

# Notes to the Financial Statements

For the Year ended 31st March, 2001

## 51. PLEDGE OF ASSETS

At the balance sheet date, certain of the Group's investment properties and properties held for resale with an aggregate net book value of approximately HK\$9,600,000 (2000: HK\$79,304,000) were pledged to banks to secure general banking facilities granted to the Group.

## 52. RETIREMENT BENEFITS SCHEMES

- (a) The Company operates a defined contribution retirement benefits scheme for its qualifying employees. The assets of the scheme are held separately in a fund which is under the control of independent trustees. The retirement benefits scheme contribution charged to the income statement represents the contribution payable by the Company to the fund at rates specified in the rules of the scheme. When there are employees who leave the scheme prior to becoming fully vested in the contribution, the amount of the forfeited contribution will be used to reduce future contribution payable by the Company. At the balance sheet date, no forfeited contributions under the retirement benefits scheme are available to reduce the contribution payable in the future years.
- (b) The employees in the PRC subsidiary are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of its payroll to the retirement benefits scheme to fund the benefits. The obligation of the Group with respect to the retirement benefits scheme is to make the required contribution under the scheme.
- (c) After the introduction of the mandatory provident fund scheme in Hong Kong, the Group has participated in an approved Mandatory Provident Fund Scheme ("MPF") scheme effective from 1st December, 2000 to provide MPF to all eligible employees. The contributions made by the Group are calculated based on the salaries and wages for each eligible employee.

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## 53. RELATED PARTY TRANSACTIONS AND BALANCES

Details of balances with related parties are set out in the consolidated balance sheet on pages 21 and 22 and its accompanying notes.

Details of contingent liabilities in respect of guarantees given to related parties at the balance sheet date are set out in note 50.

In addition to the above, the Group had the following transactions with the related parties:

Name of parties	Nature of transactions	Notes	2001	2000
			HK\$'000	HK\$'000
Iu, Lai & Li	Legal and professional fees paid by the Group	(a)	209	165
Vincent T.K. Cheung, Yap & Co.	Legal and professional fees paid by the Group	(b)	670	275
Fargood Limited	Real estate fees received by the Group	(c)	293	—
Come Fook Engineering Company	Project management work awarded by the Group	(d)	400	—

In the opinion of the directors, the transactions disclosed above were entered at terms determined and agreed by the Group and the relevant parties.

Notes:

- (a) Mr. Tsang Link Carl, Brian, a former independent non-executive director of the Company, is a partner of Iu, Lai & Li.
- (b) Mr. Lee Kee Wai, Frank, a former independent non-executive director of the Company, is a partner of Vincent T.K. Cheung Yap & Co.
- (c) Paul Y.-ITC Construction Holdings Limited ("Paul Y.-ITC") is the holding company of Fargood Limited. ITC Corporation Limited, a former substantial shareholder of the Company, is also a substantial shareholder of Paul Y.-ITC.
- (d) Paul Y.-ITC is the holding company of Come Fook Engineering Company.

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## 54. POST BALANCE SHEET EVENTS

The following significant events took place after 31st March, 2001:

- (a) As explained in note 38, the changes in the share capital of the Company were approved and registered to the Cayman Islands' Registrar of Companies on 19th April, 2001.
- (b) Pursuant to a placing agreement entered into on 28th May, 2001, the Company issued 173,118,000 ordinary shares of HK\$0.01 each at a price of HK\$0.12 per share. The price of HK\$0.12 per share represents a discount of approximately 20.0% to the closing price of the Company's shares on 28th May, 2001 as quoted on the Stock Exchange. The net proceeds of the placement of HK\$20,000,000 will be used for additional working capital of the Group.

These new shares were issued under the general mandate granted to the directors at the Company's extraordinary general meeting held on 27th February, 2001.

- (c) On 17th July, 2001, the Company announced to issue, by way of rights issue (the "2001 Rights Issue"), not less than 2,077,416,030 rights shares (the "2001 Rights Shares") to the holders of the existing ordinary shares of HK\$0.01 each in the Company whose name will be appeared on the register of members of the Company on 24th August, 2001 on the basis of two 2001 Rights Shares for every one existing ordinary share of the Company, subject to the terms and conditions set out in the Company's announcement dated 17th July, 2001. The net proceeds of the 2001 Rights Issue are expected to be about HK\$201,000,000. The Company plans to use the funds towards future investment opportunities of the Company, possibly for investment in the property market in the PRC, but has not currently identified any specific projects.

## 55. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2001 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid ordinary share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Asia Hunter Global Limited	British Virgin Islands	US\$1	100	—	Investment holding
Champion Palace Development Limited	Hong Kong	HK\$2	—	51	Property holding
Classic Rank Limited	British Virgin Islands	US\$1	100	—	Investment holding