



31 March 2001

### 33. SHARE CAPITAL, WARRANTS AND SHARE OPTIONS (Continued)

#### Share options (Continued)

Share options expiring on 20 April 2002 (Continued)

Pursuant to the share consolidation of the Company during the year, the total number of shares under the option was further adjusted to 7,875,000 with an exercise price of HK\$1.00 per share.

No options were exercised during the year. At the balance sheet date, the Company had 7,875,000 outstanding share options, the exercise in full of which would, under the present capital structure of the Company, result in the issue of 7,875,000 additional shares of HK\$0.01 each.

### 34. RESERVES

Group	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Special capital reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Exchange fluctuation reserve HK\$'000	Total HK\$'000
At beginning of year							
As previously reported	162,826	—	220,343	925	(196,805)	(718)	186,571
Prior year adjustments (note 4(a))	—	—	—	9,275	(5,565)	—	3,710
As restated	162,826	—	220,343	10,200	(202,370)	(718)	190,281
Issue of shares	532,008	—	—	—	—	—	532,008
Share issue expenses	(19,171)	—	—	—	—	—	(19,171)
Profit retained for the year (restated)	—	—	—	—	10,554	—	10,554
Dividend (note 11)	—	—	(4,378)	—	—	—	(4,378)
At 31 March 2000 and beginning of year (restated)	675,663	—	215,965	10,200	(191,816)	(718)	709,294
Bonus issue of new shares Arising from adjustment in nominal value of the Company's shares	(72,962)	—	—	—	—	—	(72,962)
Reduction of share premium	—	—	355,182	—	—	—	355,182
Issue of shares upon exercise of warrants	(600,000)	—	—	600,000	—	—	—
Share issue expenses	220	—	—	—	—	—	220
Arising from repurchases of shares (note 33(b))	(816)	—	—	—	—	—	(816)
Exchange realignment	—	6,040	—	(5,627)	—	—	413
Loss for the year	—	—	—	—	—	714	714
	—	—	—	—	(317,172)	—	(317,172)
At 31 March 2001	2,105	6,040	571,147	604,573	(508,988)	(4)	674,873



## Notes to Financial Statements

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### 34. RESERVES (Continued)

Losses were accumulated in the Group as follows:

	2001 HK\$'000	2000 HK\$'000 (Restated)
Company and subsidiaries	(505,415)	(151,723)
Associates	(3,573)	(40,093)
	<u>(508,988)</u>	<u>(191,816)</u>

The Group's contributed surplus represents the excess value of the shares acquired over the nominal value of the Company's shares issued in exchange during the Group reorganisation in November 1991 and the transfer from share premium of HK\$600,000,000, less the transfer to capital redemption reserve of HK\$6,040,000.

Company	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Special capital reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At beginning of year	162,826	—	220,343	28,436	(253,033)	158,572
Issue of shares	532,008	—	—	—	—	532,008
Share issue expenses	(19,171)	—	—	—	—	(19,171)
Profit retained for the year	—	—	—	—	10,573	10,573
Dividend ( <i>note 11</i> )	—	—	(4,378)	—	—	(4,378)
At 31 March 2000 and beginning of year	<u>675,663</u>	<u>—</u>	<u>215,965</u>	<u>28,436</u>	<u>(242,460)</u>	<u>677,604</u>
Bonus issue of new shares	(72,962)	—	—	—	—	(72,962)
Arising from adjustment in nominal value of the Company's shares	—	—	355,182	—	—	355,182
Reduction of share premium	(600,000)	—	—	600,000	—	—
Issue of shares upon exercise of warrants	220	—	—	—	—	220
Share issue expenses	(816)	—	—	—	—	(816)
Arising from repurchase of shares ( <i>note 33(b)</i> )	—	6,040	—	(5,627)	—	413
Loss for the year	—	—	—	—	(300,012)	(300,012)
At 31 March 2001	<u>2,105</u>	<u>6,040</u>	<u>571,147</u>	<u>622,809</u>	<u>(542,472)</u>	<u>659,629</u>



31 March 2001

**34. RESERVES** (Continued)

The Company's contributed surplus represents the difference between the fair value of the subsidiaries acquired pursuant to the Group reorganisation in November 1991 and the nominal value of the shares issued by the Company and the transfer from share premium of HK\$600,000,000, less the transfer to capital redemption reserve of HK\$6,040,000. Under the Companies Act 1981 of Bermuda (as amended) (the "Act"), the Company's contributed surplus is distributable to shareholders under certain circumstances as provided in the Act.

As detailed in note 33(c) to the financial statements, the nominal value of the Company's shares was adjusted from HK\$1.00 to HK\$0.01 per share. As a result of this adjustment, a credit balance of HK\$355,182,000 was transferred from the share capital of the Company to the special capital reserve. Under the Act, this special capital reserve is distributable to shareholders under certain circumstances as provided in the Act.

In a special general meeting held on 18 December 2000, a special resolution was passed to cancel share premium of HK\$600,000,000 and transfer the same amount to contributed surplus.



## Notes to Financial Statements

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### 35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$'000	2000 HK\$'000 (Restated)
Profit/(loss) from operating activities	(307,321)	57,093
Interest income	(13,565)	(15,093)
Dividend income from an unlisted investment	(18,337)	—
Gain on disposal of long term investments	(30,083)	—
Reversal of provisions for doubtful debts	(12,446)	(30,049)
Negative goodwill recognised as income	(2,164)	—
Depreciation	1,819	1,756
Loss on disposal of fixed assets	714	41
Loss on disposal of investment properties	2,588	309
Provisions against accounts and loans receivable	20,387	12,228
Amortisation of goodwill	9,855	1,855
Amortisation of investment in a joint venture	39,964	—
Impairment loss of goodwill	197,339	116
Impairment loss of long term investments	26,598	—
Impairment loss of properties held for redevelopment	10,000	—
Unrealised holding losses on investments	33,869	—
Revaluation deficit of investment properties	300	447
Provision against amounts due from associates	—	419
Decrease/(increase) in inventories	136	(1,199)
Decrease/(increase) in prepayments, deposits and other receivables	9,849	(21,606)
Decrease/(increase) in accounts and loans receivable	77,993	(63,709)
Decrease/(increase) in short term investments	1,205	(7,353)
Decrease/(increase) in client trust bank accounts	965	(10,690)
Increase/(decrease) in accounts payable, other payables and accrued expenses	(197,487)	147,347
Increase in amount due to a joint venture	851	—
Net cash inflow/(outflow) from operating activities	<u>(146,971)</u>	<u>71,912</u>



31 March 2001

## 35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

## (b) Analysis of changes in financing during the year

	Share capital (including share premium) HK\$'000	Loans and hire purchase payables HK\$'000	Minority interests HK\$'000	Pledged deposits HK\$'000
At 1 April 1999	183,600	269,876	—	(149,800)
Net cash inflows/(outflows) from financing	<u>783,911</u>	<u>2,929</u>	<u>—</u>	<u>(1,131)</u>
At 31 March 2000 and beginning of year	967,511	272,805	—	(150,931)
Net cash inflows/(outflows) from financing	(6,217)	(205,544)	—	127,288
Arising from capital reorganisation	(355,182)	—	—	—
Arising from acquisition of subsidiaries	—	122,000	244,549	—
Arising from additional investment in a subsidiary	—	—	(19,639)	—
Reduction of share premium	(600,000)	—	—	—
Repurchase of share	(413)	—	—	—
Share of loss for the year	<u>—</u>	<u>—</u>	<u>(21,587)</u>	<u>—</u>
At 31 March 2001	<u>5,699</u>	<u>189,261</u>	<u>203,323</u>	<u>(23,643)</u>



## Notes to Financial Statements

31 March 2001

### 35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

#### (c) Acquisition of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Investment in a joint venture	551,837	—
Cash and bank balances	386	—
Other payables and accrued expenses	(40,451)	—
Bank loan	(122,000)	—
Minority interest	(244,549)	—
Interests in an associate	—	41,800
Due to a shareholder	—	(41,800)
	<u>145,223</u>	<u>—</u>
Goodwill on acquisition	120,733	116
Negative goodwill on acquisition	(9,826)	—
	<u>256,130</u>	<u>116</u>
Satisfied by:		
Cash	166,731	116
Reclassification of interest in an associate	89,399	—
	<u>256,130</u>	<u>116</u>

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2001 HK\$'000	2000 HK\$'000
Balance of consideration paid	(166,731)	(116)
Cash and bank balances acquired	386	—
Net cash outflow in respect of the acquisition of subsidiaries	<u>(166,345)</u>	<u>(116)</u>



31 March 2001

### 35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

#### (c) Acquisition of subsidiaries (Continued)

The subsidiaries acquired during the year contributed HK\$11,618,000 to the Group's net cash outflow from operating activities and received HK\$11,603,000 in respect of the net returns on investments and servicing of finance.

The subsidiaries acquired during the year contributed HK\$528,326,000 and HK\$141,999,000 to the Group's total assets and total liabilities as at 31 March 2001, respectively, and contributed HK\$39,993,000 to the Group's net loss before minority interests for the year then ended.

### 36. COMMITMENTS UNDER OPERATING LEASES

The annual commitments under non-cancellable operating leases of the Group at the balance sheet date are as follows:

	2001 HK\$'000	2000 HK\$'000
Land and buildings expiring:		
Within one year	45	158
In the second to fifth years, inclusive	2,099	1,647
	<u>2,144</u>	<u>1,805</u>

The Company had no commitments under operating leases at the balance sheet date (2000: Nil).

### 37. CAPITAL COMMITMENTS

The capital commitments of the Group at the balance sheet date are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Contracted, but not provided for:		
Investment in an associate	—	5,505
Authorised, but not contracted for:		
Properties held for redevelopment	9,000	9,000
	<u>9,000</u>	<u>14,505</u>

The Company had no capital commitments at the balance sheet date (2000: Nil).



## Notes to Financial Statements

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### 38. CONTINGENT LIABILITIES

As at 31 March 2001, the Company had contingent liabilities in respect of corporate guarantees of approximately HK\$193,205,000 (2000: HK\$249,000,000) given to banks in connection with the banking facilities granted to certain subsidiaries, of which HK\$6,656,000 (2000: HK\$210,416,000) had been utilised as at 31 March 2001.

### 39. POST BALANCE SHEET EVENTS

- (a) On 12 July 2001, the directors proposed a bonus issue of shares of the Company to the shareholders whose names appear on the register of members on 23 August 2001 on the basis of one share for every three shares held. The bonus issue is conditional upon the approval of shareholders at a special general meeting to be held on 23 August 2001.
- (b) As detailed in note 21 to the financial statements, subsequent to the balance sheet date, pursuant to certain restructuring arrangements undertaken by Cyber World for its listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Group exchanged its interest in Cyber World for an interest in Riverhill, the holding company of Cyber World. The shares of Riverhill were listed on 1 June 2001. Following the listing of Riverhill, the Group's interest in Riverhill was diluted to 28%.

### 40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 12 July 2001.