

Notes to Financial Statements

31 March 2001

1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- restaurant operations
- property investment

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties and certain equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company, other than an associate or a jointly controlled entity, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been impairments in values, when they are written down to values determined by the directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly controlled entities.

The Group's share of the post-acquisition results and reserves of the jointly controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in the jointly controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for impairment in value deemed necessary by the directors other than those temporary in nature.

Associates

An associate is a company, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for impairments in values deemed necessary by the directors other than those temporary in nature.

Goodwill and capital reserve on consolidation

Goodwill arising on consolidation of subsidiaries represents the excess of purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and capital reserve on consolidation (continued)

Capital reserve on consolidation of subsidiaries represents the excess of the fair values ascribed to the subsidiaries' net underlying assets over the purchase consideration paid.

On disposal of subsidiaries or their underlying assets, the relevant portion of the attributable goodwill or capital reserve on consolidation previously dealt with in reserves is realised and included in the calculation of the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is 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 fixed asset, the expenditure is capitalised as an additional cost of that asset.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2%
Furniture and fixtures	15 - 20%
Air-conditioning plant	15 - 20%
Electrical appliances	20%
Office equipment	20%
Motor vehicles	20%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Kitchen utensils, linen and uniforms

No depreciation is provided on the initial purchase of kitchen utensils, linen and uniforms which are capitalised at cost. The cost of subsequent replacements of these items is charged directly to the profit and loss account in the year in which such expenditure is incurred.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Long term investment

Long term investment is a non-trading investment in unlisted equity securities intended to be held on a long term basis and is stated at its estimated fair value at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

Inventories

Inventories comprise mainly food and beverages and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs necessary to make the sale.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) receipts from restaurant operations, upon the delivery of food and beverages to customers;
- (b) rental income, on a time proportion basis over the lease terms; and
- (c) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for all its employees. The Scheme became effective from 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash equivalents

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

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

3. TURNOVER

Turnover represents the receipts from restaurant operations and gross rental income. Revenue from the following activities has been included in turnover:

	GROUP	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Receipts from restaurant operations	388,192	376,865
Gross rental income	1,907	10,749
	<u>390,099</u>	<u>387,614</u>

Notes to Financial Statements

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4. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
Cost of inventories used	146,147	152,500
Depreciation:		
Owned fixed assets	13,181	16,263
Leased fixed assets	285	40
Amortisation of deferred pre-operating expenses	–	125
Operating lease rentals of land and buildings	22,473	24,999
Foreign exchange losses, net	1,808	66
Auditors' remuneration	680	574
Staff costs (including directors' remuneration – note 6):		
Wages, salaries and bonuses	133,895	110,474
Pension contributions	2,257	–
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Total staff costs	136,152	110,474
	<hr/>	<hr/>
Loss on disposal of fixed assets	1,854	2,341
Impairment provision against a long term investment	900	–
Gross rental income	(1,907)	(10,749)
Less: Outgoings	1,250	1,998
	<hr/>	<hr/>
Net rental income	(657)	(8,751)
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Interest income	(1,128)	(1,369)
Gain on disposal of a subsidiary	–	(2,605)
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5. FINANCE COSTS

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdrafts, and other borrowings wholly repayable within five years	22,208	24,538
Interest on finance lease contracts	82	12
	<u>22,290</u>	<u>24,550</u>

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance is as follows:

	GROUP			
	Executive		Independent non-executive	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Fees	–	–	–	–
Other emoluments:				
Salaries, allowances and benefits in kind	1,345	2,200	160	125
Pension contributions	6	–	–	–
Pensions	280	–	–	–
	<u>1,631</u>	<u>2,200</u>	<u>160</u>	<u>125</u>

Notes to Financial Statements

31 March 2001

6. DIRECTORS' REMUNERATION (continued)

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	7	8
HK\$1,000,001 to HK\$1,500,000	<u>-</u>	<u>1</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2000: Three) directors, details of whose remuneration are set out in note 6 above. Further details of the remuneration of the remaining three (2000: Two) non-director, highest paid employees are as follows:

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Salaries, allowances and benefits in kind	1,406	1,018
Pension contributions	<u>12</u>	<u>-</u>
	<u>1,418</u>	<u>1,018</u>

The remuneration of the non-director, highest paid employees fell within the following band:

	Number of employees	
	2001	2000
Nil to HK\$1,000,000	<u>3</u>	<u>2</u>

Notes to Financial Statements

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8. TAX

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
Group:		
Hong Kong	(220)	(15)
Prior year's underprovision	(73)	(9)
Deferred tax (<i>note 21</i>)	—	330
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	(293)	306
Share of tax attributable to an associate	—	(92)
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Tax credit/(charge) for the year	(293)	214
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Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year.

9. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$32,809,000 (2000: HK\$85,711,000).

10. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$39,269,000 (2000: HK\$45,265,000) and the weighted average of 300,052,835 (2000: 300,052,800) ordinary shares in issue during the year.

The diluted loss per share for the year ended 31 March 2001 has not been shown as the warrants outstanding during the year had an anti-dilutive effect on the basic loss per share.

The diluted loss per share for the year ended 31 March 2000 had not been calculated because no diluting events existed during that year.

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11. FIXED ASSETS

GROUP

	Leasehold land and buildings	Furniture and fixtures	Air- conditioning plant	Electrical appliances	Office equipment	Motor vehicles	Kitchen utensils, linen and uniforms	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:								
At beginning								
of year	216,720	111,070	13,668	23,534	2,010	607	6,889	374,498
Additions	-	17,155	2,052	2,212	388	121	1,073	23,001
Disposals	-	(6,698)	(930)	(1,540)	(92)	-	(1,469)	(10,729)
At 31 March 2001	216,720	121,527	14,790	24,206	2,306	728	6,493	386,770
Accumulated depreciation:								
At beginning								
of year	22,749	96,343	11,935	21,981	1,751	597	-	155,356
Provided during								
the year	3,011	8,160	1,079	1,027	155	34	-	13,466
Disposals	-	(6,424)	(873)	(1,486)	(92)	-	-	(8,875)
At 31 March 2001	25,760	98,079	12,141	21,522	1,814	631	-	159,947
Net book value:								
At 31 March 2001	190,960	23,448	2,649	2,684	492	97	6,493	226,823
At 31 March 2000	193,971	14,727	1,733	1,553	259	10	6,889	219,142

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11. FIXED ASSETS (continued)

The net book value of the fixed assets of the Group held under finance leases included in the total amount of electrical appliances and motor vehicles at 31 March 2001 amounted to HK\$449,000 (2000: HK\$435,000) and HK\$81,000 (2000: Nil), respectively.

An analysis of the leasehold land and buildings, which are situated in Hong Kong, is as follows:

	GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Long term leases	182,912	182,912
Medium term leases	33,808	33,808
At cost	<u>216,720</u>	<u>216,720</u>

Certain of the Group's leasehold land and buildings were pledged to secure credit facilities granted to the Group (note 18).

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12. INVESTMENT PROPERTIES

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
At beginning of year	56,500	231,150
Disposals	-	(168,650)
Revaluation deficit	-	(6,000)
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At end of year	<u>56,500</u>	<u>56,500</u>

Certain of the Group's investment properties were pledged to secure credit facilities granted to the Group (note 18).

The Group's investment properties are situated in Hong Kong and are held under medium term leases.

The Group's investment properties were revalued on 31 March 2001 by CS Surveyors Limited, independent professionally qualified valuers, on an open market, existing use basis. There was no change to the carrying amount arising from the valuation.

Details of the investment properties are as follows:

<u>Location</u>	<u>Use</u>
Portion A on 15th Floor, Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong, Kowloon.	Commercial
Lot No. 710 in Demarcation District No.332 and Lot No. 237 in Demarcation District No. 331, Cheung Sha, Lantau Island, New Territories.	Residential

Notes to Financial Statements

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13. INTEREST IN A JOINTLY CONTROLLED ENTITY

	GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	–	(416)
Loan to the jointly controlled entity	1,721	1,721
Less: Provision against loan to the jointly controlled entity	(1,250)	–
	<u>471</u>	<u>1,305</u>

The loan granted to the jointly controlled entity is secured against the jointly controlled entity's fixed assets, bears interest at 12% per annum and has no fixed terms of repayment.

Particulars of the unlisted jointly controlled entity are as follows:

Name	Business structure	Place of registration and operations	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Shenzhen Tack Hsin Chinese Restaurant Co., Ltd.	Corporate	The People's Republic of China	55	60	55	Restaurant operations

Notes to Financial Statements

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14. INTERESTS IN ASSOCIATES

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	(252)	(252)
Loans to associates	25,546	23,452
	<u>25,294</u>	<u>23,200</u>

The loans granted to the associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the unlisted associates are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity interest attributable to the Group		Principal activities
			2001	2000	
Billion Gain Limited	Corporate	Hong Kong	33	33	Property development
Golden Net Limited	Corporate	Hong Kong	20	20	Property investment

The associates were not audited by Ernst & Young.

15. LONG TERM INVESTMENT

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Unlisted equity investment, at fair value	<u>2,300</u>	<u>3,200</u>

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16. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	238,075	238,075
Loan to a subsidiary	80,000	80,000
Due to subsidiaries	(3,316)	(2,508)
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	314,759	315,567
Less: Provisions for impairments in values	(117,000)	(85,000)
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	197,759	230,567
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The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2001	2000	
Tack Hsin (BVI) Holdings Limited	British Virgin Islands/ Hong Kong	HK\$17,763,202 *	100	100	Investment holding
Tack Hsin Restaurant (Shenzhen) Co., Ltd.	The People's Republic of China	US\$3,200,000	100	100	Investment holding
Tack Hsin Restaurant (Mongkok) Limited	Hong Kong	HK\$100 * HK\$680,000 #	100	100	Restaurant operations
Tack Hsin Restaurant (Peninsula) Limited	Hong Kong	HK\$100 * HK\$2,380,000 #	100	100	Restaurant operations
Tack Hsin Restaurant (Kwun Tong) Limited	Hong Kong	HK\$100 * HK\$1,245,000 #	100	100	Restaurant operations
Tack Hsin Restaurant (Causeway Bay) Limited	Hong Kong	HK\$100 * HK\$2 #	100	100	Restaurant operations
Tack Hsin Restaurant (London) Limited	Hong Kong	HK\$100 * HK\$2 #	100	100	Restaurant operations
Tack Hsin Restaurant (Happy Valley) Limited	Hong Kong	HK\$2 *	100	100	Restaurant operations

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16. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2001	2000	
Tack Hsin Restaurant (Western) Limited	Hong Kong	HK\$100 *	80	80	Restaurant operations
Royal Power Investment Limited	Hong Kong	HK\$4,600,000 *	51	51	Restaurant operations and investment holding
Win China Industries Limited	Hong Kong	HK\$2 *	51	–	Restaurant operations
Citycrown Investment Limited	Hong Kong	HK\$2 *	51	–	Restaurant operations
Rainbow World Enterprises Limited	Hong Kong	HK\$3,900 *	61	–	Restaurant operations
Jade Terrace Restaurant (Causeway Bay) Limited	Hong Kong	HK\$100 *	62	–	Restaurant operations and investment holding
Worlden Industries Limited	Hong Kong	HK\$100 *	62	–	Restaurant operations
Real Bright Asia Limited	Hong Kong	HK\$100 *	57	–	Restaurant operations
Tack Luen Hong Company Limited	Hong Kong	HK\$100 * HK\$2 #	100	100	Food wholesaling
Grandward Limited	Hong Kong	HK\$100 * HK\$2 #	100	100	Property holding
Paon Investment Limited	Hong Kong	HK\$100 * HK\$2 #	100	100	Property holding

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16. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2001	2000	
Full Client Limited	Hong Kong	HK\$100 * HK\$2 #	100	100	Property holding
Vastpro Developments Limited	Hong Kong	HK\$2 *	100	100	Property holding
Wealth Glory Investment Limited	Hong Kong	HK\$100 * HK\$30,000 #	100	100	Property holding
Tack Hsin Management Services Limited	Hong Kong	HK\$10,000 *	100	100	Provision of management services
Charmwide Development Limited	Hong Kong	HK\$10,000 *	100	100	Property investment and investment holding
Conyick Investments Limited	Hong Kong	HK\$100 * HK\$600,000 #	100	100	Property investment
First Charm Development Limited	Hong Kong	HK\$100 *	100	100	Property investment

@ Unless otherwise stated, the place of operations is the place of incorporation or registration.

* Ordinary shares

Non-voting deferred shares

All subsidiaries are indirectly held by the Company except Tack Hsin (BVI) Holdings Limited.

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

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17. TRADE RECEIVABLES

The aged analysis of trade receivables was as follows:

	GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	860	825
4 to 6 months	79	134
7 to 12 months	739	341
Over 1 year	23	30
Total	<u>1,701</u>	<u>1,330</u>

Trading terms with customers are largely on cash and credit card settlement, except for certain well established customers where the terms vary by customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are regularly reviewed by senior management.

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18. BANK BORROWINGS, SECURED

	GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	240,116	233,929
Bank overdrafts	25,680	2,317
	<u>265,796</u>	<u>236,246</u>
Portion classified as current liabilities	<u>(73,613)</u>	<u>(39,384)</u>
Long term portion	<u><u>192,183</u></u>	<u><u>196,862</u></u>
Amounts repayable:		
Within one year or on demand	73,613	39,384
In the second year	52,012	40,088
In the third to fifth years, inclusive	127,908	140,972
Beyond five years	12,263	15,802
	<u><u>265,796</u></u>	<u><u>236,246</u></u>

At 31 March 2001, the bank borrowings were secured by certain of the Group's leasehold land and buildings, investment properties and bank deposits with a carrying value of HK\$185,123,000 (2000: HK\$187,995,000), HK\$47,000,000 (2000: HK\$47,000,000) and HK\$5,911,000 (2000: HK\$5,585,000), respectively.

Subsequent to the balance sheet date, the Group had entered into the following new financing arrangements:

- (a) In April 2001, the Group had obtained a loan amounting to HK\$15 million from a financial institution. The loan is repayable by three installments up to April 2002.
- (b) In May 2001, certain bank loans and overdraft facilities, with an aggregate outstanding amount of HK\$239,556,000 at 31 March 2001, were replaced by a new installment bank loan of HK\$240 million and overdraft facilities of HK\$20 million. The new installment bank loan is repayable by monthly installments over ten years up to May 2011.

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19. FINANCE LEASE PAYABLES

There were obligations under finance leases at the balance sheet date as follows:

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
Amounts repayable:		
Within one year	311	184
In the second year	270	176
In the third to fifth years, inclusive	8	118
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Total minimum finance lease payments	589	478
Future finance charges	(61)	(64)
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Total net finance lease payables	528	414
Portion classified as current liabilities	(273)	(146)
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Long term portion	255	268
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20. TRADE PAYABLES

The aged analysis of trade payables was as follows:

	GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	19,776	18,720
4 to 6 months	290	663
7 to 12 months	59	–
Over 1 year	108	–
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Total	<u>20,233</u>	<u>19,383</u>

21. DEFERRED TAX

	GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	–	330
Transfer to profit and loss account (note 8)	–	(330)
	<hr/>	<hr/>
At end of year	<u>–</u>	<u>–</u>

The principal components of the Group's deferred tax asset not recognised in the financial statements are as follows:

	GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reversing depreciation allowances	6,257	–
Tax losses	7,468	18,444
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	<u>13,725</u>	<u>18,444</u>

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21. DEFERRED TAX (continued)

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

There are no significant potential deferred tax liabilities for which provision has not been made.

22. SHARE CAPITAL

Shares

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Authorised:		
500,000,000 ordinary shares of HK\$0.10 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
300,053,220 (2000: 300,052,800) ordinary shares of HK\$0.10 each	<u>30,005</u>	<u>30,005</u>

During the year, 420 ordinary shares of HK\$0.10 each were issued for cash at a subscription price of HK\$1.45 per share pursuant to the exercise of the subscription rights attached to the Company's warrants for a total cash consideration of HK\$609.

The movements of the Company's ordinary share capital during the year are as follows:

	Carrying Amount <i>HK\$</i>	Shares issued
At beginning of year	30,005,280	300,052,800
Issue of new shares	<u>42</u>	<u>420</u>
At 31 March 2001	<u>30,005,322</u>	<u>300,053,220</u>

There were no changes to the carrying amount or the number of ordinary shares issued during the prior year.

22. SHARE CAPITAL (continued)

Share options

On 18 January 1993, the Company adopted a share option scheme under which the directors may, at their discretion, invite any employees or directors of the Group to take up options to subscribe for ordinary shares of HK\$0.10 each in the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued share capital of the Company.

At the balance sheet date, no options had been granted.

Warrants

During the year, a bonus issue of warrants was made in the proportion of one warrant for every five shares held by members on the register of members on 10 January 2001 and 60,010,560 warrants were issued pursuant to the bonus issue. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.10 at a subscription price of HK\$1.45 per share, payable in cash and subject to adjustment, from 31 January 2001 to 30 January 2004.

During the year, the subscription rights attached to 420 warrants were exercised for subscription of 420 shares of HK\$0.10 each at HK\$1.45 per share. At the balance sheet date, the Company had 60,010,140 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 60,010,140 additional shares of HK\$0.10 each and cash proceeds of approximately HK\$87,015,000 before related issue expenses.

Notes to Financial Statements

31 March 2001

23. RESERVES

GROUP

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 1999	37,271	23,282	–	1,263	61,816
Disposal of investment properties	–	–	12,037	(1,263)	10,774
Revaluation deficit	–	–	(6,000)	–	(6,000)
At 31 March 2000 and 1 April 2000	37,271	23,282	6,037	–	66,590
Issue of shares	1	–	–	–	1
At 31 March 2001	37,272	23,282	6,037	–	66,591

The contributed surplus of the Group represents the excess of the nominal value of the shares and the share premium account of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

COMPANY

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 1999 and 31 March 2000	37,271	237,875	275,146
Issue of shares	1	–	1
Balance at 31 March 2001	37,272	237,875	275,147

Notes to Financial Statements

31 March 2001

23. RESERVES (continued)

The contributed surplus of the Company represents the excess of the fair value of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus in certain circumstances.

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

- (a) Reconciliation of loss from operating activities to net cash inflow from operating activities

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Loss from operating activities	(14,614)	(20,394)
Interest income	(1,128)	(1,369)
Depreciation	13,466	16,303
Amortisation of deferred pre-operating expenses	–	125
Loss on disposal of fixed assets	1,854	2,341
Gain on disposal of a subsidiary	–	(2,605)
Loss on disposal of investment properties	–	27,611
Impairment provision against a long term investment	900	–
Decrease/(increase) in trade receivables	(371)	1,248
Decrease/(increase) in prepayments, deposits and other receivables	1,269	(1,073)
Decrease in inventories	164	497
Increase/(decrease) in trade payables	850	(1,180)
Increase/(decrease) in other payables and accruals	11,375	(11,965)
Net cash inflow from operating activities	<u>13,765</u>	<u>9,539</u>

Notes to Financial Statements

31 March 2001

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Share capital and share premium <i>HK\$'000</i>	Bank and other borrowings <i>HK\$'000</i>	Finance lease payable <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
Balance at 1 April 1999	67,276	321,977	–	1,096
Cash inflow/(outflow) from				
financing, net	–	(88,048)	(61)	400
Inception of finance lease contracts	–	–	475	–
Share of losses for the year	–	–	–	(359)
Dividends	–	–	–	(490)
Disposal	–	–	–	534
Capital contribution	–	–	–	2,254
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2000 and 1 April 2000	67,276	233,929	414	3,435
Cash inflow/(outflow) from				
financing, net	1	6,187	(265)	2,648
Inception of finance lease contracts	–	–	379	–
Share of profits for the year	–	–	–	1,238
Capital contribution	–	–	–	2
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2001	<u>67,277</u>	<u>240,116</u>	<u>528</u>	<u>7,323</u>

Notes to Financial Statements

31 March 2001

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Non-cash transaction

During the year, the Group entered into a finance lease arrangement in respect of fixed assets with a total capital value at the inception of the lease of HK\$379,000 (2000: HK\$475,000).

(d) Disposal of a subsidiary

	2000 <i>HK\$'000</i>
Net assets disposed of:	
Fixed assets	1,412
Cash and bank balances	5,088
Time deposits	3,761
Trade receivables	372
Prepayments, deposits and other receivables	1,537
Inventories	1,237
Amount due from a holding company	11,021
Trade payables	(1,935)
Other payables and accruals	(10,075)
Tax payable	(2,557)
Minority interests	534
	<hr/> 10,395
Gain on disposal of a subsidiary	<hr/> 2,605
	<hr/> <hr/> <u>13,000</u>

Notes to Financial Statements

31 March 2001

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Disposal of a subsidiary (continued)

	2000 <i>HK\$'000</i>
Satisfied by:	
Cash	1,979
Waiver of amount due from the Group	11,021
	<hr/>
	13,000
	<hr/> <hr/>
Analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary:	
Cash consideration	1,979
Cash and bank balances disposed of	(5,088)
	<hr/>
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<hr/> <hr/> (3,109)

The subsidiary disposed of contributed HK\$1,221,000 to the Group's net operating cash flows and HK\$299,000 to the net returns on investments and servicing of finance, respectively, but had no significant impact in respect of the investing activities and financing activities for last year.

The subsidiary disposed of contributed HK\$30,679,000 to turnover and incurred a loss before minority interests of HK\$1,544,000 for last year.

Notes to Financial Statements

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25. CONTINGENT LIABILITIES

At the balance sheet date, the contingent liabilities of the Group and Company not provided for in the financial statements were as follows:

- (a) Certain of the Group's employees had completed the required number of years of service under the Hong Kong Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments if the termination of employment meets the circumstances specified in the Ordinance. Had the employment of all these eligible employees been terminated under the circumstances specified by the Ordinance, the Group's liability at 31 March 2001, which has not been provided for in the financial statements, would have been approximately HK\$6,620,000 (2000: HK\$13,187,000).
- (b) The Company gave guarantees to banks in connection with facilities granted to its subsidiaries amounting to HK\$25,050,000 (2000: HK\$25,050,000), of which HK\$19,522,000 (2000: HK\$18,577,000) had been utilised at the balance sheet date.
- (c) At 31 March 2001, the Group had bank guarantees given in lieu of utility and property rental deposits amounting to HK\$4,566,000 (2000: HK\$4,878,000).

Notes to Financial Statements

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26. COMMITMENTS

At 31 March 2001, the Group had commitments under non-cancellable operating leases in respect of land and buildings to make payments in the following year as follows:

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
Leases expiring:		
Within one year	9,546	496
In the second to fifth years, inclusive	11,880	13,847
Beyond five years	–	6,780
	<u>21,426</u>	<u>21,123</u>
Share of a jointly controlled entity for leases expiring:		
Within one year	30	–
In the second to fifth years, inclusive	462	462
	<u>492</u>	<u>462</u>
	<u>21,918</u>	<u>21,585</u>

At the balance sheet date, the Company did not have any significant commitments.

27. PLEDGE OF ASSETS

Details of the Group's borrowings secured by assets of the Group are set out in note 18 to the financial statements.

A time deposit of HK\$588,000 (2000: HK\$550,000) was pledged to a bank to secure guarantees given by the bank in lieu of rental deposits.

Notes to Financial Statements

31 March 2001

28. RELATED PARTY TRANSACTIONS

- (a) During the year, the Group received interest income of HK\$198,000 (2000: HK\$187,000) from a jointly controlled entity. The interest income arose from a loan, details of which are disclosed in note 13 to the financial statements.
- (b) During the year, the Group paid rental expenses of HK\$2,913,000 (2000: HK\$733,000) to companies in which certain directors of the Company have beneficial interests. The rentals were determined with reference to open market rentals.
- (c) In the prior year, the Group disposed of its properties located at Shops L, M, N, O and P on the Ground Floor, Shops 1 – 20 on the 1st Floor, and 2nd, 3rd and 7th to 11th Floors of Buckingham Building, 317-321 Nathan Road, Kowloon to Golden Net Limited, the Group's 20% associate, for a total consideration of HK\$145.5 million. The consideration was determined with reference to the valuations performed by an independent professional valuer, less an aggregate discount of approximately 2.7%.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 23 July 2001.