

33. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	157,961	20,772
Interest income	(2,534)	(856)
Interest expenses	31,069	61,933
Finance charges on obligations under finance leases	46	76
Dividend income	—	(11)
(Reversal of deficit) deficit arising on revaluation of investment properties	(4,300)	25,350
Gain on disposal of partial interest in a subsidiary	—	(82,761)
Provision for diminution in value of properties held for sale	2,000	9,768
Write-down of leasehold land and buildings	—	3,193
Write-down of properties under development	—	2,133
Depreciation of property, plant and equipment	2,378	4,055
Amortisation of permanent textile quota entitlements	19,045	27,257
Loss on deemed disposal of a subsidiary	8,205	—
Loss on disposal of subsidiaries	701	—
Loss on disposal of permanent textile quota entitlements	133	233
Loss on disposal of investment properties	—	3,149
(Gain) loss on disposal of property, plant and equipment	(74)	4,060
Gain on disposal of properties held for sale	—	(480)
Loss (gain) on disposal of other investments	522	(23,319)
Unrealised gain on other investments - 21CN	(131,034)	—
Unrealised loss (gain) on other investments - other than 21CN	140	(35)
Increase in inventories	(2,074)	(266)
Decrease in trade and other receivables	33,197	31,546
(Increase) decrease in bills receivable	(32,151)	9,413
Decrease in trade and other payables	(21,047)	(41,976)
Increase (decrease) in bills payable	450	(488)
(Decrease) increase in amount due to a director	(1,920)	1,920
Effect of foreign exchange rate changes on intercompany balances	—	473
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Net cash inflow from operating activities	<u>60,713</u>	<u>55,139</u>

34. DEEMED DISPOSAL OF A SUBSIDIARY

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Property, plant and equipment	62,195	—
Investment properties	152,100	—
Inventories	4,542	—
Trade and other receivables	1,552	—
Taxation recoverable	119	—
Bank balances and cash	1,222	—
Trade and other payables	(36,156)	—
Taxation payable	(34)	—
Bank borrowings other than bank overdrafts	(93,292)	—
Bank overdrafts	(36,893)	—
Minority interests	(21,157)	—
	<u>34,198</u>	—
Translation reserve realised upon deemed disposal of a subsidiary	(3,198)	—
Loss on deemed disposal of a subsidiary	(8,205)	—
Expenses incurred in connection with the deemed disposal of a subsidiary	438	—
	<u>23,233</u>	—
Represented by:		
Other investments	<u>23,233</u>	—
Analysis of changes in cash and cash equivalents in connection with the deemed disposal of a subsidiary:		
Bank balance and cash disposed of	(1,222)	—
Bank overdrafts eliminated	36,893	—
	<u>35,671</u>	—
Expenses incurred in connection with the deemed disposal of a subsidiary	(438)	—
	<u>35,233</u>	—

The subsidiary deemed to be disposed of did not have any significant impact on the results and cash flows of the Group during the year.

35. DISPOSAL OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Properties held for sale	39,000	—
Trade and other receivables	782	—
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	39,782	—
Loss on disposal of subsidiaries	(701)	—
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	39,081	—
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Satisfied by:		
Cash consideration	39,100	—
Expenses incurred in connection with the disposal of subsidiaries	(19)	—
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	39,081	—
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The subsidiaries disposed of did not have any significant impact on the results and cash flows of the Group during the year.

36. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital subscription and share premium HK\$'000	Over- money payable HK\$'000	Obligations under finance leases HK\$'000	Bank loans HK\$'000	Other loans HK\$'000	Minority interests HK\$'000
Balance at 1 April 1999	952,534	—	557	697,196	50,038	31,443
Proceeds from rights issues of shares	101,114	280,583	—	—	—	—
New loans raised	—	—	—	72,181	—	—
Repayment	—	—	(100)	(299,234)	(19,000)	—
On dilution of interest in a subsidiary	—	—	—	—	—	6,977
Minority interests in the losses of subsidiaries	—	—	—	—	—	(17,294)
Share of reserves by minority interests	—	—	—	—	—	31
Balance at 31 March 2000	1,053,648	280,583	457	470,143	31,038	21,157
Proceeds from issue of new shares	28,189	—	—	—	—	—
Inception of finance leases	—	—	98	—	—	—
Repayment	—	(280,583)	(457)	(14,225)	(31,038)	—
On deemed disposal of a subsidiary	—	—	—	(93,292)	—	(21,157)
Balance at 31 March 2001	1,081,837	—	98	362,626	—	—

37. PLEDGE OF ASSETS

Under the standstill agreement as mentioned in note 2, debentures have been executed by the Group in favour of its bankers charging, by way of fixed and floating charges, all of the undertakings, properties and assets of the Company and its subsidiaries (except for those subsidiaries operating outside Hong Kong) as security for, inter alia, all obligations and liabilities, actual or contingent, from time to time owing by the Group to the bankers. Rental revenue of the Group is also charged in favour of the Group's bankers.

38. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bills discounted with recourse	8,716	13,200	—	—
Guarantees given in lieu of utility deposits	—	200	—	—
Corporate guarantees given to banks in respect of credit facilities granted to subsidiaries	—	—	1,059,311	1,059,311
	<u>8,716</u>	<u>13,400</u>	<u>1,059,311</u>	<u>1,059,311</u>

Details of the warrantees provided by the Company regarding gross proceeds and market value of properties of 21CN Group held as at 31 March 2000 within three years from completed on 15 May 2000 are described in note 7. In the opinion of the directors, no provision at 31 March 2001 in respect of such warrantees is necessary.

39. CAPITAL COMMITMENTS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
- development of properties	6,111	—
- acquisition of other property, plant and equipment	373	643
	<u>6,484</u>	<u>643</u>

The Company had no significant capital commitments at the balance sheet date.