

5. PROFIT FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration (<i>note 11(a)</i>)	7,625	9,320
Other staff costs, including retirement benefits scheme contributions	13,379	17,908
Total staff costs	21,004	27,228
Auditors' remuneration	549	961
Depreciation and amortisation on:		
- owned assets	2,288	3,903
- assets held under finance leases	90	152
- permanent textile quota entitlements	19,045	27,257
Loss on disposal of other investments	522	—
Loss on disposal of property, plant and equipment, other than property interests	—	4,060
Purchased temporary textile quota entitlements utilised	1,284	2,836
Rental in respect of premises under operating leases	31	8,247
Unrealised loss on other investments - other than 21CN (<i>see note 6</i>)	140	—
Write-off/provision for doubtful debts	7,962	22,532
and after crediting:		
Dividend income from other investments	—	11
Gain on disposal of other investments	—	23,319
Gain on disposal of property, plant and equipment	74	—
Interest income	2,534	856
Rental income, net of outgoings of HK\$438,000 (2000: HK\$4,404,000)	19,287	27,820
Unrealised gain on other investments	—	35

6. UNREALISED GAIN ON OTHER INVESTMENTS

The amount represents the unrealised gain on revaluation of the Group's investments in shares of 21CN CyberNet Corporation Limited ("21CN") to fair value at 31 March 2001 (see also note 7).

7. LOSS ON DEEMED DISPOSAL OF A SUBSIDIARY

As announced by the Company on 17 February 2000, the Company entered into a conditional agreement dated 7 February 2000, as amended by a supplemental agreement dated 14 February 2000, with 21CN and two outside parties (“Subscribers”) relating to the subscription by the Subscribers for 2,297,377,680 new shares in the capital of 21CN (“Subscription Agreement”). Completion of the subscription (“Completion”) took place on 15 May 2000 and the Group’s interest in 21CN was reduced from approximately 62.7% (after placement of shares of 21CN by the Group as referred to in note 8) to approximately 13.8% of 21CN’s then capital as enlarged by the subscription. The Group’s remaining investment in 21CN is classified as other investments and is carried at fair value in the consolidated balance sheet as at 31 March 2001 (see note 21).

A loss of HK\$8,205,000 resulted from the deemed disposal of 21CN and its subsidiaries (collectively “21CN Group”). An unrealised gain arose on measuring the Group’s investment in 21CN at fair value at 31 March 2001 which amounted to HK\$131,034,000. 21CN Group did not make any significant contribution to the results and cash flows of the Group during the year.

The Company has undertaken with the Subscribers that out of the 485,965,700 shares of 21CN held by the Group as at the date of the Subscription Agreement, it shall dispose of 291,579,420 shares (including 80,000,000 shares sold through the placing arrangement referred to in note 8) in the issued capital of 21CN, representing approximately 9.9% of 21CN’s then enlarged share capital, during the one-year period after Completion and deposit the sale proceeds, saved for those arising from the placing arrangement, up to a maximum of HK\$50 million with the escrow agent. When the amount standing to the credit of the escrow account reaches HK\$50 million, the obligation on the Company to dispose of shares of 21CN shall cease. As announced by the Company on 15 May 2001, the Company entered into an agreement on the same day with two independent third parties, under which the Company agreed to dispose of 211,579,420 shares of 21CN for a consideration of HK\$88,863,356.40 which was agreed with reference to the then market value of the shares of 21CN with no premium nor discount. HK\$5,000,000 was received by the Group in accordance with the terms of the agreement. The balance of HK\$83,863,356.40 is to be paid on 15 May 2002. Completion of the agreement took place on 1 June 2001 following which the Company has no further obligation under the Subscription Agreement to dispose of its remaining interest in the issued share capital of 21CN.

The Company further warrants that the aggregate gross proceeds of properties of 21CN Group as at 31 March 2000 (if successfully disposed of) and the market value (as appraised by an independent valuer approved by the escrow agent) of those properties that have not been disposed of within three years from Completion shall not be less than HK\$200 million. The Subscribers shall be entitled to be compensated for any shortfall out of the sale proceeds of shares of 21CN deposited with the escrow agent described above, on a dollar to dollar basis, which is limited to the amount that has been deposited with the escrow agent. After taking advices from independent professional property valuer, the directors of the Company are of the opinion that there is no shortfall of the value of these properties. Should the directors consider that there is a shortfall in the value of the properties within the three years from Completion, the extent of shortfall will be charged to the income statement immediately.

Details of the above are set out, inter alia, in the circulars of the Company dated 10 March 2000 (and approved by the shareholders at a special general meeting of the Company held on 27 March 2000) and 5 June 2001.

8. GAIN ON DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

As referred to in note 7 above and as approved by the shareholders at a special general meeting of the Company held on 27 March 2000, the Group disposed of, through a placing arrangement, 80,000,000 shares of 21CN at a price of HK\$1.20 per share.

The disposal was completed on 29 March 2000, resulting in a gain of HK\$82,761,000, and the Group's then interest in 21CN was reduced from approximately 75.0% to approximately 62.7%.

9. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on:		
- bank borrowings wholly repayable within five years	31,069	56,762
- bank borrowings not wholly repayable within five years	—	183
- other loans	—	4,988
- obligations under finance leases	46	76
	<u>31,115</u>	<u>62,009</u>

10. DISCONTINUED OPERATIONS

In December 1999, the Group ceased its retailing and department stores operations. The turnover and loss from operations in respect of the discontinued operations, accounted for up to the date of discontinuance, were as follows:

	2001 HK\$'000	2000 HK\$'000
Turnover	—	4,970
Loss from operations	—	(30,296)

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' emoluments

	2001 HK\$'000	2000 HK\$'000
Directors' fees:		
Executive	—	—
Independent non-executive	200	200
	<u>200</u>	<u>200</u>
Other emoluments paid to executive directors:		
Salaries and other benefits	6,600	8,820
Performance related incentive payments	540	—
Retirement benefits scheme contributions	285	300
	<u>7,425</u>	<u>9,120</u>
Total directors' emoluments	<u><u>7,625</u></u>	<u><u>9,320</u></u>

The emoluments of the directors fall within the following bands:

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,500,001 to HK\$4,000,000	1	—
HK\$5,000,001 to HK\$5,500,000	—	1
	<u>6</u>	<u>5</u>