

Notes to Financial Statements

31st July, 2000

6. LOSS FROM OPERATING ACTIVITIES (continued)

and after crediting:

	Group	
	2000 HK\$'000	1999 HK\$'000
Rental income	(456,149)	(636,076)
Less: Outgoings	<u>71,817</u>	<u>93,311</u>
Net rental income	<u>(384,332)</u>	<u>(542,765)</u>
Interest from bank deposits	(26,367)	(54,421)
Other interest income	(80,898)	(103,589)
Dividend income from listed investments	(623)	(4,256)
Dividend income from unlisted investments	(9,080)	(200)
Gain on disposal of subsidiaries	(68,643)	(13,923)
Gain on disposal of associates	—	(15,138)
Gain on disposal of short term unlisted investments	(22,338)	—
Gain on disposal of short term listed investments	(2,056)	—
Write back of revaluation deficits previously written off, arising from disposal of investment properties	(197,466)	—
Write back of diminution in value of an associate holding completed properties for sale	—	(110,910)
Write back of contingent loss in respect of a guarantee given to a bank	(58,604)	—
Realised gain on disposal of a subsidiary**	(55,343)	—
Gain on cancellation of convertible bonds	<u>—</u>	<u>(17,718)</u>

* At 31st July, 2000, there were forfeited contributions of approximately HK\$16,000 (1999: HK\$141,000) available to the Group to reduce its contributions to the pension schemes in future years.

** In prior year, Kingscord Investment Limited, a subsidiary of the Company, disposed of a subsidiary to Lai Fung Holdings Limited ("Lai Fung") (a then subsidiary of the Group). Realised gain is recognised on the disposal in the current year as a result of the deemed disposal of LSD as stated in note 1.

Notes to Financial Statements

31st July, 2000

7. FINANCE COSTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other borrowings:		
Wholly repayable within five years	435,862	640,236
Not wholly repayable within five years	—	255
	<u>435,862</u>	<u>640,491</u>
Interest on bonds payable	33,544	102,670
Interest on convertible bonds and convertible note	93,656	107,887
Less: Amounts capitalised in properties under development	(40,752)	(589,481)
Amounts capitalised in associates engaged in property development	(4,137)	(33,837)
Amounts capitalised in jointly controlled entities engaged in property development	—	(1,825)
	<u>518,173</u>	<u>225,905</u>
Provision for premium on bonds redemption	85,229	113,639
Provision for premium on convertible note redemption	15,000	1,667
Bank charges and refinancing charges	100,792	60,724
	<u>719,194</u>	<u>401,935</u>

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	Group	
	2000	1999
	HK\$'000	HK\$'000
Fees	518	492
Basic salaries, housing and other allowances and benefits in kind	20,445	28,951
Bonuses paid and payable	185	185
Pension scheme contributions	42	42
	<u>21,190</u>	<u>29,670</u>

Directors' emoluments paid to independent non-executive directors during the year were HK\$77,600 (1999: HK\$51,600).

Notes to Financial Statements

31st July, 2000

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

The emoluments of the directors fell within the following bands:

	Group	
	2000	1999
	Number of directors	Number of directors
HK\$Nil – HK\$1,000,000	7	7
HK\$2,500,001 – HK\$3,000,000	1	—
HK\$3,000,001 – HK\$3,500,000	2	—
HK\$3,500,001 – HK\$4,000,000	—	2
HK\$4,500,001 – HK\$5,000,000	—	1
HK\$10,500,001 – HK\$11,000,000	1	—
HK\$16,000,001 – HK\$16,500,000	—	1
	<u>11</u>	<u>11</u>

There were no arrangements under which a director waived or agreed to waive any emoluments during the year.

No value is included in directors' remuneration in respect of share options granted by a subsidiary to the directors to subscribe shares in that subsidiary during the year because, in the absence of a readily available market value for the options on the shares in the subsidiary, the directors are unable to arrive at an accurate assessment of the value of the options granted.

(b) Employees' emoluments

The five highest paid employees during the year included 3 directors (1999: 1 director), details of whose emoluments are set out above. The details of the emoluments of the remaining 2 non-directors (1999: 4 non-directors), highest paid employees are set out below:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Basic salaries, housing and other allowances and benefits in kind	<u>6,059</u>	<u>33,485</u>

Notes to Financial Statements

31st July, 2000

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments (continued)

The emoluments of the non-director, highest paid employees fell within the following bands:

	Group	
	2000	1999
	Number of individuals	Number of individuals
HK\$2,500,001 – HK\$3,000,000	1	—
HK\$3,000,001 – HK\$3,500,000	1	—
HK\$5,000,001 – HK\$5,500,000	—	1
HK\$5,500,001 – HK\$6,000,000	—	1
HK\$6,000,001 – HK\$6,500,000	—	1
HK\$16,000,001 – HK\$16,500,000	—	1
	<u>2</u>	<u>4</u>

Notes to Financial Statements

31st July, 2000

9. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2000	1999
	HK\$'000	HK\$'000
Provision for tax for the year:		
Hong Kong	48,704	35,894
Outside Hong Kong	15,796	12,475
Deferred — note 32	(500)	(5,403)
	<u>64,000</u>	<u>42,966</u>
Prior year overprovision:		
Hong Kong	(11,370)	(2,282)
Outside Hong Kong	(821)	—
	<u>51,809</u>	<u>40,684</u>
Rebates received relating to prior year provision in Hong Kong	<u>—</u>	<u>(9,983)</u>
	<u>51,809</u>	<u>30,701</u>
Associates:		
Hong Kong	(22,598)	16,563
Outside Hong Kong	—	2,494
	<u>(22,598)</u>	<u>19,057</u>
Tax charge for the year	<u>29,211</u>	<u>49,758</u>

10. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company is HK\$78,414,000 (1999: HK\$32,187,000).

Notes to Financial Statements

31st July, 2000

11. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$1,055,830,000 (1999: HK\$3,634,656,000) and the weighted average of 1,437,709,710 (1999: 1,012,918,000) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31st July, 1999 and 2000 has not been calculated because the effect of any potential ordinary shares in existence during these years was antidilutive.

12. FIXED ASSETS

Group

	31st July, 1999	Additions	Disposals	Provisions for diminutions in values	Arising on deemed disposal of a subsidiary — note 1	Arising on disposal of subsidiaries	Exchange realignments	31st July, 2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:								
Hotel properties	1,727,840	2,065	—	(612,165)	(1,118,694)	—	954	—
Freehold land and buildings	5,546	—	—	—	(5,546)	—	—	—
Leasehold land and buildings	464,969	—	(957)	(14,049)	(47,342)	—	(1,238)	401,383
Leasehold improvements	41,426	706	(2,249)	—	(39,336)	—	179	726
Plant and machinery	39,346	1,100	—	—	—	—	—	40,446
Furniture, fixtures and equipment	475,402	9,326	(22,603)	(11,956)	(345,999)	(2,247)	(785)	101,138
Motor vehicles	46,909	1,138	(2,255)	—	(32,306)	—	(137)	13,349
Computers	31,023	6,313	(3,756)	—	(14,446)	—	43	19,177
Motor vessels	51,152	3	—	—	(34,204)	—	—	16,951
	<u>2,883,613</u>	<u>20,651</u>	<u>(31,820)</u>	<u>(638,170)</u>	<u>(1,637,873)</u>	<u>(2,247)</u>	<u>(984)</u>	<u>593,170</u>
Accumulated depreciation:								
Freehold buildings	2,440	—	—	—	(2,440)	—	—	—
Leasehold land and buildings	59,062	9,587	(112)	—	(10,955)	—	(167)	57,415
Leasehold improvements	32,481	1,564	(1,523)	—	(32,033)	—	(18)	471
Plant and machinery	35,142	1,414	—	—	—	—	—	36,556
Furniture, fixtures and equipment	244,172	22,695	(17,319)	—	(170,494)	(897)	(306)	77,851
Motor vehicles	34,701	3,499	(1,951)	—	(23,380)	—	(142)	12,727
Computers	21,708	3,009	(3,084)	—	(7,410)	—	1	14,224
Motor vessels	39,083	7,986	—	—	(30,118)	—	—	16,951
	<u>468,789</u>	<u>49,754</u>	<u>(23,989)</u>	<u>—</u>	<u>(276,830)</u>	<u>(897)</u>	<u>(632)</u>	<u>216,195</u>
Net book value	<u>2,414,824</u>							<u>376,975</u>

Notes to Financial Statements

31st July, 2000

12. FIXED ASSETS (continued)

The Group's leasehold land and buildings as stated above are held under the following lease terms:

	Hong Kong HK\$'000	Outside Hong Kong HK\$'000	Total HK\$'000	
Long term	7,989	17,778	25,767	
Medium term	375,616	—	375,616	
	<u>383,605</u>	<u>17,778</u>	<u>401,383</u>	
Company				
	31st July, 1999 HK\$'000	Additions HK\$'000	Disposals HK\$'000	31st July, 2000 HK\$'000
Cost or valuation:				
Medium term leasehold land and buildings				
situated in Hong Kong	38,483	—	—	38,483
Plant and machinery	9,517	—	—	9,517
Furniture, fixtures and equipment	12,753	1,198	—	13,951
Motor vehicles	9,547	326	(283)	9,590
Motor vessels	16,951	—	—	16,951
	<u>87,251</u>	<u>1,524</u>	<u>(283)</u>	<u>88,492</u>
Accumulated depreciation:				
Medium term leasehold land and buildings				
situated in Hong Kong	6,791	1,147	—	7,938
Plant and machinery	8,424	254	—	8,678
Furniture, fixtures and equipment	9,642	1,347	—	10,989
Motor vehicles	8,606	981	(283)	9,304
Motor vessels	13,021	3,930	—	16,951
	<u>46,484</u>	<u>7,659</u>	<u>(283)</u>	<u>53,860</u>
Net book value	<u>40,767</u>			<u>34,632</u>

Notes to Financial Statements

31st July, 2000

12. FIXED ASSETS (continued)

The net book value of assets held under finance leases included in the total amount of fixed assets of the Group and the Company at 31st July, 2000 amounted to HK\$606,000 (1999: HK\$1,002,000) and HK\$323,000 (1999: HK\$401,000), respectively. The depreciation charge for the year in respect of such assets of the Group amounted to HK\$131,000 (1999: HK\$495,000).

Certain land and buildings of the Group and the Company with net book value amounting to HK\$329,193,000 and HK\$28,641,000 were pledged to banks to secure banking facilities granted to the Group.

Certain leasehold land and buildings held by the Group and the Company were revalued on 31st July, 1992 or on 31st July, 1994 by Chesterton Petty Limited, independent chartered surveyors, on an open market value basis.

The analysis of cost or valuation of the leasehold land and buildings is as follows:

	Group HK\$'000	Company HK\$'000
At cost	21,361	3,583
At 1992 valuation	345,122	—
At 1994 valuation	34,900	34,900
	<u>401,383</u>	<u>38,483</u>

If the carrying values of the revalued assets were reflected in these financial statements at cost less accumulated depreciation, the following figures would have been shown:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Hotel properties situated:				
In Hong Kong	—	1,093,569	—	—
Outside Hong Kong	—	634,271	—	—
Freehold land and buildings situated				
outside Hong Kong	—	3,106	—	—
Leasehold land and buildings situated:				
In Hong Kong	24,538	59,970	3,207	3,465
Outside Hong Kong	—	30,921	—	—
	<u>24,538</u>	<u>1,821,837</u>	<u>3,207</u>	<u>3,465</u>

All other fixed assets are stated at cost.

Notes to Financial Statements

31st July, 2000

13. INVESTMENT PROPERTIES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year, at valuation	10,034,000	13,348,900	12,100	13,900
Additions, at cost	1,481	2,979	—	—
Disposals	(194,514)	(198,430)	—	—
Transfer to completed properties for sale	(285,460)	(244,961)	—	—
Arising on deemed disposal of a subsidiary — note 1	(9,480,861)	—	—	—
Surplus/(deficits) on revaluation	3,054	(2,874,488)	(1,400)	(1,800)
At end of year, at valuation	<u>77,700</u>	<u>10,034,000</u>	<u>10,700</u>	<u>12,100</u>

An analysis by lease term of the carrying values of the investment properties is as follows:

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Long term, situated in Hong Kong	—	2,113,300	—	—
Medium term:				
Situated in Hong Kong	77,700	4,964,700	10,700	12,100
Situated outside Hong Kong	—	2,956,000	—	—
	<u>77,700</u>	<u>10,034,000</u>	<u>10,700</u>	<u>12,100</u>

At 31st July, 2000, the investment properties were revalued by Chesterton Petty Limited, independent chartered surveyors, on an open market value basis.

Certain investment properties of the Group and the Company with carrying value amounting to HK\$73,700,000 and HK\$6,700,000 were pledged to banks to secure banking facilities granted to the Group.

Notes to Financial Statements

31st July, 2000

14. PROPERTIES UNDER DEVELOPMENT

	Group	
	2000	1999
	HK\$'000	HK\$'000
Properties under development held for investment potential:		
At beginning of year, at valuation	2,921,454	2,855,400
Interest capitalised, net	14,019	21,025
Other additions, at cost	43,075	94,445
Reclassified to properties under development held for other purposes	(309,524)	—
Deficits on revaluation	(114,935)	(55,340)
Arising on deemed disposal of a subsidiary — note 1	(2,557,963)	—
Exchange realignments	3,874	5,924
	<u>—</u>	<u>2,921,454</u>
Properties under development held for other purposes, at cost less provision:		
At beginning of year	5,060,651	8,256,312
Interest capitalised, net	26,733	568,456
Other additions, at cost	8,612	196,195
Reclassified from properties under development held for investment potential	131,449	—
Revenue generated from holding a property under development	(103,284)	(107,368)
Arising on acquisition of subsidiaries	—	236,590
Transferred to completed properties for sale	(132,247)	(160,059)
Disposals	(81,421)	(275,091)
Arising on disposal of subsidiaries	—	(697,377)
Arising on deemed disposal of a subsidiary — note 1	(3,843,810)	—
Provisions for diminutions in values	(858,454)	(2,968,665)
Exchange realignments	(20,389)	11,658
	<u>187,840</u>	<u>5,060,651</u>
At end of year, at cost less provision		
	<u>187,840</u>	<u>7,982,105</u>
Total balance at end of year		

Notes to Financial Statements

31st July, 2000

14. PROPERTIES UNDER DEVELOPMENT (continued)

An analysis by lease term of the carrying values of the properties under development held for investment potential and held for other purposes is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Properties under development held for investment potential, at valuation:		
Situated outside Hong Kong:		
Long term lease	—	1,729,827
Medium term lease	—	1,191,627
	<u>—</u>	<u>2,921,454</u>
Properties under development held for other purposes, at cost less provision:		
Situated in Hong Kong:		
Long term lease	—	3,620,791
Medium term lease	—	527,381
Situated outside Hong Kong:		
Long term lease	187,840	799,568
Medium term lease	—	112,911
	<u>187,840</u>	<u>5,060,651</u>
	<u>187,840</u>	<u>7,982,105</u>

The properties under development held for investment potential as at 31st July, 1999 were revalued by Chesterton Petty Limited, independent chartered surveyors, on an open market value basis.

Properties under development held for other purposes which are carried at net realisable value and included in the above balance amounted to HK\$187,840,000 (1999: HK\$703,810,000).

In prior year, certain properties under development were pledged to bank to secure banking facilities granted to the Group.

Notes to Financial Statements

31st July, 2000

15. INTERESTS IN SUBSIDIARIES

	Company	
	2000	1999
	HK\$'000	HK\$'000
Shares listed in Hong Kong, at cost	<u>7,265</u>	<u>2,026,691</u>
Amounts due from subsidiaries	967,355	950,365
Amounts due to subsidiaries	<u>(121,970)</u>	<u>(122,524)</u>
	<u>845,385</u>	<u>827,841</u>
	<u>852,650</u>	<u>2,854,532</u>
Market value of listed shares at the balance sheet date	<u>544</u>	<u>918,233</u>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for amounts aggregating HK\$16,400,000 (1999: HK\$Nil) due from a subsidiary which bears interest at Hong Kong dollar three-month deposit rate plus 1% per annum (note 15(4)).

Notes to Financial Statements

31st July, 2000

15. INTERESTS IN SUBSIDIARIES (continued)

Details of the principal subsidiaries are as follows:

Name of company	Place of incorporation or registration/ place of operations	Issued/ registered capital	Class of shares held	Equity interest attributable to the Company		Principal activities
				Direct (%)	Indirect (%)	
Costroll Company Limited	Hong Kong	HK\$20	Ordinary	—	54.93	Property letting
Creative Fashions Limited	Hong Kong	HK\$500,000	Ordinary	100.00	—	Garment trading
Crocodile (China) Limited	Hong Kong	HK\$4	Ordinary	—	54.93	Garment trading
Crocodile Garments Limited	Hong Kong	HK\$154,281,783	Ordinary	0.43	54.50	Garment manufacturing and trading
Crocodile Garments (Zhong Shan) Limited	People's Republic of China	HK\$17,200,000	*	—	49.44	Garment manufacturing and trading
Crocodile Investment Limited	Hong Kong	HK\$20	Ordinary	—	54.93	Investment holding
Dackart Trading Company Limited	Hong Kong	HK\$20	Ordinary	—	54.93	Property holding
Gold Nation Development Limited	Hong Kong	HK\$2	Ordinary	—	54.93	Property investment
Joy Mind Limited	Hong Kong	HK\$2	Ordinary	100.00	—	Investment holding
Kingscord Investment Limited	Hong Kong	HK\$2	Ordinary	—	100.00	Investment holding
Kingscord Real Estate (Shanghai) Co. Ltd.	People's Republic of China	US\$1,500,000	*	—	100.00	Investment holding
Kentpark Development Limited	Hong Kong	HK\$2	Ordinary	—	54.93	Property holding
Shanghai Hu Xin Real Estate Development Co. Ltd.	People's Republic of China	US\$6,000,000	*	—	95.00	Property development and investment
Shenton Investment Limited	Hong Kong	HK\$2	Ordinary	—	54.93	Property holding
The Palm Restaurant Limited	Hong Kong	HK\$100	Ordinary	—	54.93	Restaurant operations

* These subsidiaries have registered rather than issued share capital.

Notes to Financial Statements

31st July, 2000

15. INTERESTS IN SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group at the balance sheet date. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

96,000,000 ordinary shares of Crocodile Garments Limited held by the Group have been pledged to a bank to secure banking facilities granted to the Group.

Certain of the Group's subsidiaries had the following connected transactions during the year.

- (1) On 25th August, 1999, the Company gave consent to execute a deed of guarantee (the "Deed") in favour of a bank for banking facilities of HK\$20,000,000 granted to Crocodile. In relation to this arrangement, Crocodile agreed to pay the Company an annual guarantee fee of 1% of the utilised amount. The Company beneficially owned approximately 54.93% of the issued share capital of Crocodile during the year. The transaction constituted a connected transaction for the Company and Crocodile as defined under the Listing Rules. The facilities are renewed by the bank as at 12th October, 2000.
- (2) The directors of each of the Company, Lai Fung and LSD jointly announced on 22nd January, 2000 that on 20th January, 2000, Sunlite Investment Limited ("Sunlite"), a wholly owned subsidiary of Lai Fung, had entered into three conditional agreements relating to the acquisition of further interests in its non-wholly owned subsidiaries, namely Li Xing, Shanghai Lai Fung Dept. and Shanghai HKP, from Shanghai Grand and Shanghai Central City, as defined below, and that on the same date, Creat Master, (as defined below) had entered into two conditional agreements relating to the disposal of its interest in its non-wholly owned subsidiary, namely Shanghai ZY, to Shanghai Central City (as defined below).
 - (i) On 20th January, 2000, Sunlite entered into a conditional agreement with Shanghai Grand Development Co. Ltd. ("Shanghai Grand") and Shanghai Central City Real Estate Corporation Ltd. ("Shanghai Central City") relating to Li Xing whereby Sunlite as purchaser agreed to purchase (1) from Shanghai Grand a 10% equity interest in, and a shareholder's loan in the sum of RMB48,510,972 (equivalent to HK\$45,405,253) and a capital pension contribution in the sum of RMB5,932,191 (equivalent to HK\$5,552,406) to, Li Xing at the total consideration of RMB55,853,288 (equivalent to HK\$52,277,506); and (2) from Shanghai Central City a 14% equity interest in, and a shareholder's loan in the sum of RMB5,133,111 (equivalent to HK\$4,804,484) and a capital pension contribution in the sum of RMB8,951,854 (equivalent to HK\$8,378,748) to, Li Xing at the total consideration of RMB78,206,610 (equivalent to HK\$73,199,747).

Notes to Financial Statements

31st July, 2000

15. INTERESTS IN SUBSIDIARIES (continued)

- (ii) On 20th January, 2000, Sunlite entered into a conditional agreement with Shanghai Grand and Shanghai Central City relating to Shanghai Lai Fung Department Store Co., Ltd. ("Shanghai Lai Fung Dept.") whereby Sunlite as purchaser agreed to purchase (1) from Shanghai Grand a 10% equity interest in Shanghai Lai Fung Dept. at the consideration of RMB4,146,713 (equivalent to HK\$3,881,236); and (2) from Shanghai Central City a 14% equity interest in Shanghai Lai Fung Dept. at the consideration of RMB5,805,820 (equivalent to HK\$5,434,125).
- (iii) On 20th January, 2000, Sunlite entered into a conditional agreement with Shanghai Grand and Shanghai Central City relating to Shanghai HKP Property Management Co., Ltd. ("Shanghai HKP") whereby Sunlite as purchaser agreed to purchase (1) from Shanghai Grand a 10% equity interest in Shanghai HKP at the consideration of RMB124,200 (equivalent to HK\$116,249); and (2) from Shanghai Central City a 14% equity interest in Shanghai HKP at the consideration of RMB173,866 (equivalent to HK\$162,735).
- (iv) On 20th January, 2000, Creat Master Limited ("Creat Master") entered into the following two conditional agreements with Shanghai Central City in relation to the disposal by Creat Master of all its interests in Shanghai Zhongyue Real Estate Development Co., Ltd. ("Shanghai ZY") to Shanghai Central City.
 - (a) Creat Master conditionally agreed to assign all the rights and interest in its unsecured shareholder's loan to Shanghai ZY in the sum of RMB56,157,475 (equivalent to HK\$52,562,219) to Shanghai Central City at a consideration equal to such loan ("Loan Disposal Agreement"). The consideration shall be paid in cash upon completion of the Loan Disposal Agreement.
 - (b) Creat Master conditionally agreed to sell its 85% equity interest in Shanghai ZY to Shanghai Central City at a consideration of RMB56,342,823 (equivalent to HK\$52,735,701) (the "Equity Disposal Agreement"). A deposit in the sum of RMB39,381,112 (equivalent to HK\$36,859,895) should be paid in cash by Shanghai Central City upon completion of the Equity Disposal Agreement and the balance of the consideration in the sum of RMB16,961,712 (equivalent to HK\$15,875,806) (the "Balance") should be paid in cash within one year after the date of completion of the Equity Disposal Agreement. The Balance bears interest of 7% per annum, accruing from the date of completion of the Equity Disposal Agreement to the date of the actual payment. This payment obligation is secured by charging the land use right of plot No. 74-1 situated in Luwan District which is currently owned by Shanghai ZY.