

36. COMMITMENTS

(a) Capital commitments

Capital commitments contracted for but not provided in the financial statements in respect of the following:

	The Group	
	31/12/2000 HK\$'000	31/03/2000 HK\$'000
Acquisition of Hong Kong Futures Exchange trading right	1,120	–
Capital injection to an associate	4,680	4,680
Acquisition of property, plant and equipment	1,630	1,091
Acquisition of investments in securities	–	28,200
Loan advance to an associate	–	10,019
	7,430	43,990

(b) Lease commitments

At the balance sheet date, the Group had annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings as follows:

	The Group	
	31/12/2000 HK\$'000	31/03/2000 HK\$'000
Within one year	111	–
In the second to fifth year inclusive	791	–
	902	–

At the balance sheet date, the Company had no operating lease commitments.

37. CONTINGENT LIABILITIES

At the balance sheet date, the Company and the Group have given corporate guarantees to banks and financial institutions and an independent third party in respect of credit facilities utilised by/granted to:

	The Group		The Company	
	31/12/2000 HK\$'000	31/03/2000 HK\$'000	31/12/2000 HK\$'000	31/03/2000 HK\$'000
Subsidiaries	–	–	362,270	329,611
Associate	–	2,354	–	2,354
Third party	–	38,240	–	38,240
	–	40,594	362,270	370,205

The Company has given a guarantee to a third party to the extent of HK\$53 million in respect of a convertible note of HK\$53 million issued by a subsidiary. In addition, the Company has executed a guarantee for the due observance and performance of a subsidiary under a shareholders' agreement entered into among the Company, the subsidiary and other third parties.

38. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following net book values have been pledged to banks and other financial institutions to secure credit facilities granted to the Group:

	The Group	
	31/12/2000 HK\$'000	31/03/2000 HK\$'000
Land and buildings	352,085	333,715
Investment properties	209,300	218,300
Bank deposits	15,072	–
	576,457	552,015

At the balance sheet date, the entire issued share capital of a subsidiary of the Company, Million Regal Investment Limited, was pledged to a financial institution to secure a loan facility of HK\$25 million (31/03/2000: HK\$25 million) granted to the subsidiary.

The Group's interests in two associates, Bai Hui Group Company Limited and Bai Hui Real Estate Company Limited, together with the shareholders' loans of HK\$38 million (31/03/2000: HK\$38 million) were pledged to secure a loan and interest repayments of HK\$95 million (31/03/2000: HK\$95 million) payable to a third party.

39. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the major components of the unprovided deferred tax assets/(liabilities) are as follows:

	The Group		The Company	
	31/12/2000	31/03/2000	31/12/2000	31/03/2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:				
Excess of tax allowances over depreciation	(5,948)	(741)	—	—
General provisions	6,729	—	—	—
Taxation losses	105,655	66,762	5,259	12,764
	106,436	66,021	5,259	12,764

The amount of the unprovided deferred tax credit/(charge) for the period is as follows:

	The Group		The Company	
	01/04/2000 to 31/12/2000	01/04/1999 to 31/03/2000	01/04/2000 to 31/12/2000	01/04/1999 to 31/03/2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:				
Excess of tax allowances over depreciation	(4,943)	(487)	—	—
General provisions	5,460	—	—	—
Tax losses				
– current period/year	25,281	22,259	1,816	7,105
– under/(over) stated in prior years	13,554	—	(9,321)	—
Acquisition of subsidiaries	1,063	—	—	—
Eliminated on disposals of subsidiaries	—	(7,067)	—	—
	40,415	14,705	(7,505)	7,105

A deferred tax asset in respect of tax losses available to set off future taxable profits has not been recognised in the financial statements as it is uncertain whether the tax benefit will be crystallised in the foreseeable future.

Deferred tax has not been provided in respect of the revaluation deficit arising on the revaluation of certain land and buildings in Hong Kong and other securities as losses arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

40. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties.

- (a) A property of the Group with net book value of HK\$24,720,000 (31/03/2000: Nil) is occupied by the brother of a director of the Company rent free. The director's brother is a director of certain non-wholly owned subsidiaries of the Company.
- (b) The Group has granted unsecured loans to two executive directors of the Company as follows:

Name of director	Maximum amount outstanding during the period and balance at 31 December 2000	Maturity	Interest rate per annum
	HK\$'000		
Mr. Chung, Wilson	1,000*	10 October 2001	11%
Mr. Wong Siu Bun	270*	13 February 2001	9%
Mr. Wong Siu Bun	200#	29 June 2002	15%

* Included in short term loans receivable

Included in loans receivable

There was neither any interest due but unpaid nor any provision made against these loans at 31 December 2000.

- (c) The Group has also granted unsecured short term loan and secured advances to a director of certain non-wholly owned subsidiaries throughout the period. The loans carried interest at 11.5% to 15% per annum or at prime rate plus 3% per annum. The advances carried interest at prime rate plus 3% to 15% per annum. At the balance sheet date, the outstanding loans and advances amounted to approximately HK\$47,000,000 and HK\$5,400,000 respectively. Interest income received and receivable from the director amounted to HK\$1,986,000 in respect of the period.
- (d) The Group's banking facilities to the extent of HK\$40,000,000 are guaranteed by a director of certain non-wholly owned subsidiaries.
- (e) The Group has paid HK\$480,000 to an associate for development of the Group's web site.

41. POST BALANCE SHEET EVENTS

The following events have occurred subsequent to the balance sheet date:

- (a) The Company has made private placement of 1,994,000,000 and 2,393,500,000 new ordinary shares of HK\$0.01 each in the share capital of the Company at a price of HK\$0.017 per share and HK\$0.014 per share to independent individuals and institutional investors.
- (b) The acquisition of the entire interest in a wholly owned subsidiary of the Company as mentioned in note 26(b) had not been completed on the scheduled completion date of 5 February 2001. B-Tech had lodged a claim against the Group to refund the sale deposit. However, B-Tech is now withholding further action and is pending for possible negotiation on settlement. The directors consider that the Group will not have material adverse financial impact arising from the settlement.

41. POST BALANCE SHEET EVENTS *(Continued)*

- (c) A substantial shareholder of the Company, Radford Developments Limited which is wholly owned by a trust established for the benefit of the son of Mr. Chuang Yueheng, Henry, the director of the Company, has increased its shareholdings in the Company to 32.47%.
- (d) The Group acquired from a third party certain subsidiaries principally engaging in property investment and investment holding for an aggregate consideration of HK\$48,760,000. The consideration is satisfied by the transfer of certain trading securities of the Group to the vendor.
- (e) A non-wholly owned subsidiary, Cupac, has granted additional short term loans amounting to HK\$25 million to another non-wholly owned subsidiary of the Company, Chung Nam Finance Limited. The loans bear interest at prime rate plus 1% to 2% per annum.
- (f) The Company and its subsidiary, HMI, entered into a subscription agreement dated 27 March 2001 with a third party whereby HMI agreed to allot 10,000,000 new shares of US\$0.1 each, representing approximately 30.18% of the entire issued share capital of HMI as enlarged by the issue of the new shares, for a subscription price of HK\$50,000,000 to the third party subject to certain conditions to be fulfilled on or before 31 July 2001. The consideration of HK\$ 50,000,000 has been received by HMI. In this connection, the Company has given warranties on certain financial performance of HMI to the third party. The Company's interest in HMI will decrease from 95.68% to 66.8% after the allotment of new shares.
- (g) Cupac has received a refundable deposit of HK\$22,750,000 from a third party for the subscription of a convertible note to be issued by Cupac.
- (h) The Group has disposed of 325,000 shares in an investment at cost for HK\$7,800,000 and has requested the third party to buy back the remaining 1,375,000 shares for HK\$33,000,000 pursuant to the agreement as mentioned in note 21.

42. COMPARATIVE FIGURES

Included in other operating expenses for the year ended 31 March 2000 is the cost of trading securities sold amounting to HK\$117,912,000 which is separately presented as an expense item in the consolidated income statement.

43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 20 April 2001.