

NOTES TO FINANCIAL STATEMENTS

31 July 2000

28. SHARE CAPITAL (Continued)

Share options (Continued)

Details of the movements of the number of share options during the period are as follows:

Date of grant	*Subscription price	Notes	Number of share options			At 31 July 2000
			At 1 April 1999	*Adjustment during the period	Lapsed during the period	
22 August 1997	HK\$15.2	(a)	34,574,532	(32,845,805)	–	1,728,727
15 September 1997	HK\$15.4	(b)	534,000	–	(534,000)	–
15 October 1997	HK\$16.2	(c)	14,000	–	(14,000)	–
			<u>35,122,532</u>	<u>(32,845,805)</u>	<u>(548,000)</u>	<u>1,728,727</u>

* Adjusted for share consolidation in May 2000.

Notes:

- (a) Exercisable during the period from 20 March 1998 to 19 September 2000
- (b) Exercisable during the period from 1 April 1998 to 30 September 2000
- (c) Exercisable during the period from 1 May 1998 to 31 October 2000

As at 31 July 2000, the Company had 1,728,727 outstanding share options. Under the present capital structure of the Company, the exercise in full of such share options would have resulted in the issue of 1,728,727 additional shares of HK\$0.10 each for an aggregate gross consideration of approximately HK\$26,277,000. All of the Company's outstanding share options at 31 July 2000 lapsed upon the expiry of the exercise period subsequent to the balance sheet date.

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29. RESERVES

Group	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000 (Note)	Capital reserve HK\$'000	Accumul- ated losses HK\$'000	Scheme reserve HK\$'000	Total HK\$'000
At 1 April 1998	484,082	1,264	433	174	-	(1,354,668)	-	(868,715)
Exchange realignments:								
Subsidiaries	-	-	9,243	-	-	-	-	9,243
Associates	-	-	24	-	-	-	-	24
Goodwill released upon deemed disposal of interest in a subsidiary	-	-	-	-	-	13,230	-	13,230
Loss for the year	-	-	-	-	-	(969,943)	-	(969,943)
At 31 March 1999 and 1 April 1999	484,082	1,264	9,700	174	-	(2,311,381)	-	(1,816,161)
Capital reduction against share capital (note 28(a)(i))	-	-	-	-	-	79,897	-	79,897
Capital reduction against share premium (note 28(a)(iii))	(484,082)	-	-	-	-	484,082	-	-
Exchange realignments:								
Subsidiaries	-	-	(6,211)	-	-	-	-	(6,211)
Associates	-	-	122	-	-	-	-	122
Acquisition of subsidiaries	-	-	-	-	717	-	-	717
Disposal of subsidiaries	-	-	93	-	-	-	-	93
Profit for the period	-	-	-	-	-	603,699	-	603,699
Goodwill released upon transfer of interest in an associate to the Newco	-	-	-	-	-	12,008	-	12,008
Arising from the effect the Schemes	-	-	(5,056)	(174)	-	-	1,096,502	1,091,272
At 31 July 2000	-	1,264	(1,352)	-	717	(1,131,695)	1,096,502	(34,564)

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29. RESERVES (Continued)

Group	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000 (Note)	Capital reserve HK\$'000	Accumul- ated losses HK\$'000	Scheme reserve HK\$'000	Total HK\$'000
Reserves retained by:								
Company and its subsidiaries	484,082	1,264	9,758	-	-	(2,309,630)	-	(1,814,526)
Associates	-	-	(58)	174	-	(1,751)	-	(1,635)
At 31 March 1999	<u>484,082</u>	<u>1,264</u>	<u>9,700</u>	<u>174</u>	<u>-</u>	<u>(2,311,381)</u>	<u>-</u>	<u>(1,816,161)</u>
Reserves retained by:								
Company and its subsidiaries	-	1,264	(1,352)	-	717	(1,131,695)	1,096,502	(34,564)
Associates	-	-	-	-	-	-	-	-
At 31 July 2000	<u>-</u>	<u>1,264</u>	<u>(1,352)</u>	<u>-</u>	<u>717</u>	<u>(1,131,695)</u>	<u>1,096,502</u>	<u>(34,564)</u>

Note:

In accordance with the accounting principles and financial regulations applicable in the PRC, the Group's subsidiaries and associates in the PRC are required to transfer part of their profits after tax to the enterprise expansion fund and the statutory reserve funds, which are non-distributable, before profit distribution to joint venture partners. The quanta of the transfers are subject to the approval of the board of directors of these subsidiaries and associates in accordance with their respective joint venture agreements.

NOTES TO FINANCIAL STATEMENTS

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29. RESERVES (Continued)

Company	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Scheme reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 1998	484,082	1,264	21,689	(892,408)	-	(385,373)
Loss for the year	-	-	-	(39,716)	-	(39,716)
At 31 March 1999 and 1 April 1999	484,082	1,264	21,689	(932,124)	-	(425,089)
Capital reduction against share capital (note 28(a)(i))	-	-	-	79,897	-	79,897
Capital reduction against share premium (note 28(a)(iii))	(484,082)	-	-	484,082	-	-
Loss for the period	-	-	-	(14,666)	-	(14,666)
Arising from the effect of the Scheme	-	-	-	-	324,964	324,964
At 31 July 2000	-	1,264	21,689	(382,811)	324,964	(34,894)

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the aggregate net asset value of the subsidiaries acquired pursuant, to the Group reorganisation in September 1991, and the nominal value of the Company's shares in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances which the Company cannot currently meet.

The scheme reserve of the Group and the Company represents the net liabilities of the Scheme Participating Companies and the Company as at the Effective Date, which were discharged pursuant to the Schemes.

The directors acknowledge the provisions and requirements of HKSA statement 2.01 "Framework for the preparation and presentation of financial statements" and statement 2.102 "Net profit or loss for the period, fundamental errors and change in accounting policies" ("Accounting Standards") in respect of the treatment of the credit arising on the settlement of the Group's net liabilities discharged through the Schemes. However, having considered, inter alia, the substance of the entire debt and capital restructuring exercise, the legal and practical effects of the global Schemes, the time span required for the completion and termination of the Schemes and the requirements of the Accounting Standards, the directors consider that the current accounting treatment is more appropriate and fairer considering the financial effect of the Schemes as a whole.

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30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Period ended 31 July 2000 HK\$'000	Year ended 31 March 1999 HK\$'000
Profit/(loss) from operating activities	723,509	(811,661)
Provision for the decline in the recoverable amounts of:		
Floating craft and vessels	–	62,191
Leasehold land and buildings	–	71,195
Plant and machinery	–	40,747
Provision for losses in connection with construction contracts	–	273,977
Provision for liquidated damages claimed by main contractors	6,118	38,320
Provision for doubtful receivables:		
Trade receivables	–	24,100
Retention money receivable	–	12,281
Advances to subcontractors and prepayments, deposits and other debtors	–	6,436
Provision against inventories	–	4,533
Provision for diminution in value for investment in associates	–	4,664
Write back of provision for diminution in value for investment in an unconsolidated subsidiary	–	(6,737)
Write off of long overdue creditors	–	(4,950)