

NOTES TO FINANCIAL STATEMENTS

31 December 2001

26. Reserves (continued)

Group

	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Goodwill HK\$'000 (Restated)	Property revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ accumulated losses HK\$'000	Total HK\$'000
At beginning of year:									
As previously stated	1,188,222	208,263	—	980	(1,029,642)	14,337	(53,748)	297,957	626,369
Prior year adjustments – Note 13	—	—	—	—	418,029	—	—	(418,029)	—
As restated	1,188,222	208,263	—	980	(611,613)	14,337	(53,748)	(120,072)	626,369
Capital reserve arising from deemed disposal of an associate	—	—	313	—	—	—	—	(313)	—
Repurchase of shares	(12,847)	—	—	1,099	—	—	—	(1,099)	(12,847)
Deficit on revaluation	—	—	—	—	—	(1,115)	—	—	(1,115)
Exchange realignment on translation of the financial statement of:									
— overseas subsidiaries*	—	—	—	—	—	—	(5,525)	—	(5,525)
— overseas associates	—	—	—	—	—	—	(32,394)	—	(32,394)
— released on deemed disposal	—	—	—	—	9,156	—	922	—	10,078
Profit for the year	—	—	—	—	—	—	—	96,561	96,561
Transferred to capital reserves	—	—	1,763	—	—	—	—	(1,763)	—
Overprovision for prior year's dividend – Note 11	—	—	—	—	—	—	—	94	94
2001 interim dividend – Note 11	(15,869)	—	—	—	—	—	—	—	(15,869)
2001 final dividend proposed	(15,739)	—	—	—	—	—	—	—	(15,739)
At 31 December 2001	1,143,767	208,263	2,076	2,079	(602,457)	13,222	(90,745)	(26,592)	649,613
Reserves retained by:									
Company and subsidiaries	1,143,767	208,263	313	2,079	(602,457)	13,222	(22,982)	(136,325)	605,880
Associates	—	—	1,763	—	—	—	(67,763)	109,733	43,733
31 December 2001	1,143,767	208,263	2,076	2,079	(602,457)	13,222	(90,745)	(26,592)	649,613
Company and subsidiaries	1,188,222	208,263	—	980	(611,613)	14,337	(17,457)	(209,694)	573,038
Associates	—	—	—	—	—	—	(36,291)	89,622	53,331
31 December 2000	1,188,222	208,263	—	980	(611,613)	14,337	(53,748)	(120,072)	626,369

NOTES TO FINANCIAL STATEMENTS

31 December 2001

26. Reserves (continued)

- * Included in the exchange realignment on translation of the financial statements of overseas subsidiaries is a loss of HK\$1,880,000 (2000: HK\$9,615,000) representing the exchange differences arising on translation of an amount due from a subsidiary of which a substantial portion is not to be repayable in the foreseeable future and, in the opinion of the directors, is part of the Company's net investment in the enterprise and is therefore accounted for as a movement in the exchange fluctuation reserve during the year (see note 17).

Company

	Share premium account <i>HK\$ '000</i>	Contributed surplus <i>HK\$ '000</i>	Capital redemption reserve <i>HK\$ '000</i>	Retained profits/ (accumulated losses) <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 1 January 2000	112,260	264,585	—	25,453	402,298
Issue of shares	1,112,903	—	—	—	1,112,903
Share issue expenses	(22,625)	—	—	—	(22,625)
Repurchase of shares	(14,316)	—	980	(980)	(14,316)
Loss for the year	—	—	—	(363,370)	(363,370)
Underprovision for prior year's dividend	—	—	—	(72)	(72)
2000 interim dividend – Note 11	—	—	—	(24,167)	(24,167)
2000 final dividend proposed – Note 11	—	—	—	(31,910)	(31,910)
At 31 December 2000	1,188,222	264,585	980	(395,046)	1,058,741

NOTES TO FINANCIAL STATEMENTS

31 December 2001

26. Reserves (continued)

Company (continued)

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At beginning of year:					
As previously stated	1,188,222	264,585	980	22,983	1,476,770
Prior year adjustments – Note 13	—	—	—	(418,029)	(418,029)
As restated	1,188,222	264,585	980	(395,046)	1,058,741
Repurchase of shares	(12,847)	—	1,099	(1,099)	(12,847)
Profit for the year	—	—	—	941	941
Overprovision for prior					
year's dividend – Note 11	—	—	—	94	94
2001 interim dividend – Note 11	(15,869)	—	—	—	(15,869)
2001 final dividend proposed – Note 11	(15,739)	—	—	—	(15,739)
At 31 December 2001	1,143,767	264,585	2,079	(395,110)	1,015,321

The contributed surplus of the Group represents the difference between the fair value of the combined net asset values of the subsidiaries involved in the Group reorganisation in September 1997 and the assets, liabilities and undertakings which relate to the import and distribution of cement carried out by Hong Kong Cement Manufacturing Company Limited prior to the Group reorganisation (the "Relevant Business"), as if they were acquired by the Group when the subsidiaries and the Relevant Business commenced operations, and the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company represents the difference between the fair value of the combined net asset value of the subsidiaries involved in the Group reorganisation and the assets, liabilities and undertakings which relate to the Relevant Business, when they were acquired by the Company pursuant to the Group reorganisation on the date of reorganisation, and the nominal value of the Company's shares issued.

Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium and contributed surplus accounts are distributable to the shareholders of the Company under certain circumstances.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

27. Notes to consolidated cash flow statement

(a) Reconciliation of profit/(loss) from operating activities to net cash inflow from operating activities

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i> (Restated)
Profit/(loss) from operating activities	79,997	(343,559)
Interest income	(4,078)	(9,653)
Dividend income from investments	(3,660)	(2,125)
Amortisation of goodwill	5,366	5,264
Depreciation	20,501	15,115
Impairment of goodwill	—	418,029
Provision for bad and doubtful debts	4,443	—
Write-off of a loan to an associate	2,248	—
Loss on deemed disposal of an associate	2,723	—
(Gain)/loss on disposal of fixed assets	10	(23)
Gain on disposal of short term investments	(808)	(64)
Unrealised (gain)/loss on short term investments	(24,755)	14,087
Impairment of investment securities	11,119	17,851
Decrease in rental deposits	179	206
Decrease/(increase) in inventories	1,583	(3,192)
Decrease/(increase) in prepayments, deposits and other receivables	8,379	(1,100)
Decrease/(increase) in trade receivables	44,915	(13,486)
Increase/(decrease) in trade payables	11,724	(670)
Increase/(decrease) in other payables and accrued liabilities	2,373	(9,340)
Decrease in amount due to the ultimate holding company	—	(111)
Decrease in amount due to a fellow subsidiary	—	(480)
Exchange adjustment	(1,660)	(1,000)
Net cash inflow from operating activities	160,599	85,749

NOTES TO FINANCIAL STATEMENTS

31 December 2001

27. Notes to consolidated cash flow statement (continued)

(b) Analysis of changes in financing during the years

	Bank loans with maturity beyond three months <i>HK\$'000</i>	Share capital (including share premium account) <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
Balance at 1 January 2000	54,586	160,410	71,128
Arising from acquisition of a subsidiary	—	—	9,152
Net cash inflow from financing	306,124	1,107,802	—
Share of profit for the year	—	—	3,717
Dividend paid to minority interests	—	—	(9,000)
Exchange realignment	(2,016)	—	(573)
Balance at 31 December 2000 and beginning of year	358,694	1,268,212	74,424
Net cash outflow from financing	(16,906)	(13,946)	—
Share of profit for the year	—	—	169
2001 interim dividend paid	—	(15,869)	—
2001 final dividend proposed	—	(15,739)	—
Dividend paid to minority interests	—	—	(10,350)
Exchange realignment	(1,027)	—	(401)
Balance at 31 December 2001	340,761	1,222,658	63,842

As at 31 December 2001, bank loans with maturity less than three months amounted to HK\$132,150,000 (2000: HK\$30,000,000).