

## 1. GENERAL

The Company is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. Its principal subsidiaries are engaged in investment holding, property development and general trading.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in the light of its net current liabilities of HK\$173,504,000 and deficit in shareholders' funds of HK\$61,792,000 as at 30 June 2003. The Group is dependent upon the financial support of its bankers and other lenders. As explained in note 18, in November 2003 the Group reached loan agreements with new bankers and other lender for refinancing the overdue HK\$ term loan (together with the accrued interest and other bank charges). In addition, the Group is now in the process of soliciting new bankers to refinance the overdue US\$ term loan and the directors are of the opinion that the Group can successfully solicit new bankers within a short period of time. With the new source of funds, the directors estimate that the properties under development will be complete and available for sale or pre-sale by May 2004. Against this background, the directors consider that, with the continuing support of the Group's bankers and other lenders, the Group will be able to complete the development and to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

## 3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. These new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the previous year have been restated in order to achieve a consistent presentation. The adoption of these new and revised SSAPs has had no effect on the results for the current or prior accounting periods.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties, and have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

**Revenue recognition**

Sales of goods are recognised when goods are delivered and title has passed.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

**Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation less depreciation and any accumulated impairment losses.

Depreciation is provided to write off the depreciable amount of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land and buildings	Over the estimated useful lives of 50 years or the period of the lease, if shorter
Leasehold improvements	Over the estimated useful lives of 10 years or the period of the lease, if shorter
Office equipment, furniture and fixtures	15% – 25%

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### **Property, plant and equipment (Cont'd)**

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

### **Investments in securities**

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost less any identified impairment loss.

### **Club debentures**

Club debentures, which are held for long-term investment purposes, are stated at cost less any identified impairment loss.

### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### **Properties under development**

Properties under development are stated at the lower of cost and net realisable value.

### **Capitalisation of borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs is suspended during extended periods in which active development is interrupted. Capitalisation ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

**4. SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)**Impairment** (Cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Taxation**

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

**Foreign currencies**

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

**Retirement benefits scheme**

The amount of the Group's contributions payable under the Group's retirement benefits scheme is charged to the income statement.

**5. TURNOVER**

Turnover represents the amounts received and receivable for goods sold, net of returns and allowances, during the year.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

**Business segments**

For management purposes, the Group is currently organised into two main operating divisions – general trading and property development. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

**Year 2003**

(i) **Income statement**

	<b>General trading</b> <i>HK\$'000</i>	<b>Property development</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
REVENUE			
External sales	<u>10,338</u>	<u>–</u>	<u>10,338</u>
RESULT			
Segment result	(10,493)	(2,350)	(12,843)
Impairment loss recognised in respect of leasehold land and buildings			(36,601)
Impairment loss recognised in respect of club debenture			(1,100)
Impairment loss recognised in respect of investment securities			<u>(800)</u>
Loss from operations			(51,344)
Finance costs			<u>(12,841)</u>
Net loss for the year			<u>(64,185)</u>

(ii) **Balance sheet**

	<b>General trading</b> <i>HK\$'000</i>	<b>Property development</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
ASSETS			
Segment assets	116,919	911,202	1,028,121
Unallocated corporate assets			<u>13,571</u>
Consolidated total assets			<u>1,041,692</u>
LIABILITIES			
Segment liabilities	3,964	41,199	45,163
Unallocated corporate liabilities			<u>1,058,321</u>
Consolidated total liabilities			<u>1,103,484</u>

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(iii) Other information

	General trading <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	4	86,869	86,873
Depreciation	3,941	–	3,941

Year 2002

(i) Income statement

	General trading <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External sales	<u>18,576</u>	<u>–</u>	<u>18,576</u>
RESULT			
Segment result	(15,293)	(1,125)	(16,418)
Impairment loss recognised in respect of leasehold land and buildings			<u>(16,000)</u>
Loss from operations			(32,418)
Finance costs			<u>(5,305)</u>
Net loss for the year			<u>(37,723)</u>

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(ii) Balance sheet

	<b>General trading</b> <i>HK\$'000</i>	<b>Property development</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>ASSETS</b>			
Segment assets	157,447	820,254	977,701
Unallocated corporate assets			<u>15,902</u>
Consolidated total assets			<u><u>993,603</u></u>
<b>LIABILITIES</b>			
Segment liabilities	4,352	35,174	39,526
Unallocated corporate liabilities			<u>951,684</u>
Consolidated total liabilities			<u><u>991,210</u></u>

(iii) Other information

	<b>General trading</b> <i>HK\$'000</i>	<b>Property development</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Capital additions	138	91,189	91,327
Depreciation	5,497	–	5,497

**Geographical segments**

More than 90% of the Group's turnover for the years ended 30 June 2003 and 2002 were attributable to operations carried out in Hong Kong.

Almost all of the Group's assets are located in Hong Kong.

**7. LOSS FROM OPERATIONS**

	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Directors' remuneration ( <i>note 9</i> )	<b>217</b>	220
Other staff costs, including retirement benefits scheme contributions	<b>1,603</b>	1,537
Total staff costs	<b>1,820</b>	1,757
Allowance for doubtful debts	<b>91</b>	–
Auditors' remuneration	<b>300</b>	270
Depreciation	<b>3,941</b>	5,497
and after crediting:		
Gain on disposal of investment securities	–	250
Interest income	<b>10</b>	5

**8. FINANCE COSTS**

	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings:		
– wholly repayable within five years	<b>38,989</b>	33,453
– not wholly repayable within five years	<b>473</b>	5,305
Other borrowing costs	<b>4,123</b>	–
Total borrowing costs	<b>43,585</b>	38,758
Less: Amount capitalised in respect of properties under development	<b>(30,744)</b>	(33,453)
	<b>12,841</b>	5,305



**9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS**

Particulars of the emoluments of the directors and the five highest paid individuals are as follows:

**(a) Directors' emoluments**

	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' fees:		
Executive	–	–
Non-executive	–	–
Independent non-executive	–	–
	<u>–</u>	<u>–</u>
	–	–
Other emoluments to executive directors:		
Salaries and other benefits	217	220
	<u>217</u>	<u>220</u>
	<u>217</u>	<u>220</u>

The emoluments of each of the directors were less than HK\$1,000,000.

**(b) Employees' emoluments**

The five highest paid individuals of the Group included one (2002: one) executive director, details of whose emoluments are set out in (a) above. The emoluments of the remaining four (2002: four) individuals are as follows:

	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	733	741
Retirement benefits scheme contributions	35	33
	<u>768</u>	<u>774</u>
	<u>768</u>	<u>774</u>

The emoluments of each of these employees were less than HK\$1,000,000.

## 10. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries had no assessable profit for both years.

No provision for deferred taxation has been made in the financial statements as there were no significant timing differences arising during the year or at the balance sheet date.

No provision for deferred taxation has been made for the surplus arising in previous years on the revaluation of certain of the Group's existing properties as the profit arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation surplus does not constitute a timing difference for tax purposes.

## 11. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$64,185,000 (2002: HK\$37,723,000) and on 528,271,615 (2002: 528,271,615) ordinary shares in issue during the year.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Office equipment, furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
COST OR VALUATION				
At 1 July 2002	249,500	14,832	10,678	275,010
Additions	—	—	4	4
At 30 June 2003	<u>249,500</u>	<u>14,832</u>	<u>10,682</u>	<u>275,014</u>
Comprising:				
At cost	211,500	14,832	10,682	237,014
At valuation – 1997 *	<u>38,000</u>	—	—	<u>38,000</u>
	<u>249,500</u>	<u>14,832</u>	<u>10,682</u>	<u>275,014</u>
DEPRECIATION AND IMPAIRMENT				
At 1 July 2002	93,861	14,403	10,400	118,664
Provided for the year	3,509	318	114	3,941
Impairment loss recognised in the income statement	<u>36,601</u>	—	—	<u>36,601</u>
At 30 June 2003	<u>133,971</u>	<u>14,721</u>	<u>10,514</u>	<u>159,206</u>
NET BOOK VALUES				
At 30 June 2003	<u>115,529</u>	<u>111</u>	<u>168</u>	<u>115,808</u>
At 30 June 2002	<u>155,639</u>	<u>429</u>	<u>278</u>	<u>156,346</u>

\* The amount represents the carrying amount at the date when the leasehold land and buildings were transferred from investment properties when the use of the relevant properties were changed.

**12. PROPERTY, PLANT AND EQUIPMENT** (Cont'd)

During the year, the Group reviewed the carrying amounts of leasehold land and buildings and identified that the estimated recoverable amounts of the leasehold land and buildings are less than their carrying amounts. Due to prevailing property market condition, the carrying amounts are reduced to their recoverable amounts, which represent their net selling prices (as selling prices are higher than their value in use).

The leasehold land and buildings of the Group are situated in Hong Kong and are held under long leases. They were pledged to banks to secure the credit facilities granted to the Group.

The Company did not have any property, plant and equipment at the balance sheet date.

**13. INTERESTS IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	<b>160,811</b>	160,811
Amounts due from subsidiaries	<b><u>968,474</u></b>	<u>798,474</u>
	<b>1,129,285</b>	959,285
Less: Allowance for amounts due from subsidiaries	<b><u>(482,405)</u></b>	<u>(421,405)</u>
	<b><u><u>646,880</u></u></b>	<u><u>537,880</u></u>

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinion of the directors of the Company, repayment will not be made by the subsidiaries within the twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

Particulars of the Company's principal subsidiaries as at 30 June 2003 are set out in note 28.

None of the subsidiaries had any debt securities outstanding as at 30 June 2003 or at any time during the year.

**14. INVESTMENT SECURITIES**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at cost	<b>23,353</b>	23,353
Less: Impairment loss recognised	<b>(15,075)</b>	(14,275)
	<b><u>8,278</u></b>	<u>9,078</u>

At 30 June 2003, the Group held 40% (2002: 40%) of the registered capital of Harbin Zheng Hua Real Estate Developing Company Limited ("Zheng Hua"), a company which is established in the People's Republic of China and is engaged in property development. The investment in Zheng Hua is not classified as an associate as, in the opinion of the directors of the Company, the Group is not able to exercise significant influence over its financial and operating policy decisions.

During the year, the Group reviewed the carrying amount of investment securities and identified that the estimated recoverable amount of the investment securities is less than its recoverable amount. Accordingly, the carrying amount is reduced to its recoverable amount, which represents its net selling price.

**15. CLUB DEBENTURE**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Club debenture, at cost	<b>8,000</b>	8,000
Less: Impairment loss recognised	<b>(3,000)</b>	(1,900)
	<b><u>5,000</u></b>	<u>6,100</u>

During the year, the Group reviewed the carrying amount of club debenture and identified that the estimated recoverable amount of the club debenture is less than its recoverable amount. Accordingly, the carrying amount is reduced to its recoverable amount, which represents its market price.

**16. PROPERTIES UNDER DEVELOPMENT**

THE GROUP

The properties under development are situated in Hong Kong and are held under long leases. They were pledged to a bank to secure the credit facilities granted to the Group.

At 30 June 2003, borrowing costs capitalised in respect of properties under development amounted to HK\$73,986,000 (2002: HK\$43,242,000).

The directors of the Company estimate that the property development will be complete and ready for sale or pre-sale by May 2004.

**17. AMOUNT DUE TO A DIRECTOR OF SUBSIDIARIES**

THE GROUP

The amount is unsecured, non-interest bearing and repayable on demand.

18. SECURED BANK LOANS

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
The bank loans comprise:		
HK\$ term loan	<b>613,424</b>	606,964
US\$ term loan	<b>78,000</b>	78,000
Instalment loan	<b>18,169</b>	18,942
	<u>709,593</u>	<u>703,906</u>
Less: Amount due within one year shown under current liabilities	<b>(692,219)</b>	(685,730)
Amount due after one year	<u><b>17,374</b></u>	<u>18,176</u>

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
The bank loans are repayable as follows:		
Within one year or on demand	<b>692,219</b>	685,730
Between one to two years	<b>816</b>	787
Between two to five years	<b>2,574</b>	2,488
After five years	<b>13,984</b>	14,901
	<u><b>709,593</b></u>	<u>703,906</u>

The bank loans are secured by the Group's properties and bear interest at prevailing market rates.

The HK\$ term loan and the US\$ term loan were repayable in full by April 2003 and May 2003 respectively. While the Group was discussing with the bankers to extent the repayment dates of these loans, on 30 June 2003 the bank (i) appointed Joint and Several Receivers and Managers (the "Receivers") to take over, among others, all the assets and property of Holyrood Limited ("Holyrood"), including the Group's properties held under development with a carrying amount of approximately HK\$907 million as at 30 June 2003 (the "Property"), which were pledged to secure the HK\$ term loan; and (ii) served the Group a statutory demand letter regarding the US\$ term loan. Holyrood is a wholly-owned subsidiary of the Company through which the Group carries out the property development project.

**18. SECURED BANK LOANS** (Cont'd)

In November 2003, the Group entered into a loan agreement with another bank and obtained term loan facilities in the aggregate principal amount of HK\$660,000,000 comprising (i) HK\$600,000,000 for refinancing the HK\$ term loan (together with the accrued interest and other bank charges); and (ii) HK\$60,000,000 for financing the then estimated construction costs yet to be expended in completing construction of the Property. The maturity date of this new loan is the earlier of (i) the date falling six months from the date of issuance of the occupation permit of the Property; and (ii) 30 September 2004.

Also in November 2003, the Group entered into loan agreement with a new lender and obtained a term loan of HK\$155,000,000 for the sole purpose of funding repayment in part of the HK\$ term loan (together with the accrued interest and other bank charges). The maturity date of this new other loan is the earlier of (i) the date falling the last date of the six month period after the date of issuance of the occupation permit of the Property; and (ii) 1 October 2004. Repayment of this new other loan is subordinated to the new bank loan (together with the accrued interest and other bank charges) referred to above being repaid in full.

Also in November 2003 and upon the full repayment of the HK\$ term loan (together with the accrued interest and other bank charges), the Group redeemed all the assets and property of Holyrood charged. The Receivers then ceased to act as Holyrood's and the Property's receivers and managers.

At the date of this report, the Group is in the process of soliciting new bankers to refinance the US\$ term loan. The directors of the Company are of the opinion that the Group can solicit the new bankers within a short period of time.

The instalment loan is repayable over a period of twenty years to September 2021.



**19. OTHER LOANS**

	THE GROUP		THE COMPANY	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Other loans from:				
– related companies ( <i>note</i> )	<b>198,711</b>	124,033	<b>588</b>	–
– unrelated companies	<b>34,589</b>	34,597	–	–
	<b>233,300</b>	158,630	<b>588</b>	–

The loans are unsecured, non-interest bearing and repayable on demand.

*Note:* At 30 June 2003, the loans are owed to companies in which a director of subsidiaries and/or Mr. Oung Shih Hua, James, a director of the Company, have controlling interests.

At 30 June 2002, the loans were owed to company in which certain directors of subsidiaries had controlling interests. Mr. Oung Shih Hua, James was also a director of that lender.

**20. SHARE CAPITAL**

	Number of ordinary shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.50 each		
Authorised:		
At 1 July 2001, 30 June 2002 and 30 June 2003	1,000,000,000	500,000
Issued and fully paid:		
At 1 July 2001, 30 June 2002 and 30 June 2003	528,271,615	264,136

There were no changes in the authorised, issued and fully paid share capital of the Company in either year.

**21. SHARE OPTION SCHEME**

Pursuant to the share option scheme (the "Option Scheme") adopted at a special general meeting of the Company held on 23 September 1996, the directors of the Company may grant options as incentives to directors or employees of the Company or its subsidiaries to subscribe for shares in the Company within a period of ten years commencing from 23 September 1996. The subscription price of the shares is set to be the higher of the nominal value of the Company's shares or an amount which is 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the options.

The period during which an option may be exercised will be determined by the directors of the Company in their absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Option Scheme.

The maximum number of shares in respect of which options may be granted cannot exceed 10% of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee cannot exceed 25% of the maximum number of shares in respect of which options may be granted under the Option Scheme. Consideration of HK\$1 is payable on each grant.

No share options have been granted under the Option Scheme since its adoption.

**22. RESERVES**

	<b>Share Contributed</b>		<b>Capital Accumulated</b>		
	<b>premium</b>	<b>surplus</b>	<b>reserve</b>	<b>losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>THE COMPANY</b>					
At 1 July 2001	279,617	132,176	16,410	(652,458)	(224,255)
Net loss for the year	—	—	—	(35,922)	(35,922)
At 30 June 2002	279,617	132,176	16,410	(688,380)	(260,177)
Net loss for the year	—	—	—	(62,360)	(62,360)
At 30 June 2003	<u>279,617</u>	<u>132,176</u>	<u>16,410</u>	<u>(750,740)</u>	<u>(322,537)</u>

The investment property revaluation reserve of the Group represents the balance of the surplus arising in previous years on revaluation of certain of the Group's existing properties which were formerly held for investment purposes.

**22. RESERVES (Cont'd)**

The contributed surplus of the Group and the Company represents the surplus arising on the acquisition of subsidiaries.

The capital reserve of the Company represents the revaluation of an investment property of a subsidiary prior to the formation of the Group.

Under the Bermuda Companies Act, the contributed surplus account of the Company is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors of the Company, the Company had no reserves available for distribution to shareholders as at 30 June 2003 and 30 June 2002.

**23. CAPITAL COMMITMENTS**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure relating to properties under development:		
– contracted for but not provided in the financial statements	<b>37,686</b>	143,623
– authorised but not contracted for	<b>2,261</b>	–
	<u><b>39,947</b></u>	<u>143,623</u>

The Company did not have any significant capital commitments at the balance sheet date.

**24. CONTINGENT LIABILITIES**

	<b>THE COMPANY</b>	
	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantee given to banks in respect of credit facilities granted to subsidiaries	<b><u>875,900</u></b>	<u>875,900</u>

**25. PLEDGE OF ASSETS**

At the balance sheet date, the following assets of the Group were pledged to secure credit facilities granted to the Group:

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties under development	<b>906,772</b>	819,903
Leasehold land and buildings	<b><u>115,529</u></b>	<u>155,639</u>
	<b><u>1,022,301</u></b>	<u>975,542</u>

The issued ordinary shares of Holyrood were also pledged to a bank to secure credit facilities granted to the Group (also see note 18).

**26. RETIREMENT BENEFITS SCHEME**

With effect from 1 December 2000, the Group joined the mandatory provident fund scheme (the "MPF Scheme") for all the eligible employees of the Group in Hong Kong.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK\$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries up to a maximum of HK\$1,000 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contribution upon their retirement at the age of 65, death or total incapacity.

The aggregate employer's contributions during the year ended 30 June 2003 dealt with in the income statement of the Group amounted to HK\$70,000 (2002: HK\$59,000).

**27. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS**

- (a) During the year, the Group made purchases amounting to HK\$10,288,000 (2002: HK\$18,462,000) from a company in which certain directors of subsidiaries have controlling interests. The transaction amounts were determined on a cost plus basis.
- (b) Details of the amount due to a director of subsidiaries and the other loans obtained from related companies are set out in notes 17 and 19 respectively.
- (c) A director of subsidiaries has provided personal guarantees to a bank in respect of the followings:

	<b>2003</b>	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Credit facilities granted to the Group	<b>875,900</b>	140,400
The Group's payment obligation of amount owed to a former main contractor of the Group's property development project	<b>15,919</b>	15,919
	<b><u>891,819</u></b>	<b><u>156,319</u></b>

- (d) The entire issued capital of a company in which certain directors of subsidiaries have controlling interests were pledged to a bank to secure credit facilities to the extent of HK\$735,500,000 (2002: nil) granted to the Group.

**28. PARTICULARS OF PRINCIPAL SUBSIDIARIES**

Particulars of the principal subsidiaries of the Company as at 30 June 2003 are as follows:

Name of subsidiary	Place of incorporation	Nominal value of issued and paid up share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly	Indirectly	
Banhart Company Limited	Hong Kong	Ordinary HK\$9,998	–	100%	Property holding
		Non-voting deferred* HK\$2			

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation	Nominal value of issued and paid up share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly	Indirectly	
Bowen Hill Limited	British Virgin Islands	US\$1	–	100%	Investment holding
Holyrood	Hong Kong	Ordinary HK\$999,998  Non-voting deferred* HK\$2	99.9%	0.1%	Property development
Homjade Trading Ltd.	British Virgin Islands	US\$1	100%	–	General trading
Magetta Company Limited	Hong Kong	Ordinary HK\$2	100%	–	Property holding
Paladin Trading Ltd.	British Virgin Islands	US\$1	100%	–	Investment holding
Six Gain Investments Limited	Hong Kong	Ordinary HK\$2	100%	–	Investment holding

\* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or to vote at any general meetings of the company or to participate in any distribution on winding up.

All the above subsidiaries operate in Hong Kong.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or constituted a substantial portion of the assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.