

28. RECONCILIATION OF LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Loss from ordinary activities before taxation	(32,686)	(50,700)
Interest income	(1,724)	(1,697)
Interest expenses	27,545	42,922
Net realised gain on disposal of marketable securities	—	(2,166)
Net unrealised holding gain on marketable securities	—	(73)
Exchange gain arising on translation of a syndication loan	—	(544)
Amortisation of prepaid rentals	2,239	2,239
Depreciation and amortisation of property, plant and equipment	20,478	20,993
Gain on disposal of Climax Building	(2,102)	—
Gain on winding up of a subsidiary in Singapore	—	(3,852)
(Gain) loss on disposal of property, plant and equipment other than Climax Building	(3,266)	2,035
Effect of foreign exchange rate changes on inter-company balances	231	(798)
(Increase) decrease in inventories	(8,918)	16,751
(Increase) decrease in debtors, deposits and prepayments	(973)	35,706
Decrease in creditors and accrued charges	(5,226)	(41,983)
(Decrease) increase in bills payable	(864)	864
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Net cash (outflow) inflow from operating activities	(5,266)	19,697
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29. WINDING UP OF A SUBSIDIARY

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net liabilities disposed of:		
Bank balances and cash	—	190
Creditors and accrued charges	—	(4,017)
Obligations under finance leases	—	(170)
	<u>—</u>	<u>(3,997)</u>
Translation reserve realised	—	145
	<u>—</u>	<u>145</u>
Gain on winding up of a subsidiary in Singapore	—	(3,852)
	<u>—</u>	<u>(3,852)</u>
Analysis of net cash outflow of cash and cash equivalents in connection with the winding up of a subsidiary:		
Bank balances and cash disposed of	—	(190)
	<u>—</u>	<u>(190)</u>

The subsidiary wound up during the previous year did not have any significant impact on the Group's operating results and cash flows.

30. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Trust receipts, import loans and packing loans <i>HK\$'000</i>	Minority interests including the advances <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>	Amount due to a director <i>HK\$'000</i>
At 1st April, 1999	85,624	451,410	77,835	9,576	2,319	530
Exchange gain arising on translation of a syndication loan	—	(544)	—	—	—	—
Net cash outflow during the year	—	(8,967)	(3,711)	—	—	(530)
Repayment of advances from minority interests	—	—	—	(3,419)	—	—
Share of profits of subsidiaries by minority interests	—	—	—	256	—	—
Share of translation reserve of subsidiaries by minority interests	—	—	—	(8)	—	—
Share of the realisation of translation reserve upon winding up of a subsidiary	—	—	—	7	—	—
Winding up of a subsidiary	—	—	—	—	(170)	—
Principal repayments for obligations under finance leases	—	—	—	—	(1,993)	—
Currency realignment	—	—	—	—	10	—
At 31st March, 2000 and 1st April, 2000	85,624	441,899	74,124	6,412	166	—
Transfer to set off accumulated loss upon capital reduction	(81,874)	—	—	—	—	—
Issue of Subscription Shares for cash	100,000	—	—	—	—	—
Issue of Bank Shares for partial settlement of bank borrowings	422,554	(348,430)	(74,124)	—	—	—
Expenditure incurred for issue of Subscription Shares and Bank Shares	(7,889)	—	—	—	—	—
Issue of new shares for cash upon exercise of warrants	96	—	—	—	—	—
Cash outflow during the year	—	(6,805)	—	—	—	—
Refund of capital contribution to the minority interests of a subsidiary	—	—	—	(4,256)	—	—
Share of profits of subsidiaries by minority interests	—	—	—	10	—	—
Currency realignment	—	—	—	—	(6)	—
Principal repayments for obligations under finance leases	—	—	—	—	(160)	—
At 31st March, 2001	518,511	86,664	—	2,166	—	—

31. MAJOR NON-CASH TRANSACTIONS

On 11th January, 2001, pursuant to the Bank Debt Restructuring Agreement, the Company allotted and issued 1,242,805,271 new shares of HK\$0.01 each to the Bank Creditors at HK\$0.34 per share in partial settlement of the Group's bank borrowings amounting to approximately HK\$422,554,000.

32. PLEDGE OF ASSETS

The Group and the Company have pledged the following assets to secure the bank borrowings and other banking facilities granted by various banks to the Group:

	THE GROUP		THE COMPANY	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Bank deposits/balances	16,866	25,761	16,866	25,761
Leasehold properties	—	17,528	—	—
	16,866	43,289	16,866	25,761

In addition, pursuant to the Standstill Agreement and the deed of supplemental charge as set out in note 3(b) to the financial statements, the Company and certain principal subsidiaries executed a guarantee and debenture to pledge the assets of the Company and these principal subsidiaries to the banks as security for the outstanding bank borrowings of the Group.

33. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Guarantee given to bankers in respect of banking facilities granted to subsidiaries	—	—	834,100	834,100