

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

1. GENERAL

The Company is incorporated in Hong Kong and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are property development and trading, and property investment.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis because the substantial beneficial shareholders have agreed to provide adequate funds to enable the Company to meet in full its financial obligations as they fall due for the foreseeable future.

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

Cash flow statement

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing rather than the previous five headings. Interest paid and interest received, which were previously presented under a separate heading, are classified as operating and investing cash flows. In addition, the amounts presented for cash and cash equivalents have been amended to exclude bank overdrafts that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement in the comparative amounts shown in the cash flow statement.

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Transaction" have eliminated the choice of translating the income statements of subsidiaries/associates operating outside Hong Kong at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties.

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 made up to 31st January each year.

The results of 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.

Investments in subsidiaries

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

Interests in associates

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 the net assets of the associates, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Income from properties developed for sale or held for sale is recognised on the execution of a binding sales agreement or when the relevant occupation permit is issued by the relevant authority, whichever is the later.

Rental income 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.

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 revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the consolidated income statement. Where a decrease has previously been charged to the consolidated income statement and a revaluation increase subsequently arises, this increase is credited to the consolidated income statement to the extent of the decrease previously charged.

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

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Air-conditioning system	10%
Other assets	20%

The gain or loss arising from 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.

Properties under development

Properties under development are carried at cost, less any identified impairment loss. Cost includes professional fees and borrowing costs capitalised in accordance with the Group's accounting policy.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement date. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

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

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 expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

5. SEGMENT INFORMATION

The Group is mainly engaged in property development and trading and property investment. This is the basis on which the Group reports its primary segment information.

(a) Business Segments

INCOME STATEMENT

	Turnover 2003 HK\$	Contribution to loss before taxation 2003 HK\$	Turnover 2002 HK\$	Contribution to profit (loss) before taxation 2002 HK\$
Property development and trading	–	(622,404)	3,625,000	392,054
Property investment	467,750	(2,349,663)	380,500	(3,123,248)
	<u>467,750</u>	<u>(2,972,067)</u>	<u>4,005,500</u>	<u>(2,731,194)</u>
Share of results of associates		<u>(1,672,531)</u>		<u>(5,174,119)</u>
Loss before taxation		<u>(4,644,598)</u>		<u>(7,905,313)</u>

BALANCE SHEET

	Segment assets		Segment liabilities	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Property development and trading	53,591,825	55,156,325	7,109,906	7,060,098
Property investment	6,849,645	8,274,658	594,145	677,657
Interest in associates	4,555,727	6,230,189	–	–
Unallocated	–	–	11,302,468	11,288,141
	<u>64,997,197</u>	<u>69,661,172</u>	<u>19,006,519</u>	<u>19,025,896</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

5. SEGMENT INFORMATION (continued)

(a) Business Segments (continued)

OTHER INFORMATION

	Depreciation	
	2003	2002
	HK\$	HK\$
Property development and trading	1,575	1,969
Property investment	420	499
	<u>1,995</u>	<u>2,468</u>

(b) Geographical Segments

	Turnover by geographical market	
	2003	2002
	HK\$	HK\$
Hong Kong	467,750	380,500
Macau	–	3,625,000
	<u>467,750</u>	<u>4,005,500</u>

The following is an analysis of the carrying amount of segment assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets	
	At	At
	31.1.2003	31.1.2002
	HK\$	HK\$
Hong Kong	11,405,372	14,504,847
Macau	53,591,825	55,156,325
	<u>64,997,197</u>	<u>69,661,172</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

6. LOSS FROM OPERATIONS

	2003 HK\$	2002 HK\$
Loss from operations has been arrived at after charging (crediting):		
Auditors' remuneration	180,000	191,000
Directors' emoluments (<i>note 8</i>)	120,000	138,333
Other staff costs	90,900	72,840
Depreciation of property, plant and equipment	1,995	2,468
Deficit on revaluation of investment properties	1,430,000	1,720,000
Bank interest income	(26,932)	(112,483)
Gross rents from investment properties under operating leases	(467,750)	(380,500)
Less: Outgoings	16,905	23,484
Net rental income	<u>(450,845)</u>	<u>(357,016)</u>

7. FINANCE COSTS

	2003 HK\$	2002 HK\$
The finance costs comprise:		
Interest on bank borrowings not wholly repayable within five years	278,386	417,593
Interest on bank overdrafts	152,295	169,997
	<u>430,681</u>	<u>587,590</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

8. DIRECTORS' EMOLUMENTS

	2003 HK\$	2002 HK\$
Directors' fees:		
Executive directors	–	–
Non-executive directors	–	–
Independent non-executive directors	120,000	138,333
	<u>120,000</u>	<u>138,333</u>

9. EMPLOYEES' EMOLUMENTS

The emoluments of the only staff of the Group were as follows:

	2003 HK\$	2002 HK\$
Salaries and other benefits	90,900	72,840

10. TAXATION

No provision for Hong Kong Profits Tax and overseas tax has been made in the financial statements as there were no assessable profits for the year.

Details of the potential deferred tax credit not recognised in the year are set out in note 23.

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$4,550,204 (2002: HK\$7,977,255) and on the 86,141,399 ordinary shares (2002: weighted average number of 82,785,168 ordinary shares) in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

12. INVESTMENT PROPERTIES

	THE GROUP AND THE COMPANY	
	2003	2002
	HK\$	HK\$
At beginning of the year	7,980,000	9,700,000
Revaluation deficit	(1,430,000)	(1,720,000)
At end of the year	<u>6,550,000</u>	<u>7,980,000</u>

Investment properties were revalued at 31st January, 2003 by Norton Appraisals Limited, an independent professional valuer, on an open market existing state basis. This valuation gave rise to a revaluation deficit of HK\$1,430,000 which has been charged to the consolidated income statement.

All of the investment properties, which are situated in Hong Kong and are held on medium-term leases, have been pledged to secure general banking facilities granted to the Group. The Group's investment properties are leased out under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

13. PROPERTY, PLANT AND EQUIPMENT

	Air- conditioning system HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Computer system HK\$	Total HK\$
THE GROUP					
COST					
At 1st February, 2002 and 31st January, 2003	38,000	43,410	51,452	264,650	397,512
DEPRECIATION					
At 1st February, 2002	36,129	43,227	50,530	256,715	386,601
Provided for the year	187	37	184	1,587	1,995
At 31st January, 2003	36,316	43,264	50,714	258,302	388,596
NET BOOK VALUES					
At 31st January, 2003	<u>1,684</u>	<u>146</u>	<u>738</u>	<u>6,348</u>	<u>8,916</u>
At 31st January, 2002	<u>1,871</u>	<u>183</u>	<u>922</u>	<u>7,935</u>	<u>10,911</u>
THE COMPANY					
COST					
At 1st February, 2002 and 31st January, 2003	38,000	43,410	39,540	197,300	318,250
DEPRECIATION					
At 1st February, 2002	36,129	43,227	39,356	196,503	315,215
Provided for the year	187	37	37	159	420
At 31st January, 2003	36,316	43,264	39,393	196,662	315,635
NET BOOK VALUES					
At 31st January, 2003	<u>1,684</u>	<u>146</u>	<u>147</u>	<u>638</u>	<u>2,615</u>
At 31st January, 2002	<u>1,871</u>	<u>183</u>	<u>184</u>	<u>797</u>	<u>3,035</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$	2002 HK\$
Unlisted shares, at cost	256,114,116	256,114,116
Amounts due from subsidiaries	8,509,639	9,486,373
	264,623,755	265,600,489
Less: Impairment losses recognised	(231,998,323)	(231,998,323)
	32,625,432	33,602,166

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

Details of the Company's subsidiaries at 31st January, 2003 are as follows:

Name of subsidiary	Place of incorporation/ operation	Proportion of nominal value of issued capital held by the Company directly	Paid up issued share capital	Principal activities
Buildmore Finance Limited	Hong Kong	100%	HK\$1,000,000	Inactive
Lloyd Bridge Investment (H.K.) Limited	Hong Kong	100%	HK\$100,000	Inactive
Ka Fai Land Investment Company Limited	Macau	81.65%	MOP60,000,000	Property development and trading

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

15. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Unlisted shares, at cost	–	–	11,826,078	11,826,078
Less: Impairment losses recognised	–	–	(7,200,000)	(5,500,000)
Share of net assets	4,552,681	6,225,212	–	–
	4,552,681	6,225,212	4,626,078	6,326,078
Amount due from an associate	3,046	4,977	3,046	4,977
	4,555,727	6,230,189	4,629,124	6,331,055

In the opinion of the Company's directors, the amount due from an associate will not be repayable in the next twelve months from the balance sheet date and, accordingly, the amount has been classified as a non-current asset.

During the year, the directors conducted a review of the net selling value of properties held by an associate which involves in properties development business with reference to market value and determined to recognise further impairment loss of HK\$1,700,000 in respect of the associate.

Details of the Group's associates at 31st January, 2003 are as follows:

Name of associate	Form of business structure	Place of incorporation/operation	Proportion of nominal value of issued capital/registered capital held by the Group	Principal activities
Property Developments Limited	Incorporated	British Virgin Islands/Macau	45%	Investment holding
Staten (Fujian) Real Estate Co., Ltd. (Note)	Incorporated	People's Republic of China	45%	Property investment and development

Note: Staten (Fujian) Real Estate Co., Ltd. is a wholly-owned subsidiary of Property Developments Limited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

16. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2003	2002
	HK\$	HK\$
Land in Macau held under a medium-term lease	27,926,270	27,926,270
Net attributable land premium paid	4,223,891	4,223,891
Development expenditure, at cost	12,377,207	12,305,715
	<u>44,527,368</u>	<u>44,455,876</u>

Properties under development represents the Lisboa Garden Project (the "Project") which has not yet been completed. Pursuant to a joint venture agreement entered into between a joint venture partner and the Company's subsidiary, Ka Fai Land Investment Company Limited ("Ka Fai") in November 1989, the joint venture partner was responsible for, at its own cost, the construction of the Project with Ka Fai. In return, the joint venture partner was entitled to 60% of the net profit derived from the Project. However, as explained in note 25, in March 1995, Ka Fai terminated the joint venture agreement.

Under the terms of the revised lease contract entered into between the Macau Government and Ka Fai in June 1991, the Project was required to be completed on or before 21st June, 1995 which was subsequently extended to 31st December, 1995. However, because of the circumstances with respect to the termination of the joint venture agreement as described in note 25, the Group has applied for an extension of time for completion of the Project and was allowed a further extension of time to complete the Project once the legal case with the joint venture partner has been settled, subject to payment of certain fees.

During the year, no interest was capitalised to the Project as the development has been suspended.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

17. PLEDGED BANK DEPOSITS

The Group's bank deposits of HK\$97,132 (2002: HK\$96,291) have been pledged to secure the payment of rent for land in Macau.

18. SUNDRY RECEIVABLES

The balance comprises:

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Deposits and prepayments	846,255	822,136	289,033	265,016
Other receivables	11,445,965	11,445,965	–	–
	<u>12,292,220</u>	<u>12,268,101</u>	<u>289,033</u>	<u>265,016</u>
Provision for other receivables	(5,500,000)	(5,500,000)	–	–
	<u>6,792,220</u>	<u>6,768,101</u>	<u>289,033</u>	<u>265,016</u>

19. SUNDRY PAYABLES

The balance comprises:

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Accrued charges and deposits received	729,268	763,972	559,142	643,656
Other payables	6,974,783	6,973,783	20,000	19,000
	<u>7,704,051</u>	<u>7,737,755</u>	<u>579,142</u>	<u>662,656</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

20. BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Bank overdrafts				
Unsecured	1,797,769	2,010,871	1,797,769	2,010,871
Bank loans				
Secured	6,570,679	6,759,248	6,570,679	6,759,248
Shareholder's loan				
Unsecured	832,568	416,570	832,568	416,570
Other borrowings				
Unsecured	58,200	58,200	–	–
	<u>9,259,216</u>	<u>9,244,889</u>	<u>9,201,016</u>	<u>9,186,689</u>
The maturity of the above borrowings is as follows:				
On demand or within one year	2,887,839	2,673,727	2,829,639	2,615,527
More than one year, but not exceeding two years	207,939	196,481	207,939	196,481
More than two years, but not exceeding five years	679,467	643,651	679,467	643,651
More than five years	5,483,971	5,731,030	5,483,971	5,731,030
	<u>9,259,216</u>	<u>9,244,889</u>	<u>9,201,016</u>	<u>9,186,689</u>
Less: Amounts due within one year shown under current liabilities	<u>(2,887,839)</u>	<u>(2,673,727)</u>	<u>(2,829,639)</u>	<u>(2,615,527)</u>
Amount due after one year	<u>6,371,377</u>	<u>6,571,162</u>	<u>6,371,377</u>	<u>6,571,162</u>

The shareholder's loan and other borrowings are non-interest bearing and have no fixed terms of repayment. In the opinion of the directors, the loans will not be repaid within the next twelve months, accordingly, the amounts are disclosed as non-current.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

21. SHARE CAPITAL

	Number of shares		Share capital	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Authorised:				
Ordinary shares of HK\$1.00 each				
At beginning of the year	196,967,761	190,903,285	196,967,761	190,903,285
Conversion of preference shares into ordinary shares	–	6,064,476	–	6,064,476
At end of the year	196,967,761	196,967,761	196,967,761	196,967,761
5% convertible preference shares of HK\$1.00 each				
At beginning of the year	3,032,239	9,096,715	3,032,239	9,096,715
Conversion of preference shares into ordinary shares	–	(6,064,476)	–	(6,064,476)
At end of the year	3,032,239	3,032,239	3,032,239	3,032,239
	<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 of the year	86,141,399	80,076,923	86,141,399	80,076,923
Conversion of preference shares into ordinary shares	–	6,064,476	–	6,064,476
At end of the year	86,141,399	86,141,399	86,141,399	86,141,399
5% convertible preference shares of HK\$1.00 each				
At beginning of the year	3,032,239	9,096,715	3,032,239	9,096,715
Conversion of preference shares into ordinary shares	–	(6,064,476)	–	(6,064,476)
At end of the year	3,032,239	3,032,239	3,032,239	3,032,239
	<u>89,173,638</u>	<u>89,173,638</u>	<u>89,173,638</u>	<u>89,173,638</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

21. SHARE CAPITAL (continued)

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 remaining preference shares cannot be converted into ordinary shares of the Company.

22. SHARE PREMIUM AND RESERVES

	Share premium account HK\$	Accumulated losses HK\$	Total HK\$
THE COMPANY			
At 1st February, 2001	197,803,247	(240,687,833)	(42,884,586)
Net loss for the year	—	(8,602,085)	(8,602,085)
At 31st January, 2002	197,803,247	(249,289,918)	(51,486,671)
Net loss for the year	—	(4,031,493)	(4,031,493)
At 31st January, 2003	<u>197,803,247</u>	<u>(253,321,411)</u>	<u>(55,518,164)</u>

At each of 31st January, 2003 and 2002, the Company has no reserves available for distribution to shareholders.

23. DEFERRED TAXATION

A deferred tax asset of approximately HK\$1,175,000 (2002: HK\$1,048,000) each of the Group and the Company in respect of tax losses available to offset against future taxable profits has not been recognised in the financial statements 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\$127,000 (2002: HK\$228,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

24. OPERATING LEASE COMMITMENTS

Property rental income earned during the year was HK\$467,750 (2002: HK\$380,500). The properties are expected to generate rental yields of approximately 7% on an ongoing basis.

At the balance sheet date, the Company had contracted with tenants for the following future minimum lease payments:

	2003	2002
	HK\$	HK\$
Within one year	312,000	348,000
Two to five years	–	228,000
	312,000	576,000

25. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2003

25. PENDING LITIGATION (continued)

In 1995, Lune Kin and its related company filed claims against Ka Fai in connection with the Project in the sum of approximately HK\$63 million. 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.

26. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	2003 HK\$	2002 HK\$
Rental income from a related company	<u>240,000</u>	<u>240,000</u>
Sales of properties to certain directors and associates of directors	<u>–</u>	<u>3,625,000</u>

The above transactions were carried out at market price.

In addition, the Group also has a balance with a shareholder, the details of which are set out in note 20.