

Notes to the Financial Statements

for the year ended 31st March, 2001

20. INVENTORIES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	427	827
Work in progress	153	110
Finished goods	4,436	3,234
	<u>5,016</u>	<u>4,171</u>

There are finished goods of HK\$2,052,000 (2000: HK\$1,541,000) carried at net realisable value.

21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Costs incurred to date plus recognised profits		
less recognised losses	219,875	204,482
Less: Progress billings	(217,961)	(211,697)
	<u>1,914</u>	<u>(7,215)</u>
Represented by:		
Due from customers included in current assets	2,472	245
Due to customers included in current liabilities	(558)	(7,460)
	<u>1,914</u>	<u>(7,215)</u>

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22. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows credit period ranging from 30 to 120 days to its trade customers.

The following is an aged analysis of trade debtors at 31st March, 2001:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 – 60 days	4,071	8,917
61 – 90 days	1,149	–
> 90 days	2,172	8,601
	<u>7,392</u>	<u>17,518</u>
Other debtors, deposits and prepayments	4,727	8,180
	<u>12,119</u>	<u>25,698</u>

23. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors at 31st March, 2001:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 – 60 days	3,040	2,744
61 – 90 days	339	–
> 90 days	1,771	1,678
	<u>5,150</u>	<u>4,422</u>
Other creditors and accrued expenses	15,272	19,698
	<u>20,422</u>	<u>24,120</u>

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24. SECURED BORROWINGS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Borrowings comprise:		
Bills payable and trust receipt loans	–	575
Bank loans	156,696	150,000
	<u>156,696</u>	<u>150,575</u>
	<u><u>156,696</u></u>	<u><u>150,575</u></u>
The borrowings are repayable as follows:		
Within one year or on demand	–	575
More than one year, but not exceeding two years	156,696	150,000
	<u>156,696</u>	<u>150,575</u>
	<u><u>156,696</u></u>	<u><u>150,575</u></u>
Less: Amount due within one year shown under current liabilities	–	(575)
	<u>–</u>	<u>(575)</u>
Amount due after one year	156,696	150,000
	<u>156,696</u>	<u>150,000</u>
	<u><u>156,696</u></u>	<u><u>150,000</u></u>

25. OBLIGATIONS UNDER A FINANCE LEASE

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
The maturity of obligations under a finance lease is as follows:		
Within one year	92	–
More than one year, but not exceeding two years	115	–
	<u>207</u>	<u>–</u>
	<u><u>207</u></u>	<u><u>–</u></u>
Less: Amount due within one year shown under current liabilities	(92)	–
	<u>(92)</u>	<u>–</u>
Amount due after one year	115	–
	<u>115</u>	<u>–</u>
	<u><u>115</u></u>	<u><u>–</u></u>

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26. MINORITY INTERESTS

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Loans from minority shareholders of a subsidiary	90,618	89,918
Share of net liabilities attributable to minority shareholders of subsidiaries	(87,912)	(81,877)
	<u>2,706</u>	<u>8,041</u>

The loans are unsecured, interest free and have no fixed terms of repayments.

The minority shareholders of a subsidiary have agreed to provide adequate funds to the subsidiary, on a pro rata basis, to meet in full its liabilities as they fall due and not to demand the repayment of the loans due to them until the subsidiary is in a financial position to do so. The minority shareholders have also agreed that any losses of the subsidiary attributable to them can be offset against the loans due to them. Accordingly, the amounts due from the minority shareholders in respect of their share of net liabilities has been recognised and offset against amounts due to them.

27. SHARE CAPITAL

	Number of shares		Amount	
	2001	2000	2001	2000
			HK\$'000	HK\$'000
Shares of HK\$0.10 each				
Authorised:				
At beginning and end of the year	<u>4,000,000,000</u>	<u>4,000,000,000</u>	<u>400,000</u>	<u>400,000</u>
Issued and fully paid:				
At beginning of the year	<u>1,758,943,121</u>	<u>1,349,873,121</u>	<u>175,894</u>	<u>134,987</u>
Issue of new shares	<u>193,050,000</u>	<u>409,070,000</u>	<u>19,305</u>	<u>40,907</u>
At end of the year	<u>1,951,993,121</u>	<u>1,758,943,121</u>	<u>195,199</u>	<u>175,894</u>

Notes to the Financial Statements

for the year ended 31st March, 2001

27. SHARE CAPITAL (Cont'd)

During the year, 193,050,000 new shares of HK\$0.10 each in the Company were issued at a price of HK\$0.20 per share credited as fully paid as partial consideration for the acquisition of the entire issued share capital of Profit View Limited ("Profit View"), a company incorporated in the British Virgin Islands, for consideration of HK\$38,610,000. Profit View beneficially owns approximately 12.88% of the issued share capital of Value-Net Limited, an associate of the Group. The new shares represented approximately 11% of the then issued share capital and approximately 9.9% of the enlarged issued share capital of the Company immediately after the completion of the sale and purchase agreement. The issue price represented a discount of approximately 28.8% to the average closing price of the shares of the Company for the last 10 business days prior to 2nd May, 2000 of HK\$0.281 and a discount of approximately 28.6% to the closing price of HK\$0.280 per share as quoted on the Stock Exchange on 2nd May, 2000, date of the sale and purchase agreement.

The new shares issued rank *pari passu* in all respects with the then existing shares.

28. SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 28th February, 1994 (the "Scheme"), the Board of Directors of the Company may grant options to any directors or employees of the Group to subscribe for shares in the Company at a price not less than the greater of the nominal value of the shares and 80% of the average of the closing price of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the issued share capital of the Company from time to time. An option may be exercised at any time from the date on which the option is granted and prior to the expiry of ten years from that date, provided that, in the five years from the date of grant, the exercise of the option shall be restricted to a cumulative total of 20% of the shares in the Company subject to the option in each year.

Notes to the Financial Statements

for the year ended 31st March, 2001

28. SHARE OPTION SCHEME (Cont'd)

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

Name	Date of grant	Exercise price HK\$	Number of share options		
			Balance at 1.4.2000	Granted (cancelled) Balance at 31.3.2001	
Mr. Wong Chun Hong, director	30.4.1997	0.792	17,700,000	–	17,700,000
	19.6.1997	1.092	3,600,000	–	3,600,000
	25.11.1998	0.105	12,000,000	–	12,000,000
	20.12.1999	0.128	500,000	–	500,000
	14.3.2000	0.330	6,200,000	–	6,200,000
	26.8.2000	0.191	–	6,952,500	6,952,500
Mr. Hui Kwok Wai, director	30.4.1997	0.792	7,440,000	–	7,440,000
	19.6.1997	1.092	2,400,000	–	2,400,000
	25.11.1998	0.105	10,000,000	–	10,000,000
	20.12.1999	0.128	3,000,000	–	3,000,000
	14.3.2000	0.330	6,200,000	–	6,200,000
	26.8.2000	0.191	–	10,352,500	10,352,500
Mr. Cheng Chak Hung, Ian, director	30.4.1997	0.792	3,360,000	–	3,360,000
	19.6.1997	1.092	480,000	–	480,000
	25.11.1998	0.105	1,320,000	–	1,320,000
	20.12.1999	0.128	1,440,000	–	1,440,000
	14.3.2000	0.330	1,200,000	–	1,200,000
	26.8.2000	0.191	–	1,000,000	1,000,000
Mr. Leung Kwong Choi, James, director	30.4.1997	0.792	3,360,000	–	3,360,000
	19.6.1997	1.092	480,000	–	480,000
	25.11.1998	0.105	1,320,000	–	1,320,000
	20.12.1999	0.128	1,440,000	–	1,440,000
	14.3.2000	0.330	1,200,000	–	1,200,000
	26.8.2000	0.191	–	1,000,000	1,000,000
Mr. Lee Sai Kai, David, director	30.4.1997	0.792	3,360,000	–	3,360,000
	19.6.1997	1.092	480,000	–	480,000
	25.11.1998	0.105	2,200,000	–	2,200,000
	20.12.1999	0.128	1,500,000	–	1,500,000
	14.3.2000	0.330	1,200,000	–	1,200,000

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28. SHARE OPTION SCHEME (Cont'd)

Name	Date of grant	Exercise price HK\$	Number of share options		
			Balance at 1.4.2000	Granted (cancelled)	Balance at 31.3.2001
Mr. Ho Chit Hung, Thomas, director	30.4.1997	0.792	2,100,000	–	2,100,000
Mr. Liu Ren Shung, director	14.3.2000	0.330	6,200,000	–	6,200,000
Other employees	30.4.1997	0.792	2,076,000	(216,000)	1,860,000
Other employees	2.5.1997	0.825	480,000	–	480,000
Other employees	18.6.1997	1.092	600,000	–	600,000
Other employees	2.2.1998	0.100	1,081,000	(330,000)	751,000
Other employees	25.11.1998	0.105	2,200,000	–	2,200,000
Other employees	17.11.1999	0.117	370,000	–	370,000
Other employees	20.12.1999	0.128	3,900,000	–	3,900,000
Other employees	14.3.2000	0.330	3,140,000	–	3,140,000
			<u>115,527,000</u>	<u>18,759,000</u>	<u>134,286,000</u>

Consideration of HK\$1 was received from each of the option holders at the time when the options were granted.

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for the year ended 31st March, 2001

29. RESERVES

	Share premium HK\$'000	Goodwill HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	General reserve HK\$'000	Special reserve HK\$'000 (note i)	Contributed surplus HK\$'000 (note ii)	Retained profits (deficit) HK\$'000	Total HK\$'000
THE GROUP									
At 1st April, 1999, as originally stated	288,024	(94,749)	646	268	–	(8,908)	–	(31,106)	154,175
Prior year adjustment in respect of change in accounting policy	–	94,749	–	–	–	–	–	(79,717)	15,032
As restated	288,024	–	646	268	–	(8,908)	–	(110,823)	169,207
Currency realignment	–	–	–	(268)	–	–	–	–	(268)
Transfer	–	–	–	–	271	–	–	(271)	–
Premium arising on issue of shares	28,691	–	–	–	–	–	–	–	28,691
Expenses incurred in connection with issue of shares	(203)	–	–	–	–	–	–	–	(203)
Net loss for the year	–	–	–	–	–	–	–	(24,495)	(24,495)
At 31st March, 2000 – restated	316,512	–	646	–	271	(8,908)	–	(135,589)	172,932
Transfer	–	–	–	–	918	–	–	(918)	–
Premium arising on issue of shares	19,305	–	–	–	–	–	–	–	19,305
Expenses incurred in connection with issue of shares	(82)	–	–	–	–	–	–	–	(82)
Net loss for the year	–	–	–	–	–	–	–	(156,418)	(156,418)
At 31st March, 2001	335,735	–	646	–	1,189	(8,908)	–	(292,925)	35,737
At 31st March, 2000									
– The Company and subsidiaries	316,512	–	646	–	–	(8,908)	–	(144,498)	163,752
– Associates	–	–	–	–	271	–	–	9,505	9,776
– A jointly controlled entity	–	–	–	–	–	–	–	(596)	(596)
	316,512	–	646	–	271	(8,908)	–	(135,589)	172,932
At 31st March, 2001									
– The Company and subsidiaries	335,735	–	646	–	–	(8,908)	–	(261,128)	66,345
– Associates	–	–	–	–	1,189	–	–	(27,343)	(26,154)
– A jointly controlled entity	–	–	–	–	–	–	–	(4,454)	(4,454)
	335,735	–	646	–	1,189	(8,908)	–	(292,925)	35,737
THE COMPANY									
At 1st April, 1999	288,024	–	646	–	–	–	173,869	(308,364)	154,175
Premium arising on issue of shares	28,691	–	–	–	–	–	–	–	28,691
Expenses incurred in connection with issue of shares	(203)	–	–	–	–	–	–	–	(203)
Net loss for the year	–	–	–	–	–	–	–	(2,755)	(2,755)
At 31st March, 2000	316,512	–	646	–	–	–	173,869	(311,119)	179,908
Premium arising on issue of shares	19,305	–	–	–	–	–	–	–	19,305
Expenses incurred in connection with issue of shares	(82)	–	–	–	–	–	–	–	(82)
Net loss for the year	–	–	–	–	–	–	–	(163,394)	(163,394)
At 31st March, 2001	335,735	–	646	–	–	–	173,869	(474,513)	35,737

Notes to the Financial Statements

for the year ended 31st March, 2001

29. RESERVES (Cont'd)

Notes:

- i) The special reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal amount of the share capital of the Company issued as consideration under the group reorganisation in 1994.
- ii) The contributed surplus of the Company represents the difference between the underlying net tangible assets of the subsidiaries acquired by the Company at the date of the group reorganisation less any dividends distributed from the pre-reorganisation reserves and the nominal amount of the Company's share capital issued as consideration for the acquisition.

In addition to the retained profits of the Company, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) the company, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company has no reserves available for distribution to shareholders as at 31st March, 2000 and 31st March, 2001.

Notes to the Financial Statements

for the year ended 31st March, 2001

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

	2001 HK\$'000	2000 HK\$'000
Loss before taxation	(158,082)	(28,645)
Share of results of associates	29,642	(3,885)
Share of result of a jointly controlled entity	258	596
Interest expenses	7	3,072
Interest income	(3,598)	(5,394)
Dividends from listed investments in securities	(89)	(72)
Dividend from unlisted investments in securities	(1,389)	(2,315)
Depreciation and amortisation	1,323	1,441
Loss on disposal of leasehold properties	–	1,144
Amortisation of goodwill	31,657	11,050
Recognition of negative goodwill as income	(7,829)	–
Loss on disposal of property, plant and equipment other than leasehold properties	14	584
Deficit arising on revaluation of investment properties	10,370	433
Doubtful debts written off (recovered)	2,077	(3,232)
Loss (gain) on disposal of investments in securities	108	(1,576)
Impairment loss recognised in respect of properties under development	13,204	12,585
Impairment loss recognised in respect of leasehold properties	–	6,254
Impairment loss recognised in respect of construction in progress	3,681	–
Impairment loss recognised in respect of an associate and related goodwill	61,892	–
Gain on disposal of associates	(8)	–
Gain on disposal of subsidiaries	–	(6,516)
Impairment loss recognised in respect of investment securities	772	–
Net unrealised holding loss on other investments	2,299	876
(Increase) decrease in inventories	(845)	766
Decrease in debtors, deposits and prepayments	11,502	37,320
Decrease in creditors and accrued charges	(3,698)	(2,040)
(Decrease) increase in net amounts due to customers for contract work	(9,129)	72
Exchange adjustment	–	(268)
Net cash (outflow) inflow from operating activities	<u>(15,861)</u>	<u>22,250</u>