

NOTES TO
FINANCIAL STATEMENTS (CONT'D)

31 December 2000

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of subsidiaries (continued)

Analysis of the net inflow of cash and cash equivalents in respect of the above disposal of subsidiaries:

	2000 HK\$'000	1999 HK\$'000
Cash consideration	3,500	—
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>3,500</u>	<u>—</u>

The subsidiaries that the Group disposed of during the year contributed HK\$255,000 to the Group's net operating cash inflows but had no significant impact on the cashflows in respect of the investing activities, financing activities, net returns on investments and servicing of finance and taxation.

The results of the subsidiary disposed of had no significant impact on the Group's turnover or the loss after taxation for the year ended 31 December 2000.

(c) Analysis of changes in financing during the year

	Share capital and share premium HK\$'000	Bank loans HK\$'000	Due to a director HK\$'000	Minority interests and due to a minority shareholder HK\$'000
At 1 January 1999	94,346	664,262	—	421,238
Net cash inflow from financing	—	47,175	5,125	960
Share of movements in reserves for the year	—	—	—	(17,086)
Share of profit for the year	—	—	—	11,540
At 31 December 1999	94,346	711,437	5,125	416,652
Net cash inflow/(outflow) from financing	25,057	26,255	7,596	(5,020)
Assignment of loan from a minority shareholder to an associate	—	—	—	(7,536)
Share of movements in reserves for the year	—	—	—	(20,490)
Share of profit for the year	—	—	—	10,619
At 31 December 2000	<u>119,403</u>	<u>737,692</u>	<u>12,721</u>	<u>394,225</u>

(d) Major non-cash transactions

On 26 May 2000, the directors recommended a bonus issue of four shares for every one existing share held by the shareholders whose names appeared on the register of members of the Company on 26 June 2000, resulting in the issue of 1,636,686,400 new shares of HK\$0.10 each. On 25 September 2000, the directors recommended a bonus issue of one new share for every five existing shares held by the shareholders whose names appeared on the register on 31 October 2000, resulting in the issue of 420,930,800 shares of HK\$0.10 each. Both of the above issues were credited as fully paid by way of capitalisation of the share premium and retained profits.

NOTES TO
FINANCIAL STATEMENTS (CONT'D)

31 December 2000

26. COMMITMENTS

	2000 HK\$'000	1999 HK\$'000
Capital commitments:		
Authorised and contracted for:		
Group:		
Motor vehicles	—	1,043
Associates:		
Properties under development	12,035	—
Authorised, but not contracted for:		
Group:		
Leasehold improvements	136	138
Associates:		
Properties under development	—	15,343
	12,171	16,524

At the balance sheet date, the Company did not have any material commitments (1999: Nil).

27. CONTINGENT LIABILITIES

The Company had guarantees amounting to HK\$32,407,000 (1999: Nil) given to a bank for the banking facilities, which had been fully utilised at the balance sheet date, granted by the bank to a subsidiary.

Apart from the above, the Group and Company did not have any material contingent liabilities at the balance sheet date.

NOTES TO
FINANCIAL STATEMENTS (CONT'D)

31 December 2000

28. RELATED PARTY TRANSACTIONS

On 27 August 1999, the Company entered into an agreement to acquire a 22.64% equity interest in the share capital of Oriental Explorer Holdings Limited ("Oriental Explorer") (formerly known as Linkful International Holdings Limited), from Lucky Treasure Limited and Silver Century Investment Limited, which are companies beneficially owned as to 100% by Mr. Lau Chi Yung, Kenneth, a director and the substantial beneficial shareholder of the Company, for a consideration of HK\$29,387,000. The consideration was paid as to 20% on the date of completion of the agreement and the remaining 80% together with interest at 5% per annum was paid six months after the date of completion. Such interest paid for the year amounted to HK\$391,329 (1999: HK\$196,000). The price paid for the purchase of Oriental Explorer's shares was HK\$0.138 per share, which represented a discount of approximately 7% and 3.5% to the closing price of Oriental Explorer's shares on 27 August 1999 and for the five trading days preceding and up to 27 August 1999, respectively. This transaction constituted a connected transaction for the Company under the Hong Kong Listing Rules.

Apart from the foregoing, the Group also had the following transactions with related parties:

	Note	2000 HK\$'000	1999 HK\$'000
Lease rentals received from Linkful Management Services Limited	(i)	1,800	1,800
Business management fees received from Linkful Management Services Limited	(i)	960	890
Legal advisory fees paid to Cheung, Tong & Rosa	(ii)	95	287
Interest income received from an associate	(iii)	3,443	3,443
Project management income received from an associate	(iv)	—	10,400
Advances to associates	(v)	24,952	1,527
Advances from associates	(v)	3,890	—
		3,890	—

Notes:

- (i) Mr. Lau Chi Yung, Kenneth and Mr. Tsang Pak Chung, Eddy, directors of the Company, are the directors of Linkful Management Services Limited. Mr. Lau Chi Yung, Kenneth is also a substantial shareholder of Oriental Explorer Holdings Limited, the ultimate holding company of Linkful Management Services Limited.

The lease rental received was arrived at after negotiations between both parties with reference to the prevailing market rentals.

The management fees were charged based on the direct cost incurred.

- (ii) Mr. Tong Wui Tung, Ronald, a non-executive director of the Company, is a partner of Cheung, Tong & Rosa. The fee paid was determined based on the cost of services provided plus a margin.
- (iii) The interest income received from an associate was charged at 10% per annum.
- (iv) The project management income received from an associate was determined based on the cost incurred plus a margin.
- (v) The terms of the advances are set out in note 15 to the financial statements.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 20 April 2001.