

NOTES TO FINANCIAL STATEMENTS

31 July 2000

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

(e) Disposals and deemed disposal of subsidiaries (Continued)

Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposals and deemed disposal of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Cash and cash balances disposed of	(9,409)	(119)
Bank overdrafts disposed of	15,792	—
	<u>6,383</u>	<u>(119)</u>

The subsidiaries disposed of during the period made no significant contribution to the Group's net operating cash inflows but contributed cash inflow of HK\$35 million to the Group's investing activities and utilised cash outflows of HK\$35 million to the Group's financing activities.

The subsidiaries disposed of during the period had contributed HK\$30 million to the turnover and HK\$51 million to the consolidated profit after tax and before minority interest for the period.

(f) Effects of exclusion of an unconsolidated subsidiary in prior year

	1999 HK\$'000
Fixed assets	3,000
Trade receivables	5,507
Prepayments, deposits and other receivables	1,446
Due from group companies	24,964
Trade payables	(9,476)
Other payables, deposits received and accruals	(7,811)
Due to group companies	(21,541)
Deferred tax	(977)
Cash and bank balances	511
	<u>(4,377)</u>

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

(f) Effects of exclusion of an unconsolidated subsidiary in prior year *(Continued)*

Analysis of the net outflow of cash and cash equivalents in respect of the exclusion of the unconsolidated subsidiary

	1999 HK\$'000
Cash and bank balances excluded	511

31. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			31 July 2000	31 March 1999	
			%	%	
UDL Marine Assets (Hong Kong) Limited ⁽¹⁾	Hong Kong	HK\$4,000,000	100	–	Marine engineering
UDL Marine Assets (Singapore) Pte Limited ^{(1) (2)}	Singapore	S\$2,000,000	100	–	Marine engineering

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.

(1) acquired during the period.

(2) not audited by Ernst & Young, Hong Kong or other Ernst & Young International member firms.

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32. CONTINGENT LIABILITIES

As at 31 July 2000, the Company and the Group had contingent liabilities in respect of the Company's undertaking to the trustee of the Schemes that the aggregate disposal proceeds of the Unencumbered Assets and the Accounts Receivables realised under the Schemes shall not be less than HK\$176 million, as further detailed in note 2(b).

The realisation of the Unencumbered Assets and the recovery of the Accounts Receivable are still in progress as at the date of these financial statements. Although it is not possible to estimate the final realisation proceeds, on the basis of knowledge to date, the directors do not consider any provision is currently required.

33. COMMITMENTS

(a) At the balance sheet date, the Group had the following capital commitments:

	Group	
	31 July	31 March
	2000	1999
	HK\$'000	HK\$'000
Capital contributions to certain subsidiaries established in the PRC	<u>–</u>	<u>9,788</u>

As at 31 July 2000, the Company did not have any significant capital commitments.

(b) Annual commitments payable under non-cancellable operating leases in the following year are as follows:

	Group	
	31 July	31 March
	2000	1999
	HK\$'000	HK\$'000
(i) Leases in respect of land and buildings expiring:		
Within one year	1,218	2,126
In the second to fifth years, inclusive	1,069	–
	<u>2,287</u>	<u>2,126</u>

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33. COMMITMENTS *(Continued)*

- (b) Annual commitments payable under non-cancellable operating leases in the following year are as follows: *(Continued)*

	Group	
	31 July	31 March
	2000	1999
	HK\$'000	HK\$'000
(ii) Leases in respect of floating craft and vessels expiring:		
Within one year	—	2,630

As at 31 July 2000, the Company did not have any significant commitments under non-cancellable operating leases.

34. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with related parties, in addition to those related party transactions detailed elsewhere in these financial statements.

		Group	
		Period ended	Year ended
		31 July	31 March
		2000	1999
	Notes	HK\$'000	HK\$'000
Transactions with			
UMAHK and UMASPG	(a)	3,362	—
Rental charges paid to Fonfair Company Limited	(b)	3,702	3,356
Rental charges paid to Sincere Place Limited	(c)	1,392	1,278
Sales of fixed assets to Gitanes Engineering Company Limited ("Gitanes")	(d)	1,769	—
Management service fee paid to Goldfit Engineering Limited	(e)	1,845	—
Sales of fixed assets to Buggy Development Company Limited	(f)	6,176	—
Engineering income from Gitanes		—	2,700
Plant hire income from North Lantau Dredging Limited	(g)	6,371	—

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34. RELATED PARTY TRANSACTIONS (Continued)

- (a) Prior to the acquisition of UMAHK and UMASPG by the Group, UMAHK and UMASPG are shipping agents of the Group in Hong Kong and Singapore, respectively, appointed under standard terms of shipping agent agreement. An analysis of the transactions between the Group and UMAHK and UMASPG are as follows:

	<i>HK\$'000</i>
Plant hire income from UMAHK and UMASPG	8,982
Sale of fixed assets to UMAHK and UMASPG	2,173
Rental income from UMASPG	356
Management service fee paid to UMAHK and UMASPG	(442)
Sale of spare parts to UMAHK	520
Berthing, security, repairs and maintenance charges paid to UMAHK and UMASPG	(8,227)
	<u>3,362</u>

- (b) Fonfair Company Limited is a company in which Mr Leung has beneficial interests. The directors consider that the rental charges were based on rates approximating those of the prevailing market.
- (c) Sincere Place Limited is a company in which Mr Leung and Mrs Leung have beneficial interests. The directors consider that the rental charges were based on rates approximating those of the prevailing market.
- (d) Gitanes was a former associate of the Group and had been transferred to the Newco by the Group as at the balance sheet date. Mr Leung continues to serve as a director throughout the period. The sales of fixed assets are based on the prevailing market prices with reference to the conditions of the fixed assets.
- (e) Goldfit Engineering Limited is a company, of which Mr Leung and Mrs Leung are directors. The management service fee is calculated on cost plus basis.
- (f) Buggy Development Company Limited is a subsidiary of Harbour Front. The sales of fixed assets are based on the prevailing market prices with reference to the conditions of the fixed assets.
- (g) North Lantau Dredging Limited ("NLD") is a company in which Mr Leung has beneficial interests. The plant hire services were provided based on agreements entered into between NLD and UMAHK and UMASPG prior to the acquisition of UMAHK and UMASPG by the Group. The directors consider that the plant hire services were provided according to the standard rates and conditions similar to those offered to other customers of UMAHK and UMASPG.

The balances with the related companies are unsecured, interest-free and have no fixed terms of repayment.

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35. POST BALANCE SHEET EVENT

Pursuant to a restructuring and settlement agreement dated 31 October 2000 (the "Agreement"), the Group agreed with a surety to settle liabilities under indemnities given by the Group, including the KEL Group, for performance bonds executed by the surety on their behalf. Under the Agreement, the KEL Group will admit to an amount of HK\$56 million claimed by the surety in respect of the KEL Group's performance bonds paid before 31 March 1999 and such an amount will be submitted by the surety to the scheme administrator of the KEL Group's schemes of arrangement. In addition, the surety may claim a further amount of up to a maximum of HK\$11 million in respect of executed performance bonds which are paid on behalf of the KEL Group between 28 June 2000 and the second anniversary of the KEL Group's schemes of arrangement. The amount of the additional claims, if any, is dependent on the amount payable by the surety to the obligees in respect of the KEL Group's performance bonds during the aforesaid period. The directors do not consider that any additional provision to the agreed claim amount of HK\$56 million is necessary based on existing information and circumstances. Accordingly, the Group has accrued for the agreed claim amount of HK\$56 million for the year ended 31 March 1999.

36. COMPARATIVE AMOUNTS

As further explained in note 4 to the financial statements, due to the adoption of revised SSAPs during the current year, the presentation of the profit and loss account, the balance sheets and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 29 November 2000.