

NOTES TO FINANCIAL STATEMENTS

31 July 2000

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

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

	Period ended 31 July 2000 HK\$'000	Year ended 31 March 1999 HK\$'000
Compensation recovered from a sub-contractor	–	(4,012)
Loss on write off of intangible assets	–	7,300
Loss on write off of fixed assets	206	6,331
Provision for settlement of performance bonds	–	56,000
Gain on disposal of subsidiaries	(735,889)	(1,698)
Gain on disposal of listed investment	–	(39)
Interest income	(341)	(1,302)
Increase in other investments	–	(125)
Depreciation	19,597	64,149
Amortisation of deferred expenditure	–	3
Deferred expenditure written off	–	120
Gain on deemed disposal of interest in an associate	(348)	(707)
Gain/(loss) on disposal of fixed assets	(48,578)	24,271
Decrease in trade receivables	(3,793)	209,646
Decrease in interest in an unconsolidated subsidiary	–	276
Decrease in inventories	292	5,048
Decrease in gross amounts due from contract customers	–	7,601
Decrease/(increase) in prepayments, deposits and other receivables	11,353	(2,473)
Decrease/(increase) in amounts due from related companies	9,109	(16,678)
Decrease in advances to subcontractors	–	10,198
Decrease in trade payables	(31,029)	(154,433)
Decrease in bills payable	–	(19,844)
Decrease in gross amounts due to contract customers	–	(5,804)
Decrease in retention money payable	–	(1,751)
Increase/(decrease) in other payables, deposits received and accruals	43,435	(6,487)
Increase/(decrease) in an amount due to a related company	(10,892)	5,027
Increase/(decrease) in an amount due to a director	802	(1,122)
Net cash outflow from operating activities	<u>(16,449)</u>	<u>(105,409)</u>

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30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing activities during the period

	Share capital (including share premium) HK\$'000	Bank loans HK\$'000	Other loans HK\$'000	Finance lease obligations HK\$'000	Minority interests HK\$'000
Balance at 1 April 1998	568,184	1,257,988	143,082	37,314	29,408
Cash inflow/(outflow) from financing, net	–	(96,065)	11,076	(4,618)	–
Assignment of a loan	–	(1,596)	1,596	–	–
Disposal of subsidiaries	–	–	–	–	(18,000)
Share of loss for the year	–	–	–	–	(1,228)
Exchange realignments	–	(7,398)	–	(1,556)	11
Balance at 31 March 1999 and 1 April 1999	568,184	1,152,929	155,754	31,140	10,191
Cash inflow/(outflow) from financing, net	21,025	(117,891)	(46,030)	96	–
Capital reduction	(563,979)	–	–	–	–
Effect of the Schemes	25,231	(736,107)	(103,035)	(31,140)	(10,143)
Acquisition of subsidiaries	–	99,083	38,485	289	–
Disposal of subsidiaries	–	(305,106)	(5,309)	(110)	(51)
Share of profit for the period	–	–	–	–	395
Exchange realignments	–	(15)	–	(1)	(374)
Balance at 31 July 2000	50,461	92,893	39,865	274	18

(c) Major non-cash transactions

- (i) During the period, the contract employers of the Group made direct payments to the trade creditors of the Group in the amount of approximately HK\$17,064,000 in lieu of the direct settlement of trade receivables otherwise due by them to the Group.

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30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Major non-cash transactions (Continued)

- (ii) Pursuant to the Schemes, during the period, the Scheme Participating Companies transferred the Unencumbered Assets to the Newco and the Company issued new shares to the Scheme Administrator in full satisfaction and discharge of the non-preferential scheme debts as follows:

	2000 HK\$'000
Assets transferred:	
Fixed assets	93,636
Interests in associates	12,742
Gross amounts due from contract customers	34,580
Prepayments, deposits and other receivables	28,435
Inventories	7,082
Trade receivables	38,197
Other investments	456
Retention money receivable	8,928
Tax recoverable	51
	224,107
Shares issued	25,231
	249,338
Liabilities discharged:	
Trade payables	(124,674)
Bank overdrafts	(82,784)
Bank loans	(736,107)
Gross amounts due to contract customers	(45,708)
Finance lease payable	(31,140)
Tax payable	(7,674)
Other loans	(103,035)
Other payables, deposits received and accruals	(179,756)
Retention money payable	(23,839)
Due to directors	(379)
Deferred tax	(1,942)
Due to unconsolidated subsidiaries	(5,437)
	(1,093,137)
Represented by:	
Scheme reserve	1,096,502
Goodwill released upon transfer of interest in an associate	12,008
Reserve funds	(174)
Exchange fluctuation reserve	(5,056)
Minority interests	(10,143)
	1,093,137

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30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Acquisition of subsidiaries

	2000 HK\$'000
Net assets acquired:	
Fixed assets	147,794
Prepayments, deposits and other receivables	5,671
Inventories	1,420
Trade receivables	24,997
Cash and bank balances	381
Trade payables	(12,937)
Other payables, deposit received and accruals	(10,933)
Deferred tax	(3,141)
Other loans	(38,485)
Bank loans	(99,083)
Finance lease payables	(289)
	<u>15,395</u>
Capital reserve on acquisition	<u>(717)</u>
	<u><u>14,678</u></u>
Satisfied by:	
Cash	<u><u>14,678</u></u>

Analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries

	2000 HK\$'000
Cash consideration	14,678
Cash and bank balances acquired	<u>(381)</u>
	<u><u>14,297</u></u>

The subsidiaries acquired during the period made no significant contribution to the Group in respect of the cash flows. The subsidiaries acquired during the period contributed HK\$15 million to turnover and had no significant contributions to the consolidated profit after tax and before minority interests for the period.

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30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(e) Disposals and deemed disposal of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net assets disposed of:		
Deferred expenditure	–	163
Fixed assets	6,693	14,744
Interests in unconsolidated subsidiaries	(5,900)	–
Gross amounts due from contract customers	1,897	–
Prepayments, deposits and other receivables	4,734	3,056
Inventories	–	44
Trade receivables	3,818	1,019
Other investments	–	200
Retention money receivable	–	1,053
Cash and bank balances	9,409	119
Trade creditors	(91,198)	(761)
Gross amounts due to contract customer	(49,452)	–
Provision for settlement of performance		
bonds	(56,000)	–
Bank overdrafts	(15,792)	–
Bank loans	(305,106)	–
Finance lease payables	(110)	–
Tax payable	(37)	–
Other loans	(5,309)	–
Other payables, deposits received		
and accruals	(233,578)	(3,799)
Retention money payable	–	(668)
Minority interests	(51)	(18,000)
Exchange fluctuation reserve	93	753
	(735,889)	(2,077)
Gain on disposal	735,889	1,698
Goodwill released upon deemed disposal of		
interest in a subsidiary	–	13,230
	–	12,851
Satisfied by:		
Interest in an associate	–	4,764
Loan from an associate	–	2
Prepayments, deposits and other receivables	–	8,979
Trade payables	–	(374)
Other payables	–	(520)
	–	12,851
	–	12,851