

21. RESERVES (CONTINUED)

Group (Continued)

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange differences HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st October 1999	128,594	2,450	–	–	1	239,991	371,036
Issue of shares as consideration for acquisition of subsidiaries (note 19(a))	129,000	–	–	–	–	–	129,000
Issue of shares pursuant to the exercise of warrants (note 19(b))	85,024	–	–	–	–	–	85,024
Issue of shares pursuant to the exercise of options (note 19(c))	6,163	–	–	–	–	–	6,163
Deficit on revaluation of investment securities	–	–	–	(11,303)	–	–	(11,303)
Goodwill eliminated	(119,554)	–	–	–	–	–	(119,554)
Repurchase of shares, including relevant expenses incurred (note 19(d))	(12,853)	–	160	–	–	(160)	(12,853)
Exchange differences	–	–	–	–	(96)	–	(96)
Profit for the year retained	–	–	–	–	–	223,105	223,105
Additional final dividend for previous year (note (b))	–	–	–	–	–	(3,497)	(3,497)
At 30th September 2000	<u>216,374</u>	<u>2,450</u>	<u>160</u>	<u>(11,303)</u>	<u>(95)</u>	<u>459,439</u>	<u>667,025</u>
Company and subsidiaries	216,374	2,450	160	(11,303)	(32)	459,980	667,629
A jointly controlled entity	–	–	–	–	(63)	(541)	(604)
At 30th September 2000	<u>216,374</u>	<u>2,450</u>	<u>160</u>	<u>(11,303)</u>	<u>(95)</u>	<u>459,439</u>	<u>667,025</u>

21. RESERVES (CONTINUED)

Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st October 1998	—	—	—	—
Issue of shares as consideration for acquisition of subsidiaries	191,093	—	—	191,093
New issue of shares	170,000	—	—	170,000
Expenses incurred for issue of shares	(16,458)	—	—	(16,458)
Capitalisation issue	(29,999)	—	—	(29,999)
Issue of shares pursuant to the exercise of warrants	291	—	—	291
Issue of shares pursuant to the exercise of options	4,760	—	—	4,760
Profit for the year retained	—	—	8,651	8,651
At 30th September 1999	<u>319,687</u>	<u>—</u>	<u>8,651</u>	<u>328,338</u>
At 1st October 1999	319,687	—	8,651	328,338
Issue of shares as consideration for acquisition of subsidiaries (note 19(a))	129,000	—	—	129,000
Issue of shares pursuant to the exercise of warrants (note 19(b))	85,024	—	—	85,024
Issue of shares pursuant to the exercise of options (note 19(c))	6,163	—	—	6,163
Repurchase of shares, including relevant expenses incurred (note 19(d))	(12,853)	160	(160)	(12,853)
Profit for the year retained	—	—	19,079	19,079
Additional final dividend for the previous year (note (b))	—	—	(3,497)	(3,497)
At 30th September 2000	<u>527,021</u>	<u>160</u>	<u>24,073</u>	<u>551,254</u>

21. RESERVES (CONTINUED)

- (a) The Company had a distributable reserve, net of proposed dividend, of approximately HK\$551 million (1999: HK\$328 million) as at 30th September 2000, represented by share premium and retained earnings of the Company. Under the Companies Law (1998 Revision) of the Cayman Islands, share premium of the Company is distributable to the members, subject to a solvency test.
- (b) Additional final dividend for the previous year represented dividend payment for ordinary shares issued, on the date after the final dividend for the previous year was declared, under the exercise of warrants.

22. DEFERRED TAXATION

	2000 HK\$'000	1999 HK\$'000
At 1st October and 30th September	<u>131</u>	<u>131</u>

The deferred taxation was provided for accelerated depreciation allowances of the Group. There was no material unprovided deferred taxation for the year.

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash (outflow)/inflow from operating activities

	2000 HK\$'000	1999 HK\$'000
Profit before taxation	459,723	308,139
Depreciation of owned fixed assets	2,560	1,156
Depreciation of fixed assets held under hire purchase contracts	7	252
Deficit on revaluation of leasehold land and buildings	—	2,782
Share of loss of a jointly controlled entity	541	—
Net unrealised loss on trading investments	7,412	375
Gain on disposal of trading investments	(2,584)	—
Gain on disposal of fixed assets	(36)	(92)
Increase in inventories	(266,513)	(9,313)
Increase in trade receivables, deposits, prepayments and other receivables	(380,714)	(55,696)
Increase in trade and bills payables, other payables and accrued charges	275,429	444,970
Increase in time deposits pledged for banking facilities	(187,639)	(366,271)
Interest income	(51,847)	(29,646)
Interest on bank loan	134	153
Interest element of hire purchase contracts	14	45
Net cash (outflow)/inflow from operating activities	<u>(143,513)</u>	<u>296,854</u>

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Analysis of changes in financing activities during the year

	Share capital including share premium HK\$'000	Minority interests HK\$'000	Bank loan and obligations under hire purchase contracts HK\$'000
At 1st October 1998	—	—	2,085
Cash inflows/(outflows) from financing	168,947	—	(531)
At 30th September 1999	168,947	—	1,554
At 1st October 1999	168,947	—	1,554
Shares issued for non-cash transactions (note (c))	130,000	—	—
Goodwill eliminated	(119,554)	—	—
Acquisition of subsidiaries	—	(17,254)	253
Minority interests in share of loss	—	(1,786)	—
Cash inflows/(outflows) from financing	82,409	756	(505)
At 30th September 2000	261,802	(18,284)	1,302

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(c) Purchase of subsidiaries

	2000 HK\$'000
Net assets acquired	
Fixed assets	6,257
Inventories	4,331
Trade receivables	1,387
Prepayment, deposits and other receivables	2,809
Bank balances and cash	2,821
Trade payables and accrued charges	(10,539)
Obligations under hire purchase contracts	(253)
Minority interests	17,254
	<hr/>
	24,067
Goodwill	119,554
	<hr/>
	143,621
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Satisfied by:	
Allotment of shares	130,000
Offset with trade receivables	8,470
Cash	5,151
	<hr/>
	143,621
	<hr/> <hr/>
Analysis of net cash outflow in respect of the purchase of subsidiaries:	
	2000 HK\$'000
Cash consideration	5,151
Bank balances and cash acquired	(2,821)
	<hr/>
	2,330
	<hr/> <hr/>

24. BANKING FACILITIES

- (a) As at 30th September 2000, banking facilities of approximately HK1,474 million (1999: HK\$1,051 million) were granted by banks to the Group, of which approximately HK\$1,092 million (1999: HK\$712 million) have been utilised by the Group, which were secured by the following:–
 - (i) first legal charges over the Group's leasehold land and buildings in Hong Kong;
 - (ii) charges on time deposits of the Group amounting to approximately HK\$753 million (1999: HK\$566 million); and
 - (iii) corporate guarantees given by the Company and certain subsidiaries of the Group.
- (b) In addition, as part of the on-going conditions for granting banking facilities for trade finance amounting to approximately HK\$202 million (1999: HK\$254 million), included also under note 24(a) above, to the Group by a bank, two Executive Directors, Mr. SZE Tsang Fai, Johnny and Mr. SY Ching Tang, Timothy, have undertaken to jointly maintain beneficial holding of not less than 35% of the Company's issued shares.

25. CONTINGENT LIABILITIES

As at 30th September 2000, the Group had the following contingent liabilities:–

- (a) The Company provided corporate guarantees in favour of certain banks to secure banking facilities granted to certain subsidiaries of the Group (note 24).
- (b) Included in the terms of the sale and purchase agreement in connection with the acquisition of Calaview Assets Management Limited and Chinese Sports Program Syndicating Company Limited (the "Acquired Companies"), the Group is liable to pay the vendor HK\$35 million, contingent on the successful listing on any recognised stock exchange by any one of the Acquired Companies. As at year end, there were no plans by management to list any of the companies and as such, no provision has been made in the accounts in respect of the obligation.

26. COMMITMENTS

(a) Operating lease commitment

As at 30th September 2000, the Group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Operating leases which expire:		
– within one year	1,582	74
– in the second to fifth years inclusive	4,893	1,549
	<u>6,475</u>	<u>1,623</u>

(b) Other commitment

As at 30th September 2000, Chinese Sports Program Syndicating Company Limited, a subsidiary of the Group, had an annual licence fee commitment amounting to RMB15 million (1999: Nil). In accordance with the licensing agreement, the licence fee will increase at a yearly rate of 5% over the term of the agreement of eight years commencing on 1st January 2000.

27. SUBSIDIARIES

As at 30th September 2000, the Company held interests in the following subsidiaries:–

Subsidiary	Country/place of incorporation/ operation	Issued and fully paid up share capital	Percentage of equity held by the Company		Principal activity
			Direct	Indirect	
Foreign Synergy Associates Limited	British Virgin Islands	Ordinary US\$12,823	100	–	Investment holding
Aylesby International Co. Ltd.	British Virgin Islands	Ordinary US\$1	–	100	Investment holding
Barnsford International Limited	British Virgin Islands	Ordinary US\$1	–	100	Investment holding
Broughton Enterprises Limited	British Virgin Islands	Ordinary US\$1	–	100	Investment holding

27. SUBSIDIARIES (CONTINUED)

As at 30th September 2000, the Company held interests in the following subsidiaries:—

Subsidiary	Country/place of incorporation/ operation	Issued and fully paid up share capital	Percentage of equity held by the Company		Principal activity
			Direct	Indirect	
Calaview Assets Management Limited#	British Virgin Islands	Ordinary US\$1,000	—	51	Investment holding
Calington Enterprises Limited	British Virgin Islands	Ordinary US\$1	—	100	Investment holding
Chinese Sports Program Syndicating Company Limited*#	Hong Kong	Ordinary HK\$2	—	51	Television programme syndication and events management
Club Ace Limited	British Virgin Islands	Ordinary US\$1	—	100	Investment holding
Flexson Enterprises Limited	British Virgin Islands	Ordinary US\$1,000	—	85	Investment holding
Freespeech Technology Limited	British Virgin Islands	Ordinary US\$1	—	100	Investment holding
Frontline Technology Limited	Hong Kong	Ordinary HK\$2	—	100	Dormant
Globe Talent International Limited	Hong Kong	Ordinary HK\$2	—	100	Dormant
Golden Choice Development Limited	British Virgin Islands	Ordinary US\$100	—	100	Investment holding
Heng Zi International Trading (Shanghai) Co. Ltd.	The PRC	Registered US\$200,000	—	100	Trading of telecommunications products

27. SUBSIDIARIES (CONTINUED)

As at 30th September 2000, the Company held interests in the following subsidiaries:—

Subsidiary	Country/place of incorporation/ operation	Issued and fully paid up share capital	Percentage of equity held by the Company		Principal activity
			Direct	Indirect	
Innokette Global Co. Ltd.	British Virgin Islands	Ordinary US\$1	—	100	Investment holding
Kadsley Company Limited	British Virgin Islands	Ordinary US\$1	—	100	Trademarks holding
Loyal Crown Inc.	British Virgin Islands	Ordinary US\$2	—	100	Investment holding
Lucky Investments Limited	Niue	Ordinary US\$1,000	—	100	Dormant
Maxon Holdings Limited	British Virgin Islands	Ordinary US\$1	—	100	Investment holding
New Eagle Technology Limited*#	Hong Kong	Ordinary HK\$10,000	—	85	Trading of telecommunications products
New Focus Technology Limited*#	Hong Kong	Ordinary HK\$100	—	85	Trading of telecommunications products
New Harbour Group Limited	British Virgin Islands	Ordinary US\$1	—	100	Investment holding
Power Ring Enterprises Limited	British Virgin Islands	Ordinary US\$2	—	100	Investment holding
Prosperous Fields Limited	Niue/The PRC	Ordinary US\$1,000	—	100	Provision of liaison services to group companies
Sportage Development Limited	British Virgin Islands/The PRC	Ordinary US\$3,000	—	100	Provision of liaison services to group companies

27. SUBSIDIARIES (CONTINUED)

As at 30th September 2000, the Company held interests in the following subsidiaries:—

Subsidiary	Country/place of incorporation/ operation	Issued and fully paid up share capital	Percentage of equity held by the Company		Principal activity
			Direct	Indirect	
Techglory International (China) Limited (formerly known as Easeland Development Limited)	British Virgin Islands/Macau	Ordinary US\$3,000	—	100	Trading of telecommunications products
Techglory International Limited	Hong Kong	Ordinary HK\$1,388,000	—	100	Trading of telecommunications products
Wah Fai (Holdings) Limited	Hong Kong	Ordinary HK\$1,000,000	—	100	Property investment

* These subsidiaries have financial accounting period of 31st March which are not coterminous with the Group.

Subsidiaries not audited by PricewaterhouseCoopers
The aggregate net liabilities of subsidiaries not audited by PricewaterhouseCoopers were not material to the Group's total net assets.

28. ULTIMATE HOLDING COMPANY

The Directors regard Optimum Pace International Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

29. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 6th December, 2000.