

Notes to the Financial Statements

For the year ended October 31, 2000

27. Share Capital

	Number of shares		Share capital	
	2000	1999	2000 HK\$'000	1999 HK\$'000
Ordinary shares of HK\$0.1 each:				
Authorised:				
At beginning of year and at end of year	<u>600,000,000</u>	<u>600,000,000</u>	<u>60,000</u>	<u>60,000</u>
Issued and fully paid:				
At beginning of year	495,957,252	496,607,252	49,596	49,661
Shares repurchased and cancelled	<u>–</u>	<u>(650,000)</u>	<u>–</u>	<u>(65)</u>
At end of year	<u>495,957,252</u>	<u>495,957,252</u>	<u>49,596</u>	<u>49,596</u>

Notes:

(a) Share capital

In 1999, the Company repurchased a total of 650,000 of its own ordinary shares at an aggregate consideration of HK\$276,000 on the Stock Exchange pursuant to the Company's share repurchase mandate granted on April 16, 1999. The repurchased shares were cancelled upon repurchase and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against retained profits. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

(b) Share option scheme

Pursuant to the Company's share option scheme adopted on September 4, 1992, the directors of the Company may grant options to executive directors and employees of the Company and its subsidiaries to subscribe for shares in the Company, subject to a maximum of 10 per cent of the issued share capital of the Company from time to time.

A summary of the movements of share options during the year is as follows:

Date of grant	Exercisable period	Consideration	Exercise price HK\$	At November 1, 1999	Share option granted during the year	At October 31, 2000
March 14, 1997	September 14, 1997 to March 13, 2002	Nil	3.428	18,734,000	–	18,734,000
December 17, 1999	May 17, 2000 to December 17, 2004 *	Nil	0.63	–	4,808,000	4,808,000

* The options will be vested in four equal tranches on December 17, 1999, 2000, 2001 and 2002.

The first tranche vested on December 17, 1999 will be exercisable after six months on May 17, 2000 and up to December 17, 2004.

The second, third and fourth tranches will be exercisable when vested and exercisable up to December 17, 2004.

No share options have been exercised during the year.

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28. Reserves

	Capital		Investment								
	Share premium	redemption reserve	Warrant reserve	Capital reserve	revaluation reserve	Goodwill reserve	Legal reserve	Translation reserve	Special reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP											
At November 1, 1998											
– as originally stated	584,657	182	56,105	(11,998)	–	(380,812)	681	(38,225)	–	156,679	367,269
– prior period adjustment on changes of accounting policies as a result of adoption of SSAP 1 (Revised) and SSAP 24	–	–	–	–	(785)	–	–	–	–	(4,296)	(5,081)
- as restated	584,657	182	56,105	(11,998)	(785)	(380,812)	681	(38,225)	–	152,383	362,188
Reserve released upon lapse of warrants during the year	–	–	(56,105)	–	–	–	–	–	–	–	(56,105)
Valuation increase on other securities	–	–	–	–	127	–	–	–	–	–	127
Exchange difference arising on translation of financial statements of overseas operations	–	–	–	–	–	–	–	(2,005)	–	–	(2,005)
Repurchase of shares	–	–	–	–	–	–	–	–	–	(211)	(211)
Transfer	–	65	–	–	–	–	69	–	–	(134)	–
Net profit for the year	–	–	–	–	–	–	–	–	–	49,476	49,476
Dividends	–	–	–	–	–	–	–	–	–	(12,399)	(12,399)
At November 1, 1999	584,657	247	–	(11,998)	(658)	(380,812)	750	(40,230)	–	189,115	341,071
Valuation decrease on other securities	–	–	–	–	(352)	–	–	–	–	–	(352)
Goodwill on acquisition of subsidiaries	–	–	–	–	–	(2,257)	–	–	–	–	(2,257)
Exchange difference arising on translation of financial statements of overseas operations	–	–	–	–	–	–	–	(9,876)	–	–	(9,876)
Transfer	–	–	–	–	–	–	88	3	–	(91)	–
Net profit for the year	–	–	–	–	–	–	–	–	–	46,064	46,064
Dividends	–	–	–	–	–	–	–	–	–	(17,359)	(17,359)
At October 31, 2000	<u>584,657</u>	<u>247</u>	<u>–</u>	<u>(11,998)</u>	<u>(1,010)</u>	<u>(383,069)</u>	<u>838</u>	<u>(50,103)</u>	<u>–</u>	<u>217,729</u>	<u>357,291</u>
Attributable to:											
Company and subsidiaries	584,657	247	–	(11,998)	(1,010)	(383,069)	838	(50,103)	–	213,885	353,447
Associates	–	–	–	–	–	–	–	–	–	3,844	3,844
	<u>584,657</u>	<u>247</u>	<u>–</u>	<u>(11,998)</u>	<u>(1,010)</u>	<u>(383,069)</u>	<u>838</u>	<u>(50,103)</u>	<u>–</u>	<u>217,729</u>	<u>357,291</u>

Notes to the Financial Statements

For the year ended October 31, 2000

28. Reserves (Cont'd)

	Capital			Investment					Special reserve	Retained profits	Total
	Share premium	redemption reserve	Warrant reserve	Capital reserve	revaluation reserve	Goodwill reserve	Legal reserve	Translation reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
THE COMPANY											
At November 1, 1998	584,657	182	56,105	-	-	-	-	-	50,594	71,895	763,433
Net profit for the year	-	-	-	-	-	-	-	-	-	70,733	70,733
Dividends	-	-	-	-	-	-	-	-	-	(12,399)	(12,399)
Transfer	-	65	-	-	-	-	-	-	-	(65)	-
Reserve released upon lapse of warrants during the year	-	-	(56,105)	-	-	-	-	-	-	-	(56,105)
Repurchase of shares	-	-	-	-	-	-	-	-	-	(211)	(211)
At November 1, 1999	584,657	247	-	-	-	-	-	-	50,594	129,953	765,451
Net loss for the year	-	-	-	-	-	-	-	-	-	(23,051)	(23,051)
Dividends	-	-	-	-	-	-	-	-	-	(17,359)	(17,359)
At October 31, 2000	584,657	247	-	-	-	-	-	-	50,594	89,543	725,041

The capital reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company in exchange for the nominal amount of the share capital of its subsidiaries at the date of reorganisation.

The legal reserve of the Group represents the transfer from the retained profits of the Group's subsidiaries as required by respective local laws.

The special reserve of the Company represents the difference between the nominal amount of the share capital issued by the Company and the book value of the underlying consolidated net assets of subsidiaries acquired by the Company at the date of reorganisation.

The warrant reserve of the Company represents the proceeds arising from the issue and allotment of warrants, net of warrant issue expenses. As these warrants lapsed during 1999, this reserve was released to the income statement in that year.

The directors consider that the Company's reserves available for distribution to shareholders comprise the share premium, the special reserve and the retained profits which amounted to HK\$724,794,000 (1999: HK\$765,204,000). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

Notes to the Financial Statements

For the year ended October 31, 2000

29. Deferred Taxation

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Balance at November 1	4,517	4,595
Exchange adjustments	(503)	(74)
Acquisition of subsidiaries	119	–
Credit for the year (Note 11)	(410)	(4)
	<u>3,723</u>	<u>4,517</u>
Balance at October 31	<u>3,723</u>	<u>4,517</u>

At the balance sheet date, the major components of the provision for deferred taxation are as follows:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	4,113	5,473
Others	(390)	(956)
	<u>3,723</u>	<u>4,517</u>
	<u>3,723</u>	<u>4,517</u>

Neither the Group nor the Company had any material unprovided deferred taxation for the year and at the balance sheet date.

The surplus or deficit arising on revaluation of the Group's investment properties and investment in securities does not constitute a timing difference for taxation purposes as any profits or losses realised on their subsequent disposals would not be subject to taxation.

Notes to the Financial Statements

For the year ended October 31, 2000

30. Reconciliation of Profit before Taxation to Net Cash Inflow from Operating Activities

	2000 HK\$'000	1999 HK\$'000
Profit before taxation	57,102	58,052
Interest expenses	13,658	17,385
Finance charges in respect of finance leases and hire purchase contracts	841	984
Interest income	(3,238)	(4,651)
Depreciation and amortisation	45,885	46,465
Loss (gain) on disposal of property, plant and equipment	1,281	(498)
Revaluation decrease of investment properties	5,073	5,617
(Gain) loss on disposal of subsidiaries	(921)	4,618
Profit on disposal of certain interests in subsidiaries	(6,444)	–
Provision for project loan receivable and bad and doubtful debts	1,724	9,593
Provision for amounts due from associates	6,910	–
Warrant reserve taken to income statement	–	(56,105)
Share of (profits) losses of associates	(2,091)	2,744
Decrease in inventories	369	2,738
(Increase) decrease in contract work in progress	(24,021)	4,550
Decrease (increase) in amounts due from associates	833	(2,024)
Increase in debtors, deposits and prepayments	(80,922)	(24,495)
Increase in payments received on account of short-term contracts	24,514	14,562
Increase in creditors and accrued charges	64,293	20,270
(Decrease) increase in amounts due to associates	(2,663)	495
Net cash inflow from operating activities	<u>102,183</u>	<u>100,300</u>

Notes to the Financial Statements

For the year ended October 31, 2000

31. Acquisition of Subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net assets acquired:		
Property, plant and equipment	1,096	–
Inventories	1,814	–
Contract work in progress	136	–
Debtors and prepayments	4,531	–
Bank balances and cash	1,837	–
Creditors and accrued charges	(6,447)	–
Taxation payable	(58)	–
Bank overdrafts	(20)	–
Obligations under finance leases and hire purchase contracts	(232)	–
Minority interests	(286)	–
Deferred taxation	(119)	–
	<u>2,252</u>	<u>–</u>
Goodwill	2,257	–
	<u>4,509</u>	<u>–</u>
Satisfied by:		
Cash paid	<u>4,509</u>	<u>–</u>

Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:

	2000 HK\$'000	1999 HK\$'000
Cash consideration paid	(4,509)	–
Bank balances and cash acquired	1,837	–
Bank overdrafts acquired	(20)	–
	<u>(2,692)</u>	<u>–</u>

The subsidiaries acquired in 2000 had no significant impact on the turnover, results and cash flows of the Group for the year.

Notes to the Financial Statements

For the year ended October 31, 2000

32. Disposal of a Subsidiary

	2000 HK\$'000	1999 HK\$'000
Net (liabilities) assets disposed of:		
Property, plant and equipment	1,776	11,000
Debtors, deposit and prepayment	7,616	481
Taxation recoverable	1,132	–
Bank balances	88	145
Creditors and accrued charges	(4,423)	(8)
Amounts due to shareholders	(6,910)	–
Taxation payable	(200)	–
	<u>(921)</u>	<u>11,618</u>
Gain (loss) on disposal of a subsidiary	<u>921</u>	<u>(4,618)</u>
	<u>–</u>	<u>7,000</u>
Satisfied by:		
Cash consideration	<u>–</u>	<u>7,000</u>

Analysis of net outflow of cash and cash equivalents in connection with the disposal of subsidiaries:

	2000 HK\$'000	1999 HK\$'000
Cash received	–	7,000
Bank balances disposed of	<u>(88)</u>	<u>(145)</u>
	<u>(88)</u>	<u>6,855</u>

The subsidiary disposed of had no significant impact on the cash flows of the Group during the year.

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33. Analysis of Changes in Financing During the Year

	Bank loans HK\$'000	Obligations under finance leases and hire purchase contracts HK\$'000	Minority interests HK\$'000
Balance at November 1, 1998	219,599	16,605	40,377
Exchange adjustments	(2,499)	(355)	(1,140)
New bank loans obtained	52,760	–	–
Inception of new finance leases and hire purchase contracts	–	370	–
Repayments during the year	(86,324)	(7,306)	–
Share of profit for the year	–	–	1,595
Balance at November 1, 1999	183,536	9,314	40,832
Exchange adjustments	(5,765)	(464)	(2,559)
Capital contributed by minority shareholders	–	–	15,709
New bank loans obtained	37,460	–	–
Repayments during the year	(56,664)	(5,557)	–
Acquisition of subsidiaries	–	232	286
Inception of new finance leases and hire purchase contracts	–	2,205	–
Gain on deemed disposal of certain interests in subsidiaries	–	–	(6,444)
Share of profit for the year	–	–	1,329
Balance at October 31, 2000	158,567	5,730	49,153

Notes to the Financial Statements

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34. Analysis of the Balances of Cash and Cash Equivalents

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Bank balances and cash	128,757	98,089
Bank overdrafts	(18,550)	(21,917)
	<u>110,207</u>	<u>76,172</u>

35. Major Non-Cash Transactions

The Group entered into finance leases and hire purchase contracts in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the contracts of approximately HK\$2,205,000 (1999: HK\$370,000).

36. Pledge of Assets

At October 31, 2000, the Group has pledged bank deposits of approximately HK\$20 million (1999: HK\$18 million), land and buildings and investment properties with aggregate net book values of approximately HK\$224 million (1999: HK\$207 million) and HK\$48 million (1999: HK\$79 million), respectively, as collaterals for credit facilities granted to the Group by certain banks. The pledged bank deposits are applied to secure the short-term bank borrowings.

37. Capital Commitments

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	–	417
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	–	12,601
	<u>–</u>	<u>13,018</u>

The Company did not have any significant capital commitments at October 31, 2000.

Notes to the Financial Statements

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38. Operating Lease Commitments

At the balance sheet date, the Group had the outstanding commitments under non-cancellable operating leases in respect of rented premises and equipment as follows:

	THE GROUP			
	2000		1999	
	Rented premises	Equipment	Rented premises	Equipment
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating leases which expire:				
Within one year	1,152	82	493	4
In the second to fifth year inclusive	730	88	1,317	23
Over five years	3,619	–	3,817	–
	<u>5,501</u>	<u>170</u>	<u>5,627</u>	<u>27</u>

At October 31, 2000, the Company had no commitments under non-cancellable operating leases.

39. Contingent Liabilities

The Group did not have any significant contingent liabilities at October 31, 2000.

The Company has issued guarantees of approximately HK\$397 million (1999: HK\$337 million) to bankers to secure general banking facilities granted to certain subsidiaries, an investee company and an associate of which approximately HK\$76 million was utilised at October 31, 2000 (1999: HK\$97 million).

40. Retirement Benefits Scheme

The Group operates a defined contribution retirement benefits scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees.

The retirement benefits cost charged to income statement represents contributions payable to the funds by the Group at rates specified in the rules of scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contributions payable in the future years was approximately HK\$60,000 (1999: HK\$27,000).