprises Holdings Limited. He is a member of a number of public services committees and heads many social service organizations, including as an Adviser of the Advisory Board of the Tung Wah Group of Hospitals, Chairman of the Association of Chairmen of the Tung Wah Group of Hospitals, Chairman of Friends of Hong Kong Association and Vice President of the China Overseas Friendship Association. Dr. Lee is a member of the Standing Committee of the National Committee of The Chinese People's Political Consultative Conference. He served as an Adviser on Hong Kong Affairs to Hong Kong & Macau Affairs Office of the State Council and Xinhua News Agency, Hong Kong Branch; a member of the Preparatory Committee for the Hong Kong Special Administrative Region; and a member of the Hong Kong Special Administrative Region Selection Committee. He has been honoured with awards by different governments, which include Cavaliere di Gran Croce of Italy, O.B.E. of Great Britain, Chevalier Legion d'Honneur of France, Commandeur de l'Ordre de Leopold II of Belgium and Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China in 1999. Dr. Lee has over 40 years of experience in business management.

Brief Biographical Details of Directors and Senior Management Staff

Mr. Shiu-Kit Ngai, OBE, JP, B.A., aged 76, was appointed as an independent non-executive director since 1984. Mr. Ngai is currently a Deputy of the National Peoples' Congress of the PRC.

Senior management staff

Mr. Yau Kin Hing, Henry, aged 46, is the Group Deputy Managing Director. He holds a Bachelor's degree in Engineering and a Master degree in Computer Science in the Northwestern University. He received his Master degree in Business Administration from the University of Chicago and a Doctor of jurisprudence degree from DePaul University. Mr. Yau is a certified accountant in Illinois and holds attorney qualifications in Illinois and New York. Before joining SMC in 2000, Mr. Yau served as the China CFO for various multi-national companies, especially experienced in China related operations. Mr. Yau was active in the investment, corporate finance and merger and acquisition areas in the United States.

Mr. Chu Ka Loy, aged 52, joined the Group in 1993 as Financial Controller of the Group. He has previously held senior financial positions in public listed and private companies for over 10 years. Mr. Chu is an associate member of both The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants of the United Kingdom. In addition, he is an associate member of the Hong Kong Society of Accountants.

Mr. Ho Chi Sing, Spencer, aged 40, is the Senior Investment Manager of the Group. Mr. Ho holds a Bachelor's degree in Laws and Litigation in University of Wolverhampton, United Kingdom, and a Master degree in Systems Management in Lancaster University, United Kingdom. Prior to joining the Group in 1999, he was the fund manager of the BOC China Fund. He has over 15 years' working experience in banking and investment management.

Mr. Tang Che Yin, Benny, aged 46, is the Deputy General Manager of SMC Multi-Media Products Company Limited. Mr. Tang holds a Bachelor's degree of science in engineering and a Master degree of computer science in the University of Hong Kong and the University of Manchester of the United Kingdom respectively. He is a Chartered Engineer and also a member of the Council of Engineer in the United Kingdom. Before joining the Group in 1991, Mr. Tang has over 10 years' working experience in multi-national companies with focus on technical and factory management.

Directors' Report

The directors have pleasure in presenting to shareholders their annual report together with the audited financial statements for the year ended 31 December 2000.

Principal activities

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

Segmental information

An analysis of the Group's turnover and contribution to (loss) profit from operations by principal activities and geographical market is set out in note 3 to the financial statements.

Subsidiaries and associates

During the year, the Group acquired a 41% interest in Modern Devices (China) Limited, a company engaged in trading of computer equipments and provision of software support, for a total consideration of approximately HK\$31,898,000.

On 31 December 1998, the Company's subsidiary, SMC Cable Limited ("SMC Cable") entered into a conditional agreement with certain parties in the People's Republic of China ("PRC") for the rationalisation of assets and liabilities of Guangdong Marco Cables Co., Ltd. ("Guangdong Marco Cables") (the "Agreement"). Following the completion of the Agreement during the year, SMC Cable increased its interest in Guangdong Marco Cables from 49% to 98%, at a consideration by reference to the net asset value of Guangdong Macro Cable at 31 December 1998, and Guangdong Marco Cables became the Company's subsidiary.

On 13 January 1999, SMC Steel Pipes Limited ("SMC Steel Pipes"), the Company's subsidiary, entered into a conditional agreement with certain PRC parties which were different from the parties contracted with SMC Cable, to acquire a 70% and a further 20.1% equity interest in Shunde Hua Feng Stainless Steel Welded Tubes Ltd. ("Shunde Hua Feng") at a consideration by reference to the net asset value of this PRC company as at 15 January 1999 and 15 March 1999 respectively (the "Steel Pipes Agreement"). Shunde Hua Feng is engaged in the manufacturing and trading of welded tubes. Following the completion of the agreement during the year, Shunde Hua Feng became a subsidiary of the Company.

The Group also incorporated a number of subsidiaries for the purposes of expanding its business.

In addition, the Group disposed of a sub-group headed by SMC Property Investment (China) Co. Limited, which was engaged in investment holding and property development, and in which the Group had a 100% interest, for a cash consideration of approximately HK\$29,600,000 during the year.

Details of the Company's principal subsidiaries and associates at 31 December 2000 are set out in notes 48 and 49 respectively to the financial statements.

Directors' Report

Results and appropriations

The results of the Group for the year ended 31 December 2000 are set out in the consolidated income statement on page 20.

An interim dividend of 2 cents per share amounting to HK\$10,352,000 and a special interim dividend of 18 cents per share amounting to HK\$93,169,000 were paid to the shareholders during the year. Subject to the approval of shareholders at the forthcoming annual general meeting, the Board of Directors now recommends the payment of a final dividend of 3 cents per share to the shareholders whose names appear on the register of members of the Company at the close of business on 1 June 2001. The final dividend distribution amounting to HK\$15,376,000 will lead to reducing the Groups's retained profit for the year to HK\$16,257,000.

Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 33 to the financial statements.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 64.

Investment properties and property, plant and equipment

All of the Group's investment properties were revalued at 31 December 2000. The net surplus arising on revaluation, which has been credited directly to the investment property revaluation reserve, amounted to HK\$30,717,000. In addition, construction of the Group's high tech industrial complex in Shenzhen, PRC is nearly completed and development of the Group's next phase of its investment properties in the United States of America ("USA") has started.

During the year, the Group acquired land and building at cost of HK\$153,933,000 and the Group continued its plant replacement policy and expended HK\$3,572,000 on new plant and machinery during the year.

Details of these and other movements during the year in investment properties and property, plant and equipment of the Group and the Company are set out in notes 17 and 18 respectively to the financial statements.

Major properties

Details of the major properties and property interests of the Group at 31 December 2000 are set out on pages 65 and 66 of the annual report.

Share capital and share options

Movements during the year in the share capital and outstanding share options of the Company are set out in note 32 to the financial statements.

Directors' Report

Purchase, sale or redemption of listed securities of the Company

During the year, the Company repurchased certain of its own shares. Details of which are set out in note 32 to the financial statements. The directors considered that, as the Company's shares were traded at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

Borrowings and interest capitalised

Details of bank loans, overdrafts and other borrowings of the Group and the Company are set out in note 31 to the financial statements.

Interest capitalised by the Group during the year in respect of toll road and properties under development for sale amounted to approximately HK\$12,086,000 and HK\$4,404,000 respectively.

Directors

The directors of the Company during the year and up to the date of this report are:

Executive directors

Dr. Yung Yau (*Chairman*)
Mr. Billy Yung Kwok Kee (*Group Managing Director*)
Madam Yung Ho Wun Ching
Mr. Nicholas Yang Wei Hsiung
Mr. Leung Chun Wah
Mr. Plato Poon Chak Sang

Non-executive director

Mr. Simon Yung Kwok Choi

Independent non-executive directors

Cav Gr Cr, Dr. Leo Tung-Hai Lee, GBS, OBE,
Chev Leg d'Hon, Comm Leopold II, LLD, JP
Mr. Shiu-Kit Ngai, OBE, JP

In accordance with Article 103 of the Company's Articles of Association, Dr. Yung Yau, Mr. Simon Yung Kwok Choi and Mr. Leung Chun Wah shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Each non-executive director is subject to retirement by rotation in accordance with the Company's Articles of Association.

Directors' Report

Directors' interests in share capital and share options

(a) Shares

As at 31 December 2000, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") of the Company were as follows:

Name of director	Number of ordinary shares beneficially owned			
	Personal interests	Family interests	Corporate interests	Other interests
Dr. Yung Yau	93,285,000	3,200,000	–	156,000,000 <i>(Note 1)</i>
Mr. Billy Yung Kwok Kee	39,609,000	–	2,200,000	156,000,000 <i>(Note 1)</i> 10,412,000 <i>(Note 3)</i>
Dr. Leo Tung-Hai Lee	300,000	–	–	–
Mr. Shiu-Kit Ngai	–	–	–	–
Mr. Simon Yung Kwok Choi	18,666,000	–	–	–
Madam Yung Ho Wun Ching	3,200,000 <i>(Note 2)</i>	93,285,000 <i>(Note 2)</i>	–	156,000,000 <i>(Note 1)</i>
Mr. Nicholas Yang Wei Hsiung	350,000	–	–	–
Mr. Leung Chun Wah	1,799,400	–	–	–
Mr. Plato Poon Chak Sang	739,200	–	–	–

Notes:

1. These shares are held by a trust for the benefit of Dr. Yung Yau, Mr. Billy Yung Kwok Kee and Madam Yung Ho Wun Ching.
2. The shares held by Madam Yung Ho Wun Ching under her family interests and personal interests are in fact the same shares included under the personal interests and family interests respectively of Dr. Yung Yau.
3. These shares are held by a trust for the benefit of Mr. Billy Yung Kwok Kee.

Directors' Report

(b) Options

The directors had personal interests in share options to subscribe for shares in the Company as follows:

Name of director	Period during which option rights are exercisable	Subscription price per share HK\$	Number of share options				
			As at 1.1.2000	Granted during the year	Exercised during the year	Lapsed during the year	As at 31.12.2000
Dr. Yung Yau	05.06.1997 – 04.06.2000	3.25	2,100,000	-	-	(2,100,000)	-
	28.07.2000 – 27.07.2003	1.38	-	1,072,000	(1,072,000)	-	-
	28.01.2001 – 27.07.2003	1.38	-	1,072,000	-	-	1,072,000
	28.07.2001 – 27.07.2003	1.38	-	1,072,000	-	-	1,072,000
	28.01.2002 – 27.07.2003	1.38	-	1,072,000	-	-	1,072,000
	28.07.2002 – 27.07.2003	1.38	-	1,072,000	-	-	1,072,000
	28.01.2003 – 27.07.2003	1.38	-	1,340,000	-	-	1,340,000
Mr. Billy Yung Kwok Kee	05.06.1997 – 04.06.2000	3.25	2,100,000	-	-	(2,100,000)	-
	28.07.2000 – 27.07.2003	1.38	-	1,072,000	-	-	1,072,000
	28.01.2001 – 27.07.2003	1.38	-	1,072,000	-	-	1,072,000
	28.07.2001 – 27.07.2003	1.38	-	1,072,000	-	-	1,072,000
	28.01.2002 – 27.07.2003	1.38	-	1,072,000	-	-	1,072,000
	28.07.2002 – 27.07.2003	1.38	-	1,072,000	-	-	1,072,000
	28.01.2003 – 27.07.2003	1.38	-	1,340,000	-	-	1,340,000
Dr. Leo Tung-Hai Lee	28.07.2000 – 27.07.2003	1.38	-	96,000	-	-	96,000
	28.01.2001 – 27.07.2003	1.38	-	96,000	-	-	96,000
	28.07.2001 – 27.07.2003	1.38	-	96,000	-	-	96,000
	28.01.2002 – 27.07.2003	1.38	-	96,000	-	-	96,000
	28.07.2002 – 27.07.2003	1.38	-	96,000	-	-	96,000
	28.01.2003 – 27.07.2003	1.38	-	120,000	-	-	120,000
Mr. Shiu-Kit Ngai	28.07.2000 – 27.07.2003	1.38	-	80,000	-	-	80,000
	28.01.2001 – 27.07.2003	1.38	-	80,000	-	-	80,000
	28.07.2001 – 27.07.2003	1.38	-	80,000	-	-	80,000
	28.01.2002 – 27.07.2003	1.38	-	80,000	-	-	80,000
	28.07.2002 – 27.07.2003	1.38	-	80,000	-	-	80,000
	28.01.2003 – 27.07.2003	1.38	-	100,000	-	-	100,000
Madam Yung Ho Wun Ching	28.07.2000 – 27.07.2003	1.38	-	800,000	(800,000)	-	-
	28.01.2001 – 27.07.2003	1.38	-	800,000	-	-	800,000
	28.07.2001 – 27.07.2003	1.38	-	800,000	-	-	800,000
	28.01.2002 – 27.07.2003	1.38	-	800,000	-	-	800,000
	28.07.2002 – 27.07.2003	1.38	-	800,000	-	-	800,000
	28.01.2003 – 27.07.2003	1.38	-	1,000,000	-	-	1,000,000

Directors' Report

Name of director	Period during which option rights are exercisable	Subscription price per share HK\$	Number of share options				As at 31.12.2000
			As at 1.1.2000	Granted during the year	Exercised during the year	Lapsed during the year	
Mr. Nicholas Yang Wei Hsiung	28.07.2000 – 27.07.2003	1.38	-	80,000	-	-	80,000
	28.01.2001 – 27.07.2003	1.38	-	80,000	-	-	80,000
	28.07.2001 – 27.07.2003	1.38	-	80,000	-	-	80,000
	28.01.2002 – 27.07.2003	1.38	-	80,000	-	-	80,000
	28.07.2002 – 27.07.2003	1.38	-	80,000	-	-	80,000
	28.01.2003 – 27.07.2003	1.38	-	100,000	-	-	100,000
Mr. Leung Chun Wah	28.07.2000 – 27.07.2003	1.38	-	120,000	-	-	120,000
	28.01.2001 – 27.07.2003	1.38	-	120,000	-	-	120,000
	28.07.2001 – 27.07.2003	1.38	-	120,000	-	-	120,000
	28.01.2002 – 27.07.2003	1.38	-	120,000	-	-	120,000
	28.07.2002 – 27.07.2003	1.38	-	120,000	-	-	120,000
	28.01.2003 – 27.07.2003	1.38	-	150,000	-	-	150,000
Mr. Plato Poon Chak Sang	28.07.2000 – 27.07.2003	1.38	-	120,000	-	-	120,000
	28.01.2001 – 27.07.2003	1.38	-	120,000	-	-	120,000
	28.07.2001 – 27.07.2003	1.38	-	120,000	-	-	120,000
	28.01.2002 – 27.07.2003	1.38	-	120,000	-	-	120,000
	28.07.2002 – 27.07.2003	1.38	-	120,000	-	-	120,000
	28.01.2003 – 27.07.2003	1.38	-	150,000	-	-	150,000

Details of the Company's share option scheme are set out in note 32(c) to the financial statements.

(c) Shares in a subsidiary

As at 31 December 2000, the Group Managing Director, Mr. Billy Yung Kwok Kee, through a company controlled by him, held 5,000 shares of Quickjay Management Limited, a 90% owned subsidiary of the Company, representing a 10% interest in Quickjay Management Limited.

In addition to the above, certain directors held shares in subsidiaries as trustees for the Company.

(d) Disclosure of other interest

- (i) As at 31 December 2000, Dr. Yung Yau, the Chairman of the Group, and Mr. Billy Yung Kwok Kee, the Managing Director of the Group, through companies controlled by them held 625,000 and 2,750,892 preferred stock at par value of US\$0.01 each respectively in Neutility Corp. (formerly known as ASPEngines.com, Inc.). Neutility Corp. is a company in which the Group held, as at 31 December 2000, 13,503,576 preferred stock at par value of US\$0.01 each.

Directors' Report

- (ii) During the year, the Group's 100% owned subsidiary, Extra-Fund Investment Limited, entered into securities trading transactions with Tung Tai Securities Co., Ltd. of which the Group's independent non-executive director, Dr. Leo Tung-Hai Lee was both a director and a substantial shareholder. The transactions were conducted on arm's length basis and gave rise to a broker's commission for approximately HK\$205,000 for year 2000.

Other than as disclosed above, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors nor their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Substantial shareholders

As at 31 December 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the share capital of the Company:

Name of shareholder	No. of ordinary shares
Herald Rich Company Limited (<i>Note a</i>)	156,000,000
Dr. Yung Yau (<i>Note b</i>)	93,285,000
Mr. Billy Yung Kwok Kee (<i>Note c</i>)	52,221,000

Notes:

- (a) The 156,000,000 shares held by Herald Rich Company Limited were disclosed in the Directors' interests in share capital and share options above as being held under a trust for the benefit of Dr. Yung Yau, Mr. Billy Yung Kwok Kee and Madam Yung Ho Wun Ching.
- (b) The 93,285,000 shares held by Dr. Yung Yau were disclosed in the Directors' interests in share capital and share options above.
- (c) The 52,221,000 shares held by Mr. Billy Yung Kwok Kee were disclosed in the Directors' interests in share capital and share options above.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 December 2000.

Arrangement to purchase shares or debentures

Except for the Share Option Scheme granted by the Company to the directors as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report

Directors' interests in contracts of significance

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected transaction

In the opinion of the Directors, including the independent non-executive directors, purchases during the year totalling HK\$64,775,000 in respect of raw materials made by Shell & Shinsho Company Limited ("Shell & Shinsho"), a 70% owned subsidiary of the Company, from Shinsho Corporation of Japan which owns the remaining 30% of Shell & Shinsho, were:

- (i) conducted on normal commercial terms;
- (ii) in the ordinary and usual course of business of the Group;
- (iii) fair and reasonable so far as the shareholders of the Company as a whole were concerned; and
- (iv) within the limit in that the aggregate value of these purchases was less than 3% of the consolidated net tangible assets as shown in the Group's audited accounts as at 31 December 1999.

Corporate governance

The Company has complied throughout the year ended 31 December 2000 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Major suppliers and customers

For the financial year ended 31 December 2000, the five largest suppliers of the Group accounted for approximately 60% of the total purchases of the Group, of which 24% was attributable to the largest supplier and the five largest customers accounted for less than 45% of the total sales of the Group's turnover, of which 36% was attributable to the largest customer.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has an interest in the share capital of any of the five largest suppliers.

Donations

During the year, the Group made charitable and other donations totalling HK\$21,018,000.

Auditors

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the board

YUNG YAU

Chairman of the Board

Hong Kong, 18 April 2001

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 20 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong, 18 April 2001

Consolidated Income Statement

For the year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Turnover	4	2,668,256	1,295,436
Other revenue	5	49,588	138,922
Changes in inventories of finished goods and work in progress		(10,657)	(4,836)
Changes in trading securities		10,144	89,890
Raw materials, subcontracted goods and consumables used		(387,640)	(590,472)
Purchases of trading goods		(370,094)	(234,953)
Costs incurred on properties under development for sale		(122,672)	(87,404)
Purchases of trading securities		(1,657,673)	(297,514)
Staff costs		(87,364)	(79,390)
Depreciation and amortisation expenses		(30,769)	(28,340)
Other operating expenses	6	(139,664)	(157,543)
(Loss) profit from operations	7	(78,545)	43,796
Finance costs	10	(19,843)	(9,138)
Share of results of associates		(110,721)	2,223
(Loss) profit on disposal of subsidiaries		(26,082)	150,481
Provision for impairment loss on investment in securities not held for trading		(77,946)	–
Gains on disposal of investments in securities not held for trading	11	429,204	–
Reversal of provision for impairment loss on deposits for investment		13,000	–
Provision for impairment loss on deposits for investment	23	–	(13,000)
Provision on receivable from realisation of toll road investment		–	(98,750)
Profit from ordinary activities before taxation		129,067	75,612
Taxation	13	(7,251)	(2,596)
Profit before minority interests		121,816	73,016
Minority interests		13,165	4,183
Net profit for the year	14	134,981	77,199
Dividends	15	(118,724)	(31,727)
Profit for the year, retained		16,257	45,472
		2000	1999
		Cents	Cents
EARNINGS PER SHARE	16		
Basic		25.81	14.60
Diluted		25.74	N/A

Consolidated Balance Sheet

As at 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Non-current assets			
Investment properties	17	293,755	215,312
Property, plant and equipment	18	986,180	617,907
Intangible assets	19	6,848	6,848
Interests in associates	21	390,518	753,563
Investments in securities	22	146,374	491,060
Other receivables and deposits for investment	23	–	88,865
Amount due from an investee	24	–	3,033
		1,823,675	2,176,588
Current assets			
Inventories	25	134,424	133,379
Properties under development for sale	27	94,886	179,217
Trade and other receivables	28	192,374	182,995
Amount due from an associate		–	23
Amount due from an investee	24	671	893
Investments in securities	22	192,711	182,567
Bank and other deposits pledged	43	19,842	10,401
Bank balances and cash		165,810	228,760
		800,718	918,235
Current liabilities			
Trade and other payables	29	203,994	223,616
Amounts due to associates		70	8
Amounts due to minority shareholders	30	43,098	23,077
Amounts due to related companies		156	8,209
Taxation liabilities		8,460	3,430
Proposed dividend payable		15,376	26,439
Bank and other borrowings	31	21,582	146,393
		292,736	431,172
Net current assets		507,982	487,063
		2,331,657	2,663,651
Capital and reserves			
Share capital	32	256,263	264,390
Share premium and reserves	33	1,770,843	2,194,881
Shareholders' funds		2,027,106	2,459,271
Minority interests	34	(88,345)	(73,154)
Non-current liabilities			
Bank and other borrowings	31	60,675	6,293
Deferred taxation	35	–	50
Advances from minority shareholders	36	332,221	271,191
		392,896	277,534
		2,331,657	2,663,651

The financial statements on pages 20 to 63 were approved by the Board of Directors on 18 April 2001 and are signed on its behalf by:

Billy Yung Kwok Kee
Director

Leung Chun Wah
Director

Balance Sheet

As at 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Non-current assets			
Investment properties	17	19,500	19,500
Property, plant and equipment	18	13,217	11,844
Interests in subsidiaries	20	94,110	115,995
Interests in associates	21	70	241
Amount due from an investee	24	–	3,033
		126,897	150,613
Current assets			
Inventories	25	2,090	1,498
Trade and other receivables		18,962	52,713
Amounts due from subsidiaries	26	2,306,793	1,818,161
Amount due from an associate		31	23
Amount due from an investee	24	20	893
Taxation recoverable		879	879
Bank balances and cash		45,837	160,705
		2,374,612	2,034,872
Current liabilities			
Trade and other payables		43,841	54,857
Amounts due to subsidiaries		289,369	322,709
Amounts due to associates		101	8
Amount due to a related company		–	6,285
Proposed dividend payable		15,376	26,439
Bank and other borrowings	31	14,579	86,872
		363,266	497,170
Net current assets		2,011,346	1,537,702
Net assets		2,138,243	1,688,315
Capital and reserves			
Share capital	32	256,263	264,390
Share premium and reserves	33	1,881,980	1,423,925
Shareholders' funds		2,138,243	1,688,315

Billy Yung Kwok Kee
Director

Leung Chun Wah
Director

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 December 2000

	2000	1999
	HK\$'000	HK\$'000
Surplus (deficit) arising on revaluation of investment properties		
– the Company and subsidiaries	30,717	(21,683)
– associates	(63,983)	2,759
Surplus arising on revaluation of investments in securities	–	322,655
Exchange differences arising on translation of financial statements of		
– subsidiaries outside Hong Kong	616	(443)
– associates outside Hong Kong	72	–
Net (loss) gains not recognised in the income statement	(32,578)	303,288
Net profit for the year	134,981	77,199
Total recognised gains and losses	102,403	380,487
Realisation of surplus arising on revaluation of investment in securities on disposal	(322,655)	–
Goodwill eliminated against reserve on purchase of		
– subsidiaries	(22,153)	–
– associates	(32,127)	–
Goodwill eliminated against reserve on purchase of additional interest in a subsidiary	(16,390)	–
	(290,922)	380,487

Consolidated Cash Flow Statement

For the year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Net cash outflow from operating activities	37	(106,240)	(95,424)
Returns on investments and servicing of finance			
Interest received		18,696	15,600
Interest paid		(37,331)	(14,496)
Dividends paid		(129,787)	(31,727)
Net cash outflow from returns on investments and servicing of finance		(148,422)	(30,623)
Taxation			
Hong Kong Profits Tax paid		(1,222)	(12,331)
Income tax paid in other regions of the PRC		(100)	–
Refund of Hong Kong Profits Tax		637	12,499
Income tax paid in other jurisdictions		–	(9)
Net tax (paid) refunded		(685)	159
Investing activities			
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	38	29,616	24,646
Purchase of subsidiaries (net of cash and cash equivalents acquired)	39	20,718	(38,766)
Proceeds on disposal of investments in securities		565,597	–
Proceeds on disposal of property, plant and equipment		2,402	2,783
Additions to property, plant and equipment		(176,799)	(37,123)
Acquisition of additional interest in a subsidiary		(17,860)	–
Acquisition of associates		(39,898)	–
Additions to investment properties		(1,626)	(10,572)
Advance to an investee		–	(3,033)
Advances to associates		(15,638)	(18,053)
Loan repayment from associates		56,737	–
Balance of sales proceeds received from disposal of subsidiaries in prior year		13,690	–
Repayment received from long term loan		76	–
Additions to investment in other securities		(192,306)	(31,590)
Payments for other receivables and deposits for investment		–	(63,043)
Increase in bank and other deposits pledged		(9,441)	(10,401)
Net cash inflow (outflow) from investing activities		235,268	(185,152)
Net cash outflow before financing		(20,079)	(311,040)
Financing	40		
Net cash (outflow) inflow from trust receipts loans		(21,741)	12,196
New bank loans		61,507	–
Payment made to purchase own shares		(26,169)	–
Issue of new shares		2,953	–
Repayments of bank and other borrowings		(326)	(194)
Advances from minority shareholders		50,746	58,344
Net cash inflow from financing		66,970	70,346
Increase (decrease) in cash and cash equivalents		46,891	(240,694)
Cash and cash equivalents at 1 January		104,335	347,084
Effect of foreign exchange rate change		(148)	(2,055)
Cash and cash equivalents at 31 December	41	151,078	104,335

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. 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 31 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.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of its issued share capital, controls more than half of the voting power or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in value of the subsidiary that is other than temporary.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

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.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provided evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in associates are stated at cost, as reduced by any decline in the value of the associates that is other than temporary.

2. 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 development, is recognised on the execution of a binding sale agreement.

Income from properties pre-sold prior to completion of development is recognised over the period from the execution of a binding sale agreement to the completion of 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 been 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 valuation 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.

2. Significant accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment other than properties under development are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from the disposal 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.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

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
Toll road	Over the remaining operation period
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%
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.

2. Significant accounting policies (continued)

Investments in securities (continued)

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 is included in income statement.

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 provision for impairment in value where appropriate. 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.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is written off to retained profits immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On the disposal of investment in a subsidiary or an associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Taxi licences

Costs incurred in the acquisition of permanent taxi operation licences are capitalised and stated at cost.

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 an 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 over the respective terms of leases.

2. Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and the estimated costs necessary to make the sale.

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, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

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 by 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.

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 are within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Notes to the Financial Statements

For the year ended 31 December 2000

3. Segmental information

The Group's turnover and contribution to (loss) profit from operations, analysed by principal activities are as follows:

	2000		1999	
	Turnover HK\$'000	Contribution to (loss) profit from operations HK\$'000	Turnover HK\$'000	Contribution to (loss) profit from operations HK\$'000
Manufacturing and marketing of electric fans and other electrical household appliances	733,617	(27,844)	812,887	(65,508)
Manufacturing and marketing of steel pipes and cables	26,554	(4,947)	–	(751)
Steel processing and trading	147,800	(4,543)	154,861	(4,515)
Property rental income	19,469	15,483	21,438	12,678
Property investment income	123,180	(4,631)	72,502	(23,689)
Trading of securities	1,598,250	(71,333)	232,342	109,846
Other businesses	19,386	(257)	1,406	3,295
	<u>2,668,256</u>	<u>(98,072)</u>	<u>1,295,436</u>	<u>31,356</u>
Interest income		19,527		12,440
		<u>(78,545)</u>		<u>43,796</u>

A geographical analysis of the Group's turnover and contribution to (loss) profit from operations, by location of market, is as follows:

	2000		1999	
	Turnover HK\$'000	Contribution to (loss) profit from operations HK\$'000	Turnover HK\$'000	Contribution to (loss) profit from operations HK\$'000
Hong Kong	1,267,465	4,973	180,840	6,553
North America	828,893	167	631,496	(25,051)
Europe	133,300	(27,437)	168,436	(43,995)
Asia, other than Hong Kong	393,391	(77,133)	262,191	97,181
Others	45,207	1,358	52,473	(3,332)
	<u>2,668,256</u>	<u>(98,072)</u>	<u>1,295,436</u>	<u>31,356</u>
Interest income		19,527		12,440
		<u>(78,545)</u>		<u>43,796</u>

Notes to the Financial Statements

For the year ended 31 December 2000

4. Turnover

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

	2000 HK\$'000	1999 HK\$'000
Sale of goods	907,971	969,154
Proceeds from trading of securities	1,598,250	232,342
Sale of properties	123,180	72,502
Property rental income	19,469	21,438
Toll fee income	19,386	–
	<u>2,668,256</u>	<u>1,295,436</u>

5. Other revenue

Included in other revenue are:

	2000 HK\$'000	1999 HK\$'000
Interest earned from		
Bank deposits	9,389	6,507
Related company	95	2,602
Associates	–	2,698
Deposit on investment in and advances to an investee company	4,835	–
Others	5,208	633
	<u>19,527</u>	<u>12,440</u>
Dividends received from trading securities held	6,989	–
Unrealised gains on trading securities		
– listed	–	86,840
– unlisted	–	5,837
	<u>–</u>	<u>92,677</u>

6. Other operating expenses

Included in other operating expenses are:

	2000 HK\$'000	1999 HK\$'000
Provision for doubtful debts	(10,009)	(31,839)
Overprovision for slow-moving and obsolete inventories	–	6,480
Provision for diminution in value of properties under development for sale	–	(7,800)
Reversal of the write-down of properties under development for sales	–	20,000
	<u>–</u>	<u>20,000</u>

Notes to the Financial Statements

For the year ended 31 December 2000

7. (Loss) profit from operations

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

	2000 HK\$'000	1999 HK\$'000
Auditors' remuneration	2,764	2,133
Amortisation and write-off of development costs	–	1,443
Depreciation of property, plant and equipment		
– owned assets	30,761	26,889
– assets held under a finance lease	8	8
Charitable and other donations	21,018	872
Operating lease rental in respect of premises	3,653	3,668
Retirement benefits scheme contributions, net of forfeited contributions of HK\$26,000 (1999: HK\$211,000)	1,795	1,828
Investment properties written off	–	3,028
Loss on disposal of property, plant and equipments	6,387	–
Unrealised loss on trading securities		
– listed	67,340	–
– unlisted	12,871	–
and after crediting:		
Gain on disposal of property, plant and equipment	–	190
Net property rental income (after deduction of outgoings of HK\$3,714,000 (1999: HK\$2,699,000))	15,755	18,739

8. Directors' emoluments

	2000 HK\$'000	1999 HK\$'000
Directors' fees		
Executives	480	420
Non-executives	80	70
Independent non-executives	160	140
	720	630
Other emoluments		
Executives		
Salaries, allowances and other benefits	8,233	8,706
Retirement fund contributions	314	364
Total emoluments	9,267	9,700

Notes to the Financial Statements

For the year ended 31 December 2000

8. Directors' emoluments (continued)

Emoluments of the directors were within the following bands:

<i>Emolument bands</i>	2000 Number of Directors	1999 Number of Directors
Under HK\$1,000,000	6	5
HK\$1,000,001 – HK\$1,500,000	1	2
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	1	1
	<hr/> 1	<hr/> 1

In the current year, 3 (1999: 3) directors waived emoluments of HK\$140,000 (1999: HK\$38,000) in total.

9. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, 3 (1999: 4) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining 2 (1999: 1) were as follows:

	2000 HK\$'000	1999 HK\$'000
Salaries, allowances and other benefits	2,013	1,040
Retirement fund contributions	41	45
	<hr/> 2,054	<hr/> 1,085

Their emoluments were within the following bands:

	2000 Number of employees	1999 Number of employees
Under HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	1	1
	<hr/> 1	<hr/> 1

Notes to the Financial Statements

For the year ended 31 December 2000

10. Finance costs

	2000 HK\$'000	1999 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	8,895	7,775
Other borrowings from minority shareholders	26,589	7,289
Obligations under a finance lease	5	5
Others	844	152
	<hr/>	<hr/>
Total borrowing costs	36,333	15,221
Less: amounts capitalised	(16,490)	(6,083)
	<hr/>	<hr/>
	19,843	9,138

Borrowing cost capitalised during the year arose on specific borrowing pool of HK\$285,571,000 (1999: HK\$303,465,000). The amount capitalised during both years equal to the actual interest incurred on specific borrowing pool.

11. Gains on disposal of investments in securities not held for trading

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, the Group disposed of all the shares of E-TEK at a profit amounting to approximately HK\$429,204,000.

12. Retirement benefits scheme

Prior to 1 December 2000, the Group operated a defined contribution retirement benefit scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

With effective from 1 December 2000, the Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong and all the assets of the Defined Contribution Scheme has been transferred to the MPF Scheme. 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 rule 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 of MPF Scheme is to make the required contributions under the Scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

Notes to the Financial Statements

For the year ended 31 December 2000

12. Retirement benefits scheme (continued)

The retirement benefit scheme contributions arising from the Defined Contribution Scheme and the MPF Scheme are charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

During the year, the Group made retirement benefits scheme contributions of HK\$1,795,000 (1999: HK\$1,828,000) after forfeited contributions utilised in the Defined Contribution Scheme of HK\$26,000 (1999: HK\$211,000).

There was no material forfeited contribution as at the balance sheet date (1999: Nil).

13. Taxation

	2000 HK\$'000	1999 HK\$'000
The charge comprises:		
Profit for the year		
Hong Kong	5,285	2,077
Other regions of the PRC	1,949	1,588
Other jurisdictions	–	4
	<u>7,234</u>	<u>3,669</u>
Deferred taxation		
Current year (<i>note 35</i>)	(50)	–
Under (over) provision in prior years		
Hong Kong	67	(1,073)
	<u>7,251</u>	<u>2,596</u>
Taxation attributable to the Company and its subsidiaries	5,665	2,596
Share of taxation of associates	1,586	–
	<u>7,251</u>	<u>2,596</u>

Hong Kong Profits Tax is calculated at 16% (1999: 16%) of the estimated assessable profit for the year.

Taxation arising in other regions of the PRC is calculated at 33% (1999: 33%) of the estimated assessable profit.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of the potential deferred tax charge not provided for in the year are set out in note 35.

14. Net profit for the year

Of the Group's profit for the year of HK\$134,981,000 (1999: HK\$77,199,000), a profit of HK\$592,292,000 (1999: a loss of HK\$71,520,000) has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

For the year ended 31 December 2000

15. Dividends

	2000 HK\$'000	1999 HK\$'000
Ordinary shares:		
Interim, paid – 2 cents (1999: 1 cent) per share	10,352	5,288
Special interim, paid – 18 cents (1999: Nil) per share	93,169	–
Final, proposed – 3 cents (1999: 5 cents) per share	15,376	26,439
Overprovision in previous year due to shares repurchased	(173)	–
	<u>118,724</u>	<u>31,727</u>

The final dividend of 3 cents (1999: 5 cents) per share has been proposed by the directors and is subject to approval of the shareholders of the Company in the forthcoming annual general meeting.

16. Earnings per share

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

	2000 HK\$'000	1999 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>134,981</u>	<u>77,199</u>
	2000 '000	1999 '000
Weighted average number of ordinary shares for the purposes of basic earnings per shares	522,973	<u>528,780</u>
Effect of dilutive potential ordinary shares:		
Share options	<u>1,489</u>	
Weighted average number of ordinary shares for the purposes of diluted earnings per shares	<u>524,462</u>	

The exercise prices of the Company's outstanding share options in 1999 and those of the Company's warrants prior to their expiry on 31 May 1999 were higher than the average market share price per share for 1999. Accordingly, diluted earnings per share for 1999 were not calculated and shown.

Notes to the Financial Statements

For the year ended 31 December 2000

17. Investment properties

	The Group 2000 HK\$'000	The Company 2000 HK\$'000
At 1 January 2000	215,312	19,500
Additions	48,974	–
Reclassification to property, plant and equipment	(1,248)	–
Revaluation surplus	30,717	–
	<hr/>	<hr/>
At 31 December 2000	293,755	19,500

The Group's investment properties in Hong Kong were revalued as at 31 December 2000 by Messrs. Knight Frank & Kan, International Property Consultants, on an open market existing use basis. The investment properties in the USA were revalued as at 31 December 2000 on an income capitalisation approach with reference to comparable market conditions by Cushman & Wakefield of California, Inc., an independent firm of professional valuers. These valuations gave a rise to revaluation surplus totalling HK\$30,717,000 (1999: deficit of HK\$21,683,000) which has been credited to the investment property revaluation reserve.

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

The carrying amount of investment properties comprising land and buildings in Hong Kong, the USA and the PRC is shown as follows:

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
In Hong Kong, held under medium term leases	115,300	117,500	19,500	19,500
In the USA, freehold	129,480	97,812	–	–
In the PRC	48,975	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	293,755	215,312	19,500	19,500

Notes to the Financial Statements

For the year ended 31 December 2000

18. Property, plant and equipment

	Land and buildings	Toll road in other regions of the PRC Construction Completed	in progress	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Berthing space	Tools, moulds and equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP									
AT COST									
At 1 January 2000	152,740	212,605	191,509	74,376	36,660	12,074	910	39,731	720,605
Translation adjustment	42	906	–	347	49	22	–	139	1,505
Additions	153,933	35,768	–	3,572	2,634	3,925	–	3,436	203,268
Purchase of subsidiaries	100,255	–	–	150,532	2,687	3,292	–	–	256,766
Disposals	–	–	–	(14,030)	(3,205)	(4,558)	–	(4,464)	(26,257)
Reclassification from investment properties	1,248	–	–	–	–	–	–	–	1,248
Other reclassification	317	191,192	(191,509)	–	–	–	–	–	–
At 31 December 2000	408,535	440,471	–	214,797	38,825	14,755	910	38,842	1,157,135
ACCUMULATED DEPRECIATION									
At 1 January 2000	12,939	594	–	26,754	16,270	7,727	289	38,125	102,698
Translation adjustment	7	2	–	93	5	12	–	133	252
Provided for the year	4,162	8,081	–	8,840	4,122	2,307	35	3,222	30,769
Purchase of subsidiaries	15,014	–	–	36,448	636	2,606	–	–	54,704
Eliminated on disposals	–	–	–	(7,087)	(1,973)	(3,944)	–	(4,464)	(17,468)
At 31 December 2000	32,122	8,677	–	65,048	19,060	8,708	324	37,016	170,955
NET BOOK VALUES									
At 31 December 2000	376,413	431,794	–	149,749	19,765	6,047	586	1,826	986,180
At 31 December 1999	139,801	212,011	191,509	47,622	20,390	4,347	621	1,606	617,907

Included in toll road is interest capitalised of approximately HK\$13,438,000 (1999: HK\$1,352,000).

The net book value of the Group's property, plant and equipment includes an amount of HK\$48,000 (1999: HK\$56,000) in respect of assets held under a finance lease.

Notes to the Financial Statements

For the year ended 31 December 2000

18. 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
THE GROUP						
AT COST						
At 1 January 2000	9,994	79,678	11,595	26,223	25,250	152,740
Translation adjustment	–	398	42	64	(462)	42
Additions	–	20,083	–	133,850	–	153,933
Purchase of subsidiaries	–	99,033	–	1,222	–	100,255
Reclassification from investment properties	–	–	–	1,248	–	1,248
Other reclassification	–	14,879	–	(14,562)	–	317
At 31 December 2000	9,994	214,071	11,637	148,045	24,788	408,535
ACCUMULATED DEPRECIATION						
At 1 January 2000	4,322	6,413	83	–	2,121	12,939
Translation adjustment	–	37	–	–	(30)	7
Provided for the year	200	3,302	32	–	628	4,162
Purchase of subsidiaries	–	15,014	–	–	–	15,014
At 31 December 2000	4,522	24,766	115	–	2,719	32,122
NET BOOK VALUES						
At 31 December 2000	5,472	189,305	11,522	148,045	22,069	376,413
At 31 December 1999	5,672	73,265	11,512	26,223	23,129	139,801

Notes to the Financial Statements

For the year ended 31 December 2000

18. Property, plant and equipment (continued)

Note: Properties under development

	2000 HK\$'000	1999 HK\$'000
Land and buildings in other regions of the PRC	126,514	14,816
Land and buildings in the USA	21,531	11,407
	<u>148,045</u>	<u>26,223</u>

	Land and buildings in other region of the PRC under long leases HK\$'000	Land and building in Hong Kong under long leases HK\$'000	Plant and machinery HK\$'000	Furniture, fittings and office equipment HK\$'000	Motor vehicles HK\$'000	Berthing space HK\$'000	Tools, moulds and equipment HK\$'000	Total HK\$'000
THE COMPANY								
AT COST								
At 1 January 2000	1,607	1,478	658	10,938	6,116	910	479	22,186
Additions	-	-	-	964	3,624	-	-	4,588
Disposals	-	-	-	-	(4,077)	-	-	(4,077)
At 31 December 2000	<u>1,607</u>	<u>1,478</u>	<u>658</u>	<u>11,902</u>	<u>5,663</u>	<u>910</u>	<u>479</u>	<u>22,697</u>
ACCUMULATED DEPRECIATION								
At 1 January 2000	83	118	652	4,670	4,052	289	478	10,342
Provided for the year	32	30	2	1,342	1,307	35	-	2,748
Eliminated on disposals	-	-	-	-	(3,610)	-	-	(3,610)
At 31 December 2000	<u>115</u>	<u>148</u>	<u>654</u>	<u>6,012</u>	<u>1,749</u>	<u>324</u>	<u>478</u>	<u>9,480</u>
NET BOOK VALUES								
At 31 December 2000	<u>1,492</u>	<u>1,330</u>	<u>4</u>	<u>5,890</u>	<u>3,914</u>	<u>586</u>	<u>1</u>	<u>13,217</u>
At 31 December 1999	<u>1,524</u>	<u>1,360</u>	<u>6</u>	<u>6,268</u>	<u>2,064</u>	<u>621</u>	<u>1</u>	<u>11,844</u>

Notes to the Financial Statements

For the year ended 31 December 2000

19. Intangible assets

The Group

This represents the cost of the Group's interest in permanent taxi operation licences in the PRC. In the opinion of the directors, the intangible assets are worth at least their cost.

20. Interests in subsidiaries

	The Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	96,202	96,202
Provision for impairment in value	(95,833)	(73,948)
	369	22,254
Loans to subsidiaries (<i>Note</i>)	93,741	93,741
	94,110	115,995

Note: The loans are unsecured and interest-free. Included in the above is a loan of approximately HK\$52,667,000 (1999: HK\$52,667,000) which is repayable after February 28, 2004. In the opinion of the directors, the remaining balances will not be repayable within next twelve months from the balance sheet date and are shown as non-current assets.

Details of the Company's principal subsidiaries as at 31 December 2000 are set out in note 48.

21. Interests in associates

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	–	–	241	241
Share of net assets	15,764	244,286	–	–
Loans to associates (<i>Note</i>)				
Interest-bearing	–	55,779	–	–
Non-interest-bearing	374,754	459,803	–	–
	390,518	759,868	241	241
Provision for impairment in value	–	(6,305)	(171)	–
	390,518	753,563	70	241

Note: The loans to associates are unsecured. In the opinion of the directors, the loans to associates will not be repayable within next twelve months from the balance sheet date and are shown as non-current assets.

Included in last year's balances were loans for approximately HK\$46,419,000 which carried interest at 6.39% per annum and loans of approximately HK\$9,360,000 which carried interest at 12% per annum. The interest-bearing loans were fully settled during the year.

Notes to the Financial Statements

For the year ended 31 December 2000

21. Interests in associates (continued)

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

	Hong Kong Construction SMC Development Limited	
	2000	1999
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Results for the year		
Turnover	<u>279,923</u>	<u>159,816</u>
Depreciation	<u>54</u>	<u>32</u>
(Loss) profit before taxation	<u>(541,415)</u>	<u>49,973</u>
(Loss) profit before taxation attributable to the Group	<u>(108,283)</u>	<u>9,995</u>
Financial position		
Total non-current assets	<u>2,109,124</u>	2,442,763
Total current assets	<u>424,343</u>	1,094,528
Total current liabilities	<u>(377,168)</u>	(304,855)
Total non-current liabilities	<u>(2,058,026)</u>	<u>(2,273,708)</u>
Net assets	<u>98,273</u>	<u>958,728</u>
Net assets attributable to the Group	<u>19,655</u>	<u>191,746</u>

Details of the Group's principal associates as at 31 December 2000 are set out in note 49.

Notes to the Financial Statements

For the year ended 31 December 2000

22. Investments in securities

THE GROUP

	Held for trading		Not held for trading		Total	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Equity securities						
Listed outside Hong Kong	61,933	148,153	–	459,048	61,933	607,201
Unlisted	11,939	28,414	224,320	32,012	236,259	60,426
Listed in Hong Kong	101,384	–	–	–	101,384	–
	<u>175,256</u>	<u>176,567</u>	<u>224,320</u>	<u>491,060</u>	<u>399,576</u>	<u>667,627</u>
Debt securities						
Unlisted	17,455	6,000	–	–	17,455	6,000
	<u>192,711</u>	<u>182,567</u>	<u>224,320</u>	<u>491,060</u>	<u>417,031</u>	<u>673,627</u>
Provision of impairment in value	–	–	(77,946)	–	(77,946)	–
	<u>192,711</u>	<u>182,567</u>	<u>146,374</u>	<u>491,060</u>	<u>339,085</u>	<u>673,627</u>
Market value of listed securities	<u>163,317</u>	<u>148,153</u>	<u>–</u>	<u>459,048</u>	<u>163,317</u>	<u>607,201</u>
Carrying amounts analysed:						
Current	192,711	182,567	–	–	192,711	182,567
Non-current	–	–	146,374	491,060	146,374	491,060
	<u>192,711</u>	<u>182,567</u>	<u>146,374</u>	<u>491,060</u>	<u>339,085</u>	<u>673,627</u>

Notes to the Financial Statements

For the year ended 31 December 2000

23. Other receivables and deposits for investment

	The Group	
	2000 HK\$'000	1999 HK\$'000
Balance of sales proceeds receivable (<i>Note a</i>)	13,542	26,941
Loan receivable (<i>Note b</i>)	6,030	6,082
Deposits for investment in and advances to an investee company (<i>note c</i>)	–	82,533
Less: Provision for loss on deposits for investment (<i>note c</i>)	–	(13,000)
	19,572	102,556

	The Group	
	2000 HK\$'000	1999 HK\$'000
Amounts analysed as:		
Current included under trade and other receivables	19,572	13,691
Non-current	–	88,865
	19,572	102,556

Notes:

- (a) Pursuant to the share purchase agreement dated 27 July 1999 for the disposal of certain of the Company's subsidiaries and the Escrow Agent Agreement dated 18 August 1999 made between the Company's subsidiary, SMC Optics Communications Corporation ("SMC Optics") and certain independent third parties, 50% of the balance of sales proceeds receivable plus 100% of the accrued interest are receivable from the Escrow Agent 12 months after 18 August 1999, whereas the remaining balance is receivable 18 months after 18 August 1999. The amounts receivable are subject to deduction of any claims of indemnification under the Share Purchase Agreement of US\$400,000 or above from the purchaser against SMC Optics.

Up to the balance sheet date, no claims were received by or intimated to SMC Optics.

- (b) The loan is guaranteed by an independent third party, bears interest at a rate of 0.49125% per month and is repayable on 17 December 2001.
- (c) Pursuant to agreements entered into between the Group and certain PRC parties, the Company's subsidiary, SMC Steel Pipes Ltd. ("Steel Pipes"), agreed to acquire a 90.1% equity interest in Shunde Hua Feng Stainless Steel Welded Tubes Limited ("Shunde Hua Feng") owned by those PRC parties. Steel Pipes has made payments of approximately HK\$48 million in 1998 to the PRC owners and made advances of approximately HK\$35 million to Shunde Hua Feng in 1999 to finance its operations. The acquisition is subject to the agreement between the Company and the shareholders of Shunde Hua Feng on the net asset values of Shunde Hua Feng as at 15 January 1999 and 15 March 1999, which forms the basis for determination of the purchase consideration and the approval of the relevant PRC authorities. According to the terms of the agreements, Steel Pipes is entitled to share 70% of the profit and loss of Shunde Hua Feng from 16 January 1999 to 15 March 1999 and all profits and losses from 16 March 1999 to 15 January 2004, subject to the approval of the acquisition by the relevant PRC authorities. From 16 January 2004 onwards, the Group will be entitled to share 90.1% interest in Shunde Hua Feng. Last year, the Group provided an amount of approximately HK\$13 million impairment loss on the deposits for investment. Following the completion of the agreements during the year, Shunde Hua Feng has been accounted for as the Company's subsidiary.

Notes to the Financial Statements

For the year ended 31 December 2000

24. Amount due from an investee

Unsecured advances to an investee is as follows:

Name of investee	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Boxford Holland B.V. ("Boxford") (<i>Note</i>)	671	3,926	20	3,926
Less: Current portion, interest bearing	(671)	(893)	(20)	(893)
Non-current	–	3,033	–	3,033

Note: The Company has a 19% interest in Boxford. The non-current portion of last year was interest free and remained a subordinated debt of Boxford and was repayable only upon liquidation of Boxford. Provision of the non-current portion amounting to HK\$3,033,000 (1999: Nil) has been made in the financial statements during the year.

25. Inventories

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Raw materials	101,835	102,863	200	214
Work in progress	8,969	4,440	–	–
Finished goods	23,620	26,076	1,890	1,284
	134,424	133,379	2,090	1,498
<i>Note:</i>				
Inventories stated				
At cost	69,179	101,221	2,090	1,498
At net realisable value	65,245	32,158	–	–
	134,424	133,379	2,090	1,498

26. Amounts due from subsidiaries

The Company

The amounts are unsecured, bear interest at 4% per annum and are repayable on demand.

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For the year ended 31 December 2000

27. Properties under development for sale

	The Group	
	2000 HK\$'000	1999 HK\$'000
Properties under development stated		
At cost	94,886	143,326
At net realisable value	–	35,891
	94,886	179,217

Included in properties under development for sale is interest capitalised of approximately HK\$4,404,000 (1999: HK\$4,731,000).

28. Trade and other receivables

Included in trade and other receivables are trade receivables of HK\$100,909,000 (1999: HK\$81,278,000). 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	
	2000 HK\$'000	1999 HK\$'000
Current		
31 – 60 days	52,940	46,207
61 – 90 days	16,188	14,953
91 – 180 days	14,457	10,709
181 – 360 days	16,321	5,131
Over 360 days	1,003	4,056
	–	222
	100,909	81,278

29. Trade and other payables

Included in trade and other payables are trade payables of HK\$50,694,000 (1999: HK\$95,904,000). The aged analysis of trade payables at the balance sheet date is as follows:

	The Group	
	2000 HK\$'000	1999 HK\$'000
Current		
31 – 60 days	27,806	70,285
61 – 90 days	14,774	11,919
91 – 180 days	2,538	2,621
181 – 360 days	1,664	1,194
Over 360 days	636	7,970
	3,276	1,915
	50,694	95,904

Notes to the Financial Statements

For the year ended 31 December 2000

30. Amounts due to minority shareholders

The Group

The amount includes loans of HK\$8,190,000 (1999: Nil) and HK\$11,700,000 (1999: HK\$11,700,000) which are unsecured, bear interest at prevailing market rate and repayable on 9 July 2001 and 31 May 2001 respectively. The remaining balance is unsecured, interest-free and is repayable on demand.

31. Bank and other borrowings

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans	79,210	129,451	11,700	65,130
Trust receipts loans	–	21,741	–	20,320
Bank overdrafts	3,031	1,464	2,879	1,422
Obligations under a finance lease	16	30	–	–
	82,257	152,686	14,579	86,872
Secured	67,525	83,071	–	18,720
Unsecured	14,732	69,615	14,579	68,152
	82,257	152,686	14,579	86,872
The maturity of the above borrowings is as follows:				
Within one year	21,582	146,393	14,579	86,872
More than one year, but not exceeding two years	791	241	–	–
More than two years, but not exceeding five years	2,821	780	–	–
More than five years	57,063	5,272	–	–
	82,257	152,686	14,579	86,872
Less: Amounts due within one year shown under current liabilities	(21,582)	(146,393)	(14,579)	(86,872)
	60,675	6,293	–	–

Notes to the Financial Statements

For the year ended 31 December 2000

32. Share capital

	2000		1999	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
(a) Authorised:				
Ordinary shares of HK\$0.50 each				
Balance at beginning and end of year	<u>900,000</u>	<u>450,000</u>	<u>900,000</u>	<u>450,000</u>
(b) Issued and fully paid:				
Ordinary shares of HK\$0.50 each				
Balance at beginning of year	528,780	264,390	528,780	264,390
Issued upon exercise of share options	2,140	1,070	–	–
Shares repurchased and cancelled	<u>(18,394)</u>	<u>(9,197)</u>	–	–
Balance at end of year	<u>512,526</u>	<u>256,263</u>	<u>528,780</u>	<u>264,390</u>

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

Month of repurchase	Number of ordinary shares of HK\$0.5 each '000	Price per share		Aggregate consideration paid (including expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
May	3,469	1.57	1.28	5,137
July	2,334	1.61	1.53	3,704
August	2,801	1.60	1.52	4,376
September	2,533	1.58	1.50	3,956
October	3,018	1.56	1.12	4,393
November	2,353	1.22	1.13	2,804
December	1,886	1.21	1.12	2,223
	<u>18,394</u>			<u>26,593</u>

32. Share capital (continued)

(c) Share option scheme

Under the terms of the share option scheme which became effective in May 1994, the board of directors of the Company may offer to any director or full time employee 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 option scheme is not to exceed 10% of the issued share capital of the Company from time to time.

As at the balance sheet date, the Company had granted following options to the directors or full time employees of the Company, for a total consideration of HK\$40, to subscribe for shares of the Company:

Date of grant	Exercisable period	Number of shares under options '000	Subscription price per share HK\$
28.01.2000	28.07.2000 – 27.07.2003	4,652	1.38
26.05.2000	26.11.2000 – 25.11.2003	48	1.38
28.01.2000	28.01.2001 – 27.07.2003	4,652	1.38
26.05.2000	26.05.2001 – 25.11.2003	48	1.38
28.01.2000	28.07.2001 – 27.07.2003	4,652	1.38
26.05.2000	26.11.2001 – 25.11.2003	48	1.38
28.01.2000	28.01.2002 – 27.07.2003	4,652	1.38
26.05.2000	26.05.2002 – 25.11.2003	48	1.38
28.01.2000	28.07.2002 – 27.07.2003	4,652	1.38
26.05.2000	26.11.2002 – 25.11.2003	48	1.38
28.01.2000	28.01.2003 – 27.07.2003	5,815	1.38
26.05.2000	26.05.2003 – 25.11.2003	60	1.38
		29,375	

During the year, 2,140,000 share options were exercised to subscribe for shares of the Company.

All the outstanding options granted to directors or full time employees in prior years have lapsed as at the balance sheet date.

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For the year ended 31 December 2000

33. 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	Retained profits HK\$'000	Total HK\$'000
THE GROUP							
At 1 January 1999	527,406	83,969	–	–	(2,573)	1,237,319	1,846,121
Revaluation deficit	–	(21,683)	–	–	–	–	(21,683)
Share of revaluation surplus of an associate	–	2,759	–	–	–	–	2,759
Revaluation surplus on investments in securities not held for trading	–	–	–	322,655	–	–	322,655
Profit for the year	–	–	–	–	–	77,199	77,199
Dividends	–	–	–	–	–	(31,727)	(31,727)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	(443)	–	(443)
At 31 December 1999	527,406	65,045	–	322,655	(3,016)	1,282,791	2,194,881
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
Profit for the year	–	–	–	–	–	134,981	134,981
Dividends	–	–	–	–	–	(118,724)	(118,724)
Realised on disposal of subsidiaries	–	–	–	–	1,121	–	1,121
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	616	–	616
Share repurchased	–	–	9,197	–	–	(26,593)	(17,396)
Share 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 – Subsidiaries	–	–	–	–	–	(22,153)	(22,153)
– Associates	–	–	–	–	–	(32,127)	(32,127)
Goodwill on purchase of additional interest in a subsidiary	–	–	–	–	–	(16,390)	(16,390)
At 31 December 2000	529,289	31,779	9,197	–	(1,207)	1,201,785	1,770,843
Reserves attributable to:							
The Company and its subsidiaries	529,289	31,779	9,197	–	(1,279)	1,194,007	1,762,993
The associates	–	–	–	–	72	7,778	7,850
	529,289	31,779	9,197	–	(1,207)	1,201,785	1,770,843

Notes to the Financial Statements

For the year ended 31 December 2000

33. Share premium and reserves (continued)

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY							
At 1 January 1999	527,406	16,834	–	–	–	985,232	1,529,472
Revaluation deficit	–	(2,300)	–	–	–	–	(2,300)
Loss for the year	–	–	–	–	–	(71,520)	(71,520)
Dividends	–	–	–	–	–	(31,727)	(31,727)
At 31 December 1999	527,406	14,534	–	–	–	881,985	1,423,925
Share repurchase	–	–	9,197	–	–	(26,593)	(17,396)
Share issued at a premium	1,883	–	–	–	–	–	1,883
Profit for the year	–	–	–	–	–	592,292	592,292
Dividends	–	–	–	–	–	(118,724)	(118,724)
At 31 December 2000	529,289	14,534	9,197	–	–	1,328,960	1,881,980

The Company's reserves available for distribution to shareholders amounted to HK\$1,328,960,000 (1999: HK\$881,985,000), being the retained profits at balance sheet date.

34. 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 their share of the losses of the respective subsidiaries in proportion to the equity interest they hold.

35. Deferred taxation

The Group

	2000 HK\$'000	1999 HK\$'000
Balance at beginning of year	50	50
Credit for the year (note 13)	(50)	–
Balance at end of year	–	50

Notes to the Financial Statements

For the year ended 31 December 2000

35. Deferred taxation (continued)

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

	Provided		Unprovided	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
The Group				
(Shortfall) excess of tax allowances over depreciation	–	50	(30,470)	277
Tax losses	–	–	(124,865)	(64,391)
Other timing difference	–	–	(19,069)	–
	<u>–</u>	<u>50</u>	<u>(174,404)</u>	<u>(64,114)</u>

	Unprovided	
	2000 HK\$'000	1999 HK\$'000
The Company		
Excess of tax allowances over depreciation	1,274	–
Tax losses	(3,988)	(800)
	<u>(2,714)</u>	<u>(800)</u>

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.

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

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences because of:				
Shortfall (excess) of tax allowances over depreciation	30,747	18	(1,274)	–
Tax losses arising	60,474	18,772	3,188	800
Other timing difference	19,069	–	–	–
	<u>110,290</u>	<u>18,790</u>	<u>1,914</u>	<u>800</u>

Notes to the Financial Statements

For the year ended 31 December 2000

35. Deferred taxation (continued)

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

36. Advances from minority shareholders

	The Group	
	2000 HK\$'000	1999 HK\$'000
Loans:		
Interest-bearing (<i>Note a</i>)	285,571	245,633
Non-interest-bearing (<i>Note b</i>)	46,650	22,572
	<u>332,221</u>	<u>268,205</u>
Other advances:		
Non-interest-bearing (<i>Note c</i>)	–	2,986
	<u>332,221</u>	<u>271,191</u>

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.

An amount of HK\$283,152,000 of the loans and the remaining balance carried interest at 8% per annum and 4% per annum respectively (1999: Whole amount at 11% per annum).

- (b) The amounts are unsecured. Included in the above balance is an amount of HK\$22,572,000 (1999: HK\$22,572,000) which is repayable after February 2004.

- (c) The amounts were unsecured and fully repaid during the year.

Notes to the Financial Statements

For the year ended 31 December 2000

37. Reconciliation of profit from ordinary activities before taxation to net cash outflow from operating activities

	2000 HK\$'000	1999 HK\$'000
Profit from ordinary activities before taxation	129,067	75,612
Unrealised loss (gain) on trading securities	80,211	(92,677)
Provision on receivable from realisation of toll road investment	–	98,750
Provision for impairment loss on investment in securities	77,946	–
Provision for impairment loss on deposits for investments	–	13,000
Reversal of provision for impairment loss on deposits for investments	(13,000)	–
Provision for impairment in value for the interests in associates	–	352
Interest income	(19,527)	(12,440)
Interest expenses	19,843	9,138
Depreciation of property, plant and equipment	30,769	26,897
Amortisation and write-off of development costs	–	1,443
Loss (gain) on disposal of property, plant and equipment	6,387	(190)
Gain on disposal of securities	(429,204)	–
Share of results of associates	110,721	(2,223)
Loss (gain) on disposal of subsidiaries	26,082	(150,481)
Investment properties written off	–	3,028
Movements in assets/liabilities held for operating activities:		
Decrease in inventories	22,698	25,709
Decrease (increase) in properties under development for sale	34,362	(79)
(Increase) decrease in trade receivables, other receivables, deposits and prepayments	(10,067)	93,554
Decrease in amount due from an associate	30	288
Decrease (increase) in amount due from an investee	3,272	(893)
Increase in investments in securities	(90,355)	(89,890)
Decrease in trade and other payables	(97,505)	(10,447)
Increase (decrease) in amounts due to associates	62	(3,673)
Increase (decrease) in amounts due to minority shareholders	20,021	(69,522)
Decrease in amounts due to related companies	(8,053)	(10,680)
Net cash outflow from operating activities	(106,240)	(95,424)

Notes to the Financial Statements

For the year ended 31 December 2000

38. Disposal of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net assets disposed of:		
Property under development for sale	54,373	–
Property, plant and equipment	–	15,755
Inventories	–	21,890
Trade and other receivables	204	17,763
Bank balances and cash	–	10,890
Trade and other payables	–	(33,898)
Bank loans and overdrafts	–	(8,626)
Minority interest	–	(10,952)
Exchange reserve	1,121	–
	<u>55,698</u>	12,822
(Loss) gain on disposal	<u>(26,082)</u>	150,481
Total consideration	<u>29,616</u>	163,303
Satisfied by:		
Cash	29,616	26,910
Listed equity securities, overseas	–	136,393
Net cash inflow arising on disposal	<u>29,616</u>	163,303
Analysis of net cash inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration	29,616	26,910
Bank balances and cash disposed of	–	(10,890)
Bank loans and overdraft disposed of	–	8,626
	<u>29,616</u>	24,646

The subsidiary disposed of during the year did not have any material impact on the Group's cash flow or results for the year.

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For the year ended 31 December 2000

39. Purchase of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net assets acquired:		
Property, plant and equipment	202,062	397,667
Other investments	–	422
Inventories	23,743	–
Trade and other receivables	21,724	7,380
Bank balances and cash	20,718	2,546
Trade and other payables	(173,497)	(20,752)
Bank overdrafts	–	(41,312)
Minority interests	(1,736)	64,932
Advances from minority shareholders	(9,235)	(189,594)
	<u>83,779</u>	<u>221,289</u>
Goodwill	22,153	–
Share of net assets of associates recognised	(57,625)	–
	<u>48,307</u>	<u>221,289</u>
Satisfied by:		
Accounts receivable for realisation of a toll road investment	–	221,289
Deposit for other investments	48,307	–
	<u>48,307</u>	<u>221,289</u>
Net inflow (outflow) of cash and cash equivalents in connection with the purchase of subsidiaries:		
Bank balances and cash acquired	20,718	2,546
Bank overdrafts acquired	–	(41,312)
	<u>20,718</u>	<u>(38,766)</u>

The subsidiaries acquired during the year did not have any material impact on the Group's cash flow or results for the year.

Notes to the Financial Statements

For the year ended 31 December 2000

40. Analysis of changes in financing during the year

	Share capital and share premium HK\$'000	Trust receipt loans HK\$'000	Bank loans HK\$'000	Obligations under a finance lease HK\$'000	Advances from minority shareholders HK\$'000
Balance at 1 January 1999	791,796	9,545	6,255	44	23,253
Acquired on purchase of a subsidiary	–	–	–	–	189,594
Net cash inflow (outflow) during the the year	–	12,196	(180)	(14)	58,344
Exchange difference	–	–	415	–	–
Balance at 31 December 1999	791,796	21,741	6,490	30	271,191
Acquired on purchase of subsidiaries	–	–	–	–	9,235
Net cash inflow (outflow) during the year	(23,216)	(21,741)	61,195	(14)	50,746
Exchange difference	–	–	(176)	–	1,049
Accrued consideration on share repurchase	(424)	–	–	–	–
Retained profits utilised on share repurchase	17,396	–	–	–	–
Balance at 31 December 2000	785,552	–	67,509	16	332,221

41. Analysis of balances of cash and cash equivalents

	2000 HK\$'000	1999 HK\$'000
Bank balances and cash	165,810	228,760
Bank loans and overdrafts		
– secured	–	(76,551)
– unsecured	(14,732)	(47,874)
	151,078	104,335

42. Major non-cash transactions

During the year, an associate of the Company assigned an investment property with a value of HK\$47,348,000 to the Group for partial settlement of the loan due to the Group.

Included in other payables at 31 December 2000 is an amount of HK\$8,540,000 in respect of the purchase of property, plant and equipment not yet paid at that date.

Notes to the Financial Statements

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43. Pledge of assets

The Group

Certain of the Group's investment properties, freehold land and buildings and properties under development with a book value of HK\$129,480,000 (1999: Nil), HK\$15,197,000 (1999: HK\$15,946,000) and HK\$21,532,000 (1999: HK\$124,259,000) respectively and listed securities outside Hong Kong with a total market value of nil (1999: HK\$459,048,000) were pledged as securities for credit facilities from bankers. As at the balance sheet date, the amount of bank loans and other loans facilities utilised was HK\$67,509,000 (1999: HK\$83,040,000).

Certain listed equity securities with an aggregate market value of nil (1999: HK\$31,417,000) were pledged together with a cash deposit for US\$2,323,578 (1999: US\$1,000,000) as securities for credit facilities obtained from securities brokers. As at the balance sheet date, the amount of facilities utilised was HK\$13,540,000 (1999: HK\$15,498,000).

A cash deposit of HK\$1,718,000 (1999: HK\$2,601,000) was pledged as security for a construction project in respect of the property under development for sale as required by local authorities in the USA.

The Company

The Company had not pledged any of its assets as at 31 December 2000 (1999: Nil).

44. Contingent liabilities

As at the balance sheet date, the Group and the Company had outstanding contingent liabilities not provided for in the financial statements in respect of shipping and other guarantees given to bankers of HK\$3,707,000 (1999: HK\$936,000) for facilities granted to the Company.

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.

45. Capital commitments

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

	The Group	
	2000 HK\$'000	1999 HK\$'000
Contracted but not provided for in the financial statements:		
Purchase of motor vehicles	11,899	—
Development expenditure	12,933	—
Construction of factory premises	805	4,084
	<u>25,637</u>	<u>4,084</u>

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46. Lease commitments

At the balance sheet date, the Group and the Company had outstanding commitments under non-cancellable operating leases in respect of rented premises payable in the next year as follows:

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Operating leases which expire:				
Within one year	8	1,391	8	2
In the second to fifth years inclusive	994	880	–	–
Over five years	–	–	1,200	–
	1,002	2,271	1,208	2

47. Related party transactions

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

	Note	Minority shareholders		Associates		Related company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Purchases from	(a)	64,775	74,729	–	–	–	–
Interest paid to	(b)	26,589	7,289	–	–	–	–
Commission received from	(c)	1,052	766	–	–	–	–
Interest received from	(b)	–	–	42	2,698	–	–
Management fee paid	(d)	76	–	–	–	–	–
Commission paid	(e)	–	–	–	–	205	–

Notes:

- The transactions were carried out at cost plus a percentage profit mark-up.
- The transactions were based on interest rates agreed by the parties concerned.
- The transactions were based on an agreed rate charged on trading of goods.
- The transactions were based on the predetermined value agreed between the relevant parties.
- 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.

Notes to the Financial Statements

For the year ended 31 December 2000

48. 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		Principal activities
				Directly	Indirectly	
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	–	98%	Manufacturing and trading of cables and electrical wires
Guangzhou SMC Car Rental Co., Ltd.	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	90%	–	Investment holding

Notes to the Financial Statements

For the year ended 31 December 2000

48. 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		Principal activities
				Directly	Indirectly	
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
Shunde Hua Feng Stainless Steel Welded Tubes Ltd.	PRC	Paid up capital	US\$6,792,000	–	90.1%	Manufacturing and trading of stainless steel welded tubes
Shunde Shunyue Highway Construction Ltd.	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\$8,933,300	–	99.4%	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%	–	Marketing of the Group's products
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

Notes to the Financial Statements

For the year ended 31 December 2000

48. 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		Principal activities
				Directly	Indirectly	
SMC Microtronic Company Limited	Hong Kong	Ordinary	10,000 shares of HK\$1 each	100%	–	Manufacturing of telephone and other electronic consumer products
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 Optics Communications Corporation	British Virgin Islands	Ordinary	1 share of US\$1	–	100%	Investment holding
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	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	HKD10,000,000	–	100%	Property investment

Notes to the Financial Statements

For the year ended 31 December 2000

48. Particulars of principal subsidiaries (continued)

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.

49. Particulars of principal associates

Name of associate	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	
Modern Device (China) Limited	Hong Kong	Ordinary	HK\$5,000,000	–	41%	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
Kumagai SMC Development (Guangzhou) Limited*	PRC	Paid up capital	US\$59,000,000	–	20%	Property development

* Associates not audited by Deloitte Touche Tohmatsu.

Financial Summary

	For the year ended 31 December				2000 HK\$'000
	1996 HK\$'000	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	
RESULTS					
Turnover	1,190,092	1,640,406	1,438,707	1,295,436	2,668,256
(Loss) profit from operations	128,851	83,012	(223,262)	43,796	(78,545)
Finance costs	(18,048)	(35,511)	(37,804)	(9,138)	(19,843)
Share of results in associates	16,645	64,177	1,372	2,223	(110,721)
(Loss) profit on disposal of subsidiaries	–	–	–	150,481	(26,082)
Provision for impairment loss on investment in securities not held for trading	–	–	–	–	(77,946)
Profit on disposal of an associate	–	–	455,458	–	–
Provision on receivable from realisation of toll road investment	–	–	–	(98,750)	–
Profits (losses) from other investment	–	–	(1,053)	(13,000)	442,204
Profit from ordinary activities before taxation	127,448	111,678	194,711	75,612	129,067
Taxation	(12,929)	(20,385)	(6,136)	(2,596)	(7,251)
Profit before minority interests	114,519	91,293	188,575	73,016	121,816
Minority interests	2,764	5,438	4,157	4,183	13,165
Net profit for the year	<u>117,283</u>	<u>96,731</u>	<u>192,732</u>	<u>77,199</u>	<u>134,981</u>
	CENTS	CENTS	CENTS	CENTS	CENTS
Earnings per share – basic	<u>27</u>	<u>18</u>	<u>36</u>	<u>14</u>	<u>26</u>

Assets and liabilities

	At 31 December				2000 HK\$'000
	1996 HK\$'000	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	
Total assets	2,786,858	3,307,880	2,589,128	3,094,823	2,624,393
Deduct:					
Total liabilities	(755,537)	(1,047,640)	(471,068)	(708,706)	(685,632)
Minority interests	(66,673)	(116,970)	(7,549)	73,154	88,345
Shareholders' funds	<u>1,964,648</u>	<u>2,143,270</u>	<u>2,110,511</u>	<u>2,459,271</u>	<u>2,027,106</u>

Particulars of Major Properties

(A) Properties held as property, plant and equipment

Name/location	Type	Gross floor area	Effective % held	Stage of completion	Lease terms
Shell Industrial Building, 12 Lee Chung Street, Chaiwan, Hong Kong (Note)	Industrial premises	132,194 sq.ft. (including roof area 3,074 sq.ft.)	100%	100%	Long-term
No. 18 San Yue East Rd., Beijiao Industrial Park, Beijiao Town Shunde, Guangdong Province, PRC	Industrial premises	63,500 sq.m.	100%	100%	Medium-term
4th Floor, Kantone Centre, 1 Ning Foo Street, Chaiwan, Hong Kong	Industrial premises	4,860 sq.ft.	100%	100%	Long-term
1931 N. Great Southwest Parkway, Grand Prairie, Texas, U.S.A.	Commercial premises and warehouse	97,134 sq.ft.	100%	100%	Freehold
280 Shields Court, Markham, Ontario, Canada	Commercial premises and warehouse	87,000 sq.ft.	100%	100%	Freehold
Unit A, 22/F., Bai He Garden, Block 2, Po Bei Road 999 Nong, Tsui Wai Region, Shanghai City, Shanghai, PRC	Staff quarters	161.19 sq.m.	100%	100%	Medium-term
廣州市黃埔區大沙鎮 雙沙工業區	Industrial premises	10,948 sq.m.	100%	100%	Medium-term
The Seventh-eight Region, Economic Industrial Park, Beijiao Town, Shunde, Guangdong Province, PRC	Industrial site	48,661 sq.m. (site area of land)	100%	100%	Long-term
大良鎮紅崗管理區 辦事處飛鵝崗168號 及飛鵝山邊	Industrial Premises	61,929 sq.m. (site area of land)	100%	100%	Medium-term
大良鎮紅崗管理區 辦事處紅崗村尾杏良 公路羅賓路段	Industrial Premises	35,860 sq.m.	100%	100%	Medium-term

Note: Partly classified as property, plant and equipment and partly as investment property.

Particulars of Major Properties

(B) Properties held for investment

Location	Type	Gross floor area	Effective % held	Stage of completion	Lease term
Tak King Industrial Building, Lower ground floor, 27 Lee Chung Street, Chaiwan, Hong Kong	Industrial premises	9,384 sq.ft.	100%	100%	Long-term
City of Livermore, County of Alameda, California, U.S.A. (Phase I)	Commercial complex	130,877 sq.ft. (site area – 12.12 acres)	100%	100%	Freehold
63/F., CITIC Plaza, Junction of Tianhe North Road, Lim Ho Mid Road and Lim Ho West Road Guangzhou, Guangdong, PRC	Commercial and residential premises	2,609 sq.m.	100%	100%	Medium-term

(C) Properties held by an associate

Name/location	Type	Gross floor area	Effective % held	Stage of completion
CITIC Plaza, Junction of Tianhe North Road, Lim Ho Mid Road and Lim Ho West Road Guangzhou Guangdong, PRC	Commercial and residential premises	1,039,112 sq.ft.	20%	100%

(D) Properties under development

(i) Freehold residential properties in the U.S.A.:

Name/location	Gross site area	No. of residential units	Effective % held	Anticipated completion date
City of Roseville County of Placer, California, U.S.A	825,726 sq.ft.	92	100%	Late 2001

(ii) Others:

Name/location	Type	Gross site area	Effective % held	Anticipated completion date
深圳市福田保稅區 B105-19-3 地段	Hi-tech industrial factory premises	31,377 sq.m.	100%	Early 2001
City of Livermore, County of Alameda, California, U.S.A. (Phase II)	Commercial complex	7.47 acres	100%	Late 2001