

## 20. SHARE CAPITAL (Cont'd)

### Share options

Pursuant to the Company's share option scheme adopted on 16 January 1999, the board of directors of the Company are authorised, on or before 9 March 2009, at their discretion, to invite any employee, including any executive director of the Company or any of its subsidiaries, to take up options to subscribe for shares of the Company. The scheme subscription price will be the higher of 80% of the average of the closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of the option and the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed, in nominal amount, 10% of the issued share capital of the Company from time to time which has been duly allotted and issued.

Up to the date of approval of the financial statements, no share options have been granted under the scheme.

## 21. RESERVES

### Group

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 1999	19,321	107	4,839	57,780	82,047
Elimination of goodwill	—	—	—	(6,500)	(6,500)
Transfer to capital reserve	—	494	—	(494)	—
Net profit for the year	—	—	—	14,043	14,043
Dividend	—	—	—	(10,000)	(10,000)
At 31 March 2000 and 1 April 2000	19,321	601	4,839	54,829	79,590
Transfer to capital reserve	—	591	—	(591)	—
Net profit for the year	—	—	—	20,540	20,540
At 31 March 2001	19,321	1,192	4,839	74,778	100,130

In accordance with the relevant PRC regulations, CEP and JECP may transfer part of their profit after tax, subject to the discretion of their boards of directors, to the capital reserve. Subject to certain restrictions set out in the relevant PRC regulations and the articles of association of CEP and JECP, the capital reserve may be used to offset losses or for capitalisation as paid-up capital.

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation in 1999 over the nominal value of the share capital of the Company issued in exchange therefor.

### Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits/ (accumulated loss) HK\$'000	Total HK\$'000
At 1 April 1999	19,321	64,636	1,010	84,967
Net profit for the year	—	—	9,962	9,962
Dividend	—	—	(10,000)	(10,000)
At 31 March 2000 and 1 April 2000	19,321	64,636	972	84,929
Net loss for the year	—	—	(3,923)	(3,923)
At 31 March 2001	19,321	64,636	(2,951)	81,006

The contributed surplus of the Company represents the excess of the then combined net asset value of the subsidiaries acquired pursuant to the Group reorganisation in 1999 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

## 22. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Profit from operating activities	27,208	17,707
Interest income	(793)	(1,052)
Depreciation	3,468	2,320
Amortisation of intangible assets	864	—
Loss/(gain) on disposal of fixed assets	(5)	2
Provision for bad and doubtful debts	4,324	987
Increase in accounts receivable	(33,941)	(2,834)
Decrease in inventories	6,685	7,152
Decrease in prepayments, deposits and other receivables	7,159	4,666
Increase in trust receipt loans	4,868	—
Increases/(decrease) in accounts and bills payable, and accrued liabilities and other payables	995	(3,889)
Net cash inflow from operating activities	20,832	25,059

### (b) Analysis of changes in financing during the years

	Share capital and share premium account HK\$'000	Other loans HK\$'000	Minority interest and amounts due to minority equity holders HK\$'000
Balance at 1 April 1999	38,321	—	3,043
Net cash inflow from financing	—	6,363	—
Share of profit for the year	—	—	82
Capital contribution from a minority equity holder	—	—	12,000
Dividend distributed to a minority equity holder	—	—	(1,257)
Balance at 31 March 2000 and 1 April 2000	38,321	6,363	13,868
Net cash inflow/(outflow) from financing	—	(6,363)	898
Share of profit for the year	—	—	1,589
Increase in amount due to a minority equity holder	—	—	1,504
Dividend distributed to a minority equity holder	—	—	(1,504)
Balance at 31 March 2001	38,321	—	16,355

## 22. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

### (c) Acquisition of a subsidiary

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	—	36
Cash and bank balances	—	90
Other receivables	—	24
Accrued liabilities	—	(150)
	—	—
Goodwill on acquisition	—	6,500
Consideration	—	6,500
Satisfied by:		
Cash	—	6,500

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

	2001 HK\$'000	2000 HK\$'000
Cash consideration paid	—	6,500
Cash and bank balances acquired	—	(90)
	—	6,410

The subsidiary acquired during the year ended 31 March 2000 had no material effect on the cash flows of the Group.

### (d) Major non-cash transactions

- During the year, a dividend of HK\$1,504,000 (2000: HK\$1,257,000) distributed by CEP to its minority equity holder was settled through the current account with the minority equity holder.
- During the year ended 31 March 2000, the Company entered into a joint venture agreement ("JV Agreement") with a third party to establish JECP. Pursuant to the JV Agreement, the third party satisfied its contribution of RMB23,200,000 (HK\$21,091,000 equivalent) by injecting fixed assets and technical knowhow of HK\$12,000,000 and HK\$9,091,000, respectively.

## 23. CONTINGENT LIABILITIES

At 31 March 2001, the Company had provided guarantees of banking facilities utilised by certain subsidiaries of approximately HK\$22,029,000 (2000: HK\$13,048,000).

At 31 March 2001, the Group had no significant contingent liabilities (2000: Nil).

## 24. COMMITMENTS

- (i) At 31 March 2001, the Group had the following commitments in respect of the construction of a new manufacturing plant in the PRC:

	2001 HK\$'000	2000 HK\$'000
Contracted for	3,000	—
Authorised but not contracted for	29,455	—
	<u>32,455</u>	<u>—</u>

- (ii) At 31 March 2001, the Group had annual commitments payable in the following year under non-cancellable operating leases of land and buildings expiring:

	2001 HK\$'000	2000 HK\$'000
Within one year	896	113
In the second to fifth years, inclusive	18	790
	<u>914</u>	<u>903</u>

The Company had no significant commitments as at 31 March 2001 (2000: Nil).

## 25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 29 June 2001.