

27. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
The maturity of obligations under finance leases is as follows:		
Within one year	19	114
Between one to two years	19	133
Between two to five years	60	210
	<u>98</u>	<u>457</u>
Less: Amount due within one year shown under current liabilities	(19)	(114)
Amount due after one year	<u>79</u>	<u>343</u>

28. SECURED BORROWINGS

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
The borrowings comprise:		
Bank loans	340,126	439,643
Building loans	22,500	22,500
Packing loan	—	8,000
Other loans	—	31,038
Bank overdrafts	3,528	62,465
	<u>366,154</u>	<u>563,646</u>
Less: Amount due within one year shown under current liabilities	(366,154)	(561,149)
Amount due after one year	<u>—</u>	<u>2,497</u>
The borrowings bear interest at prevailing market rates and are repayable as follows:		
Within one year or on demand	366,154	561,149
Between one to two years	—	287
Between two to five years	—	860
Over five years	—	1,350
	<u>366,154</u>	<u>563,646</u>

29. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Share of HK\$0.10 each		
Authorised:		
At 31 March 2000 and 31 March 2001	30,000,000,000	3,000,000
Issued and fully paid:		
At 1 April 1999	204,270,702	20,427
Rights issue of shares at a price of HK\$0.30 per rights share	102,135,351	10,213
Rights issue of shares at a price of HK\$0.23 per rights share	306,406,053	30,641
At 31 March 2000	612,812,106	61,281
Issue of new shares at a price of HK\$0.23 per share	122,562,000	12,256
At 31 March 2001	735,374,106	73,537

As announced by the Company on 19 October 2000, Magical Profits Limited, which is beneficially owned by The Magical 2000 Trust, the beneficiaries of which include Lui Yuk Chu, a director of the Company, and her family members, conditionally agreed to place through its placing agent, Core Pacific - Yamaichi Securities (H.K.) Limited, 77,532,000 then existing shares of the Company (the "Placing Shares") and to subscribe for 122,562,000 new shares of HK\$0.10 each in the capital of the Company (the "Subscription Shares") at a price of HK\$0.23 per share which represents a premium of approximately 0.88% to the closing price of HK\$0.228 per share quoted on the Stock Exchange on 19 October 2000. The Placing Shares were placed to not less than six placees. The placees and the placing agent are independent of, not connected with and not acting in concert with Magical Profits Limited or its associates or its concert parties. They are also independent of, not connected with and not acting in concert with Company's directors, chief executive or substantial shareholders, subsidiaries or any associates or any of them. The Placing Shares represented approximately 12.7% of the then existing issued share capital of the Company and approximately 10.5% of the Company's then enlarged capital. The net proceeds from the subscription amounted to approximately HK\$27.5 million of which approximately HK\$25.0 million was used to repay bank borrowings and approximately HK\$2.5 million was used as the Group's general working capital.

The placement and the subscription was completed in November 2000. The interest of Magical Profits Limited in the issued share capital of the Company prior to and subsequent to the placement and the subscription was approximately 36.7%.

All shares issued rank pari passu with the then existing shares in issue in all respects.

30. SHARE OPTION SCHEME

The Company has a share option scheme approved at the special general meeting of the Company held on 10 January 1995. Under the scheme the directors may at their discretion grant options to executive directors and full time employees of the Company and its subsidiaries to subscribe for shares in the Company. Options granted under the scheme will entitle the holder to subscribe for shares within ten years from the date the option is granted. The subscription price of the options shall be at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares of the Company on the Stock Exchange on the five trading days immediately preceding the date of the offer to grant an option.

A summary of the movements of share options during the year is as follows:

Date of grant	Exercisable period	Exercise price HK\$	At 1 April 2000	Number of share options		At 31 March 2001
				Granted during the year	Lapsed during the year	
18 June 1999	Up to 17 June 2000	0.246	15,456,300	—	(15,456,300)	—
10 November 2000	Up to 9 February 2001	0.189	—	43,832,000	(43,832,000)	—

No share options have been exercised during the year.

The Company received notional consideration for options granted during the year.

On 10 April 2001, 43,832,000 share options were granted at an exercise price of HK\$0.124 per share. In addition, 43,832,000 share options were granted at an exercise price of HK\$0.135 per share on 19 July 2001.

31. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP							
Balance at 1 April 1999	932,107	796,656	7,862	9,800	3,107	(1,725,750)	23,782
Premium arising from rights issues of shares during the year	60,260	—	—	—	—	—	60,260
Exchange difference arising from translation of financial statements of foreign subsidiaries	—	—	—	—	91	—	91
Net profit for the year	—	—	—	—	—	32,298	32,298
Balance at 31 March 2000	992,367	796,656	7,862	9,800	3,198	(1,693,452)	116,431
Premium arising from issue of new shares during the year	15,933	—	—	—	—	—	15,933
Realised on deemed disposal of a subsidiary	—	—	—	—	(3,198)	—	(3,198)
Net profit for the year	—	—	—	—	—	143,311	143,311
Balance at 31 March 2001	<u>1,008,300</u>	<u>796,656</u>	<u>7,862</u>	<u>9,800</u>	<u>—</u>	<u>(1,550,141)</u>	<u>272,477</u>
	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
THE COMPANY							
Balance at 1 April 1999		932,107	796,656	48,369	(1,754,568)		22,564
Premium arising from rights issues of shares during the year		60,260	—	—	—		60,260
Net profit for the year		—	—	—	20,988		20,988
Balance at 31 March 2000		992,367	796,656	48,369	(1,733,580)		103,812
Premium arising from issue of new shares during the year		15,933	—	—	—		15,933
Net loss for the year		—	—	—	(1,855)		(1,855)
Balance at 31 March 2001		<u>1,008,300</u>	<u>796,656</u>	<u>48,369</u>	<u>(1,735,435)</u>		<u>117,890</u>

31. RESERVES - *continued*

The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital and share premium of the companies now forming the Group pursuant to the group reorganisation prior to the listing of the Company's shares in 1995.

The capital reserve of the Company represents the credit arising from the reduction of the share capital of the Company, which was effected by reduction of the nominal value of the consolidated shares from HK\$4.00 each to HK\$0.10 each, pursuant to a special resolution passed on 10 July 1998.

The contributed surplus of the Company represents the difference between the value of the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company under the group reorganisation in 1995, less dividend received from the subsidiaries' pre-reorganisation accumulated profits.

Under the laws in Bermuda, the contributed surplus account of a company is also available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

The Company has no distributable reserve at the balance sheet date of both years.

32. DEFERRED TAXATION

At the balance sheet date, the Group had estimated tax losses carried forward available to relieve future assessable profits. The potential deferred tax asset of HK\$49,033,000 (2000: HK\$96,170,000) has not been recognised in the financial statements as it is not certain that the benefit will be utilised in the foreseeable future. There were no other significant timing differences arising during the year or at the balance sheet date.

The surplus or deficit arising on revaluation of the Group's properties does not constitute a timing difference for taxation purposes as any profits or losses realised on their future disposals would not be subject to taxation.

The Company did not have any significant unprovided deferred taxation arising during the year or at the balance sheet date.