

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$'000	2000 HK\$'000
Loss from operating activities	(308,931)	(377,442)
Depreciation	10,970	31,850
Amortisation of deferred income	(1,214)	(11,699)
Interest income	(30,149)	(34,411)
Loan payable waived by a minority shareholder of a subsidiary	(21,000)	—
Provisions against properties held for sale	47,257	25,288
Provision for compensation loss	15,000	—
Deposits forfeited	33,000	—
Unrealised losses of other investments	71,509	—
Write-off of doubtful debts	2,250	—
Write-off of goodwill in respect of impairment in value of an investment in a subsidiary	43,864	176,106
Deficit on revaluation of investment properties	—	7,572
Loss on disposal of subsidiaries	21,941	6,765
Loss on foreclosure of the interest in an other investment	85,000	—
Loss on disposal of fixed assets	—	144
Development expenditure on properties under development	(6,971)	(71,340)
Decrease/(increase) in trade receivables, prepayment, deposits and other receivables	(32,994)	9,561
Decrease in inventories	1,441	7,133
Increase in trade payables, other payables and accrued liabilities	34,322	81,550
Increase in deposits received	—	8,972
Decrease in amounts due to Directors	(5,150)	(5,884)
Net cash outflow from operating activities	<u>(39,855)</u>	<u>(145,835)</u>

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing

	Share capital (including premium) HK\$'000	Bank loans, other loans and loan from a minority shareholder of a subsidiary HK\$'000	Obligations under finance lease HK\$'000
Balance at 1st April, 1999	1,081,533	978,514	—
Inception of a finance lease	—	—	862
Transferred to contributed surplus upon reduction of capital	(123,294)	—	—
Non-cash transactions	54,000	101,787	—
Net cash inflow/(outflow) from financing activities	<u>265,305</u>	<u>80,470</u>	<u>(37)</u>
Balance at 31st March, 2000 and 1st April, 2000	1,277,544	1,160,771	825
Disposal of subsidiaries	—	(924,171)	—
Non-cash transactions	109,812	29,369	—
Net cash inflow/(outflow) from financing activities	<u>157,073</u>	<u>70,569</u>	<u>(450)</u>
Balance at 31st March, 2001	<u>1,544,429</u>	<u>336,538</u>	<u>375</u>

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Disposal of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Fixed assets	704,657	—
Properties under development	844,955	—
Loan receivable	99,835	—
Properties held for sale	78,744	—
Inventories	6,382	—
Trade receivables, prepayments, deposits and other receivables	121,384	—
Pledged bank deposits	16,648	—
Cash and bank balances	160	—
Other investment	—	9,245
Option to acquire shares in a private company	—	30,000
Trade payables, other payables and accrued liabilities	(613,179)	(7)
Deposits received	(119,695)	—
Tax payable	(125,417)	—
Amount due to a related company	(67)	—
Amount due to a minority shareholder of a subsidiary	(60,600)	—
Interest-bearing bank and other borrowings	(984,069)	—
Amounts due to group companies	(343,612)	(70,048)
Net deficiency in assets disposed of	(373,874)	(30,810)
Amounts due from subsidiaries disposed of	343,612	70,048
Release of reserves upon disposal:		
Goodwill reserve	53,844	—
Investment properties revaluation reserve	15,228	—
Other asset revaluation reserve	1,724	—
Exchange fluctuation reserve	(3,393)	—
Loss on disposal	(21,941)	(6,765)
Consideration	<u>15,200</u>	<u>32,473</u>
Satisfied by:		
Cash	9,800	500
Properties held for sale	5,400	—
Offset of other loan	—	30,000
Offset of accrued interest	—	1,973
	<u>15,200</u>	<u>32,473</u>

During the year, the subsidiaries disposed of contributed HK\$1,144,000 to the Group's net operating cash outflows, paid HK\$25,257,000 in respect of the net returns on investments and servicing of finance, and utilised HK\$2,154,000 and raised HK\$22,474,000 for investing activities and financing activities, respectively.

The subsidiaries disposed of in prior year had no significant impact on the Group's cash flows for the year ended 31st March, 2000.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Disposal of subsidiaries (continued)

The subsidiaries disposed of during the year contributed HK\$26,853,000 to the Group's turnover and HK\$23,827,000 to the Group's loss before tax.

The results of the subsidiaries disposed of in the prior year had no significant impact on the Group's turnover and loss before tax for the year ended 31st March, 2000.

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2001 HK\$'000	2000 HK\$'000
Cash and bank balances disposed of	(160)	—
Bank overdrafts disposed of	59,898	—
Cash consideration	9,800	500
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>69,538</u>	<u>500</u>

(d) Major non-cash transactions

- (i) During the year, the Group obtained further other loans of HK\$27,150,000 (2000: HK\$84,397,000) to finance an equivalent amount of the loans to an associate. The loans were directly advanced from the lender to the associate.
- (ii) During the year, 7,741,206,000 new ordinary shares of the Company were issued at a total consideration of approximately HK\$109,812,000 as purchase consideration to acquire certain other investments, PiLink and vLink (notes 26(d) & (g)).
- (iii) During the year, an investment with a carrying value of HK\$90 million, which was acquired during the year and pledged to a financial creditor (the "Creditor") as a security of a loan facility, was disposed of by the Creditor at a consideration of HK\$5 million for the partial settlement of the loans due to the Creditor by the Group and thereby resulted in a loss of HK\$85 million.
- (iv) During the year, certain investment properties amounted to HK\$108,085,000 were reclassified to properties held for sale.
- (v) There were no attributable cash flows in respect of a loan payable waived by a minority shareholder of a subsidiary of HK\$21 million during the year.

In addition to the above, the Group also accrued a total of HK\$28,219,000 (2000: HK\$17,390,000) interest expenses for the year for other loans and HK\$19,625,000 (2000: HK\$13,822,000) interest income for the year for loans to an associate. These amounts were included in the respective loan accounts.

29. PLEDGES OF ASSETS

The secured other loan of the Group at the balance sheet date was secured by way of a first legal charge over the shares in an associate together with the assignment and transfer of all dividends or any other distributions deriving therefrom.

Pursuant to a loan agreement dated 23rd March, 2001, the Financial Creditor granted a loan facility to the Group to the extent of HK\$29.5 million. The loan facility is secured by the Group's entire interest in a subsidiary, certain properties held for sale with a carrying value of HK\$50 million and an other investment, PiLink, with a carrying value of HK\$76 million as at 31st March, 2001. The loan was subsequently drawn down in April 2001. This secured loan bears interest at Hong Kong dollar prime rate plus 5% per annum and is repayable on 3rd July, 2001. The Group is currently negotiating with the Financial Creditor to reschedule the repayment period of this loan.

As at 31st March, 2000, the Group's banking facilities were secured by (i) charges over certain properties under development, investment properties, leasehold properties and properties held for sale owned by the Group in the PRC with a total carrying value of approximately HK\$1,188 million; (ii) bank deposits of the Group with a total carrying value of approximately HK\$17 million; and (iii) rights to receive rentals of certain car parking spaces of the investment properties.

30. COMMITMENTS

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
Capital commitments in respect of property development projects:		
Authorised, but not contracted for	—	—
Contracted, but not provided for	—	371,967
	<u>—</u>	<u>371,967</u>
Capital commitments in respect of investments in joint ventures:		
Authorised, but not contracted for	—	—
Contracted, but not provided for	—	174,630
	<u>—</u>	<u>174,630</u>
Capital commitments in respect of property, plant and equipment:		
Authorised, but not contracted for	—	—
Contracted, but not provided for	—	631
	<u>—</u>	<u>631</u>
	<u>—</u>	<u>547,228</u>