

# Notes on the Accounts

## 1. BASIS OF PRESENTATION

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties and investments in securities as explained in the principal accounting policies as set out below.

The consolidated accounts incorporate the accounts of the Company and all its subsidiaries made up to June 30 each year. All material intra-group accounts and transactions are eliminated upon consolidation. The Group's results include, in respect of any subsidiaries acquired during the year, their results attributable to the periods since the dates of acquisition and, in the case of interests in subsidiaries disposed of during the year, their results attributable to the periods up to the dates of disposal.

## 2. PRINCIPAL ACCOUNTING POLICIES

### (a) *Revenue recognition*

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated profit and loss account as follows:

- (i) Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable.
- (ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

Interest income from dated debt securities intended to be held to maturity is recognised as it accrues, as adjusted by the amortisation of the premium or discount on acquisition, so as to achieve a constant rate of return over the period from the date of purchase to the date of maturity.

- (iii) Revenue arising from the disposal of properties is recognised when substantially all the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyers.

## 2. PRINCIPAL ACCOUNTING POLICIES (CON'T)

### (a) Revenue recognition (con't)

- (iv) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

### (b) Investments

- (i) Investments in securities

Held-to-maturity debt securities are investments which the Group has the expressed intention and ability to hold to maturity. They are stated in the balance sheet at amortised cost less any provisions for diminution in value. The carrying amounts of held-to-maturity securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be fully recovered. Provisions are made when carrying amounts are not expected to be fully recovered and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.

Other non-trading investments are classified as "non-trading securities" and are stated in the balance sheet at fair value. Changes in fair value of non-trading securities are dealt with in the investment revaluation reserve until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account.

- (ii) Investments in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any provisions for diminution in value which are other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the Company's profit and loss account.

### 2. PRINCIPAL ACCOUNTING POLICIES (CON'T)

(c) *Investment properties*

Investment properties are stated in the balance sheet at valuation, being the higher of their open market values appraised by an independent professional valuer and their effective net realisable values pursuant to the Group's rights under put option agreements. The net surplus or deficit on revaluation is taken to investment property revaluation reserve except when a deficit arises, whereupon it is charged to the profit and loss account, if and to the extent that it exceeds the amount held in investment property revaluation reserve immediately prior to the revaluation; and when a surplus arises, it is credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties had previously been charged to the profit and loss account. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is transferred to the profit and loss account for the year.

No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years.

(d) *Fixed assets and depreciation*

Fixed assets are stated at cost less accumulated depreciation which is calculated on a straight line basis to write off the assets over their estimated useful lives, taken as being between 2 to 7 years.

(e) *Operating lease charges*

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(f) *Affiliated company*

An affiliated company is a company which is under the direct or indirect control of an entity which holds an effective interest of 20% or more of the Company's issued share capital.

(g) *Deferred taxation*

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

**2. PRINCIPAL ACCOUNTING POLICIES (CON'T)****(h) Translation of foreign currencies**

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the profit and loss account.

**(i) Retirement costs**

The Group participates in a master trust Mandatory Provident Fund scheme set up under the Mandatory Provident Fund Schemes Ordinance. Contributions thereto are charged to the profit and loss account when the corresponding staff costs are incurred.

**(j) Related parties**

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

**(k) Cash equivalents**

For the purpose of the cash flow statement, cash equivalents include short term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, net of advances from banks repayable within three months from the date of the advance.

## Notes on the Accounts

### 3. TURNOVER AND SEGMENTAL INFORMATION

The principal activity of the Company is investment in the wireless technology sector. The principal activities of the subsidiaries are set out in note 14 on the accounts.

Group turnover for the year comprises rental income. Analysis of the Group's turnover and contribution to profit from operations during the year by principal activities is as below:

	Group turnover		Contribution to	
	For year ended June 30		profit from operations	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Principal activities</b>				
Wireless technology investment	–	–	<b>(9,463)</b>	(316)
Property investment	<b>36,059</b>	40,037	<b>29,297</b>	29,782
	<b>36,059</b>	40,037		
Interest income			<b>101,946</b>	16,645
Dividends from listed investments			–	799
General expenses net of other income			<b>(15,108)</b>	(4,720)
			<b>106,672</b>	42,190

The negative contribution from the wireless technology investment activity for the year ended June 30, 2001, which has not yet generated any revenue, related to direct operating expenses including remuneration of the investment staff.

No geographical analysis is shown as activities of the Group generating turnover and contribution to profit from operations during the current and the prior financial year were carried out in Hong Kong.

### 4. INCOME

	2001	2000
	HK\$'000	HK\$'000
Other revenue		
Interest income	<b>101,946</b>	16,645
Sundry income	<b>67</b>	732
Dividends from listed investments	–	799
	<b>102,013</b>	18,176
Other net income		
Net foreign exchange gains	<b>806</b>	76

**5. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION**

Profit/(loss) from ordinary activities before taxation of the Group is arrived at after charging/(crediting):

	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Finance expenses		
Interest on bank advances and other short term borrowings repayable within 5 years	–	23,222
Staff costs (including retirement scheme contributions of HK\$75,000 (2000: HK\$310,000))	<b>11,685</b>	3,865
Depreciation	<b>868</b>	224
Operating lease charges – office rental	<b>1,880</b>	–
Auditors' remuneration	<b>410</b>	133
Deficit on revaluation of investment properties (see note 11)	<b>81,447</b>	185,152
Rental income from investment properties less direct outgoings of HK\$1,429,000 (2000: HK\$3,127,000)	<b>(34,630)</b>	(36,910)

**6. TAXATION**

- (a) Taxation in the consolidated profit and loss account represents provision for Hong Kong profits tax, calculated at 16% of the estimated assessable profits for the year.
- (b) Taxation in the balance sheet represents:

	<b>The Group</b>	
	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Provision for Hong Kong profits tax for the year	<b>2,253</b>	2,435
Balance of profits tax provision relating to prior years	–	(149)
	<b>2,253</b>	2,286

No provision for deferred taxation has been made as the Company and the Group had net deferred tax assets, which comprise principally the tax effect of the future benefit of the accumulated tax losses carried forward, which amounted to HK\$5,195,000 (2000: HK\$3,620,000) and HK\$12,962,000 (2000: HK\$12,171,000) for the Company and the Group respectively, the future realisation of which is uncertain.

## Notes on the Accounts

### 7. DIRECTORS' EMOLUMENTS

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fees	<b>1,258</b>	133
Salaries, allowances and benefits in kind	<b>2,302</b>	945
Retirement scheme contributions	–	86
	<b>3,560</b>	1,164

Included in the above are the following emoluments paid to independent non-executive directors:

	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fees	<b>322</b>	38

The number of directors whose remuneration falls within the following bands is:

	<b>2001</b>	2000
HK\$Nil – HK\$1,000,000	<b>9</b>	12
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$2,000,001 – HK\$2,500,000	<b>1</b>	–
	<b>10</b>	13

### 8. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, one (2000: one) is a director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2000: four) individuals is as follows:

	<b>The Group</b>	
	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Salaries and other emoluments	<b>6,067</b>	1,798
Retirement scheme contributions	<b>28</b>	156
Discretionary bonuses	–	33
	<b>6,095</b>	1,987

**8. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS (CON'T)**

The emoluments of the four (2000: four) individuals with the highest emoluments are within the following bands:

	2001	2000
HK\$Nil – HK\$1,000,000	1	4
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,500,001 – HK\$3,000,000	1	–
	<b>4</b>	<b>4</b>

**9. PROFIT FOR THE YEAR**

The Group's profit for the year includes a profit of HK\$22,972,000 (2000: loss of HK\$794,678,000) which has been dealt with in the accounts of the Company.

**10. EARNINGS/(LOSS) PER SHARE****(a) Basic earnings/(loss) per share**

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of HK\$22,972,000 (2000: loss of HK\$457,561,000) and on a weighted average number of 3,051,438,725 shares (2000: 1,195,690,708 shares) in issue during the year.

**(b) Diluted earnings/(loss) per share**

The potential issue of ordinary shares in connection with the Company's share option agreements would not give rise to a decrease in earnings per share (2000: an increase in loss per share) and therefore had no dilutive effect on the calculation of the diluted earnings/(loss) per share.

**11. INVESTMENT PROPERTIES**

	The Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
At valuation (see note below)		
At July 1	<b>704,000</b>	1,370,140
Additions	–	42
Disposals	–	(481,030)
Revaluation deficit	<b>(81,447)</b>	(185,152)
At June 30	<b>622,553</b>	704,000

## Notes on the Accounts

### 11. INVESTMENT PROPERTIES (CON'T)

The Group's investment properties are subject to put options granted by Guoco Group Limited ("Guoco"), pursuant to the put option agreements entered into with the Company on March 25, 2000 whereby the Company was conferred rights to dispose of all (but not part) of its interest in each of three wholly-owned subsidiaries, Supreme Goal Investments Limited ("SGIL"), W.C.H. Limited ("WCH") and Wanchai Property Investment Limited ("WPIL"), owning the Group's investment properties for consideration of HK\$286,740,000, HK\$181,488,000 and HK\$138,517,000 respectively. The put options may be exercised from May 30, 2001 to November 29, 2001.

Valuation of each investment property is based on the higher of their year end open market values and their effective net realisable values pursuant to the put options (being the exercise price of the put options net of other assets less liabilities of SGIL, WCH and WPIL and interest of preference shareholders therein). The deficit on revaluation of the investment properties has been charged to profit and loss account according to the Group's accounting policy as the Group has no investment property revaluation reserves.

The open market values of the Group's investment properties as at June 30, 2001 were determined by an independent firm of professional valuers, FPD Savills (Hong Kong) Limited, who have among their staff Associates of the Hong Kong Institute of Surveyors.

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	The Group	
	2001 HK\$'000	2000 HK\$'000
Long term leases (over 50 years)	157,200	186,000
Medium term leases (10-50 years)	465,353	518,000
	622,553	704,000

### 12. NON-TRADING SECURITIES

	The Group and the Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted equity securities	48,278	–
Club debenture	2,000	2,000
	50,278	2,000

Unlisted equity securities represent investments in two technology companies, one of which develops natural language processing and artificial intelligence software solutions for wireless and internet platforms, and the other specialises in developing multilingual conversational speech recognition technology. The Company has entered into an agreement with one of these companies to invest a further US\$5.1 million conditional upon the investee meeting certain operational and financial milestones which may be waived by the Company at its discretion.

## 13. FIXED ASSETS

	<b>Fixtures, furniture and equipment</b>
	<i>HK\$'000</i>
<b>The Group and the Company</b>	
Cost	
At July 1, 2000	1,246
Additions	3,943
At June 30, 2001	5,189
Accumulated depreciation	
At July 1, 2000	(657)
Charge for the year	(868)
At June 30, 2001	(1,525)
Net book value	
At June 30, 2001	3,664
At June 30, 2000	589

## 14. INTEREST IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	<b>827,000</b>	827,000
Amounts due from subsidiaries	<b>666,113</b>	1,245,540
Less: Provisions	<b>(740,628)</b>	(1,195,958)
	<b>752,485</b>	876,582

## Notes on the Accounts

### 14. INTEREST IN SUBSIDIARIES (CON'T)

Details of principal subsidiaries as at June 30, 2001 are as follows:

Name	Place of incorporation /operation	Issued and paid up ordinary share capital	Issued and paid up preference share capital	% of ordinary share capital held by the Group	Principal activity
imGO NDC Ventures Limited	Labuan/Korea	1 share of US\$1	–	100%	Investment holding
Supreme Goal Investments Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	–	100%	Property investment
Wanchai Property Investment Limited	British Virgin Islands/ Hong Kong	500,000 shares of HK\$1 each	4,500,000 shares of HK\$1 each	100%	Property investment
W.C.H. Limited	British Virgin Islands/ Hong Kong	500,000 shares of HK\$1 each	4,500,000 shares of HK\$1 each	100%	Property investment

### 15. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2001 HK\$'000	2000 HK\$'000
Share of net liabilities	–	(164,076)
Amounts due from jointly controlled entities	–	577,088
Less: Provisions	–	(294,052)
	–	118,960

During the year, the Company has disposed of its entire interest in two wholly-owned subsidiaries, Scorewell Corporation (“SC”), which held a 50% interest in a jointly controlled entity and Reunification Properties Limited (“RPL”), which held a 25% interest in another jointly controlled entity, to Guoco pursuant to an agreement dated March 25, 2000 on subscription of new shares in the Company. Consideration for disposal of SC at HK\$5,000,000 and RPL at HK\$107,507,000 has been received during the year.

## 16. DEBTORS AND PREPAYMENTS

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Interest receivable	39,775	8,058	39,616	8,058
Purchase consideration of a new investment deposited into an escrow account	40,949	–	–	–
Deposits, prepayments and other receivables	2,790	2,676	1,246	623
	<b>83,514</b>	10,734	<b>40,862</b>	8,681

A wholly-owned subsidiary of the Company entered into a share subscription agreement to invest in a Korea based company specialising in display technologies development. In anticipation of closing of the transaction in accordance with the subscription agreement, the purchase consideration was deposited by the Group into an escrow account pursuant to an escrow agreement entered into with the investee company. The transaction was completed on July 3, 2001.

Included in deposits and other receivables of the Group and the Company are amounts of HK\$1,520,000 (2000: HK\$1,864,000) and HK\$530,000 (2000: HK\$Nil) respectively which are expected to be recovered after more than one year.

## 17. HELD-TO-MATURITY DEBT SECURITIES

Held-to-maturity debt securities represent short term commercial paper maturing within one year of the balance sheet date.

## 18. CASH, BANK BALANCES AND DEPOSITS

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash at bank and in hand	887	6,647	486	3,740
Bank deposits with maturity period within three months when placed	237,121	1,557,897	236,251	1,557,897
Bank deposits with maturity period over three months when placed	1,267,390	–	1,236,048	–
	<b>1,505,398</b>	1,564,544	<b>1,472,785</b>	1,561,637

## Notes on the Accounts

### 19. CREDITORS AND ACCRUALS

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Trade creditors	795	1,374	433	1,343
Rental deposits and rental received in advance	8,339	8,270	–	–
Accrued expenses and other payables	5,062	393	4,991	393
	<b>14,196</b>	10,037	<b>5,424</b>	1,736

All trade creditors are due within one month. Included in rental deposits and other payables of the Group and the Company are amounts of HK\$7,232,000 (2000: HK\$1,874,000) and HK\$164,000 (2000: HK\$Nil) respectively which are expected to be settled after more than one year.

### 20. MINORITY INTERESTS

Minority interests represent the interests of preference shareholders in certain subsidiaries of the Company. Preference share dividends are cumulative and payable only if and to the extent that the profits of the subsidiaries are available for distribution.

### 21. SHARE CAPITAL

	2001		2000	
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.50 each	40,000,000	20,000,000	40,000,000	20,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.50 each				
At July 1	3,051,437	1,525,719	1,013,037	506,519
Exercise of warrants	2	1	–	–
Issue of new shares	–	–	2,038,400	1,019,200
At June 30	<b>3,051,439</b>	<b>1,525,720</b>	3,051,437	1,525,719

During the year, 1,609 ordinary shares of HK\$0.50 each were subscribed for at HK\$2.20 per share arising from the exercise of warrants. All remaining warrants of the Company expired on July 31, 2000.

**21. SHARE CAPITAL (CON'T)**

As at June 30, 2001 and June 30, 2000, none of the share options granted by the Company pursuant to option agreements dated May 29, 2000 to the Company's direct or indirect shareholders, Investor (Guernsey) Limited, Investor (Guernsey) II Limited, Ericsson Holding International B.V. and Trumpington Limited, conferring on them the rights to subscribe for in aggregate up to a maximum amount of HK\$210,661,502 in new shares of the Company at the adjusted subscription price of HK\$0.86 per share, were exercised. Options can be exercised during the period of 3 years from the date of the option agreements up to and including May 29, 2003.

**22. RESERVES**

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>(a) Share premium</b>				
At July 1	<b>1,830,546</b>	1,325,033	<b>1,830,546</b>	1,325,033
Share premium, net of expenses on shares issued during the year	<b>2</b>	505,513	<b>2</b>	505,513
At June 30	<b>1,830,548</b>	1,830,546	<b>1,830,548</b>	1,830,546
<b>(b) General reserve</b>				
At July 1 and June 30	<b>5,542</b>	5,542	<b>5,542</b>	5,542
<b>(c) Accumulated deficit</b>				
At July 1	<b>(1,002,046)</b>	(544,485)	<b>(1,002,046)</b>	(207,368)
Profit/(loss) for the year	<b>22,972</b>	(457,561)	<b>22,972</b>	(794,678)
At June 30	<b>(979,074)</b>	(1,002,046)	<b>(979,074)</b>	(1,002,046)
<b>(d) Revaluation reserves</b>				
At July 1 and June 30	<b>1,500</b>	1,500	<b>1,500</b>	1,500
<b>(e) Capital contribution reserve</b>				
At July 1	<b>11,800</b>	–	<b>11,800</b>	–
Cash contribution	–	11,800	–	11,800
At June 30	<b>11,800</b>	11,800	<b>11,800</b>	11,800
Total reserves	<b>870,316</b>	847,342	<b>870,316</b>	847,342
Accumulated deficit included in				
Company and subsidiaries	<b>(979,074)</b>	(749,143)		
Associated company	–	(39,207)		
Jointly controlled entities	–	(213,696)		
	<b>(979,074)</b>	(1,002,046)		

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### 22. RESERVES (CON'T)

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance. The general reserve, revaluation reserves and capital contribution reserve have been set up and will be dealt with in accordance with the Group's accounting policies and accounting principles generally accepted in Hong Kong.

There were no distributable reserves of the Company at June 30, 2001 calculated under Section 79B of the Hong Kong Companies Ordinance (2000: HK\$Nil).

### 23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) *Reconciliation of profit from operations to net cash (outflow)/inflow from operating activities*

	2001 HK\$'000	2000 HK\$'000
Profit from operations	106,672	42,190
Depreciation	868	224
Interest income	(101,946)	(16,645)
Net exchange gain	(806)	–
Dividends from listed securities	–	(799)
(Increase)/decrease in debtors and prepayments	(41,069)	2,628
Increase/(decrease) in creditors and accruals	4,091	(1,385)
Increase in amount due to a shareholder	–	6,443
Decrease in amount due to an affiliated company	–	(1,200)
Net cash (outflow)/inflow from operating activities	<b>(32,190)</b>	31,456
<b>(b) Disposal of subsidiaries</b>		
Net assets disposed of		
Interest in jointly controlled entities	131,074	–
Interest in associated companies	–	2,578
Debtors and prepayments	8	11
Creditors and accruals	(10)	(11)
Amount due to an affiliated company	(18,560)	–
Taxation	(5)	–
	<b>112,507</b>	2,578
Loss on disposal of subsidiaries	–	(1,064)
	<b>112,507</b>	1,514
Satisfied by cash consideration	<b>112,507</b>	1,514

**23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CON'T)***(c) Analysis of changes in financing during the year*

	<b>Bank loans</b>	<b>Issue of ordinary shares (including share premium net of expenses)</b>	<b>Amount due to affiliated companies</b>	<b>Capital contribution reserve</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at July 1, 1999	316,362	1,831,552	129,500	–	2,277,414
Cash inflows/(outflows) from financing	(316,362)	1,524,713	(129,500)	11,800	1,090,651
Balance at June 30, 2000	–	3,356,265	–	11,800	3,368,065
Balance at July 1, 2000	–	3,356,265	–	11,800	3,368,065
Cash inflows from financing	–	3	–	–	3
Balance at June 30, 2001	–	3,356,268	–	11,800	3,368,068

**24. STAFF RETIREMENT SCHEME**

Upon the implementation of the Mandatory Provident Fund ("MPF") Schemes Ordinance on December 1, 2000 in Hong Kong, the Group participated in a master trust MPF scheme operated by a subsidiary of Guoco. Mandatory contributions to the MPF scheme are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK\$20,000 and the Group's contributions thereto were charged to the profit and loss account when the corresponding staff costs were incurred.

**25. CONTINGENT LIABILITIES**

At June 30, 2001, there were contingent liabilities in respect of dividends payable to preference shareholders of certain subsidiaries amounting to HK\$2,545,229 (2000: HK\$1,923,620) which are payable when there are sufficient profits available for distribution.

**26. COMMITMENTS**

Except as disclosed in note 12, the Group had no capital commitments outstanding at June 30, 2001 (2000: HK\$62,055,000 relating to the Group's share of capital commitments of jointly controlled entities).

## Notes on the Accounts

### 26. COMMITMENTS (CON'T)

At June 30, 2001, the total future minimum lease payments under non-cancellable operating lease in respect of the Company's office unit are payable as follows:

	The Group and the Company	
	2001 HK\$'000	2000 HK\$'000
Within 1 year	2,379	–
After 1 year but within 2 years	1,189	–
	3,568	–

### 27. MATERIAL RELATED PARTY TRANSACTIONS

Certain subsidiaries of the Group entered into tenancy agreements with affiliated companies on an arm's length basis with reference to the market rental. Total related rental income from these affiliated companies during the year amounted to HK\$22,342,000 (2000: HK\$23,707,000).

The Company entered into an agreement with an affiliated company for the provision of various management, administrative, financial, legal and other services to the Company and its subsidiaries. Total management fees for the year amounted to HK\$900,000 (2000: HK\$1,200,000).

An affiliated company was appointed as manager of the investment properties owned by certain subsidiaries of the Group under property management agreements with the Company for provision of building management, estate management, financial management and periodic reports to the Company. Total management fees for the year amounted to HK\$3,960,000 (2000: HK\$362,000).

Banking services including, inter alia, cheque clearing, account services in a variety of currencies, nominee and custodian services, are provided by an affiliated company, in the ordinary course of business and on normal commercial terms, to the Company and its subsidiaries. Total bank interest income from the affiliated company during the year amounted to HK\$58,712,000 (2000: HK\$14,543,000). At June 30, 2001, total deposits and bank balances amounting to HK\$1,023,498,000 (at June 30, 2000: HK\$1,174,370,000) were maintained with the affiliated company.

As disclosed in note 15, the Company disposed to a substantial shareholder the entire interest in two wholly owned subsidiaries which held the Group's interest in two jointly controlled entities at considerations of HK\$5,000,000 and HK\$107,507,000 respectively during the year.

### 27. MATERIAL RELATED PARTY TRANSACTIONS (CON'T)

A substantial shareholder of the Company granted options to the Company for the Company to sell its entire interest in certain subsidiaries as described in note 11 above.

As described in note 21, the Company was a party to share option agreements with certain direct and indirect shareholders of the Company.