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CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2003

(Expressed in Hong Kong dollars)

	2003	2002
Note	\$'000	(restated) \$'000
Operating activities		
Profit from ordinary activities before taxation	47,425	41,921
Adjustments for:		
– Share of profits less losses of associates	(33,887)	(20,950)
– Depreciation	28,808	22,714
– Impairment losses on land and buildings reversed	–	(2,242)
– Impairment losses on investment securities	–	172
– Loss on disposal of subsidiary	712	–
– Gain on excluding subsidiaries under liquidation	(6,082)	–
– Loss/(gain) on disposal of fixed assets	521	(4,873)
– Net realised losses on disposal of non-trading securities	190	–
– Amortisation of positive goodwill	2,338	1,039
– Amortisation of negative goodwill	(494)	–
– Amortisation of permanent quota	–	659
– Amortisation of borrowing cost	333	333
– Interest expenses	15,213	17,346
– Interest income	(195)	(736)
– Dividend income from unlisted equity securities	(350)	(358)
– Foreign exchange (gain)/loss	(2,546)	1,592
Operating profit before changes in working capital	51,986	56,617
(Increase)/decrease in inventories	(10,427)	22,162
(Increase)/decrease in debtors, deposits and prepayments	(42,138)	28,246
(Increase)/decrease in bills receivable	(17,239)	24,442
Decrease/(increase) in amounts due from related companies	5,642	(3,765)
Increase in amounts due from associates	(2,527)	(21,656)
Increase/(decrease) in bills payable and trust receipt loans	66,261	(43,814)
Decrease in creditors and accrued charges	(17,367)	(15,883)
Increase/(decrease) in amounts due to related companies	40	(16)
Increase/(decrease) in amounts due to associates	16,804	(5,991)
Increase/(decrease) in provision for long service payments	2,901	(514)
Cash generated from operations	53,936	39,828
Tax paid		
– Hong Kong profits tax refunded/(paid), net	785	(11,061)
– Overseas tax paid	(3,010)	(2,447)
Net cash from operating activities	51,711	26,320

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	Note	2003 \$'000	2002 (restated) \$'000
Investing activities			
Payments for purchase of fixed assets		(71,818)	(32,194)
Proceeds from sales of fixed assets		2,413	6,797
Payments for construction in progress		(304,536)	(2,593)
Placement of pledged deposits		(141)	–
Proceeds from sales of non-trading securities		167	–
Purchase of other investments		–	(489)
Net cash inflow from acquisition of subsidiary	(a)	6,204	–
Payment for purchase of an associate		–	(37,390)
Proceeds from disposal of subsidiary	(b)	2,638	–
Interest received		195	736
Interest paid		(15,798)	(17,346)
Dividends received from associates		23,230	15,569
Dividend received from unlisted equity securities		350	358
Dividends paid		(14,025)	(16,830)
Net cash used in investing activities		<u>(371,121)</u>	<u>(83,382)</u>
Financing activities			
Advance from associate for construction in progress		74,332	–
Repayment of bank loans		(187,215)	(9,906)
New bank loans		418,431	96,129
Nominal value of shares repurchased		–	(203)
Premium paid on repurchase of shares		–	(361)
Repayment of loans to company controlled by directors		–	(17,639)
Capital contribution from minority shareholders		13,239	4,212
Proceed of government grant		22,446	–
Net cash from financing activities		<u>341,233</u>	<u>72,232</u>
Net increase in cash and cash equivalents		21,823	15,170
Cash and cash equivalents at 1st April		22,718	7,495
Effect of foreign exchange rates changes		–	53
Cash and cash equivalents at 31st March		<u>44,541</u>	<u>22,718</u>

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*Notes:**(a) Acquisition of subsidiary*

On 1st July, 2002, the Group increased its equity interest in YangtzeKiang S.A. to 86.92% by acquiring an additional 43.76% equity interest with a consideration of Euro2.

Net assets acquired

Fixed assets	4,833
Inventories	13,861
Prepayments and deposits	2,947
Trade and other receivables	29,602
Cash and bank balances	6,204
Other payables	(53,315)
	<u>4,132</u>

Negative goodwill arising on consolidation

(2,632)

Interest in associate as at 1st July, 2002

(1,500)

Total of purchase price paid

—**Net cash inflow in respect of the purchase of subsidiary**

Cash and bank balances acquired

6,204*(b) Disposal of subsidiary*

During the year, the Group disposed of 100% equity interest in Trendairo Limited.

Net assets disposed of

Fixed assets	8,273
Trade and other payables	(4,923)
	<u>3,350</u>

Loss on disposal

(712)

Disposal proceeds

2,638**Net cash inflow in respect of the disposal of subsidiary**2,638*(c) Major non cash transaction*

The Group incurred payables of \$48,852,000 to equipment suppliers for additions of construction in progress and interest payables of \$223,000 to banks as at 31st March, 2003 (2002: Nil).