

# Notes to the Accounts

As at 31 December 2000

(b) Share options

Details of the share options granted pursuant to the Company's Share Option Scheme are as follows:-

Date of grant	Exercise price per share HK\$	Exercise period	At beginning of year	Granted during the year	Lapsed or cancelled during the year	At end of year
4 July 1994	1.8288	4 January 1995 - 3 July 2004	8,200,000	-	(8,100,000)	100,000
9 November 1994	1.8288	4 January 1995 - 3 July 2004	800,000	-	(800,000)	-
6 February 1995	0.8256	6 August 1995 - 5 February 2005	1,280,000	-	(1,280,000)	-
8 April 1995	0.8480	8 October 1995 - 7 April 2005	5,000,000	-	(5,000,000)	-
16 July 1996	0.9488	16 January 1997 - 15 July 2006	2,190,000	-	(2,000,000)	190,000
3 April 2000	0.5860	3 April 2000 - 2 April 2010	-	4,200,000	(1,900,000)	2,300,000
			<u>17,470,000</u>	<u>4,200,000</u>	<u>(19,080,000)</u>	<u>2,590,000</u>

No share options were exercised during the years ended 31 December 2000 and 1999.

# Notes to the Accounts

As at 31 December 2000

## 18 RESERVES

(a) The movements in reserves of the Group and the Company during the year are as follows:-

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
<b>Share premium account</b>				
At 1 January	42,890	42,890	42,890	42,890
Premium on issue of shares	53,120	-	53,120	-
Share issue expenses	(1,475)	-	(1,475)	-
At 31 December	<u>94,535</u>	<u>42,890</u>	<u>94,535</u>	<u>42,890</u>
<b>Capital redemption reserve</b>				
At 1 January and 31 December	<u>1,350</u>	<u>1,350</u>	<u>1,350</u>	<u>1,350</u>
<b>Reserve on consolidation</b>				
At 1 January	1,800	1,761	-	-
Release upon liquidation of a subsidiary	-	39	-	-
At 31 December	<u>1,800</u>	<u>1,800</u>	<u>-</u>	<u>-</u>
<b>Exchange fluctuation reserve</b>				
At 1 January	1,223	1,651	-	-
Exchange differences arising on translation of associated company's accounts	166	(428)	-	-
At 31 December	<u>1,389</u>	<u>1,223</u>	<u>-</u>	<u>-</u>
<b>Contributed surplus</b>				
At 1 January and 31 December	<u>1,337,878</u>	<u>1,337,878</u>	<u>1,345,068</u>	<u>1,345,068</u>
<b>Retained profits/(accumulated losses)</b>				
At 1 January	401,099	291,203	(209,499)	(257,282)
(Loss)/profit for the year	(120,968)	125,839	(80,011)	63,726
Dividends	(15,943)	(15,943)	(15,943)	(15,943)
At 31 December	<u>264,188</u>	<u>401,099</u>	<u>(305,453)</u>	<u>(209,499)</u>
<b>Total reserves at 31 December</b>	<u><u>1,701,140</u></u>	<u><u>1,786,240</u></u>	<u><u>1,135,500</u></u>	<u><u>1,179,809</u></u>

The contributed surplus of the Company and the Group arose from a corporate restructuring which took place in 1993. The contributed surplus of the Company is distributable under the Companies Act 1981 of Bermuda.

# Notes to the Accounts

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(b)	Exchange reserve		Retained profits		Total	
	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company and its subsidiaries	-	-	371,078	509,833	371,078	509,833
Associated company	1,389	1,223	(106,890)	(108,734)	(105,501)	(107,511)
	<u>1,389</u>	<u>1,223</u>	<u>264,188</u>	<u>401,099</u>	<u>265,577</u>	<u>402,322</u>

## 19 BANK LOANS

(a) Bank loans are repayable as follows:-

	Group	
	2000	1999
	HK\$'000	HK\$'000
Within one year	191,660	154,410
More than one year but not exceeding two years	357,730	185,410
More than two years but not exceeding five years	318,639	623,869
	<u>868,029</u>	<u>963,689</u>
Amounts classified under current liabilities	(191,660)	(154,410)
Amounts classified under non-current liabilities	<u>676,369</u>	<u>809,279</u>

Subsequent to the balance sheet date, bank loans classified under non-current liabilities totalling HK\$223,869,000 were settled, largely by the proceeds received from the disposal of a subsidiary in February 2001 (note 25(a)).

(b) Pledge of assets

The bank loans are secured by mortgages on certain investment properties and properties held for sale with an aggregate carrying value of HK\$2,405,800,000 (1999: HK\$2,478,924,000) and the assignment of rental income from certain of the properties.

In addition, the Company has pledged all the issued shares of certain subsidiaries and subordinated its loans to certain subsidiaries in favour of the lenders of the above bank loans.

# Notes to the Accounts

As at 31 December 2000

## 20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating loss/profit to net cash inflow from operating activities

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Operating (loss)/profit	(120,728)	127,167
Deficit/(surplus) arising on revaluation of investment properties	70,221	(75,450)
Provision for/(reversal of provision for) diminution in value of property held for development	28,008	(7,593)
Loss on disposal of fixed assets	684	12
Interest income	(5,357)	(2,226)
Interest expense	77,146	76,071
Depreciation	491	1,447
Net unrealised loss on other investments	962	6,653
Provision for diminution in value of investment securities	-	10,000
Decrease in properties held for sale (note (c))	81,822	16,572
Decrease/(increase) in trade and other receivables	276	(15,546)
Increase in trade and other payables	8,662	6,259
	<u>142,187</u>	<u>143,366</u>
Net cash inflow from operating activities	<u>142,187</u>	<u>143,366</u>

(b) Analysis of changes in financing during the year

	Share capital (including share premium)		Bank loans and other borrowings		Minority interest	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
At 1 January	109,326	109,326	963,689	1,034,892	-	(471)
Net cash inflow/(outflow) from financing	64,925	-	(95,660)	(64,463)	-	471
Settlement by a property held for sale	-	-	-	(5,000)*	-	-
Loss of subsidiary shared by a minority shareholder to reduce a loan balance	-	-	-	(1,354)*	-	-
Waive of loan from the minority shareholder	-	-	-	(666)*	-	-
Reclassification as other receivables	-	-	-	280*	-	-
	<u>174,251</u>	<u>109,326</u>	<u>868,029</u>	<u>963,689</u>	<u>-</u>	<u>-</u>
At 31 December	<u>174,251</u>	<u>109,326</u>	<u>868,029</u>	<u>963,689</u>	<u>-</u>	<u>-</u>

\* Represent non-cash transactions

- (c) Other major non-cash transactions

During the year, advances to an investee company of HK\$144,699,000 (note 12(c)) were fully repaid by the investee company through the assignment to the Group of certain properties held for sale in the PRC.

## 21 CONTINGENT LIABILITIES

- (a) In October 1997, the Group entered into an agreement with an independent third party (the "Purchaser") for the sale of Century Square at a price of HK\$1,240 million. Instalment payments totalling HK\$248 million had been received. The Purchaser was however unable to meet further instalment payments when due. In January 1998, the Group received a letter from the Purchaser indicating its intention not to proceed with the purchase, purporting to rescind the Formal Sales & Purchase Agreement dated 6 November 1997 (the "Agreement") and seeking the return of the instalment payments.

Based on senior counsel's advice, the directors are of the opinion that the Purchaser is unlikely to be able to recover the payments made and was in breach of, and has wrongfully repudiated the Agreement. Accordingly the Group exercised its right under the Agreement to forfeit the said instalments and recognised the income in the year of 1997. In addition, the Group has issued a writ against the Purchaser claiming for, inter alia, damages suffered by the Group as a result of the Purchaser's wrongful breach of the Agreement. The Purchaser is defending the claim and the case is currently proceeding to trial. As at 31 December 2000, provisions of HK\$3,600,000 (1999: HK\$4,256,000) have been made for the expected legal costs on this claim, which the directors consider to be adequate, taking into account expert professional advice received.

- (b) A subsidiary has claimed against the contractor of a property development project, and deducted from payments to the contractor, approximately HK\$11 million for the delay in completion and defects of the construction works. In addition, there is a dispute of approximately HK\$1.7 million regarding the final contract amount. The contractor has denied the claim and is counter-claiming the subsidiary for HK\$22.3 million, including liquidated damages, the abovementioned disputed contract sum and loss and expense. The case is pending arbitration. As at 31 December 2000, provisions of HK\$8.2 million (1999: HK\$9.2 million) have been made for the expected legal costs on this dispute, which the directors consider to be adequate, taking into account expert professional advice received.
- (c) The Company has executed guarantees totalling HK\$977,189,000 (1999: HK\$920,189,000) with respect to banking facilities made available to its subsidiaries, of which HK\$828,029,000 were utilised at 31 December 2000 (1999: HK\$917,189,000).
- (d) A subsidiary has executed a guarantee for banking facility made available to its investee company. The extent of the guaranteed amount by the subsidiary is HK\$14 million. The guaranteed amount was fully utilised at 31 December 2000 and 1999.

# Notes to the Accounts

As at 31 December 2000

## 22 COMMITMENTS – GROUP

### (a) Capital commitments

The Group had the following outstanding capital commitments in respect of property held for development:-

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Contracted but not provided for	9,918	1,647
Authorised but not contracted	<u>10,420</u>	<u>–</u>
	<u><u>20,338</u></u>	<u><u>1,647</u></u>

### (b) Commitments under operating leases

The Group had commitments to make payments in the next twelve months under operating leases which expire as follows:-

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
In the second to fifth year inclusive	<u>886</u>	<u>–</u>

## 23 RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:-

	Note	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Rental received from related companies	(a)	2,436	5,619
Rental paid to a shareholder	(b)	160	–
Disposal of a motor vehicle to a related company	(c)	<u>500</u>	<u>–</u>

- (a) During the year, the Group entered into lease agreements with a wholly-owned subsidiary (1999: two wholly-owned subsidiaries) of Playmates Interactive Entertainment Limited (“PIEL”) to lease office spaces to PIEL group. The terms of the leases were comparable to those contracted with other third party tenants. The Company and PIEL were related parties as a former director and major shareholder of the Company is a director and major shareholder of PIEL.

# Notes to the Accounts

As at 31 December 2000

- (b) A subsidiary, Prestige Group Management Limited, has entered into a sub-sub-lease agreement with a subsidiary of Yugang International Limited ("YIL") to lease office space for a period of 2 years commencing 27 October 2000 at a monthly rental of HK\$73,857. YIL is a major beneficial shareholder of the Company.
- (c) The terms of the disposal of a motor vehicle to a related company, PIEL, were concluded based on arm's length negotiation.

## 24 PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2000 are as follows:-

Name of company	Place of incorporation	Principal activities and place of operation	Issued and fully paid share capital	Interest held
Achiever Assets Limited	Hong Kong	Property Development in Hong Kong	2 ordinary shares of HK\$1 each	100%
Asset Class Developments Limited	British Virgin Islands	Property trading in PRC	1 ordinary share of US\$1 each	100%
Benefit Plus Company Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK\$1 each	100%
E-Tech Services Limited	Hong Kong	Property Management in Hong Kong	2 ordinary shares of HK\$1 each	100%
Future China Developments Limited	British Virgin Islands	Property trading in PRC	1 ordinary share of US\$1 each	100%
Gold Region Developments Limited	British Virgin Islands	Property trading in PRC	1 ordinary share of US\$1 each	100%
Harson Investment Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK\$1 each	100%
Luckleen Development Limited	Hong Kong	Property trading in Hong Kong	100 ordinary shares of HK\$1 each	100%
Pencester Properties Limited	British Virgin Islands	Property trading in PRC	1 ordinary share of US\$1 each	100%
Picomán Properties Limited	Hong Kong	Property trading in PRC	2 ordinary shares of HK\$1 each	100%

# Notes to the Accounts

As at 31 December 2000

## 24 PRINCIPAL SUBSIDIARIES (Cont'd)

Name of company	Place of incorporation	Principal activities and place of operation	Issued and fully paid share capital	Interest held
Prestige (China) Limited	Hong Kong	Investment holding in PRC	2 ordinary shares of HK\$1 each	100%
Prestige Finance Limited	Hong Kong	Finance vehicle in Hong Kong	6,000 ordinary shares of HK\$500 each	100%
Prestige Group Management Limited	Hong Kong	Business management services in Hong Kong	2 ordinary shares of HK\$1 each	100%
Prestige Investment Holdings Limited	British Virgin Islands	Investment holding in Asia	50,100 ordinary shares of US\$1 each	100%
Prestige Investment Management Limited	British Virgin Islands	Securities investment in PRC	1 ordinary share of US\$1 each	100%
Prestige Properties International Limited	British Virgin Islands	Investment holding in Hong Kong	201 ordinary shares of US\$1 each	100%
Prestige Property Services Limited	Hong Kong	Property management in Hong Kong	100 ordinary shares of HK\$1 each	100%
Pretty Star Limited	Hong Kong	Property investment in Hong Kong	100 ordinary shares of HK\$1 each	100%
Real China Investments Limited	British Virgin Islands	Property trading in PRC	1 ordinary share of US\$1 each	100%
Real Start Developments Limited	British Virgin Islands	Property trading in PRC	1 ordinary share of US\$1 each	100%
Rosy Star Company Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK\$1 each	100%
Rosy View Company Limited	Hong Kong	Property trading in PRC	2 ordinary shares of HK\$1 each	100%

# Notes to the Accounts

As at 31 December 2000

Name of company	Place of incorporation	Principal activities and place of operation	Issued and fully paid share capital	Interest held
Rosy Way Company Limited	Hong Kong	Property investment in Hong Kong	1,000 ordinary shares of HK\$10 each	100%
Score Goal Investment Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK\$1 each	100%
Score Target Investment Limited	Hong Kong	Property trading in Hong Kong	2 ordinary shares of HK\$1 each	100%

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. With the exception of Prestige Investment Holdings Limited, all the above companies are indirect subsidiaries of the Company.

## 25 SUBSEQUENT EVENTS

- (a) On 1 December 2000, the Group entered into a Sale and Purchase Agreement with a wholly-owned subsidiary of Playmates Interactive Entertainment Limited to dispose of the entire issued share capital of Pretty Star Limited ("Pretty Star"), a wholly-owned subsidiary of the Company, and the benefits of and interest in the loan owing by Pretty Star to the Group for a consideration of HK\$256.9 million. The principal asset of Pretty Star is the commercial building situated at No. 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong (the "Property"). The consideration was calculated based on the agreed value for the Property of HK\$498 million and the net book value of other net liabilities of Pretty Star. The Property has been stated at HK\$498 million in the accounts as at 31 December 2000 and no gain or loss will be recognised from this disposal in the year ending 31 December 2001. The disposal was completed on 16 January 2001.
- (b) On 21 March 2001, the Group through its wholly-owned subsidiary entered into a Sale and Purchase Agreement with a wholly-owned subsidiary of The Wharf (Holdings) Limited to purchase 51,176,424 shares, representing approximately 26.7% of the issued share capital, of The Cross-Harbour (Holdings) Limited ("CHH") for a total consideration of HK\$614,117,000. The transaction was completed on 21 March 2001. On the same day, the Group agreed to purchase 579,500 shares, representing approximately 0.3% of the issued share capital, of CHH, from another independent party for a total consideration of HK\$6,954,000. Such transaction was completed on 23 March 2001. The acquisitions were funded by internal resources and bank borrowings.

## 26 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 11 April 2001.