

Notes to the Financial Statements

For the year ended 31st August, 2000

19. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Import bills loans	229,414	284,743	–	–
Import bills acceptances	221,801	190,036	–	–
Trust receipts	4,552	41,880	–	–
Bank loans	1,261,226	1,347,405	1,067,145	648,715
Bank overdrafts	11,027	9,465	–	151
	1,728,020	1,873,529	1,067,145	648,866
Analysed as:				
Secured	509,089	641,593	–	–
Unsecured	1,218,931	1,231,936	1,067,145	648,866
	1,728,020	1,873,529	1,067,145	648,866
Repayable as follows:				
Within one year or on demand	877,060	893,482	219,470	158,721
More than one year, but not exceeding two years	274,728	400,685	272,275	271,570
More than two years, but not exceeding five years	576,232	579,362	575,400	218,575
	1,728,020	1,873,529	1,067,145	648,866
Less: Amount due within one year or on demand shown under current liabilities	(877,060)	(893,482)	(219,470)	(158,721)
Amount due after one year	850,960	980,047	847,675	490,145

Notes to the Financial Statements

For the year ended 31st August, 2000

20. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Repayable as follows:		
Within one year	23,227	35,760
More than one year, but not exceeding two years	7,607	19,480
More than two years, but not exceeding five years	9,614	11,460
	<u>40,448</u>	<u>66,700</u>
Less: Amount due within one year shown under current liabilities	(23,227)	(35,760)
Amount due after one year	<u>17,221</u>	<u>30,940</u>

21. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
At beginning of the year	32,778	37,055	3,163	2,399
(Credit) charge for the year (note 8)	(1,373)	(4,277)	(346)	764
At end of the year	<u>31,405</u>	<u>32,778</u>	<u>2,817</u>	<u>3,163</u>

At the balance sheet date, the major components of the provision for deferred taxation liabilities (assets) are as follows:

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences attributable to:				
Excess of tax allowances over depreciation	13,416	12,748	165	215
Tax losses	(2,725)	(2,310)	(767)	(315)
Other timing differences	20,714	22,340	3,419	3,263
	<u>31,405</u>	<u>32,778</u>	<u>2,817</u>	<u>3,163</u>

Notes to the Financial Statements

For the year ended 31st August, 2000

21. DEFERRED TAXATION - Continued

Deferred taxation has not been provided on the accumulated surplus arising on the revaluation of leasehold properties and investments in subsidiaries as profits arising on future disposals of these assets would not be subject to taxation. Accordingly, the surplus arising on revaluation does not constitute a timing difference for tax purposes.

Neither the Group nor the Company had any other significant unprovided deferred taxation for the year or at the balance sheet date.

22. SHARE CAPITAL

	2000 & 1999 HK\$'000
Authorised:	
1,400,000,000 shares of HK\$0.20 each	280,000
Issued and fully paid:	
771,658,960 shares of HK\$0.20 each	154,332

There were no changes in the Company's share capital in both years.

Notes to the Financial Statements

For the year ended 31st August, 2000

23. SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 2nd March, 1999 (the "Option Scheme"), the board of directors of the Company may at its discretion offer to full time employees, including full time executive directors, of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the Option Scheme. No option shall be granted under the Option Scheme which would result in the aggregate number of shares issued or issuable or which may be issuable under the Option Scheme to exceed 10% of the issued share capital of the Company at time of granting of the options. No share options were granted under the Option Scheme during the year ended 31st August, 1999. Options in respect of a total of 7,700,000 shares of the Company were granted at a nominal consideration during the year. These share options entitle the holders thereof to subscribe for the Company's shares of HK\$0.20 each at a subscription price of HK\$0.62 per share at any time during a period of not exceeding six months commencing on the expiry of one year after the date on which the option is accepted and expiring on the last day of such period.

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

	Number of share options
At 1st September, 1999	–
Options granted	7,700,000
Options granted but not accepted	(422,000)
Options lapsed	(50,000)
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At 31st August, 2000	7,228,000
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Notes to the Financial Statements

For the year ended 31st August, 2000

24. RESERVES

THE GROUP

	Share premium	Asset			Retained profits	Total
	<i>HK\$'000</i>	Capital revaluation reserve	Translation reserve	reserve	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st September, 1998						
– as previously reported	158,394	67,890	362,993	(15,801)	1,189,246	1,762,722
– prior year adjustment (<i>note 2</i>)	–	–	–	–	(9,751)	(9,751)
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At 1st September, 1998 as restated	158,394	67,890	362,993	(15,801)	1,179,495	1,752,971
Exchange differences arising from translation of financial statements denominated in foreign currencies	–	–	–	(3,766)	–	(3,766)
Profit for the year (as restated)	–	–	–	–	218,226	218,226
Dividends (<i>note 10</i>)	–	–	–	–	(54,017)	(54,017)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1st September, 1999	158,394	67,890	362,993	(19,567)	1,343,704	1,913,414
Reserve arising from increase in interest in a subsidiary	–	594	–	–	–	594
Exchange differences arising from translation of financial statements denominated in foreign currencies	–	–	–	(7,177)	–	(7,177)
Profit for the year	–	–	–	–	186,897	186,897
Dividends (<i>note 10</i>)	–	–	–	–	(54,016)	(54,016)
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At 31st August, 2000	158,394	68,484	362,993	(26,744)	1,476,585	2,039,712

Notes to the Financial Statements

For the year ended 31st August, 2000

24. RESERVES – Continued

THE COMPANY

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st September, 1998				
– as previously reported	158,394	1,561,842	42,486	1,762,722
– prior year adjustment (<i>note 2</i>)	–	(9,751)	–	(9,751)
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At 1st September, 1998 as restated	158,394	1,552,091	42,486	1,752,971
Surplus arising on revaluation of investments in subsidiaries (as restated)	–	94,875	–	94,875
Profit for the year	–	–	119,585	119,585
Dividends (<i>note 10</i>)	–	–	(54,017)	(54,017)
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At 1st September, 1999	158,394	1,646,966	108,054	1,913,414
Surplus arising on revaluation of investments in subsidiaries	–	47,093	–	47,093
Profit for the year	–	–	133,221	133,221
Dividends (<i>note 10</i>)	–	–	(54,016)	(54,016)
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At 31st August, 2000	<u>158,394</u>	<u>1,694,059</u>	<u>187,259</u>	<u>2,039,712</u>

The Group's retained profits include the Group's share of the post acquisition profits retained by jointly controlled entities of approximately HK\$4,247,000 (1999: HK\$3,447,000).

The Company's reserves available for distribution to shareholders as dividends as at 31st August, 2000 comprised the retained profits of approximately HK\$187,259,000 (1999: HK\$108,054,000).

Notes to the Financial Statements

For the year ended 31st August, 2000

25. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000	1999
	HK\$'000	HK\$'000
Profit before taxation	255,325	277,079
Share of results of jointly controlled entities	(1,005)	(1,312)
Interest income	(7,298)	(9,813)
Interest expenses	140,316	142,999
Amortisation of issue costs of convertible guaranteed notes	–	2,746
Bank facilities arrangement fees	23,204	8,371
Deficit arising on revaluation of investment properties	12,529	13,123
Depreciation and amortisation	172,292	156,489
Loss on disposal of property, plant and equipment	546	8,098
Increase in inventories	(122,908)	(99,045)
(Increase) decrease in trade and other receivables	(70,467)	50,716
Decrease in trade and other payables	5,864	68,294
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Net cash inflow from operating activities	408,398	617,745
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Notes to the Financial Statements

For the year ended 31st August, 2000

26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Convertible guaranteed notes	Bank borrowings	Obligations under finance leases and hire purchase contracts
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st September, 1998	352,702	1,417,653	105,711
Amortisation of issue costs	2,746	–	–
Provision for premium	6,649	–	–
Redemption during the year	(362,097)	–	–
New bank borrowings raised	–	1,332,479	–
Repayment of bank borrowings	–	(1,201,550)	–
Inception of finance leases and hire purchase contracts	–	–	23,138
Repayment of obligations under finance leases and hire purchase contracts	–	–	(62,149)
	<hr/>	<hr/>	<hr/>
At 1st September, 1999	–	1,548,582	66,700
New bank borrowings raised	–	1,847,438	–
Repayment of bank borrowings	–	(2,136,238)	–
Inception of finance leases and hire purchase contracts	–	–	11,180
Repayment of obligations under finance leases and hire purchase contracts	–	–	(37,432)
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At 31st August, 2000	–	1,259,782	40,448
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27. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases and hire purchase contracts in respect of the acquisition of plant and equipment. The total capital value at the inception of the leases and contracts was approximately HK\$11,180,000 (1999: HK\$23,138,000).

Notes to the Financial Statements

For the year ended 31st August, 2000

28. COMMITMENTS

THE GROUP

Capital commitments:

At the balance sheet date, the Group had commitments for capital expenditure amounting to approximately HK\$12,638,000 (1999: HK\$19,324,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements.

Operating lease commitments:

At the balance sheet date, the Group had commitments payable in the following year under non-cancellable operating leases as follows:

	2000		1999	
	Land and buildings HK\$'000	Plant and machinery HK\$'000	Land and buildings HK\$'000	Plant and machinery HK\$'000
Operating leases which expire:				
Within one year	379	17	777	17
In the second to fifth year inclusive	1,270	28,344	265	13,868
Over five years	–	15,748	–	11,670
	<u>1,649</u>	<u>44,109</u>	<u>1,042</u>	<u>25,555</u>

THE COMPANY

The Company had no significant capital commitments or operating lease commitments at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st August, 2000

29. CONTINGENT LIABILITIES

THE GROUP

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Discounted bills with recourse	12,959	–
Invoices factored with recourse	25,920	–
	<u>38,879</u>	<u>–</u>

THE COMPANY

- (a) The Company has given limited guarantees to various banks to secure general banking and loan facilities granted to certain subsidiaries. At the balance sheet date, the aggregate amounts utilised by these subsidiaries amounted to approximately HK\$626,546,000 (1999: HK\$1,191,798,000).
- (b) The Company has given limited guarantees to various banks and finance companies to secure finance leases and hire purchase contracts of certain subsidiaries. At the balance sheet date, the aggregate obligations of the subsidiaries under these leases and contracts amounted to approximately HK\$40,448,000 (1999: HK\$66,700,000).
- (c) The Company has given a limited guarantee to the lessor of a subsidiary for rental payment in respect of plant and machinery under a non-cancellable operating lease which expires in February 2005.

30. RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution retirement benefits scheme (the "Retirement Benefit Scheme") for all qualifying employees employed by the Company and its subsidiaries. The assets of the Retirement Benefit Scheme are held separately from those of the Group in funds under the control of trustees.

The retirement benefits cost charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the Retirement Benefit Scheme. Where there are employees who leave the Retirement Benefit Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. At the balance sheet date, there was no significant forfeited contribution, which arose upon employees leaving the Retirement Benefit Scheme, available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$1,532,000 (1999: HK\$1,083,000), amounted to approximately HK\$8,372,000 (1999: 7,486,000) has been charged to the income statement during the year.

Notes to the Financial Statements

For the year ended 31st August, 2000

31. PLEDGE OF ASSETS

At 31st August, 2000, property, plant and equipment of the Company's subsidiaries with an aggregate carrying value of approximately HK\$629,691,000 (1999: HK\$687,936,000) and a short-term bank deposit of the Company of HK\$22,000,000 (1999: HK\$22,000,000) were pledged to banks under fixed charges to secure general banking facilities granted to the Group.

In addition, as at 31st August, 1999 all assets of a subsidiary were pledged to a bank under a floating charge to secure loan facilities granted to that subsidiary.

32. RELATED PARTY DISCLOSURES

- (a) During the year, the Group paid rental expenses amounting to HK\$1,029,000 (1999: HK\$1,260,000) to a company controlled by a director of the Company. The rentals were charged in accordance with the terms of the tenancy agreements entered into between the Group and that company.
- (b) The Group had entered into three loan agreements with banks and financial institutions which require certain specific performance obligations to be complied with by a director of the Company, details of which are set out in the section headed "Disclosure pursuant to Practice Note No. 19 to the Listing Rules" in the Directors' Report.