



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

23 Contingent liabilities

At 31st December 2000, the Group had the following material contingent liabilities:

- (a) At 31st December 2000, the Company has a corporate guarantee in respect of the banking facilities granted to HNF in the amount of US\$3 million (equivalent to approximately HK\$23.3 million). Such facilities were also secured by an irrecoverable standby letter of credit issued by a bank established in the People's Republic of China and guaranteed by a former director of the Company, and three other parties. At 31st December 2000, there was an outstanding legal claim originally lodged in March 1999 by the bank against the Company and other guarantors in respect of the outstanding borrowings of HNF of approximately HK\$19 million. The directors, having sought independent legal advice, are in the opinion that the HK\$4.4 million provision made in 1999 is adequate to cover the exposure under this guarantee.
- (b) At 31st December 2000, there was an outstanding litigation in respect of a claim made by a third party against the Group for HK\$3 million syndication fee in connection with the arrangement of a proposed HK\$30 million loan to the Group. The directors consider the conditions of the loan agreement have not been fully complied with by the third party and that the HK\$3 million is not payable. Accordingly, no provision has been made in the financial statements.

At 31st December 2000, the Company has corporate guarantees totalling HK\$146,790,000 (1999: HK\$124,500,000) to banks for facilities granted to certain subsidiaries.

Save as aforesaid, the Group and the Company had no material contingent liabilities and outstanding litigation as at 31st December 2000.



NOTES TO THE FINANCIAL STATEMENTS *(continued)*

24 Commitments

(a) Capital commitments

The Group and the Company had no material capital commitments at 31st December 2000 (1999: HK\$4,579,000).

(b) Lease commitments

At 31st December 2000, the Group had commitments to make the following payments in the next twelve months under operating leases which expire:

	31st December 2000		31st December 1999	
	Land and buildings HK\$'000	Office equipment HK\$'000	Land and buildings HK\$'000	Office equipment HK\$'000
Within one year	—	—	253	8
In the second to fifth year inclusive	145	—	1,105	—
	145	—	1,358	8

The Company did not have any lease commitments at 31st December 2000.

25 Related party transactions

During the year, the Group had the following significant transactions with related parties:

	Note	Year ended 31st December 2000 HK\$'000	Period from 1st April 1999 to 31st December 1999 HK\$'000
Sale of air tickets and other travel related services to related companies	b	3,722	—
Purchase of a subsidiary		—	2,746
Interest charged by South China Information and Technology Limited, a related company, and its subsidiaries ("South China IT Group")	c	7,261	2,246
Management fee charged by South China IT Group	c	2,000	2,000

Notes:

- (a) Related companies are members of the investing group which hold approximately 44% of the Company's issued share capital at 31st December 2000.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

25 Related party transactions *(continued)*

- (b) Sales was at prices and terms no less than those charged to other third party customers of the Group.
- (c) Interest was charged by South China IT Group on the interest-bearing balances at rates ranging from 0-2% above the Hong Kong prime lending rate. Management fee was charged by South China IT Group based on the actual level of services provided and agreed at the end of the year.

26 Principal subsidiaries

Details of the Company's principal subsidiaries, all wholly-owned, at 31st December 2000 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Principal activities
Four Seas Tours Limited	Hong Kong	Ordinary - HK\$3,000,000	Sale of air tickets and provision of other related travel services
Hong Kong Four Seas Tours Limited	Hong Kong	Ordinary - HK\$1,800,000 * Deferred - HK\$1,200,000	Sale of air tickets and provision of other related travel services
Everspread Development Limited	Hong Kong	Ordinary - HK\$10,000	Property investment
First City Limited	Hong Kong	Ordinary - HK\$10,000	Property investment
Full Guests Hotel Investment Limited	Hong Kong	Ordinary - HK\$10,000	Property investment
Gainfield Holdings Limited	Hong Kong	Ordinary - HK\$8,000,000	Investment holding
Global Trinity Properties Limited	Hong Kong	Ordinary - HK\$2	Property investment

- * The deferred shares, practically carry minimal rights to dividend and no rights to receive notice of or to attend or vote at any general meeting of the Company. On a winding up, the holders of the deferred shares are entitled out of the remaining assets of the Company after a sum of HK\$50,000,000,000 has been distributed amongst the holders of the ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

26 Principal subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Principal activities
Glorious Dragon Investment Limited	Hong Kong	Ordinary - HK\$2	Property investment
Kingstep Limited	Hong Kong	Ordinary - HK\$10,000	Property investment
Multilink Continental Limited	Hong Kong	Ordinary - HK\$2	Property investment
Paraford Investment Limited	Hong Kong	Ordinary - HK\$2	Property investment
Pioneer Faith Development Limited	Hong Kong	Ordinary - HK\$10,000	Property investment
Power Sound Development Limited	Hong Kong	Ordinary - HK\$10,000	Property investment
Right Trinity Properties Limited	Hong Kong	Ordinary - HK\$2	Property investment
Tamon Development Limited	Hong Kong	Ordinary - HK\$10,000	Property investment
Thousand Property Investments Limited	Hong Kong	Ordinary - HK\$2	Property investment
Victory Long Limited	Hong Kong	Ordinary - HK\$2	Property investment
Wisetime Development Limited	Hong Kong	Ordinary - HK\$2	Property investment

The above list includes the subsidiaries which, in the opinion of the directors, materially affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

27 Approval of financial statements

The financial statements were approved by the board of directors on 24th April 2001.