

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2001

### 20. OTHER INVESTMENT

	THE GROUP	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
Club debenture, at cost	368	368

### 21. INVENTORIES

	THE GROUP	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
At cost, less provision and amounts written-off		
Raw materials	12,716	27,344
Work-in-progress	9,448	18,878
Finished goods	1,274	12,639
	23,438	58,861

No financial information in respect of the net realisable value of inventories as at 30 September 2001 and 2000 has been presented as the information is not available.

### 22. TRADE AND OTHER RECEIVABLES

No aged analysis in respect of trade and other receivables has been presented as the information is not available.

### 23. TRADE AND OTHER PAYABLES

No aged analysis in respect of trade and other payables has been presented as the information is not available.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2001

### 24. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY						
	2001			2000			
	3 Years Convertible Notes HK\$'000	7 Years Convertible Notes HK\$'000	Total HK\$'000	3 Years Convertible Notes HK\$'000	7 Years Convertible Notes HK\$'000	Swiss Notes HK\$'000	Total HK\$'000
Convertible notes balance brought forward	49,802	24,743	74,545	–	–	162,690	162,690
Issuance of new convertible notes to Swiss Noteholders	–	–	–	24,709	12,354	(37,063)	–
Issuance of new convertible notes to Bank Creditors	–	–	–	34,706	17,353	–	52,059
Issuance of shares to Swiss Noteholders	–	–	–	–	–	(125,627)	(125,627)
Amortisation of premium payable upon the final redemption of the convertible notes during the year/period	3,240	1,117	4,357	1,016	350	–	1,366
Conversion during the year/period	(6,351)	(3,176)	(9,527)	(10,629)	(5,314)	–	(15,943)
	<u>46,691</u>	<u>22,684</u>	<u>69,375</u>	<u>49,802</u>	<u>24,743</u>	<u>–</u>	<u>74,545</u>
Less: Conversion option credited to conversion option reserve during the year/period	(11,879)	(11,674)	(23,553)	(14,467)	(14,218)	–	(28,685)
Reversal of conversion option reserve upon the conversion of convertible notes into shares in the Company during the year/period	1,547	1,519	3,066	2,588	2,544	–	5,132
	<u>(10,332)</u>	<u>(10,155)</u>	<u>(20,487)</u>	<u>(11,879)</u>	<u>(11,674)</u>	<u>–</u>	<u>(23,553)</u>
Total liability of the convertible notes	<u>36,359</u>	<u>12,529</u>	<u>48,888</u>	<u>37,923</u>	<u>13,069</u>	<u>–</u>	<u>50,992</u>
Principal value of convertible notes outstanding as at end of the year/period	<u>42,435</u>	<u>21,217</u>	<u>63,652</u>	<u>48,786</u>	<u>24,393</u>	<u>–</u>	<u>73,179</u>

Particulars of the 3 Years Convertible Notes and 7 Years Convertible Notes are summarised as follows:

#### (a) 3 Years Convertible Notes

The 3 Years Convertible Notes are non-interest bearing and may be converted, at the option of the holders, into shares of HK\$0.02 each in the Company at a conversion price of HK\$0.02 per share, subject to customary adjustments, at any time during the period commencing on 21 July 2000 and ending 10 business days before 21 July 2003. Unless previously converted in accordance with the terms of the 3 Years Convertible Notes, the 3 Years Convertible Notes will be redeemed by the Company at their principal outstanding amount on the third anniversary of their issue date.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

*For the year ended 30 September 2001*

### 24. CONVERTIBLE NOTES (continued)

During the fifteen-month period ended 30 September 2000, holders of approximately HK\$10,629,000 3 Years Convertible Notes exercised their rights to convert into 531,447,350 shares of HK\$0.02 each in the Company.

During the year ended 30 September 2001, holders of approximately HK\$6,351,000 3 Years Convertible Notes exercised their rights to convert into 317,569,800 shares of HK\$0.02 each in the Company.

At 30 September 2001, the Company had outstanding 3 Years Convertible Notes conferring rights to subscribe for up to approximately HK\$42,435,000 (30.9.2000: HK\$48,786,000) in cash for shares at a conversion price of HK\$0.02 per share. Exercise in full of these outstanding 3 Years Convertible Notes would, under the capital structure of the Company at 30 September 2001, result in the issue of 2,121,737,650 (30.9.2000: 2,439,307,450) addition shares of HK\$0.02 each in the Company.

#### (b) 7 Years Convertible Notes

The 7 Years Convertible Notes are non-interest bearing and may be converted, at the option of the holders, into shares of HK\$0.02 each in the Company at a conversion price of HK\$0.10 per share, subject to customary adjustments, at any time during the period commencing on 21 July 2000 and ending 10 business days before 21 July 2007. Unless previously converted in accordance with the terms of the 7 Years Convertible Notes, the 7 Years Convertible Notes will be mandatorily converted into shares of HK\$0.02 each in the Company at a conversion price of HK\$0.10 per share on the seventh anniversary of their issue date.

During the fifteen-month period ended 30 September 2000, holders of approximately HK\$5,314,000 7 Years Convertible Notes exercised their rights to convert into 53,143,800 shares of HK\$0.02 each in the Company.

During the year ended 30 September 2001, holders of approximately HK\$3,176,000 7 Years Convertible Notes exercised their rights to convert into 31,755,840 shares of HK\$0.02 each in the Company.

At 30 September 2001, the Company had outstanding 7 Years Convertible Notes conferring rights to subscribe for up to approximately HK\$21,217,000 (30.9.2000: HK\$24,393,000) in cash for shares at a conversion price of HK\$0.10 per share. Exercise in full of these outstanding 7 Years Convertible Notes would, under the capital structure of the Company at 30 September 2001, result in the issue of 212,171,420 (30.9.2000: 243,927,260) addition shares of HK\$0.02 each in the Company.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2001

### 24. CONVERTIBLE NOTES (continued)

The Group is in breach of financial covenants relating to the terms of the 3 Years Convertible Notes and 7 Years Convertible Notes. Accordingly, these balances become repayable on demand and are classified as current liabilities.

At 30 September 2001, SC Bank, a substantial shareholder of the Company, was interested in approximately HK\$44,100,000 of the par value of the outstanding convertible notes of the Company.

### 25. BANK AND OTHER BORROWINGS

	THE GROUP	
	30.9.2001 HK\$'000	30.9.2000 HK\$'000
Bank and other borrowings, which are repayable within one year, comprise:		
Bank loans	2,177	48,177
Other loans	12,480	7,800
	<u>14,657</u>	<u>55,977</u>
Analysed as:		
Secured	2,177	48,177
Unsecured	12,480	7,800
	<u>14,657</u>	<u>55,977</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2001

### 26. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised		
At 1 July 1999, at HK\$0.10 each	2,000,000,000	200,000
Capital reduction and sub-division of shares ( <i>note A(c)(i)</i> )	8,000,000,000	–
	<hr/>	<hr/>
At 30 September 2000 and 30 September 2001, at HK\$0.02 each	<u>10,000,000,000</u>	<u>200,000</u>
Issued and fully paid		
At 1 July 1999, at HK\$0.10 each	974,809,360	97,481
Share placements on:		
– 22 February 2000 ( <i>note A(a)</i> )	75,500,000	7,550
– 4 March 2000 ( <i>note A(b)</i> )	119,460,000	11,946
	<hr/>	<hr/>
	1,169,769,360	116,977
Capital reduction ( <i>note A(c)(i)</i> )	–	(93,582)
	<hr/>	<hr/>
At HK\$0.02 each	1,169,769,360	23,395
Shares issued to Bank Creditors, Swiss Noteholders and Success Manor Lenders ( <i>note A(c)(ii)</i> )	3,828,436,398	76,569
Issuance of shares in respect of the acquisition of APE ( <i>note A(d)</i> )	125,000,000	2,500
Share placement on 23 August 2000 ( <i>note A(e)</i> )	300,000,000	6,000
Shares issued to CITIC Ka Wah Bank for partial settlement of a mortgage loan ( <i>note A(f)</i> )	26,913,073	538
Shares issued upon conversion of 3 Years Convertible Notes and 7 Years Convertible Notes ( <i>note A(g)</i> )	584,591,150	11,692
	<hr/>	<hr/>
At 30 September 2000, at HK\$0.02 each	6,034,709,981	120,694
Shares issued upon conversion of 3 Years Convertible Notes and 7 Years Convertible Notes ( <i>note B</i> )	349,325,640	6,987
	<hr/>	<hr/>
At 30 September 2001, at HK\$0.02 each	<u>6,384,035,621</u>	<u>127,681</u>

A. During the fifteen-month period ended 30 September 2000, the following changes in the share capital in the Company took place:

- (a) On 22 February 2000, the Company, Kit Iu Limited (“Kit Iu”) and NSC Securities (Asia) Limited (the “Placing Agent”) entered into a placing agreement (the “First Placing

## NOTES TO THE FINANCIAL STATEMENTS (continued)

*For the year ended 30 September 2001*

### 26. SHARE CAPITAL (continued)

Agreement”) and a subscription agreement (the “First Subscription Agreement”). Pursuant to the First Placing Agreement, the Company placed, through the Placing Agent, a total of 75,500,000 existing shares of HK\$0.10 each in the Company previously held by Kit Iu to independent places at a price of HK\$0.165 per placing share (the “First Placing Price”).

The First Placing Price of HK\$0.165 represented a discount of approximately 47.6% to the closing price of the Company’s shares of HK\$0.315 per share as quoted on the Stock Exchange on 18 February 2000 which was arrived at following negotiations between Kit Iu, the Placing Agent and the Company.

Pursuant to the First Subscription Agreement, Kit Iu agreed to subscribe (the “First Subscription”) for 75,500,000 new shares (the “First Subscription Shares”), which represented 7.75% and 7.2% of the Company’s then existing and enlarged issued share capital, respectively. The proceeds of the First Subscription, after deducting commission and related expenses, of approximately HK\$11,400,000 were used as general working capital of the Group.

Kit Iu, a substantial shareholder of the Company, is held by the trustee of a discretionary trust whose beneficiaries include Mr Paul Leung and Mr Howard Leung.

The First Subscription Shares were issued under the general mandate granted to the Directors at the Company’s annual general meeting held on 23 December 1999.

All the new shares rank *pari passu* with the then existing shares of the Company in all respects.

- (b) On 4 March 2000, the Company, Kit Iu and the Placing Agent entered into a placing agreement (the “Second Placing Agreement”) and a subscription agreement (the “Second Subscription Agreement”). Pursuant to the Second Placing Agreement, the Company placed, through the Placing Agent, a total of 119,460,000 shares of HK\$0.10 each in the Company to independent places at a price of HK\$0.10 per placing share (the “Second Placing Price”). Out of the 119,460,000 shares, 75,500,000 shares represented the existing shares previously held by Kit Iu and the remaining 43,960,000 shares represented the new shares in the Company (the “Placed New Shares”).

The Second Placing Price of HK\$0.10 represented a discount of approximately 56.5% to the closing price of the Company’s shares of HK\$0.23 per share as quoted on the Stock Exchange on 3 March 2000 which was arrived at following negotiations between Kit Iu, the Placing Agent and the Company.

Pursuant to the Second Subscription Agreement, Kit Iu agreed to subscribe for 75,500,000 new shares (the “Second Subscription Shares”), which represented 7.19% and 6.46% of the

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2001

### 26. SHARE CAPITAL (continued)

Company's then existing and enlarged issued share capital, respectively, of the Company. The 43,960,000 new shares represented 4.17% and 3.74% of the Company's then existing and enlarged issued share capital, respectively. The proceeds of the placing of 119,460,000 shares, after deducting commission and related expenses, of approximately HK\$10,500,000 was used as general working capital of the Group.

The Second Subscription Shares and the Placed New Shares were issued under the general mandate granted to the Directors at the Company's annual general meeting held on 23 December 1999.

All the new shares rank *pari passu* with the then existing shares of the Company in all respects.

- (c) Changes in the share capital of the Company pursuant to Financial Restructuring are as follows:

- (i) The restructuring of the Company's share capital

The nominal value of each issued share in the Company was reduced by HK\$0.08 to HK\$0.02. The entire credit balance arising from the capital reduction of approximately HK\$93,582,000 was applied to write-off part of the deficit of the Company to the same extent. The unissued share capital of the Company was sub-divided into shares of HK\$0.02 each.

- (ii) Issuance of Restructuring Shares to the Bank Creditors, Swiss Noteholders and Success Manor Lenders.

Pursuant to the Debt Restructuring, 2,070,023,405 Restructuring Shares, 1,589,748,017 Restructuring Shares, and 168,664,976 Restructuring Shares of HK\$0.02 each in the Company were issued to the Bank Creditors, Swiss Noteholders and Success Manor Lenders, respectively, at a price of HK\$0.10 per share.

All the new shares rank *pari passu* with the then existing shares of the Company in all respects.

- (d) On 24 March 2000, the Company entered into the APE Agreement with Asia Paging Company Limited, Well Master Group Limited, Wong Kin Chuen, Raymond, Ng Wai Keung, Lin Wing Hung and Lo Po Hong (together referred to as the "APE Vendors"). Pursuant to the APE Agreement, the Company agreed to acquire 20,000 issued share in APE by the issue and allotment of 125,000,000 new shares of HK\$0.02 each in the Company to the APE Vendors.

The issue price of HK\$0.065 per share represented the closing price of the Company's shares as quoted on the Stock Exchange on 7 July 2000, being the date of the completion of the APE Agreement.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2001

### 26. SHARE CAPITAL (continued)

The APE Agreement and the issuance of the new shares were approved by the shareholders of the Company at the Company's special general meeting held on 7 July 2000.

All the new shares rank pari passu with the then existing shares of the Company in all respects.

- (e) On 23 August 2000, the Company, SC Bank and the Placing Agent entered into a placing agreement (the "Third Placing Agreement") and a subscription agreement (the "Third Subscription Agreement"). Pursuant to the Third Placing Agreement, the Company placed, through the Placing Agent, a total of 300,000,000 existing shares of HK\$0.02 each in the Company previously held by SC Bank to independent places at a price of HK\$0.062 per placing share (the "Third Placing Price").

The Third Placing Price of HK\$0.062 represented a discount of approximately 11.4% to the closing price of HK\$0.070 per share as quoted on the Stock Exchange on 21 August 2000 which was arrived at following negotiations between SC Bank, the Placing Agent and the Company.

Pursuant to the Third Subscription Agreement, SC Bank agreed to subscribe (the "Third Subscription") for 300,000,000 new shares (the "Third Subscription Shares"), which represented 5.25% and 5.0% of the Company's then existing and enlarged issued share capital, respectively. The proceeds of the Third Subscription, after deducting commission and related expenses, of approximately HK\$13,100,000 was used as general working capital of the Group.

SC Bank is a substantial shareholder of the Company.

The Third Subscription Shares were issued under the general mandate granted to the Directors at the Company's special general meeting of the Company held on 7 July 2000.

All the new shares rank pari passu with the then existing shares of the Company in all respects.

- (f) On 25 August 2000, the Company entered into an agreement with CITIC Ka Wah Bank Limited ("Ka Wah"), pursuant to which the Company agreed to issue 26,913,073 new shares of HK\$0.02 each in the Company at a price of HK\$0.07 per share to Ka Wah as partial settlement of a mortgage granted by Ka Wah to S.Megga Estate Management Limited, a wholly-owned subsidiary of the Company, to secure indebtedness owed by S.Megga Telecom to Ka Wah.

The issue price of HK\$0.07 represented a premium of 59.9% to the closing price of the Company's shares of HK\$0.044 per share as quoted on the Stock Exchange on 24 August 2000 which was arrived at following negotiations between Ka Wah and the Company.

The issue of the new shares were issued under the general mandate granted to the Directors at the Company's special general meeting held on 7 July 2000.

All the new shares rank pari passu with the then existing shares of the Company in all respects.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

*For the year ended 30 September 2001*

### 26. SHARE CAPITAL (continued)

- (g) During the fifteen-month period ended 30 September 2000, the holders of 3 Years Convertible Notes and 7 Years Convertible Notes with subscription rights of approximately HK\$10,629,000 and HK\$5,314,000, respectively, exercised their rights, resulting in the issue of 531,447,350 shares and 53,143,800 shares of HK\$0.02 each in the Company at a price of HK\$0.02 per share and HK\$0.10 per share, respectively.

All the new shares rank pari passu with the then existing shares of the Company in all respects.

- B. During the year ended 30 September 2001, the holders of 3 Years Convertible Notes and 7 Years Convertible Notes with subscription rights of approximately HK\$6,351,000 and HK\$3,176,000, respectively, had exercised their rights, resulting in the issue of 317,569,800 shares and 31,755,840 shares of HK\$0.02 each in the Company at a price of HK\$0.02 per share and HK\$0.10 per share, respectively.

All the new shares rank pari passu with the then existing shares of the Company in all respects.

### 27. SHARE OPTION SCHEME

Pursuant to the share option scheme (the “Scheme”) adopted by the Company on 28 November 1991 the Directors may, at their discretion, invite employees of the Group, including Directors of the Company and its subsidiaries, to take up options to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time in accordance with the terms of the Scheme.

No option under the Scheme was granted or exercised during the year ended 30 September 2001 and for the fifteen-month period ended 30 September 2000 and no option was outstanding as at 30 September 2001 and 2000.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2001

### 28. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Goodwill reserve HK\$'000	Conversion option reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Deficit HK\$'000	Total HK\$'000
<b>THE GROUP</b>									
At 1 July 1999	415,194	34,600	47,926	-	-	20,176	16	(877,461)	(359,549)
Capital reduction	-	-	-	-	-	-	-	93,582	93,582
Premium on issue of shares	335,005	-	-	-	-	-	-	-	335,005
Share issuing expenses	(19,009)	-	-	-	-	-	-	-	(19,009)
Exchange differences arising from translation of overseas operations	-	-	-	-	-	-	(648)	-	(648)
Goodwill arising on acquisition of APE	-	-	-	(8,045)	-	-	-	-	(8,045)
Translation reserve transferred to income statement	-	-	-	-	-	-	632	-	632
Written-off of goodwill on acquisition of APE	-	-	-	8,045	-	-	-	-	8,045
Conversion option reserve arising on the issuance of 3 Years Convertible Notes and 7 Years Convertible Notes	-	-	-	-	28,685	-	-	-	28,685
Reversal of conversion option reserve upon the conversion of the convertible notes into shares	-	-	-	-	(5,132)	-	-	-	(5,132)
Loss for the period	-	-	-	-	-	-	-	(206,132)	(206,132)
At 30 September 2000 and 1 October 2000	731,190	34,600	47,926	-	23,553	20,176	-	(990,011)	(132,566)
Premium on issue of shares	2,540	-	-	-	-	-	-	-	2,540
Transfer	-	-	-	-	-	(20,176)	-	20,176	-
Reversal of conversion option reserve upon the conversion of the convertible notes into shares	-	-	-	-	(3,066)	-	-	-	(3,066)
Loss for the year	-	-	-	-	-	-	-	(44,953)	(44,953)
At 30 September 2001	733,730	34,600	47,926	-	20,487	-	-	(1,014,788)	(178,045)
<b>THE COMPANY</b>									
At 1 July 1999	415,194	106,413	-	-	-	-	-	(897,936)	(376,329)
Capital reduction	-	-	-	-	-	-	-	93,582	93,582
Premium on issue of shares	335,005	-	-	-	-	-	-	-	335,005
Share issuing expenses	(19,009)	-	-	-	-	-	-	-	(19,009)
Conversion option reserve arising on the issuance of 3 Years Convertible Notes and 7 Years Convertible Notes	-	-	-	-	28,685	-	-	-	28,685
Reversal of conversion option reserve upon the conversion of the convertible notes into shares	-	-	-	-	(5,132)	-	-	-	(5,132)
Loss for the period	-	-	-	-	-	-	-	(239,369)	(239,369)
At 30 September 2000 and 1 October 2000	731,190	106,413	-	-	23,553	-	-	(1,043,723)	(182,567)
Premium on issue of shares	2,540	-	-	-	-	-	-	-	2,540
Reversal of conversion option reserve upon the conversion of the convertible notes into shares	-	-	-	-	(3,066)	-	-	-	(3,066)
Loss for the year	-	-	-	-	-	-	-	(1,113)	(1,113)
At 30 September 2001	733,730	106,413	-	-	20,487	-	-	(1,044,836)	(184,206)

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for all the issued ordinary shares of S.Meggatel (BVI) Limited and the value of net assets of the underlying subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended) and Bye-Laws of the Company, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2001

### 28. RESERVES (continued)

- (a) it is, or would after the payment, be unable to pay its liabilities as they become due;
- (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.

	<b>1.10.2000</b> <b>to</b> <b>30.9.2001</b> <i>HK\$'000</i>	<b>1.7.1999</b> <b>to</b> <b>30.9.2000</b> <i>HK\$'000</i>
Deficit of the Group comprises:		
Company and subsidiaries	(996,173)	(971,396)
Associates	(18,615)	(18,615)
	<u>(1,014,788)</u>	<u>(990,011)</u>

At the balance sheet date, the Company did not have any reserve available for distribution to its shareholders (30.9.2000: Nil).

### 29. RECONCILIATION OF LOSS ATTRIBUTABLE TO SHAREHOLDERS TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	<b>1.10.2000</b> <b>to</b> <b>30.9.2001</b> <i>HK\$'000</i>	<b>1.7.1999</b> <b>to</b> <b>30.9.2000</b> <i>HK\$'000</i>
Loss attributable to shareholders	(44,953)	(206,132)
Interest expenses	5,252	51,109
Amortisation of deferred development expenditure	4,355	14,317
Depreciation and amortisation of property, plant and equipment	3,271	15,120
Loss on disposals of property, plant and equipment	217	112
Provision for amounts due from associates	189	39,022
Deficit arising on revaluation of properties	–	32,942
Write-off of deferred development expenditure	–	29,052
Write-off of goodwill on acquisition of an associate	–	8,045
Translation reserve charged to income statement	–	632
Deficit arising on revaluation of plant and equipment	–	373
Impairment loss recognised in respect of an associate	–	80
Decrease (increase) in inventories	35,423	(13,785)
Decrease in trade and other receivables	15,984	19,294
(Decrease) increase in trade and other payables	(24,627)	95,534
Decrease in bills payable	–	(56,638)
Net cash (outflow) inflow from operating activities	<u>(4,889)</u>	<u>29,077</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2001

### 30. ANALYSIS OF CHANGES IN FINANCING DURING THE PERIOD/YEAR

	Share capital and share premium <i>HK\$'000</i>	Bank and other borrowings <i>HK\$'000</i>	Convertible notes <i>HK\$'000</i>	Obligations under hire purchase contracts <i>HK\$'000</i>	Amounts due to associates <i>HK\$'000</i>
Balance at 1 July 1999	512,675	156,506	162,690	1,567	16,926
Proceeds from issue of shares, less costs	23,995	–	–	–	–
New borrowings raised during the period	–	85,861	–	–	–
Repayments during the period	–	(38,000)	–	(1,587)	(59)
Non-cash items:					
Changes in financing in respect of					
Financial Restructuring (note 2):					
– Capital reduction	(93,582)	–	–	–	–
– Issuance of shares to Bank Creditors, Swiss Noteholders and Success Manor Lenders, including interest accrual (note 32(a)(i))	382,844	(94,447)	(125,627)	–	(16,867)
– Issuance of convertible notes to Bank creditors (note 32(a)(ii))	–	(52,059)	52,059	–	–
Conversion of convertible notes to shares in the Company	15,943	–	–	–	–
Issuance of shares on acquisition of APE (note 32(b))	8,125	–	(15,943)	–	–
Issuance of shares to Ka Wah (note 32(c))	1,884	–	–	–	–
Inception of obligations under hire purchase contracts (note 32(d))	–	(1,884)	–	–	–
Amortisation of premium payable upon the final redemption of the convertible notes	–	–	1,366	400	–
Conversion option reserve arising on the issuance of 3 Years Convertible Notes and 7 Years Convertible Notes, less reversal of conversion option reserve upon the conversion of convertible notes into shares in the Company	–	–	(23,553)	–	–
Balance at 30 September 2000 and 1 October 2000	851,884	55,977	50,992	380	–
New borrowings raised during the year	–	4,680	–	–	3,765
Repayments during the year	–	(46,000)	–	(66)	–
Non-cash items:					
Conversion of convertible notes to shares in the Company	9,527	–	(9,527)	–	–
Amortisation of premium payable upon the final redemption of the convertible notes	–	–	4,357	–	–
Conversion option reserve arising on the issuance of 3 Years Convertible Notes and 7 Years Convertible Notes, less reversal of conversion option reserve upon the conversion of convertible notes into shares in the Company	–	–	3,066	–	–
Balance at 30 September 2001	861,411	14,657	48,888	314	3,765

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 September 2001

### 31. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK\$'000	2000 HK\$'000
Time deposits with original maturity of less than 3 months	–	5,864
Bank balances and cash	7,275	3,331
	<u>7,275</u>	<u>9,195</u>

### 32. MAJOR NON-CASH TRANSACTIONS

The Group's major non-cash transactions during the fifteen-month period ended 30 September 2000 are as follows:

- (a) The following shares were issued in respect of the Financial Restructuring of the Group as explained in note 26A(c)(ii):
  - (i) 3,828,436,398 shares of HK\$0.02 each in the Company were issued to certain bank creditors of the Group (the "Bank Creditors"), the Swiss Noteholders and the lenders of Success Manor Investment Limited (the "Success Manor Lenders" an associate of the Group) at a price of HK\$0.10 per share as partial settlement of the debts owed to the Bank Creditors, Swiss Noteholders and Success Manor Lenders; and
  - (ii) 3 Years Convertible Notes and 7 Years Convertible Notes amounting to approximately HK\$34,706,000 and HK\$17,353,000, respectively, were issued to the Bank Creditors as partial settlement of the debts owed to the Bank Creditors.
- (b) As explained in note 26A(d), the Company issued 125,000,000 new shares of HK\$0.02 each in the Company at a price of HK\$0.065 per share to acquire a 40% equity interest in APE.
- (c) As explained in note 26A(f), the Company issued 26,913,073 new shares of HK\$0.02 each in the Company at a price of HK\$0.07 per share to Ka Wah as partial settlement of a mortgage loan granted by Ka Wah to the Group.
- (d) The Group entered into hire purchase contracts in respect of property, plant and equipment with a total capital value at the inception of the contracts of HK\$400,000 during the fifteen-month period ended 30 September 2000.

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

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*For the year ended 30 September 2001*

### **33. POTENTIAL DEFERRED TAXATION**

No financial information in respect of the potential deferred taxation has been presented for the year ended 30 September 2001 and for the fifteen-month period ended 30 September 2000 or at the respective balance sheet dates as the information is not available.

The potential deferred tax asset has not been recognised in the financial statements as it is uncertain as to whether the tax losses will be utilised in the foreseeable future.

Deferred tax has not been provided on the surplus arising on the revaluation of land and buildings as profits arising on disposals of these assets would not be subject to taxation and, accordingly, the revaluation does not constitute a timing difference for tax purposes.

### **34. PLEDGE OF ASSETS**

The Group's investment properties and land and buildings and certain furniture, fixtures and equipment with an aggregate amount of approximately HK\$14,754,000 (30.9.2000: HK\$60,754,000) were pledged to secure the general credit facilities granted to the Group.

### **35. LONG SERVICE PAYMENTS**

No financial information in respect of long service payment as at 30 September 2001 and 2000 has been presented as the information is not available.

### **36. LITIGATIONS**

Other than disclosed in note 3(a), in the opinion of the Current Directors, neither the Company nor the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Current Directors to be pending to threaten against the Group.