

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31ST JANUARY, 2001

18. PLEDGED BANK DEPOSITS

The Group's bank deposits of HK\$136,491 (2000: HK\$129,710) have been pledged to secure the payment of rent for land in Macau.

19. SUNDRY RECEIVABLES

The balance comprises:

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Deposits and prepayment	574,349	533,260	243,740	203,115
Other receivables	11,445,965	11,445,965	-	-
	<u>12,020,314</u>	<u>11,979,225</u>	<u>243,740</u>	<u>203,115</u>
Provision for other receivables	5,500,000	-	-	-
	<u>6,520,314</u>	<u>11,979,225</u>	<u>243,740</u>	<u>203,115</u>

20. SUNDRY PAYABLES

The balance comprises:

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Accrued charges and deposits received	2,725,492	3,156,468	1,116,746	1,064,329
Other payables	5,960,967	5,960,967	-	-
	<u>8,686,459</u>	<u>9,117,435</u>	<u>1,116,746</u>	<u>1,064,329</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST JANUARY, 2001

21. SHARE CAPITAL

	Number of shares		Share capital	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Authorised:				
Ordinary shares of HK\$1.00 each				
At beginning of the year	190,903,285	100,000,000	190,903,285	100,000,000
Increased on 24th May, 1999	-	90,903,285	-	90,903,285
At end of the year	<u>190,903,285</u>	<u>190,903,285</u>	<u>190,903,285</u>	<u>190,903,285</u>
5% convertible preference shares of HK\$1.00 each				
At beginning of the year	9,096,715	-	9,096,715	-
Increased on 24th May, 1999	-	9,096,715	-	9,096,715
At end of the year	<u>9,096,715</u>	<u>9,096,715</u>	<u>9,096,715</u>	<u>9,096,715</u>
	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid:				
Ordinary shares of HK\$1.00 each				
At beginning and end of the year	<u>80,076,923</u>	<u>80,076,923</u>	<u>80,076,923</u>	<u>80,076,923</u>
5% convertible preference shares of HK\$1.00 each				
At beginning of the year	9,096,715	-	9,096,715	-
Issued in consideration for the acquisition of associates	-	9,096,715	-	9,096,715
At end of the year	<u>9,096,715</u>	<u>9,096,715</u>	<u>9,096,715</u>	<u>9,096,715</u>
	<u>89,173,638</u>	<u>89,173,638</u>	<u>89,173,638</u>	<u>89,173,638</u>

The holders of the preference shares are not entitled to vote at the general meetings of the Company.

The preference shares are entitled to a cumulative dividend and rank in priority to the ordinary shares in the Company as to dividends and return of capital. No dividend has been accrued for the preference shares in both years.

The number of the Company's ordinary shares to be allotted and issued to the holders of the preference shares upon conversion will be equal to the nominal amount of the preference shares divided by the initial conversion price of HK\$1.30, subject to adjustment.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31ST JANUARY, 2001

21. SHARE CAPITAL - CONTINUED

The preference shares are convertible into ordinary shares of the Company as follows:

- (i) no more than 3,032,238 of the preference shares are convertible after the date of expiring of six months from 15th September, 1999 (the "Issue Date") and prior to the date immediately preceding the corresponding date in the eighteenth month after the Issue Date;
- (ii) no more than 6,064,476 of the preference shares in aggregate are convertible prior to the date immediately preceding the corresponding date in the thirtieth month after the Issue Date; and
- (iii) the remaining preference shares which have not been converted by the date of expiry of thirtieth months from the Issue Date are convertible in full.

None of the preference shares has been converted into ordinary shares.

22. SHARE PREMIUM AND RESERVES

	Share premium account HK\$	Investment property revaluation reserve HK\$	Accumulated losses HK\$	Total HK\$
THE GROUP				
At 1st February 1999	195,074,232	500,000	(225,547,033)	(29,972,801)
Convertible preference shares				
issued at premium	2,729,015	-	-	2,729,015
Revaluation deficit	-	(150,000)	-	(150,000)
Net loss for the year	-	-	(1,170,101)	(1,170,101)
At 31st January, 2000	197,803,247	350,000	(226,717,134)	(28,563,887)
Revaluation deficit	-	(350,000)	-	(350,000)
Net loss for the year	-	-	(8,422,328)	(8,422,328)
At 31st January, 2001	<u>197,803,247</u>	<u>-</u>	<u>(235,139,462)</u>	<u>(37,336,215)</u>
THE COMPANY				
At 1st February, 1999	195,074,232	500,000	(236,065,470)	(40,491,238)
Convertible preference shares				
issued at premium	2,729,015	-	-	2,729,015
Revaluation deficit	-	(150,000)	-	(150,000)
Net loss for the year	-	-	(1,515,606)	(1,515,606)
At 31st January, 2000	197,803,247	350,000	(237,581,076)	(39,427,829)
Revaluation deficit	-	(350,000)	-	(350,000)
Net loss for the year	-	-	(3,106,757)	(3,106,757)
At 31st January, 2001	<u>197,803,247</u>	<u>-</u>	<u>(240,687,833)</u>	<u>(42,884,586)</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31ST JANUARY, 2001

22. SHARE PREMIUM AND RESERVES - CONTINUED

The accumulated losses of the Group included HK\$426,747 (2000: HK\$182,851) attributable to its associates.

At each of 31st January, 2001 and 2000, the Company has no reserves available for distribution to shareholders.

23. BORROWINGS

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Bank overdrafts				
Unsecured	1,933,038	-	1,891,485	-
Bank loans				
Secured	6,911,736	6,991,728	6,911,736	6,991,728
Shareholder's loan				
Unsecured	201,627	2,175,253	201,627	2,175,253
Other borrowings				
Unsecured	58,200	58,200	-	-
	<u>9,104,601</u>	<u>9,225,181</u>	<u>9,004,848</u>	<u>9,166,981</u>
The maturity of the above borrowings is as follows:				
On demand or within one year	2,306,714	2,311,197	2,206,961	2,252,997
More than one year, but not exceeding two years	115,092	85,394	115,092	85,394
More than two years, but not exceeding five years	407,904	312,073	407,904	312,073
More than five years	6,274,891	6,516,517	6,274,891	6,516,517
	<u>9,104,601</u>	<u>9,225,181</u>	<u>9,004,848</u>	<u>9,166,981</u>
Less: Amounts due within one year shown under current liabilities	(2,306,714)	(2,311,197)	(2,206,961)	(2,252,997)
	<u>6,797,887</u>	<u>6,913,984</u>	<u>6,797,887</u>	<u>6,913,984</u>

The shareholder's loan and other borrowings are non-interest bearing and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31ST JANUARY, 2001

24. DEFERRED TAXATION

A deferred tax asset of approximately HK\$820,000 (2000: HK\$624,000) of the Group and the Company has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future. The deferred tax credit not recognised for the year amounted to approximately HK\$196,000 (2000: HK\$242,000).

Deferred tax has not been provided on the revaluation surplus arising on the revaluation of investment properties as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

25. RECONCILIATION OF LOSS BEFORE TAX TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2001	2000
	HK\$	HK\$
Loss before tax	(9,544,219)	(913,727)
Share of results of associates	243,896	182,851
Depreciation	3,056	3,350
Interest income	(184,224)	(142,359)
Interest expenses	769,819	731,155
Deficit on revaluation of investment properties	800,000	-
Provision for other receivables	5,500,000	-
Decrease in properties held for sale	2,584,741	6,738,971
Increase in sundry receivables	(41,089)	(110,400)
Decrease in sundry payables	(430,976)	(1,193,308)
Net cash (outflow) inflow from operating activities	<u>(298,996)</u>	<u>5,296,533</u>

26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium	Bank loans	Shareholder's loan	Other borrowings
	HK\$	HK\$	HK\$	HK\$
Balance at 1st February, 1999	275,151,155	7,070,000	3,115,392	258,200
Net cash outflow from financing	-	(78,272)	(940,139)	(200,000)
Other movements not involving cash flows:				
Convertible preference shares issued in consideration for the acquisition of associates	11,825,730	-	-	-
Balance at 31st January, 2000	286,976,885	6,991,728	2,175,253	58,200
Net cash outflow from financing	-	(79,992)	(1,973,626)	-
Balance at 31st January, 2001	<u>286,976,885</u>	<u>6,911,736</u>	<u>201,627</u>	<u>58,200</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31ST JANUARY, 2001

27. PENDING LITIGATION

In March 1995, Ka Fai terminated its joint venture agreement for the development of Phases II to V of its Lisboa Garden Project (the "Project") jointly with Lune Kin Investment and Development Company Limited ("Lune Kin") as a result of Lune Kin having breached certain terms of the aforesaid joint venture agreement.

On 2nd August, 1995, Ka Fai received from Lune Kin an injunction order issued through the Court of Macau prohibiting Ka Fai from disposing of any of the properties within the Project. Subsequently, on 14th August, 1995, Ka Fai made an appeal to the Court of Macau to set aside the aforesaid injunction order.

The Court of First Instance of Macau SAR had issued the sentence in March 2001 and the release of the injunction order was granted. Although Lune Kin has appealed to the Court of Second Instance of Macau SAR, based on the advice of legal counsel, the directors are of the opinion that the outcome will be in favour of Ka Fai.

In 1995, Lune Kin and its related company have filed claims against Ka Fai in connection with the Project in the sum of approximately HK\$63 million (2000: HK\$63 million) including in respect of certain Project balances. Based on the advice of legal counsel, the directors are of the opinion that the Lune Kin's claim is without foundation. Accordingly, the directors consider that the conclusion of this matter will not give rise to any additional obligation for the Group.