

Notes to the Financial Statements

For the Year ended 31st March, 2001

41. RESERVES - continued

	Share premium HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Capital redemption reserve HK\$'000	Special reserve HK\$'000	Warrant reserve HK\$'000	Distributable reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31st March, 2000	82,374	(2,181)	2,461	311	35,131	26,754	517,288	(340,240)	321,898
Premium arising on issue of shares	6,783	—	—	—	—	—	—	—	6,783
Expenses incurred in connection with the issue of shares	(520)	—	—	—	—	—	—	—	(520)
Shares repurchased and cancelled:									
Premium on shares repurchased	(365)	—	—	—	—	—	—	—	(365)
Transfer	(174)	—	—	174	—	—	—	—	—
Goodwill reserve realised upon the partial disposal of a subsidiary to minority shareholders	—	—	1,770	—	—	—	—	—	1,770
Write off of goodwill arising on acquisition of an associate	—	—	(48,674)	—	—	—	—	—	(48,674)
Exchange differences arising on translation of overseas operations	—	1,822	—	—	—	—	—	—	1,822
Net loss for the year	—	—	—	—	—	—	—	(35,473)	(35,473)
At 31st March, 2001	88,098	(359)	(44,443)	485	35,131	26,754	517,288	(375,713)	247,241
Attributable to:									
- the Company and subsidiaries	88,098	(359)	(44,443)	485	35,131	26,754	517,288	(375,713)	247,241
- an associate	—	—	—	—	—	—	—	—	—
	88,098	(359)	(44,443)	485	35,131	26,754	517,288	(375,713)	247,241

Notes to the Financial Statements

For the Year ended 31st March, 2001

41. RESERVES - continued

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Warrant reserve HK\$'000	Contributed surplus HK\$'000	Distributable reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY							
At 1st April, 1999	—	311	—	39,521	517,288	(175,120)	382,000
Premium arising on issue of shares	88,396	—	—	—	—	—	88,396
Expenses incurred in connection with the issue of shares	(6,022)	—	—	—	—	—	(6,022)
Warrant reserve arising from the issue of warrants (note 40)	—	—	28,625	—	—	—	28,625
Expenses incurred in connection with the issue of warrants	—	—	(1,871)	—	—	—	(1,871)
Net loss for the year	—	—	—	—	—	(147,889)	(147,889)
At 31st March, 2000	82,374	311	26,754	39,521	517,288	(323,009)	343,239
Premium arising on issue of shares	6,783	—	—	—	—	—	6,783
Expenses incurred in connection with the issue of shares	(520)	—	—	—	—	—	(520)
Shares repurchased and cancelled: Premium on shares repurchased	(365)	—	—	—	—	—	(365)
Transfer	(174)	174	—	—	—	—	—
Net loss for the year	—	—	—	—	—	(39,177)	(39,177)
At 31st March, 2001	<u>88,098</u>	<u>485</u>	<u>26,754</u>	<u>39,521</u>	<u>517,288</u>	<u>(362,186)</u>	<u>309,960</u>

The special reserve of the Group represents the difference between the aggregate amount of the share capital and share premium account of Tung Fong Hung Medicine Company, Limited, the former holding company of the Group, and the nominal value of the Company's shares issued pursuant to the group reorganisation in 1992.

Notes to the Financial Statements

For the Year ended 31st March, 2001

41. RESERVES - continued

The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the underlying net tangible asset value net of pre-acquisition dividends and realised pre-acquisition investment property revaluation reserve of subsidiaries which were acquired by the Company pursuant to the group reorganisation in 1992.

The distributable reserve of the Group and the Company represents the aggregate of the credit arising from the reduction of nominal value of the consolidated shares from HK\$0.10 each to HK\$0.002 each by cancelling HK\$0.098 paid up on each issued share and the cancellation of share premium account as at 31st October, 1998, after a transfer of HK\$607,193,000 towards the elimination of the deficit of the Company as at 31st October, 1998.

Notes to the Financial Statements

For the Year ended 31st March, 2001

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

	2001 HK\$'000	2000 HK\$'000
Loss before taxation	(49,582)	(187,701)
Share of results of a jointly controlled entity	209	(4,994)
Interest income, other than from short-term loans	(10,775)	(4,535)
Interest expenses	2,936	5,845
Dividend income	(76)	(23)
Depreciation and amortisation	12,480	8,301
Net (gain) loss on disposal of subsidiaries	(53,573)	501
Gain on transfer of certain property interests to a jointly controlled entity	(10,696)	—
Gain on disposal of interest in a jointly controlled entity	(10,674)	—
Unrealised gain on other investments	(4,266)	—
Gain on disposal of investment properties	(975)	—
Write back of provision for loan debtors	(16,000)	—
(Write back of) provision for amounts due from associates - net	(1,483)	16,015
Write back of provision for guarantees given in connection with a disposed subsidiary	(1,776)	—
Provision for diminution in value of properties held for resale	40,900	27,742
Provision for closure of retail outlets	8,643	—
Loss on disposal of investment securities	4,010	—
Loss on disposal of property, plant and equipment	8,684	3,178
Forfeiture of deposits made on acquisition of a property	4,149	—
Deficit arising on revaluation of investment properties	180	20,695
Loss on disposal of properties under development	47	—
Loss on disposal of investment properties	—	1,725
Write back of provision for diminution in value of other investments	—	(16,360)
Provision against the carrying value of inventories	—	424
Provision for impairment in value of investment securities	—	79,490
Provision for diminution in value of properties under development	—	34,096
Waiver of a portion of other long-term loans	—	(25,515)
Provision for bad and doubtful debts	422	2,123
Increase in properties held for resale	—	(107,742)
(Increase) decrease in inventories	(10,683)	5,962
Decrease in trade and other receivables	5,788	34,636
Decrease in short-term loans	77,353	12,230
Decrease in option right acquired for acquisition of properties under development	30,000	—
Decrease in investments in securities	20,029	713
Decrease in trade and other payables	(4,759)	(28,067)
Decrease in margin accounts with brokers	—	(332)
Net cash inflow (outflow) from operating activities	<u>40,512</u>	<u>(121,593)</u>

Notes to the Financial Statements

For the Year ended 31st March, 2001

43. DISPOSAL OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of (net liabilities eliminated):		
Trade and other receivables	2,075	78
Bank balances and cash	4	4,056
Trade and other payables	—	(851)
Deposit received from disposal of properties held for resale	<u>(58,261)</u>	<u>—</u>
Net (liabilities) assets	<u>(56,182)</u>	<u>3,283</u>
Gain (loss) on disposal of subsidiaries	56,182	(501)
Translation reserve realised on disposal	<u>—</u>	<u>(299)</u>
	<u>—</u>	<u>2,483</u>
Satisfied by:		
Cash consideration received	<u>—</u>	<u>2,483</u>
Analysis of net outflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration received	—	2,483
Bank balances and cash disposed of	<u>(4)</u>	<u>(4,056)</u>
Net outflow of cash and cash equivalents in connection with the disposal of subsidiaries	<u>(4)</u>	<u>(1,573)</u>

The subsidiaries disposed of during the years ended 31st March, 2001 and 2000 did not have significant impact on the Group's cash flows, turnover and operating results.