

13 INVESTMENT SECURITIES

	Group		Company	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
Equity securities, at cost				
Listed in Hong Kong	18,420,371	11,529,723	12,649	12,649
Listed overseas	2,556,577	2,443,632	71,632	71,632
	<u>20,976,948</u>	<u>13,973,355</u>	<u>84,281</u>	<u>84,281</u>
Less: Provision	(61,570)	(61,570)	(9,312)	(9,312)
	<u>20,915,378</u>	<u>13,911,785</u>	<u>74,969</u>	<u>74,969</u>
Unlisted investment (note)	12,000,000	—	—	—
	<u>32,915,378</u>	<u>13,911,785</u>	<u>74,969</u>	<u>74,969</u>
Market value of listed investments at 31st December	<u>38,357,891</u>	<u>30,574,335</u>	<u>286,055</u>	<u>222,469</u>

Note:

Unlisted investment represents a 12% equity interest in The Yangtze Ventures Limited which is principally engaged in the investment of high technology industries along the Yangtze River in the People's Republic of China.

14 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
Trade receivables (note)	3,887,172	3,403,348	—	162,000
Prepayments and deposits	11,002,180	12,094,221	443,365	1,615,830
Other receivables	—	5,000,000	—	—
	<u>14,889,352</u>	<u>20,497,569</u>	<u>443,365</u>	<u>1,777,830</u>

Note:

The trade receivables of the Group and Company represent rental and management fee receivables and are on open account terms.

At 31st December 2000, the ageing analysis of the trade receivables was as follows:

	Group		Company	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
Current	3,573,343	2,831,768	—	130,000
30-60 days	61,172	288,806	—	—
60-90 days	73,336	10,167	—	—
Over 90 days	179,321	272,607	—	32,000
	<u>3,887,172</u>	<u>3,403,348</u>	<u>—</u>	<u>162,000</u>

15 PAYABLES AND ACCRUALS

	Group		Company	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
Trade payables (note)	5,197,281	2,844,655	657,225	503,922
Other accounts payable	23,434,189	25,001,224	5,468,280	5,178,132
Provision and accruals	11,269,535	8,589,190	6,640,311	5,930,591
	<u>39,901,005</u>	<u>36,435,069</u>	<u>12,765,816</u>	<u>11,612,645</u>

Note:

At 31st December 2000, the ageing analysis of the trade payables was as follows:

	Group		Company	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
Current	4,192,229	2,238,515	655,004	503,922
30-60 days	376,047	60,124	—	—
60-90 days	—	237	—	—
Over 90 days	629,005	545,779	2,221	—
	<u>5,197,281</u>	<u>2,844,655</u>	<u>657,225</u>	<u>503,922</u>

16 BANK LOANS AND OVERDRAFTS - SECURED

The bank loans and overdrafts of the Group and Company of HK\$42,100,272 (1999: HK\$26,043,352) and HK\$4,088,904 (1999: HK\$1,043,352) respectively are secured by certain investment properties and rental income thereon of the Group.

17 SHARE CAPITAL

	2000	1999
	HK\$	HK\$
Authorised:		
400,000,000 ordinary shares of HK\$1 each	<u>400,000,000</u>	<u>400,000,000</u>
Issued and fully paid:		
287,669,676 ordinary shares of HK\$1 each	<u>287,669,676</u>	<u>287,669,676</u>

18 RESERVES

	Investment properties revaluation reserve	Share premium	Exchange reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
<i>Group</i>					
At 1st January 1999	1,153,613,553	129,651,602	7,988,603	460,629,562	1,751,883,320
Net deficit on revaluation of investment properties less minority interests' share	(1,190,564)	—	—	—	(1,190,564)
Exchange translation	—	—	(716,941)	—	(716,941)
Profit for the year	—	—	—	50,432,865	50,432,865
Dividends (note 9)	—	—	—	(48,903,845)	(48,903,845)
At 31st December 1999	<u>1,152,422,989</u>	<u>129,651,602</u>	<u>7,271,662</u>	<u>462,158,582</u>	<u>1,751,504,835</u>
At 1st January 2000	1,152,422,989	129,651,602	7,271,662	462,158,582	1,751,504,835
Net surplus on revaluation of investment properties less minority interests' share	22,790,838	—	—	—	22,790,838
Realisation of revaluation reserve on sale of investment properties less minority interests' share	(531,001)	—	—	—	(531,001)
Exchange translation	—	—	(330,997)	—	(330,997)
Profit for the year	—	—	—	85,468,385	85,468,385
Dividends (note 9)	—	—	—	(66,164,026)	(66,164,026)
At 31st December 2000	<u>1,174,682,826</u>	<u>129,651,602</u>	<u>6,940,665</u>	<u>481,462,941</u>	<u>1,792,738,034</u>
	Investment properties revaluation reserve	Share premium	Retained profits	Total	
	HK\$	HK\$	HK\$	HK\$	
<i>Company</i>					
At 1st January 1999	126,212,942	129,651,602	342,242,613	598,107,157	
Deficit on revaluation of investment properties	(7,712,000)	—	—	—	(7,712,000)
Profit for the year	—	—	36,811,681	36,811,681	
Dividends (note 9)	—	—	(48,903,845)	(48,903,845)	
At 31st December 1999	<u>118,500,942</u>	<u>129,651,602</u>	<u>330,150,449</u>	<u>578,302,993</u>	
At 1st January 2000	118,500,942	129,651,602	330,150,449	578,302,993	
Deficit on revaluation of investment properties	(300,000)	—	—	—	(300,000)
Profit for the year	—	—	44,374,918	44,374,918	
Dividends (note 9)	—	—	(66,164,026)	(66,164,026)	
At 31st December 2000	<u>118,200,942</u>	<u>129,651,602</u>	<u>308,361,341</u>	<u>556,213,885</u>	

19 LONG TERM BANK LOANS - SECURED

	Group	
	2000	1999
	HK\$	HK\$
Bank loans	391,457,200	402,641,200
Amounts due within one year included under current liabilities	(35,371,200)	(34,684,000)
	<u>356,086,000</u>	<u>367,957,200</u>

	Group	
	2000	1999
	HK\$	HK\$

An analysis of the Group's long term bank loans is as follows:

Bank loans		
- wholly repayable within five years	273,457,200	300,641,200
- not wholly repayable within five years	118,000,000	102,000,000
	<u>391,457,200</u>	<u>402,641,200</u>

	Group	
	2000	1999
	HK\$	HK\$

The maturity of the Group's long term liabilities is as follows:

- within one year	35,371,200	34,684,000
- in the second year	115,558,400	32,371,200
- in the third to fifth years, inclusive	170,527,600	288,086,000
- after the fifth year	70,000,000	47,500,000
	<u>391,457,200</u>	<u>402,641,200</u>

The Group's long term bank loans of HK\$391,457,200 (1999: HK\$402,641,200) are secured on certain properties (note 11) and rental income thereon.

20 DEFERRED GAIN

On 31st December 1997, Montgomery Lands, Incorporated ("Montgomery"), a wholly owned subsidiary company of the Company in the United States of America (the "USA"), acquired a then 60% interest in GYB Properties, Inc. ("GYB") from companies then owned by Mr. William Ma Ching Wai and Ms. Ruth Ma Ching Keung, directors of the Company (the "Vendors"), at a consideration of US\$450,000 (approximately HK\$3,510,000). The consideration was satisfied by promissory notes issued by Montgomery bearing interest of 8% per annum. The principal amount of the notes together with the interest were paid in full in 1999. In addition, Montgomery subscribed to an additional 20% interest in GYB on 30th December 1997, so that they held an aggregate 80% interest in GYB as at 31st December 1997. The remaining 20% interest in GYB continued to be held by the Vendors.

The considerations for the acquisition and subscription were arrived at after arm's length negotiations between GYB, Montgomery and the Vendors and were based on the fair market value of Montgomery's then 80% interest in GYB. The valuation of the interest in GYB was performed by Rowbotham & Co., LLP of San Francisco, the USA, an independent certified public accountant firm.

GYB's principal activity is investment holding in Goldman Investment Incorporated ("Goldman") and Yerba Buena Properties Inc. ("YBP"), both companies are incorporated in the USA. The two companies were then owned as to 80% by GYB and as to 20% by an independent third party. As at 31st December 1997, Goldman and YBP each owned a piece of land located at County at Santa Clara, State of California, the USA and had entered into contracts in August 1997 to sell the land to independent third parties. In 1998, the title to the two pieces of land was passed to the buyers and the sales of land were recognised in the consolidated profit and loss account. The sales proceeds on disposal of the land which amounted to US\$15,750,000 (approximately HK\$122,850,000) were equivalent to the cost to the Group and hence there was no profit or loss on disposal of the land in the consolidated accounts for the year ended 31st December 1998. The pre-tax gain on the sales was in aggregate about US\$12 million (approximately HK\$98 million) in the accounts of Goldman and YBP.

A significant reason for the transactions was to utilise approximately US\$12 million (approximately HK\$98 million) of Montgomery's tax losses brought forward from previous years for USA Federal and State income tax purposes, part of which may otherwise expire and may not be used to generate therefrom cash benefit to Montgomery. The tax losses of US\$12 million (approximately HK\$98 million) were fully utilised up to the year ended 31st December 1999.

Montgomery is to be indemnified by the Vendors as to any losses, claims, costs, expenses, demands, liabilities and/or obligations to the extent that the tax savings to Montgomery do not materialise as contemplated herein.

In 1998, Goldman and YBP redeemed their 20% share capital from the independent third party respectively. Goldman and YBP are now wholly owned subsidiary companies of GYB.

On 8th April 1999, the board of directors and shareholders of GYB approved the Plan of Complete Liquidation (the "Plan") of GYB. The Plan provides for the distribution by GYB to its shareholders of all of its assets (other than those retained to meet claims) forthwith and those remaining after payment of claims by mid-2003. The distributions made in 1998 were deemed to be liquidation distributions as provided in the preferred share provisions of the Articles of Incorporation of GYB. YBP and Goldman shall commence as soon as practicable to wind up and dissolve.

According to the Articles of Incorporation of GYB, in the event of its liquidation, the Vendors as holders of 9,000,000 preferred shares of GYB, are entitled to receive, prior and in preference to any distribution of any of the assets of GYB to the holders of GYB's common stock, an amount of US\$9,000,000 (HK\$70,200,000). An amount of US\$8,450,000 (HK\$65,910,000) was paid to the Vendors as interim liquidation distribution in 1998.

20 DEFERRED GAIN (Continued)

The remaining assets of GYB, after the discharge of all its liabilities and the final liquidation payment of US\$550,000 (HK\$4,290,000) to the Vendors in respect of their holding in the preferred shares, will be distributed to the Group and the Vendors in proportion to their percentage holdings in GYB's common stock.

The deferred gain in the consolidated balance sheet represents the estimated net cash benefit to the Group of the above transactions. Upon finalisation of the consideration for the aforementioned land sales and the redemption of the 20% share capital of each of Goldman and YBP in previous year, the estimate of the net cash benefit to the Group amounts to approximately HK\$22.7 million. The amount will only be realised as income of the Group when the tax filing has not been objected by the Internal Revenue Service in the USA and this is estimated to be not earlier than year 2002.

21 DEFERRED TAXATION

No provision for deferred taxation has been made in the accounts in respect of revaluation of investment properties in Hong Kong as the revaluation surplus arising therefrom does not constitute a timing difference for taxation purposes since any profit on sale would not, in the opinion of the directors, be subject to taxation.

Realisation of the surplus on revaluation of the Group's investment properties in the USA would give rise to a taxation liability in the USA. No provision has been made in the accounts for this liability as these properties are held for the long term and the directors have no intention to dispose of these properties in the foreseeable future.

Deferred taxation in respect of timing differences has not been recognised in the accounts, on the basis that there is no reasonable certainty of crystallisation in the foreseeable future.

An analysis of unprovided deferred tax liability/(asset) is as follows:

	Group		Company	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
<i>Hong Kong:</i>				
Accelerated depreciation allowances on investment properties and other fixed assets	30,727,000	29,603,000	414,000	407,000
Tax losses	(10,526,000)	(7,610,300)	(3,293,000)	(3,062,000)
	<u>20,201,000</u>	<u>21,992,700</u>	<u>(2,879,000)</u>	<u>(2,655,000)</u>
<i>Overseas:</i>				
Accelerated depreciation allowances	20,108,000	19,693,000	—	—
Tax losses	(77,436,000)	(94,312,000)	—	—
	<u>(57,328,000)</u>	<u>(74,619,000)</u>	<u>—</u>	<u>—</u>

As at 31st December 2000, the Group's overseas subsidiary companies had tax losses carried forward for Federal and State income tax purposes of the USA amounting to HK\$234,700,000 (1999: HK\$275,000,000) and HK\$56,600,000 (1999: HK\$102,700,000) respectively. These tax losses have already excluded an amount of approximately US\$12 million (approximately HK\$98 million) which relates to the transactions as disclosed in note 20. The remaining tax losses are available to reduce future taxable income, if any, however, their deferred tax effect amounting to HK\$77,436,000 (1999: HK\$94,312,000) has not been accounted for as the losses would not, in the opinion of the directors, be utilised in the foreseeable future.