

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2001

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 “Stock Exchange”).

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

2. BASIS OF PREPARATION

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\$152,767,000 as at 30 June 2001. The Group is dependent upon the financial support of its bankers and other lenders. The Group has reached agreement with its bankers for the extension of repayment of certain of its secured bank loans (including accrued interest) amounting to approximately HK\$668 million as at 30 June 2001 to April 2002 when it is estimated that the properties held under development will be complete and available for sale or pre-sale, the unused facilities available to the Group as at 30 June 2001 of approximately HK\$162 million will be used to finance the completion of the development. Taking into account the estimated proceeds from the disposal of the properties held under development, the directors consider that, with the continuing support of the Group’s bankers and other lenders, the Group will be able 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 A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted Statement of Standard Accounting Practice No. 14 (Revised) “Leases” (“SSAP 14 (Revised)”) issued by the Hong Kong Society of Accountants for the first time.

SSAP 14 (Revised) has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group’s leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for all of the Group’s leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised).

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. Exceptions to this policy are explained in note 15.

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 up to the effective date of disposal, as appropriate.

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

Goodwill and capital reserve

Goodwill or capital reserve arising on acquisition of a subsidiary represents respectively the excess or shortfall of the purchase consideration over the Group's share of the fair value ascribed to the separable net assets of the subsidiary at the date of acquisition. Goodwill or capital reserve is written off or credited directly to reserves in the year of acquisition.

On disposal of a subsidiary, the attributable amount of goodwill or capital reserve is included in the determination of the gain or loss on disposal.

Revenue recognition

Service fee income is recognised when services are rendered.

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

Income from restaurant operations is recognised when food and beverages are sold and services are rendered.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Property, plant and equipment, other than properties held under development, are stated at cost or valuation less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

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.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the depreciable amount of property, plant and equipment, other than properties held under development, 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%

Properties held under development

Properties held under development, which are properties being developed for production, rental or administrative purposes or for purposes not yet determined, are stated at cost or carrying value at the time of transfer from other classes of assets, less any identified impairment loss. Cost comprises the acquisition cost, borrowing costs capitalised and other direct costs incurred prior to the issue of the occupation permits or getting the properties ready for their intended use or sale, and if pre-sale is held, plus attributable profit less foreseeable loss and proceeds on pre-sale received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Properties held under development (Cont'd)

Properties held under development are classified as non-current assets until such time when the directors estimate that the properties held under development will be realised within the forthcoming twelve months which will be classified as current assets and are stated at the lower of cost or net realisable value. Net realisable value takes into account the proceeds ultimately expected to be realised and the anticipated costs to completion.

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 should be 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.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or registered capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any identified impairment loss.

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, as reduced by 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sales.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense 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 foreign currencies are translated at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated 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 financial statements of overseas subsidiaries are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the relevant lease.

Retirement benefits scheme

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2001

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

5. TURNOVER

Turnover represents the aggregate of the amounts received and receivable for goods sold and services rendered and the income from restaurant operations during the year. An analysis of turnover is as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Continuing operations		
– Service fee	2,193	–
– Sales of goods	<u>–</u>	<u>21,992</u>
	2,193	21,992
Discontinued operations		
– Restaurant operations	<u>–</u>	<u>1,304</u>
	<u>2,193</u>	<u>23,296</u>

The business of general trading has been temporarily suspended since the beginning of the current year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2001

6. LOSS FROM OPERATIONS

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Directors' remuneration (note 8)	146	482
Other staff costs, including retirement benefits scheme contributions	2,582	4,011
Total staff costs	2,728	4,493
Auditors' remuneration	300	600
Depreciation	6,178	9,419
Minimum lease payments in respect of rented premises under operating leases	136	2,963
Provision for obsolete inventories	–	3,752
and after crediting:		
Interest income	6	64
Reversal of provision for obsolete inventories	3,127	–

7. FINANCE COSTS

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	75,873	69,728
Less: Amount capitalised in respect of properties held under development	(2,563)	–
	73,310	69,728

No interest was capitalised in 2000 as the property development was suspended during that year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2001

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

(a) Directors' emoluments

	2001 <i>HK\$'000</i>	2000 <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	146	482
	<u> </u>	<u> </u>
	<u>146</u>	<u>482</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 during the current year did not include any directors. The five highest paid individuals of the Group during the year ended 30 June 2000 included one executive director, details of whose emoluments are set out in note (a) above. The emoluments of the five (2000: remaining four) individuals are as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Salaries and other benefits	1,243	1,193
Retirement benefits scheme contributions	14	-
	<u> </u>	<u> </u>
	<u>1,257</u>	<u>1,193</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2001

9. DISCONTINUED OPERATIONS

In December 1999, the Group ceased its restaurant operations. The turnover and profit (loss) from operations in respect of the discontinued operations, accounted for up to the date of discontinuance, were as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Discontinued restaurant operations:		
Turnover	<u> -</u>	<u> 1,304</u>
Profit (loss) from operations (note)	<u> 2,878</u>	<u> (15,510)</u>

Note: The amount in 2001 represents reversal of overprovision of closure costs for the restaurant operations.

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 Company's existing properties as 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. NET LOSS FOR THE YEAR

Of the Group's net loss for the year, a loss of HK\$56,318,000 (2000: HK\$2,553,000) has been dealt with in the financial statements of the Company.

12. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$128,994,000 (2000: HK\$125,367,000) and on 528,271,615 (2000: 528,271,615) ordinary shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2001

13. PROPERTY, PLANT AND EQUIPMENT

	Properties held under development <i>HK\$'000</i>	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 2000	717,913	249,500	14,832	10,512	992,757
Additions	10,801	–	–	28	10,829
Impairment loss recognised	–	(50,000)	–	–	(50,000)
Transfer to properties held under development under current assets (see note 18)	(728,714)	–	–	–	(728,714)
At 30 June 2001	–	199,500	14,832	10,540	224,872
Comprising:					
At cost less impairment loss recognised	–	161,500	14,832	10,540	186,872
At valuation – 1997 *	–	38,000	–	–	38,000
	–	199,500	14,832	10,540	224,872
DEPRECIATION					
At 1 July 2000	–	18,544	12,291	10,154	40,989
Provided for the year	–	4,990	1,056	132	6,178
At 30 June 2001	–	23,534	13,347	10,286	47,167
NET BOOK VALUES					
At 30 June 2001	–	175,966	1,485	254	177,705
At 30 June 2000	717,913	230,956	2,541	358	951,768

* 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 changed.

The leasehold land and buildings of the Group 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.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2001

14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	160,811	160,811
Amounts due from subsidiaries	800,805	314,095
	961,616	474,906
Less: Impairment loss recognised	(387,405)	(332,405)
	574,211	142,501

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 2001 are set out in note 36.

None of the subsidiaries had any loan capital outstanding as at 30 June 2001 or at any time during the year.

15. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED

Particulars of the Group's subsidiaries not consolidated as at 30 June 2001 are as follows:

Name of unconsolidated subsidiary	Notes	Country/ place of incorporation	Proportion of nominal value of issued ordinary share capital held		Principal activity
			by the Company Directly	Indirectly	
New Zealand Equities Limited ("NZEL")	(a)	New Zealand	–	100%	In receivership
Paladin International Limited ("PIL")	(b)	Hong Kong	39%	61%	In receivership

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2001

15. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED (Cont'd)

Notes:

- (a) NZEL, whose shares were formerly listed on the New Zealand Stock Exchange, is in receivership and as a result the Group has no control over the assets and operations of NZEL. In the opinion of the directors of the Company, the investment in NZEL has no real value and the amount due from NZEL is not recoverable. Accordingly, the results, assets and liabilities of NZEL have not been consolidated and full provision has been made in respect of the Group's interests in NZEL. In 1995, Paladin New Zealand Holdings Limited, the immediate holding company of NZEL, was struck off from the relevant company register and dissolved. The corresponding cost of investment had been set off against the provision which was previously made.
- (b) In May 1998, PIL was placed into receivership by a court order upon the petition of a creditor and as a result the Group has no control over the assets and operations of PIL. In the opinion of the directors of the Company, the investment in PIL has no real value and the amount due from PIL is not recoverable. Accordingly, the results, assets and liabilities of PIL have not been consolidated and full provision has been made in respect of the Group's interests in PIL. The corresponding interests in PIL had been set off against the provision which was previously made.

16. INVESTMENT SECURITIES

	THE GROUP 2001 & 2000 HK\$'000	THE COMPANY 2001 & 2000 HK\$'000
Unlisted investments, at cost	60,049	35,776
Less: Impairment loss recognised	<u>(50,971)</u>	<u>(35,776)</u>
	<u>9,078</u>	<u>–</u>

At 30 June 2001, the Group held the following significant investment securities:

- (a) 17.7% (2000: 17.7%) of the issued share capital of SPA International Limited, a company which is incorporated in the British Virgin Islands and is engaged in investment holding.
- (b) 40% (2000: 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, other than Hong Kong, 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2001

17. CLUB DEBENTURE

	THE GROUP 2001 & 2000 <i>HK\$'000</i>
Club debenture, at cost	8,000
Less: Impairment loss recognised	<u>(1,900)</u>
	<u><u>6,100</u></u>

18. PROPERTIES HELD UNDER DEVELOPMENT

THE GROUP

At 30 June 2001, the properties held under development were transferred from property, plant and equipment (see note 13) and shown under current assets as the directors of the Company estimate that the property development will be complete and ready for sale or pre-sale around April 2002.

The properties held 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 2001, interest capitalised in respect of properties held under development amounted to HK\$9,789,000 (2000: HK\$7,226,000).

19. INVENTORIES

THE GROUP

The amount as at 30 June 2000 represented finished goods which were carried at net realisable value.

20. AMOUNT DUE TO A DIRECTOR OF SUBSIDIARIES

THE GROUP

The amount as at 30 June 2000 was unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2001

21. SECURED BANK LOANS

THE GROUP

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

During the year ended 30 June 2000, the Group was unable to meet the repayment schedule of its bank loans. Accordingly, the bank loans became technically repayable on demand and were classified as current liabilities as at 30 June 2000. During the current year, the Group reached agreement with a banker for the re-scheduling of the repayment date of one of its bank loans to January 2002 which was further extended to April 2002. The amount of this bank loan outstanding as at 30 June 2001 was HK\$573,500,000.

22. OTHER LOAN

THE GROUP

The loan is owed to a company in which a director of subsidiaries has controlling interests. The lender has confirmed that no demand will be made for repayment of this amount until such time as the Group has sufficient financial resources to make such repayment.

The loan is unsecured and non-interest bearing.

23. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.50 each		
<i>Authorised:</i>		
At 1 July 1999, 30 June 2000 and 30 June 2001	<u>1,000,000,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
At 1 July 1999, 30 June 2000 and 30 June 2001	<u>528,271,615</u>	<u>264,136</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2001

24. SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company (the "Scheme") adopted on 23 September 1996, the board of directors of the Company may grant options to eligible employees, including executive directors of the Company, to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the Company's shares quoted on the Stock Exchange on the five trading days immediately preceding the date of grant of the options. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

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

25. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP							
Balance at 1 July 1999	279,617	132,176	422,318	-	(3,088)	(800,682)	30,341
Net loss for the year	-	-	-	-	-	(125,367)	(125,367)
Balance at 30 June 2000	279,617	132,176	422,318	-	(3,088)	(926,049)	(95,026)
Net loss for the year	-	-	-	-	-	(128,994)	(128,994)
Balance at 30 June 2001	<u>279,617</u>	<u>132,176</u>	<u>422,318</u>	<u>-</u>	<u>(3,088)</u>	<u>(1,055,043)</u>	<u>(224,020)</u>
THE COMPANY							
Balance at 1 July 1999	279,617	132,176	-	16,410	-	(593,587)	(165,384)
Net loss for the year	-	-	-	-	-	(2,553)	(2,553)
Balance at 30 June 2000	279,617	132,176	-	16,410	-	(596,140)	(167,937)
Net loss for the year	-	-	-	-	-	(56,318)	(56,318)
Balance at 30 June 2001	<u>279,617</u>	<u>132,176</u>	<u>-</u>	<u>16,410</u>	<u>-</u>	<u>(652,458)</u>	<u>(224,255)</u>

25. RESERVES (Cont'd)

The contributed surplus represents the surplus arising on the acquisition of subsidiaries.

The investment property revaluation reserve 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.

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

Under the Companies Act 1981 of Bermuda, 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 2001 and 30 June 2000.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2001

26. RECONCILIATION OF NET LOSS FOR THE YEAR TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net loss for the year	(128,994)	(125,367)
Impairment loss in respect of leasehold land and buildings	50,000	–
(Reversal of provision) provision for bad and doubtful debts	(7,860)	17,616
Impairment loss in respect of investment securities	–	7,575
Write off of property, plant and equipment	–	4,171
Impairment loss in respect of club debenture	–	1,900
Provision (reversal of provision) for obsolete inventories	3,127	(3,752)
Interest expense	73,310	69,728
Interest income	(6)	(64)
Depreciation	6,178	9,419
Decrease in inventories	–	17,652
Decrease in other receivables, deposits and prepayments	8,773	48,913
Decrease in other payables	(5,151)	(13,150)
	<u>(623)</u>	<u>34,641</u>
Net cash (outflow) inflow from operating activities	<u>(623)</u>	<u>34,641</u>

27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Secured bank loans <i>HK\$'000</i>	Amount due to a director of subsidiaries <i>HK\$'000</i>	Other loan <i>HK\$'000</i>
Balance at 1 July 1999	682,700	–	–
Net cash inflow from financing	–	42,186	–
	<u>682,700</u>	<u>42,186</u>	<u>–</u>
Balance at 30 June 2000	682,700	42,186	–
Repayment of bank loans	(31,200)	–	–
Non-cash transaction (note)	–	(42,186)	42,186
Net cash inflow from financing	–	–	71,010
	<u>651,500</u>	<u>–</u>	<u>113,196</u>
Balance at 30 June 2001	<u>651,500</u>	<u>–</u>	<u>113,196</u>

Note: The balance of the amount due to a director of subsidiaries was transferred to a company controlled by that individual during the year ended 30 June 2001.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2001

28. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Bank balances and cash	154	498
Bank overdrafts	<u>(399)</u>	<u>(1,182)</u>
	<u>(245)</u>	<u>(684)</u>

29. OPERATING LEASE COMMITMENTS

At 30 June 2000, the Group had future minimum lease payments under non-cancellable operating leases in respect of rented premises which expired in September 2000 amounting to HK\$40,000. There was no such commitment at 30 June 2001.

The Company did not have any commitments under non-cancellable operating leases at the balance sheet date.

30. CAPITAL COMMITMENTS

	THE GROUP	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Capital expenditure relating to properties held under development contracted for but not provided in the financial statements	<u>186,763</u>	<u>77,174</u>

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

31. CONTINGENT LIABILITIES

	THE COMPANY	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Guarantee given to banks in respect of credit facilities granted to subsidiaries	<u>875,900</u>	<u>840,400</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2001

32. PLEDGE OF ASSETS

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

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Properties held under development	728,714	717,913
Leasehold land and buildings	175,966	230,956
	<u>904,680</u>	<u>948,869</u>

The issued ordinary shares of a wholly-owned subsidiary of the Company, Holyrood Limited, were also pledged to a bank to secure credit facilities granted to the Group.

33. 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 or 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 or 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 employers' contributions during the year ended 30 June 2001 dealt with in the income statement of the Group amounted to HK\$25,000 (2000: nil).

34. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) Details of the amount due to a director of subsidiaries and the other loan are set out in note 20 and 22 respectively.
- (b) A director of subsidiaries has provided a personal guarantee in respect of the Group's payment obligation of an amount of approximately HK\$17.9 million owed to the main contractor of the Group's property development project.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2001

35. SEGMENT INFORMATION

More than 90% of the Group's turnover for the year ended 30 June 2001 and 2000 were attributable to operations carried out in Hong Kong. An analysis of the Group's turnover and loss from operations by principal activities was as follows:

	Turnover		(Loss) profit from operations	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activities:				
Continuing operations				
– Provision of agency services	2,193	–	(63,295)	–
– General trading	–	21,992	4,733	(40,129)
	<u>2,193</u>	<u>21,992</u>	<u>(58,562)</u>	<u>(40,129)</u>
Discontinued operations				
– Restaurant operations	–	1,304	2,878	(15,510)
	<u>–</u>	<u>1,304</u>	<u>2,878</u>	<u>(15,510)</u>
	<u>2,193</u>	<u>23,296</u>	<u>(55,684)</u>	<u>(55,639)</u>

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 30 June 2001 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			

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2001

36. 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 Limited	Hong Kong	Ordinary HK\$999,998	99.9%	0.1%	Property development
		Non-voting deferred* HK\$2			
Homjade Trading Ltd.	British Virgin Islands	US\$1	100%	–	General trading
Magenta Company Limited	Hong Kong	Ordinary HK\$2	100%	–	Property holding
My Favourite Restaurant Limited	Hong Kong	Ordinary HK\$2	50%	50%	Restaurant operations ceased in December 1999
Paladin Trading Ltd.	British Virgin Islands	US\$1	100%	–	Investment holding
Petersham Limited	Hong Kong	Ordinary HK\$2	–	100%	Property management
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.