

Notes to the Financial Statements

For the year ended July 31, 2001

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company acts as a property and investment holding company and provides corporate management services to its subsidiaries. Its subsidiaries are principally engaged in property investment and development.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The financial statements 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 (except for those detailed in note 16) made up to July 31 each year.

The results of subsidiaries and associates 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 between group enterprises are eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition or, where appropriate, capitalised and amortised on a straight-line basis over its useful economic life of not exceeding three years. Where there is an impairment loss on goodwill, the unamortised balance is written down immediately through the income statement to its recoverable value. Capital reserve, which represents the excess of the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

Any premium or discount arising on the acquisition of interests in associates, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

Notes to the Financial Statements

For the year ended July 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

When the directors considered goodwill no longer reflect the intrinsic value of a subsidiary or an associate represented by it, the attributable amount of goodwill previously debited to the reserves will be reversed and charged to the income statement.

On disposal of a subsidiary or an associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is charged in respect of investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation and amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present 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 normally 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.

Notes to the Financial Statements

For the year ended July 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

The Group has adopted the transitional relief provided by paragraph 72 of Statement of Standard Accounting Practice 17 "Property, plant and equipment" with regard to the requirement to make regular revaluations of land and buildings which had been carried at revalued amounts prior to August 1, 1995, and accordingly, no further revaluation will be carried out. On subsequent disposal of these revalued assets, the attributable revaluation surplus is transferred to retained profits.

Depreciation and amortisation are provided to write off the cost or valuation of property, plant and equipment, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the relevant lease
Buildings	Over the shorter of the term of the lease or the estimated useful life of 25 to 50 years
Furniture, fixtures and equipment	20%
Motor vehicles	20%

Assets held under hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets.

Assets held under hire purchase contracts

Assets held under hire purchase contracts are capitalised at their fair value at the date of acquisition. The corresponding liability to the hirer, net of interest charges, is included in the balance sheet as obligations under hire purchase contracts. Finance costs, which represent the difference between the total hire purchase commitments and the original outstanding principal at the inception of the hire purchase contracts, are charged to the income statement over the period of respective contract so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rental payable is charged to the income statement on a straight-line basis over the terms of the relevant lease.

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.

Notes to the Financial Statements

For the year ended July 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries (continued)

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary. Results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable during the year.

Investments in subsidiaries not consolidated are stated at cost plus the results of the subsidiaries attributable to the Group from the date of acquisition up to the date of de-consolidation, less impairment loss recognised.

Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of net assets of the associates.

Where a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in associates are stated at cost, as reduced by any decline in value of the associate that is other than temporary. Results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

Investments in securities

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

All securities other than held-to-maturity debt securities are measured at fair value at subsequent reporting dates.

Where securities are held for trading purposes, unrealised gains and losses are included in profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in profit or loss for the period.

Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Cost includes professional fees and other direct costs attributable to such properties until they reach a marketable condition. 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 sale.

Notes to the Financial Statements

For the year ended July 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes professional fees and other direct costs attributable to such properties until they reach a marketable condition. 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 sale.

Revenue recognition

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

Sales of investments in securities are recognised when the related bought and sold notes are executed.

Commissions and service charges are recognised when services are provided.

When properties are developed for sale, income is recognised on the execution of a binding sales agreement or when the relevant occupation permit is issued by the building authority, whichever is the later. Payments received from purchasers prior to this stage are recorded as deposits received in advance under current liabilities.

Rental income from properties under operating leases is recognised on a straight-line basis over the term of the relevant lease.

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

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expenditure 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 under 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 rates ruling on the dates of the transactions or at the contracted settlement rate. 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.

Notes to the Financial Statements

For the year ended July 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than Hong Kong dollar and which operate in the People's Republic of China, other than Hong Kong, (the "PRC") and overseas are translated at the approximate rates ruling on the balance sheet date. Exchange differences arising on consolidation, if any, are classified as equity and are recognised as income or as expenses in the period in which the subsidiaries are disposed of.

Retirement benefit scheme contributions

The retirement benefit scheme contributions charged in the income statement represent the amount of contributions payable in respect of the current year to the Group's defined contribution scheme and the Mandatory Provident Fund Scheme ("MPF Scheme") (note 35).

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 advance.

Notes to the Financial Statements

For the year ended July 31, 2001

3. SEGMENTAL INFORMATION

The Group's turnover and contribution to loss from operations for the year ended July 31, 2001 analysed by principal activity and by geographical location are as follows:

	Turnover		Contribution to loss from operations	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
By principal activity:				
Continuing operations:				
Property rental	9,384,017	14,495,279	(3,983,956)	4,753,487
Financial investment	7,589,379	3,614,139	31,619	(157,178)
Property sale	—	—	(4,592,547)	(2,582,007)
	<u>16,973,396</u>	<u>18,109,418</u>	<u>(8,544,884)</u>	<u>2,014,302</u>
Discontinued operations:				
Property maintenance, management and agency services	16,526,221	28,427,050	1,164,447	1,603,085
Manufacture and sale of biscuits	—	5,898,655	—	(152,870)
	<u>16,526,221</u>	<u>34,325,705</u>	<u>1,164,477</u>	<u>1,450,215</u>
	<u>33,499,617</u>	<u>52,435,123</u>	<u>(7,380,407)</u>	<u>3,464,517</u>
Deficit on revaluation of investment properties			(10,650,000)	(22,500,611)
Loss on disposal of other securities			(7,907,649)	(761,224)
Loss on disposal of property, plant and equipment			(3,491,636)	(2,237)
Impairment loss on amount due from an investee company			(3,360,269)	—
Impairment loss on property, plant and equipment			—	(10,568,516)
Loss from operations			<u>(32,789,961)</u>	<u>(30,368,071)</u>
By geographical location:				
Hong Kong	33,499,617	46,536,468	(28,197,414)	(27,633,237)
The PRC	—	5,898,655	(26,551)	(376,774)
Japan	—	—	(4,565,996)	(2,358,060)
	<u>33,499,617</u>	<u>52,435,123</u>	<u>(32,789,961)</u>	<u>(30,368,071)</u>

Notes to the Financial Statements

For the year ended July 31, 2001

4. LOSS FROM OPERATIONS

	2001 HK\$	2000 HK\$
Loss from operations has been arrived at after charging (crediting):		
Directors' remuneration (note 7)	1,172,508	1,132,448
Other staff costs	14,126,456	26,663,671
Severance payments	640,192	1,049,847
Total staff costs	15,939,156	28,845,966
Auditors' remuneration:		
Current year	350,000	401,197
Underprovision in prior years	133,790	3,677
Depreciation and amortisation on:		
Owned assets	657,426	1,284,403
Assets held under hire purchase contracts	9,100	38,053
Dividend income from investments in securities	(530,465)	(528,091)
Unrealised holding loss of trading securities	85,737	292,942

5. FINANCE COSTS

	2001 HK\$	2000 HK\$
Interest on:		
Borrowings wholly repayable within five years:		
Bank borrowings	4,934,927	5,797,411
Convertible notes	—	454,421
Other borrowings	—	187,641
Bank borrowings not wholly repayable within five years	—	2,859,227
Obligations under hire purchase contracts	1,868	9,120
	4,936,795	9,307,820

Notes to the Financial Statements

For the year ended July 31, 2001

6. GAIN (LOSS) ON DISPOSAL OF SUBSIDIARIES WHICH HAD BEEN ENGAGED IN DISCONTINUED OPERATIONS

During the year ended July 31, 2001, the Group disposed of its entire interest in Yoshiya Property Management Limited (“Yoshiya Property”), Lee Hong Engineering Company Limited (“Lee Hong”) and Richamp Engineering Limited (“Richamp”) to an independent third party as partial consideration for the acquisition of a 40% interest in Worldwide IP Communications Limited (“WWIP”), a company engaged in the business of internet communication services, pursuant to the sale and purchase agreement. Yoshiya Property acted as an investment holding company and was also engaged in the business of property management and provision of agency services. Lee Hong and Richamp were engaged in the provision of property maintenance services. Accordingly, the Group’s business in these operations was discontinued and the effective date of discontinuance for accounting purposes was February 26, 2001.

There was no gain or loss arising from the disposal of Yoshiya Property, Lee Hong and Richamp as the consideration of disposal was the same as the aggregate carrying value of those companies’ net assets. No tax charge or credit arose from the transaction.

During the year ended July 31, 2000, the Group disposed of its entire interest in Guangzhou Jessica Food Products Company Limited (“Guangzhou Jessica”) to its minority shareholder. Guangzhou Jessica was engaged in the manufacture and sale of biscuits in the PRC. Accordingly, the Group’s business of manufacture and sale of biscuits was discontinued and the effective date of discontinuance for accounting purposes was September 16, 1999.

A loss of approximately HK\$39,000 arose from the disposal of Guangzhou Jessica, being the proceeds of the disposal less the carrying amount of Guangzhou Jessica’s net assets and currency translation reserve. No tax charge or credit arose from the transaction.

Details of the results of the property maintenance, management and agency services operations for the period from August 1, 2000 to February 26, 2001 and the business of manufacture and sale of biscuits for the period from August 1, 1999 to September 16, 1999, which have been included in the consolidated financial statements, are set out in note 3.

Notes to the Financial Statements

For the year ended July 31, 2001

7. DIRECTORS' EMOLUMENTS

	2001 HK\$	2000 HK\$
Fees:		
Executive directors	27,480	23,123
Non-executive and independent non-executive directors	40,000	40,000
	<u>67,480</u>	<u>63,123</u>
Other emoluments (executive directors):		
Salaries and other benefits	843,085	892,000
Retirement benefit scheme contributions	76,915	39,400
Other emoluments (non-executive directors):		
Salaries and other benefits	183,228	136,125
Retirement benefit scheme contributions	1,800	1,800
	<u>1,150,028</u>	<u>1,069,325</u>
	<u>1,172,508</u>	<u>1,132,448</u>

The emoluments of each of the directors were below HK\$1,000,000 for both years.

8. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2000: one) were directors of the Company whose emoluments are included in note 7 above. The emoluments of the remaining two (2000: four) employees are as follows:

	2001 HK\$	2000 HK\$
Salaries and other benefits	935,268	1,239,526
Retirement benefit scheme contributions	89,366	235,862
Severance payments	—	566,978
	<u>1,024,634</u>	<u>2,042,366</u>

The emoluments of each of these employees were below HK\$1,000,000 for both years.

Notes to the Financial Statements

For the year ended July 31, 2001

9. TAXATION

	2001 HK\$	2000 HK\$
The charge comprises:		
Hong Kong Profits Tax		
Current year	–	84,000
Underprovision in prior years	–	53,426
	<u>–</u>	<u>137,426</u>
Share of taxation on results of associates	215,569	318,693
	<u>215,569</u>	<u>456,119</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

Details of the deferred taxation asset not recognised are set out in note 29.

10. NET LOSS FOR THE YEAR

Of the Group's net loss for the year of HK\$157,187,865 (2000: HK\$37,837,581), a net loss of HK\$130,253,789 (2000: HK\$42,828,002) has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

The calculation of basic loss per share is based on net loss for the year of HK\$157,187,865 (2000: HK\$37,837,581) and on the weighted average number of 466,760,118 (2000: 401,040,614) shares in issue during the year.

No additional disclosure of diluted loss per share for both years is shown as the effect of the potential ordinary shares in issue is anti-dilutive for both years.

Notes to the Financial Statements

For the year ended July 31, 2001

12. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
VALUATION				
Balance brought forward	99,740,000	126,100,000	32,550,000	35,380,000
Deficit arising on revaluation	(10,650,000)	(26,360,000)	(100,000)	(2,830,000)
Disposal	(37,000,000)	—	(30,800,000)	—
Upon disposal of subsidiaries	(11,500,000)	—	—	—
Balance carried forward	40,590,000	99,740,000	1,650,000	32,550,000
Comprising:				
Investment properties in Hong Kong held under:				
Long leases	1,660,000	2,000,000	—	—
Medium-term leases	38,930,000	97,740,000	1,650,000	32,550,000
	40,590,000	99,740,000	1,650,000	32,550,000

The investment properties of the Group and the Company are held for rental purposes under operating leases and were revalued at July 31, 2001 on an open market value basis by CS Surveyors Limited, an independent firm of professional valuers.

The deficit arising from revaluation of the Group's and the Company's investment properties at July 31, 2001 amounted to HK\$10,650,000 and HK\$100,000, respectively, has been charged to the income statement.

For the year ended July 31, 2000, the deficit arising from revaluation of the Group's investment properties amounted to HK\$26,360,000, of which HK\$3,859,389 had been charged to the investment property revaluation reserve (note 28) and the remaining balance of HK\$22,500,611 had been charged to the income statement. The deficit arising on revaluation of the Company's investment properties of HK\$2,830,000 had been charged to the Company's investment property revaluation reserve (note 28).

Subsequent to the balance sheet date, the Group pledged investment properties amounting to HK\$11,660,000 to a bank to secure credit facilities to the extent of HK\$4,000,000 granted to the Group and the Company.

Notes to the Financial Statements

For the year ended July 31, 2001

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Total HK\$
THE GROUP				
COST OR VALUATION				
At August 1, 2000	27,896,545	6,343,577	3,228,054	37,468,176
Additions	–	661,576	–	661,576
Disposals	(22,028,050)	(401,433)	(905,795)	(23,335,278)
Upon disposal of subsidiaries	(5,868,495)	(6,603,720)	(1,571,759)	(14,043,974)
At July 31, 2001, at cost	–	–	750,500	750,500
DEPRECIATION AND AMORTISATION				
At August 1, 2000	17,348,702	4,570,469	2,992,322	24,911,493
Provided for the year	161,199	416,934	88,393	666,526
Eliminated on disposals	(16,556,931)	(251,915)	(905,795)	(17,714,641)
Eliminated on disposal of subsidiaries	(952,970)	(4,735,488)	(1,424,420)	(7,112,878)
At July 31, 2001	–	–	750,500	750,500
NET BOOK VALUES				
At July 31, 2001	–	–	–	–
At July 31, 2000	10,547,843	1,773,108	235,732	12,556,683
THE COMPANY				
COST OR VALUATION				
At August 1, 2000	23,162,303	345,891	1,656,295	25,164,489
Additions	–	23,140	–	23,140
Disposals	(23,162,303)	(369,031)	(905,795)	(24,437,129)
At July 31, 2001, at cost	–	–	750,500	750,500
DEPRECIATION AND AMORTISATION				
At August 1, 2000	17,622,305	193,082	1,656,295	19,471,682
Provided for the year	68,879	42,669	–	111,548
Elimination on disposals	(17,691,184)	(235,751)	(905,795)	(18,832,730)
At July 31, 2001	–	–	750,500	750,500
NET BOOK VALUES				
At July 31, 2001	–	–	–	–
At July 31, 2000	5,539,998	152,809	–	5,692,807

Notes to the Financial Statements

For the year ended July 31, 2001

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Had the Group's and the Company's leasehold land and buildings at July 31, 2000 been carried at cost less accumulated depreciation and amortisation, they would have been included in these financial statements at approximately HK\$6,676,000 and HK\$5,953,000, respectively.

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
The net book value of leasehold land and buildings held under medium-term leases is situated in:				
Hong Kong	–	8,737,779	–	5,539,998
The PRC	–	1,810,064	–	–
	<u>–</u>	<u>10,547,843</u>	<u>–</u>	<u>5,539,998</u>

At July 31, 2000, the net book value of property, plant and equipment of the Group included an amount of HK\$44,200 in respect of assets held under hire purchase contracts.

14. GOODWILL

	THE GROUP
	HK\$
COST	
Addition during the year	<u>164,891,846</u>
AMORTISATION	
Provided for the year	22,901,645
Impairment loss recognised	<u>141,990,201</u>
At July 31, 2001	<u>164,891,846</u>
NET BOOK VALUE	
At July 31, 2001	<u>–</u>

The amount represents the goodwill arising from acquisition of a 40% interest in WWIP in the current year. The directors have reviewed the carrying value of the goodwill at July 31, 2001 and determined that its recoverable amount had declined below the carrying value. Accordingly, the carrying value of the goodwill was reduced to reflect this impairment.

Notes to the Financial Statements

For the year ended July 31, 2001

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK\$	HK\$
Unlisted investments, at cost	31,538,811	87,579,390
Amounts due from subsidiaries	269,045,441	423,155,633
	<u>300,584,252</u>	<u>510,735,023</u>
Impairment loss recognised	(257,105,425)	(338,681,679)
	<u>43,478,827</u>	<u>172,053,344</u>

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

Name of subsidiary	Place of incorporation/ operation	Issued and paid up share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Adrian Realty Limited	Hong Kong	HK\$1,000,000	100	–	Property investment
Chadbury International Limited	British Virgin Islands/ Japan	US\$1	–	100	Property investment
Hegel Trading Limited	Hong Kong	HK\$2	100	–	Property investment

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

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

Notes to the Financial Statements

For the year ended July 31, 2001

16. SUBSIDIARIES NOT CONSOLIDATED

	THE GROUP 2001 & 2000 HK\$
Group's share of the net assets in subsidiaries not consolidated up to the date of de-consolidation	23,696,400
Attributable goodwill previously taken directly to reserves	15,541,253
	<hr/> 39,237,653
Amount advanced to a subsidiary	3,487,061
	<hr/> 42,724,714
Impairment loss recognised	(42,724,714)
	<hr/> <hr/> —

Details of the Group's subsidiaries not consolidated at July 31, 2001 are as follows:

Name of subsidiary	Place of operation and incorporation	Issued and paid up share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
Rayman Trading Company Limited ("Rayman") (now in creditors' liquidation)	Hong Kong	HK\$224,500	41	10	Activities suspended
Abacus Telecom Limited	Hong Kong	HK\$10,000	—	51	Activities suspended

On August 7, 1996, the directors of Rayman made a statutory declaration that Rayman together with its subsidiary, Abacus Telecom Limited ("Rayman Group") could not, by reason of its liabilities, continue its business and it was necessary that Rayman Group be wound up. On September 4, 1996, liquidators were appointed to handle the winding up. Impairment loss was recognised in 1996 in respect of the Group's entire interest in Rayman Group.

The losses relating to the subsidiaries not consolidated attributable to the Group are:

	2001 HK\$	Previous years since acquisition HK\$
Dealt with in the consolidated financial statements	—	(125,260,770)
Not dealt with in the consolidated financial statements	—	—

Notes to the Financial Statements

For the year ended July 31, 2001

17. INTERESTS IN ASSOCIATES

	2001 HK\$	2000 HK\$
THE GROUP		
Share of net assets of associates	129,081	4,901,446
Amounts due from associates	—	1,047,750
	129,081	5,949,196
THE COMPANY		
Unlisted shares, at cost	3,300	3,469,925
Amounts due from associates	63,750	1,047,750
Less: Impairment loss recognised	(67,050)	(838,737)
	—	3,678,938

The amounts due from associates are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, no part of the amount will be repaid within the next twelve months from the balance sheet date and, accordingly, the amount is presented as non-current.

Details of the principal associates of the Group at July 31, 2001 are as follows:

Name of associates	Place of incorporation/ operation	Proportion of nominal value of issued capital held indirectly by the Company	Principal activities
WWIP	British Virgin Islands/ Hong Kong	40%	Investment holding
Everstar Technologies Limited	Hong Kong	40%	Provision of internet communication services and the trading of its related products

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Financial Statements

For the year ended July 31, 2001

18. OTHER SECURITIES

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Equity securities, at market or fair value				
Listed shares in Hong Kong	–	13,809,120	–	10,113,480
Unlisted shares	293,770	321,514	292,770	320,514
	293,770	14,130,634	292,770	10,433,994

19. AMOUNT DUE FROM AN INVESTEE COMPANY

	THE GROUP AND THE COMPANY	
	2001	2000
	HK\$	HK\$
Amount due from an investee company	123,222,298	123,222,298
Impairment loss recognised	(3,360,269)	–
	119,862,029	123,222,298

On December 6, 2000, the Company entered into a conditional sale and purchase agreement (as supplemented by supplemental agreements dated December 12, 2000 and March 27, 2001 and an extension letter dated January 19, 2001) with E-Cash Ventures Limited (“E-Cash”), a company incorporated in the British Virgin Islands and wholly owned by Far East Consortium International Limited (“FECIL”), a former substantial shareholder of the Company, to dispose of its entire 15.33% interest in Mutual Luck Investment Limited (“Mutual Luck”), an investee company, together with the amount due from Mutual Luck of HK\$123,222,298 for a cash consideration of HK\$120,000,000. As a result of the foregoing, an impairment loss of HK\$3,360,269 was recognised in the income statement for the year ended July 31, 2001 to state the amount due from Mutual Luck at its estimated recoverable amount.

Pursuant to another extension letter dated September 28, 2001, the Company and E-Cash agreed that the completion of the transaction to be extended and should be completed on or before November 30, 2001.

The amount due from Mutual Luck is unsecured, non-interest bearing and has no fixed repayment terms. In the opinion of the directors, no part of the amount will fall due for repayment within the next twelve months and the amount is therefore presented as non-current.

Notes to the Financial Statements

For the year ended July 31, 2001

20. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP	
	2001	2000
	HK\$	HK\$
COST LESS PROVISION		
Balance brought forward	53,534,105	60,529,332
Additions	106,279	113,299
Eliminated upon disposal of a subsidiary	(53,640,384)	(7,108,526)
Balance carried forward	<u>–</u>	<u>53,534,105</u>

The Group's properties under development for sale at July 31, 2000 were held on medium-term land use rights in the PRC.

21. PROPERTIES HELD FOR SALE

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Properties in Hong Kong	206,207	30,555,994	206,207	206,207
Properties in Japan	33,061,760	42,780,000	–	–
	<u>33,267,967</u>	<u>73,335,994</u>	<u>206,207</u>	<u>206,207</u>

Included above are properties in Japan of HK\$33,061,760 (2000: HK\$42,780,000) which are carried at net realisable value.

Details of the properties held for sale at July 31, 2001 are set out on page 62 of the annual report.

22. TRADE AND OTHER RECEIVABLES

At July 31, 2001, the balance of trade and other receivables included trade receivables of HK\$441,756 (2000: HK\$3,908,551). An ageing analysis of trade receivables prepared on the basis of sales invoice date is as follows:

	THE GROUP	
	2001	2000
	HK\$	HK\$
0 to 60 days	207,274	3,890,251
61 to 90 days	104,637	9,800
91 days or above	129,845	8,500
	<u>441,756</u>	<u>3,908,551</u>

The Group allows an average credit period of 30 days (2000: 30 days) to its trade customers.

Notes to the Financial Statements

For the year ended July 31, 2001

23. TRADE AND OTHER PAYABLES

At July 31, 2001, the balance of trade and other payables included trade payables of HK\$Nil (2000: HK\$8,358,715). An ageing analysis of trade payables prepared on the basis of supplier invoice date is as follows:

	THE GROUP	
	2001 HK\$	2000 HK\$
0 to 60 days	–	3,195,278
91 days or above	–	5,163,437
	<u>–</u>	<u>8,358,715</u>

24. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
The principal portion of the obligations under hire purchase contracts				
– due within one year	–	19,306	–	17,438
Less: Future finance charge	–	(1,868)	–	–
Present value of obligations under hire purchase contracts	<u>–</u>	<u>17,438</u>	<u>–</u>	<u>17,438</u>

It is the Group's policy to lease certain of its property, plant and equipment under hire purchase contracts. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

Notes to the Financial Statements

For the year ended July 31, 2001

25. SECURED BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Bank loans	–	47,303,184	–	12,000,000
Bank overdrafts	–	28,050,125	–	16,982,915
Mortgage loans	–	6,815,716	–	2,741,279
	<u>–</u>	<u>82,169,025</u>	<u>–</u>	<u>31,724,194</u>

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
The secured bank borrowings are repayable within the periods as follows:				
Within one year or upon demand	–	57,443,541	–	31,146,408
More than one year but not exceeding two years	–	2,816,578	–	577,786
More than two years but not exceeding five years	–	8,308,464	–	–
More than five years	–	13,600,442	–	–
	<u>–</u>	<u>82,169,025</u>	<u>–</u>	<u>31,724,194</u>
Less: Amount due within one year classified as current liabilities	–	(57,443,541)	–	(31,146,408)
Amount due after one year	<u>–</u>	<u>24,725,484</u>	<u>–</u>	<u>577,786</u>

Notes to the Financial Statements

For the year ended July 31, 2001

26. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$
Ordinary shares of HK\$0.40 each		
Authorised:		
At August 1, 1999 and July 31, 2000	750,000,000	300,000,000
Increase in authorised share capital	1,500,000,000	600,000,000
At July 31, 2001	2,250,000,000	900,000,000
Issued and fully paid:		
At August 1, 1999	398,999,630	159,599,852
Issue of shares on exercise of share options	3,000,000	1,200,000
At July 31, 2000	401,999,630	160,799,852
Issue of shares on private placement	80,399,926	32,159,969
At July 31, 2001	482,399,556	192,959,821

At the extraordinary general meeting of the shareholders of the Company held on April 18, 2001, the authorised share capital of the Company was increased from HK\$300,000,000 to HK\$900,000,000 by the creation of an additional 1,500,000,000 shares of HK\$0.40 each.

During the year ended July 31, 2000, 3,000,000 shares of HK\$0.40 each in the Company were issued at a price of HK\$0.5712 per share upon the exercise of share options granted under the share option scheme of the Company.

On October 11, 2000, the Company issued 80,399,926 ordinary shares of HK\$0.40 each in the Company to Rocket High Investments Limited, a company beneficially and wholly owned by a director of FECIL, a then substantial shareholder of the Company, at a price of HK\$0.40 per share. This represented a discount of approximately 2.4% to the closing price of HK\$0.41 per share as quoted on the Stock Exchange on August 18, 2000 (being the date of the share subscription agreement) and approximately 2.6% premium over the average of the closing prices of approximately HK\$0.39 per share as quoted on the Stock Exchange for the last 10 trading days up to and including August 18, 2000. The net proceeds were used to reduce the Group's bank borrowings and for investment purposes. These new shares were issued under the mandate granted to the directors of the Company at the extraordinary general meeting of the Company held on September 28, 2000.

All the shares issued above rank pari passu with the then existing shares of the Company in all respects.

Notes to the Financial Statements

For the year ended July 31, 2001

27. SHARE OPTION SCHEME

Pursuant to the employees' share option scheme adopted on March 7, 1997, the Board of Directors of the Company may grant options to eligible employees, including directors, of the Company and its subsidiaries, to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80 percent of the average of the closing prices of the shares 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 share option scheme shall not exceed 10 percent of the issued share capital of the Company from time to time.

Details of the movements during the year and the balances of unexercised options at July 31, 2001 under the scheme are as follows:

Exercisable period	Exercise price per share, subject to adjustment HK\$	Number of share options		
		At August 1, 2000	Lapsed during the year (note)	At July 31, 2001
April 8, 1997 to March 6, 2007	0.5712	3,000,000	—	3,000,000
September 10, 1997 to March 6, 2007	1.0400	3,000,000	(3,000,000)	—
		<u>6,000,000</u>	<u>(3,000,000)</u>	<u>3,000,000</u>

Note: These options were lapsed upon resignation of the grantee.

Notes to the Financial Statements

For the year ended July 31, 2001

28. RESERVES

	Share premium HK\$	Capital reserve HK\$	Special capital reserve (note) HK\$	Investment property revaluation reserve HK\$	Investment revaluation reserve HK\$	Property revaluation reserve HK\$	Currency translation reserve HK\$	Capital redemption reserve HK\$	Deficit HK\$	Total HK\$
THE GROUP										
Balance at August 1, 1999	250,874,944	152,571	9,278,080	3,859,389	(6,372,126)	7,449,507	(20,758,099)	268,000	(59,750,242)	185,002,024
Deficit arising on revaluation										
of investment properties	-	-	-	(3,859,389)	-	-	-	-	-	(3,859,389)
Impairment loss on property,										
plant and equipment	-	-	-	-	-	(3,297,401)	-	-	-	(3,297,401)
Eliminated on disposal of subsidiaries	-	-	-	-	-	-	3,495,677	-	-	3,495,677
Exchange difference arising on consolidation	-	-	-	-	-	-	2,724,794	-	-	2,724,794
Realised on disposal of other securities	-	-	-	-	635,958	-	-	-	-	635,958
Revaluation deficit during the year	-	-	-	-	(5,634,257)	-	-	-	-	(5,634,257)
Issue of shares on exercise of share options	513,600	-	-	-	-	-	-	-	-	513,600
Net loss for the year	-	-	-	-	-	-	-	-	(37,837,581)	(37,837,581)
Balance at July 31, 2000	251,388,544	152,571	9,278,080	-	(11,370,425)	4,152,106	(14,537,628)	268,000	(97,587,823)	141,743,425
Eliminated on disposal of subsidiaries	-	4,105	-	-	3,649,500	(4,152,106)	(1,265,278)	-	-	(1,763,779)
Realised on disposal of other securities	-	-	-	-	7,720,925	-	-	-	-	7,720,925
Exchange difference arising on consolidation	-	-	-	-	-	-	(5,162,640)	-	-	(5,162,640)
Expenses incurred in connection										
with issue of shares	(436,725)	-	-	-	-	-	-	-	-	(436,725)
Transfer for the year (note)	-	-	(9,278,080)	-	-	-	-	-	9,278,080	-
Net loss for the year	-	-	-	-	-	-	-	-	(157,187,865)	(157,187,865)
Balance at July 31, 2001	250,951,819	156,676	-	-	-	-	(20,965,546)	268,000	(245,497,608)	(15,086,659)

Notes to the Financial Statements

For the year ended July 31, 2001

28. RESERVES (continued)

Included in the above are the following Group's share of post-acquisition reserves of the associates:

	Share premium	Capital reserve	Special capital reserve (note)	Investment property revaluation reserve	Investment revaluation reserve	Property revaluation reserve	Currency translation reserve	Capital redemption reserve	Deficit	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Balance at August 1, 1999	-	-	-	-	-	-	-	-	2,016,076	2,016,076
Net profit for the year	-	-	-	-	-	-	-	-	1,748,375	1,748,375
Dividend	-	-	-	-	-	-	-	-	(350,000)	(350,000)
Balance at July 31, 2000	-	-	-	-	-	-	-	-	3,414,451	3,414,451
Net profit for the year	-	-	-	-	-	-	-	-	709,027	709,027
Eliminated on disposal of associates	-	-	-	-	-	-	-	-	(4,656,915)	(4,656,915)
Balance at July 31, 2001	-	-	-	-	-	-	-	-	(533,437)	(533,437)

THE COMPANY

Balance at August 1, 1999	250,874,944	2,127,479	9,278,080	28,267,576	(4,139,561)	3,297,401	-	268,000	(104,701,003)	185,272,916
Deficit arising on revaluation of investment properties	-	-	-	(2,830,000)	-	-	-	-	-	(2,830,000)
Impairment loss on property, plant and equipment	-	-	-	-	-	(3,297,401)	-	-	-	(3,297,401)
Realised on disposal of other securities	-	-	-	-	489,351	-	-	-	-	489,351
Revaluation deficit during the year	-	-	-	-	(4,070,715)	-	-	-	-	(4,070,715)
Issue of shares on exercise of share options	513,600	-	-	-	-	-	-	-	-	513,600
Net loss for the year	-	-	-	-	-	-	-	-	(42,828,002)	(42,828,002)
Balance at July 31, 2000	251,388,544	2,127,479	9,278,080	25,437,576	(7,720,925)	-	-	268,000	(147,529,005)	133,249,749
Realised on disposal of investment properties	-	-	-	(25,437,576)	-	-	-	-	-	(25,437,576)
Realised on disposal of other securities	-	-	-	-	7,720,925	-	-	-	-	7,720,925
Expenses incurred in connection with issue of shares	(436,725)	-	-	-	-	-	-	-	-	(436,725)
Transfer for the year (note)	-	-	(9,278,080)	-	-	-	-	-	9,278,080	-
Net loss for the year	-	-	-	-	-	-	-	-	(130,253,789)	(130,253,789)
Balance at July 31, 2001	250,951,819	2,127,479	-	-	-	-	-	268,000	(268,504,714)	(15,157,416)

At July 31, 2001, the Company had no reserve available for distribution to the shareholders.

Notes to the Financial Statements

For the year ended July 31, 2001

28. RESERVES (continued)

Note:

On January 13, 1997, as a condition for the reduction of the authorised share capital of the Company from HK\$300,000,000 to HK\$120,000,000, the Company by its Counsel had given an undertaking to the Supreme Court as set out in the Order on Summons for Directors. The undertaking goes:

- (a) as long as there shall remain any debt or liability of or claim against the Company outstanding as at January 20, 1997, being the date when the reduction of capital becomes effective (the "Effective Date"), the Company shall credit to a special capital reserve (the "Special Capital Reserve") any amount taken into account in the accounting records of the Company for the year ended July 31, 1996 by way of provision or unrealised losses in respect of the advance of HK\$14,193,972 to and assumption as a guarantor of liability of HK\$105,368,592 incurred by Rayman which is recovered after the Effective Date and the amount in the Special Capital Reserve shall not be treated as realised profit and shall be treated as an undistributable reserve of the Company. However, the amount standing to the credit of the Special Capital Reserve shall not exceed either HK\$115,856,518 or the amount due at any time to the creditors of the Company as at the Effective Date, whichever is the lesser, and may be reduced by any increase in the issued share capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves; and
- (b) a summary of such undertaking will be disclosed in the Company's audited financial statements until it shall no longer be applicable.

The special capital reserve of the Group and the Company at July 31, 2000 represented the release of Rayman's bank loans assumed by the Company. The entire balance of the reserve was applied to set off deficit upon the issue of new ordinary shares in the Company amounting to HK\$32,159,969 for cash at par during the year.

29. DEFERRED TAXATION ASSET NOT RECOGNISED

Deferred taxation asset in respect of tax losses available to set off future profits has not been recognised in the financial statements as it is not certain that the asset will crystallise in the foreseeable future.

At the balance sheet date, the major components of unrecognised deferred taxation (assets) liabilities are as follows:

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing differences				
because of:				
Difference between tax allowances				
and depreciation	—	65,000	—	(1,000)
Unutilised tax losses	(5,243,000)	(5,683,000)	(1,380,000)	(928,000)
	<u>(5,243,000)</u>	<u>(5,618,000)</u>	<u>(1,380,000)</u>	<u>(929,000)</u>

Notes to the Financial Statements

For the year ended July 31, 2001

29. DEFERRED TAXATION ASSET NOT RECOGNISED (continued)

The amount of unrecognised deferred taxation (charge) credit for the year is as follows:

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing differences because of:				
Shortfall (excess) of tax allowances over depreciation	65,000	72,000	(1,000)	(4,000)
Tax losses (utilised) incurred	(440,000)	1,095,000	452,000	(605,000)
Other timing differences	—	96,000	—	148,000
	(375,000)	1,263,000	451,000	(461,000)

Deferred taxation has not been provided on the revaluation surplus arising from the revaluation of certain land and buildings in Hong Kong as profits arising from the disposal of these assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

Notes to the Financial Statements

For the year ended July 31, 2001

30. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$	2000 HK\$
Loss before taxation	(157,018,786)	(37,679,333)
Gain on disposal of an associate	(1,176,049)	–
(Gain) loss on disposal of subsidiaries	(43,499,171)	70,510
Impairment loss on goodwill arising on acquisition of an associate	141,990,201	–
Amortisation of goodwill arising on acquisition of an associate	22,901,645	–
Share of results of associates	(924,596)	(2,067,068)
Interest expenses	4,936,795	9,307,820
Dividend income from investments in securities	(530,465)	(528,091)
Depreciation and amortisation	666,526	1,322,456
Loss on disposal of other securities	7,907,649	761,224
Loss on disposal of property, plant and equipment	3,491,636	2,237
Impairment loss on amount due from an investee company	3,360,269	–
Provision for properties held for sale	4,555,600	2,353,770
Unrealised holding loss on trading securities	85,737	292,942
Deficit on revaluation of investment properties	10,650,000	22,500,611
Impairment loss on property, plant and equipment	–	10,568,516
Increase in properties under development for sale	(106,279)	(113,299)
Decrease in inventories	–	1,125,699
Increase in trade and other receivables	(15,567,886)	(1,882,919)
Decrease in trading securities	34,505	4,211,323
Increase in trade and other payables	6,210,188	1,551,198
Net cash (outflow) inflow from operating activities	(12,032,481)	11,797,596

Notes to the Financial Statements

For the year ended July 31, 2001

31. DISPOSAL OF SUBSIDIARIES

	2001 HK\$	2000 HK\$
Net assets disposal of:		
Investment properties	11,500,000	—
Property, plant and equipment	6,931,096	34,391,070
Deposits and other costs for the acquisition of properties	9,982,470	—
Interests in associates	5,102,256	—
Other securities	3,695,640	—
Properties under development for sale	53,640,384	7,108,526
Properties held for sale	30,349,787	1,962,104
Inventories	—	4,293,355
Trade and other receivables	19,909,276	18,936,180
Balance of consideration receivable on disposal of subsidiaries	6,843,066	—
Taxation recoverable	76,500	—
Trading securities	32,940	—
Bank balances and cash	6,964,281	13,178,551
Trade and other payables	(15,249,363)	(28,890,478)
Taxation payable	(84,000)	—
Obligations under hire purchase contracts	(2,262)	—
Bank borrowings – matured within three months		
from date of advance	(14,488,952)	(3,373,946)
Bank borrowings – matured after three months		
from date of advance	(37,433,767)	—
Currency translation reserve	(1,265,278)	3,495,677
Minority interests	(14,198,058)	(26,281,701)
Investment revaluation reserve realised	3,649,500	—
Capital reserve realised	4,105	—
Property revaluation reserve realised	(4,152,106)	—
	71,807,515	24,819,338
Gain (loss) on disposal of subsidiaries		
– continuing operations	43,499,171	(31,842)
– discontinued operations	—	(38,668)
	115,306,686	24,748,828
Satisfied by:		
Balance of consideration payable for acquisition		
of an associate set off	105,506,986	—
Cash consideration received	9,799,790	15,168,536
Balance of consideration receivable on disposal of subsidiaries	—	9,580,292
	115,306,686	24,748,828

Notes to the Financial Statements

For the year ended July 31, 2001

31. DISPOSAL OF SUBSIDIARIES (continued)

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2001 HK\$	2000 HK\$
Cash consideration received	9,799,790	15,168,536
Bank balances and cash disposed of	(6,964,281)	(13,178,551)
Bank borrowings disposed of		
– matured within three months from date of advance	14,488,952	3,373,946
Net inflow of cash and cash equivalents	17,324,461	5,363,931

The subsidiaries disposed of during the year contributed a net cash outflow of approximately HK\$8,609,000 to the Group's net operating cash outflow, paid approximately HK\$738,000 in respect of net returns on investments and servicing of finance, received refund of tax of approximately HK\$56,000, contributed approximately HK\$15,741,000 in respect of investing activities and utilised HK\$1,959,000 in respect of financing activities. They also contributed approximately HK\$23,235,000 to the Group's turnover and a profit of approximately HK\$6,088,000 to the Group's loss from operations.

The subsidiaries disposed of in the year ended July 31, 2000 did not contribute significantly to the Group's cash flows or operating results.

Notes to the Financial Statements

For the year ended July 31, 2001

32. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$	Bank loans HK\$	Mortgage loans HK\$	Convertible notes HK\$	Amounts due to associates HK\$	Obligations under hire purchase contracts HK\$
Balance at August 1, 1999	410,474,796	35,718,159	8,934,961	23,000,000	650,000	65,962
Issue of shares on exercise of share options	1,713,600	–	–	–	–	–
New loans raised	–	20,000,000	–	–	–	–
Advance during the year	–	–	–	–	200,000	–
Repayments during the year	–	(8,414,975)	(2,119,245)	(23,000,000)	(200,000)	(48,524)
Balance at July 31, 2000	412,188,396	47,303,184	6,815,716	–	650,000	17,438
Issue of shares on private placement	32,159,969	–	–	–	–	–
Expenses paid in connection with the issue of shares	(436,725)	–	–	–	–	–
Eliminated on disposal of subsidiaries	–	(37,433,767)	–	–	–	(2,262)
Eliminated on disposals of associates	–	–	–	–	(700,000)	–
Advance during the year	–	–	–	–	50,000	–
Repayments during the year	–	(9,869,417)	(6,815,716)	–	–	(15,176)
Balance at July 31, 2001	443,911,640	–	–	–	–	–

33. MAJOR NON-CASH TRANSACTION

During the year ended July 31, 2001, the Group acquired an interest in an associate for a consideration of HK\$165,554,364, out of which HK\$13,000,000 was settled by cash, HK\$140,554,364 was satisfied by the transfer of the Group's entire interests in certain subsidiaries, associates, other securities, deposits paid for assessment of potential investments and a jointly controlled loan portfolio for HK\$105,506,896, HK\$2,567,453, HK\$200,000, HK\$6,000,000 and HK\$26,280,015, respectively, and the balance of HK\$12,000,000 remained unpaid as at July 31, 2001.

Notes to the Financial Statements

For the year ended July 31, 2001

34. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group and the Company with the following net book values were pledged to banks to secure banking facilities granted to the Group and the Company:

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Property, plant and equipment	–	8,738,000	–	5,540,000
Investment properties	–	52,150,000	–	32,550,000
Properties held for sale	–	20,074,000	–	–
Listed shares in Hong Kong	–	10,400,000	–	9,278,000
	<u>–</u>	<u>91,362,000</u>	<u>–</u>	<u>47,368,000</u>

35. RETIREMENT BENEFIT SCHEME

Prior to December 1, 2000, the Group operated defined contribution retirement benefit schemes (“Defined Contribution Schemes”) for its qualifying employees in Hong Kong. The assets of the schemes were held separately from those of the Group in funds under the control of independent trustees. Where there are employees who leave the Defined Contribution Schemes prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group. The Defined Contribution Schemes were terminated on December 1, 2000.

Effective December 1, 2000, the Group has joined the MPF Scheme for all of its employees in Hong Kong. The MPF scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the Defined Contribution Schemes and the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes. For the year ended July 31, 2001, contributions of the Group under the Defined Contribution Scheme and the MPF Schemes before reduction by forfeited contributions of Defined Contribution Schemes of HK\$259,122 (2000: HK\$931,563) amounted to HK\$1,116,157 (2000: HK\$820,082).

At the balance sheet date, the Group had no (2000: Nil) forfeited contributions, which arise upon employees leaving the Defined Contribution Schemes and which are available to reduce the contributions payable in future years.

Notes to the Financial Statements

For the year ended July 31, 2001

36. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	2001 HK\$	2000 HK\$
Contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	—	1,600,000

At the balance sheet date, the Company had no significant capital commitments.

37. CONTINGENT LIABILITIES

At July 31, 2000, the Company had outstanding guarantees issued in favour of a bank for securing banking facilities made available to a subsidiary amounting to HK\$20,000,000 (2001: Nil).

38. RELATED PARTY DISCLOSURES

The Group did not enter into significant transactions with related parties during the year. For the year ended July 31, 2000, the Group received interest income of HK\$24,548 from a loan advanced to a minority shareholder.

Details of the balances with the related parties are set out in the balance sheets and notes 17 and 19.