



Notes to the Accounts

31st December, 2000

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

a. Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain investment properties in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

b. Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. The results of subsidiaries acquired or disposed of during the year/period are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances within the Group are eliminated on consolidation. Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

Reserve arising on consolidation, which represents the excess of fair values ascribed to the separable net assets of subsidiaries acquired over the purchase consideration, is taken to reserves in the year of acquisition.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

A subsidiary is a company in which the Company directly or indirectly controls more than half of the voting power or issued share capital or controls the composition of the board of directors. Interest in subsidiaries is stated in the Company's balance sheet at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

c. Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

Interest in associated companies is stated in the Company's balance sheet at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.



Notes to the Accounts *(Cont'd)*

31st December, 2000

1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

d. Revenue recognition

- (i) sale of goods — when risks and rewards of ownership have been transferred to buyers, which generally coincides with the time of the delivery of goods;
- (ii) rental income from letting of investment properties — on a straight line basis over respective periods of the leases;
- (iii) charterhire — the time proportion basis of each individual vessel voyage;
- (iv) interest income — on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable;
- (v) agency fee income — when services are rendered.

e. Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued on an annual basis by independent valuers. The valuations are on an open market value basis related to individual properties. Valuations are incorporated in the annual accounts and increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.



Notes to the Accounts *(Cont'd)*

31st December, 2000

1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

f. Fixed assets

Fixed assets other than investment properties are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the year 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 fixed assets, the expenditure is capitalised as an additional cost of the fixed assets. When assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposals is included in the profit and loss account.

Depreciation is provided to write off the cost of the assets on a straight line basis over their estimated useful lives to the Group. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the unexpired period of the leases ranging from 65-900 years
Buildings	2.5%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	25%
Motor vessels	20%

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

g. Investments

(i) Unlisted investments held on long term basis are stated at cost less any provision for diminution in value other than temporary in nature. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

(ii) Investment pending disposal is stated at cost plus accumulated discount amortized to date. Provision is made when there is a diminution in value other than temporary in nature.

h. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, represents invoiced value from suppliers. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.



Notes to the Accounts *(Cont'd)*

31st December, 2000

1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

i. Accounts receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet is stated net of such provision.

j. Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

k. Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are incorporated into the accounts by translating foreign currencies into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are included in the profit and loss account.

The accounts of subsidiaries and associated companies expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in the exchange fluctuation reserve.

l. Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight line basis over the lease term.

m. Retirement benefit costs

Under the defined contribution retirement scheme registered under the Occupational Retirement Schemes Ordinance (the "Old Scheme"), the Group's contribution to the Old Scheme are expensed as incurred and are reduced by contribution forfeited by those employees who leave the Old Scheme prior to vesting fully in the contributions. The assets of the Old Scheme are held separately from those of the Group in an independently administrated fund. The Old Scheme was terminated on 30th November, 2000.

Under the defined contribution retirement scheme registered under the Mandatory Provident Fund Schemes Ordinance (the "New Scheme"), the Group's contribution to the New Scheme are expensed as incurred. The assets of the New Scheme are held separately from those of the Group in an independently administrated fund.

n. Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.



Notes to the Accounts (Cont'd)

31st December, 2000

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

o. Comparatives

Where necessary, comparatives figures have been adjusted to conform with changes in presentation in the current year. In particular, comparative have been adjusted or extended to take into account the adoption of the Statement of Standard Accounting Practice No. 1 (Revised) and No. 2 (Revised) issued by the Hong Kong Society of Accountants.

2. TURNOVER AND REVENUE

The Group is principally engaged in general trading, property investment, ship chartering and real estate agency services. The Group's ship chartering business was discontinued during the year.

Revenues recognised during the year/period are as follows:

	GROUP	
	Year ended	Fifteen months
	31.12.2000	ended
	HK\$	31.12.1999
		HK\$
Turnover and revenue		
Sale of goods	846,203,447	968,985,420
Gross rental income from investment properties	23,259,463	29,775,053
Agency fee income	2,154,725	2,643,532
Charterhire income (Note 3(b))	35,949,193	16,242,631
	907,566,828	1,017,646,636
Other revenue		
Interest income	4,772,095	4,774,130
Total revenues	912,338,923	1,022,420,766



Notes to the Accounts (Cont'd)

31st December, 2000

2. TURNOVER AND REVENUE (Cont'd)

An analysis of the Group's turnover and contribution to operating loss for the year/period by principal activities and markets is as follows:

	GROUP			
	Turnover		Operating profit/(loss)	
		Fifteen months		Fifteen months
	Year ended	ended	Year ended	ended
	31.12.2000	31.12.1999	31.12.2000	31.12.1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Principal activities:				
General trading	846,203,447	968,985,420	14,584,453	26,654,337
Property investment	23,259,463	29,775,053	16,790,963	21,750,921
Real estate agency services	2,154,725	2,643,532	(6,025,414)	(6,943,527)
Ship chartering (Note 3(b))	35,949,193	16,242,631	(40,846,737)	(25,530,265)
Other operations	—	—	(43,940,133)	(16,229,301)
	907,566,828	1,017,646,636	(59,436,868)	(297,835)
Less: Unallocated administration expenses			(15,606,520)	(23,530,166)
			(75,043,388)	(23,828,001)
Principal Markets:				
Hong Kong	15,392,374	19,499,060	14,338,277	(18,077,764)
Mainland China	626,079,614	822,142,226	(39,986,973)	30,951,952
Philippines	229,731,932	159,287,876	3,867,388	6,495,329
Others	36,362,908	16,717,474	(37,655,560)	(19,667,352)
	907,566,828	1,017,646,636	(59,436,868)	(297,835)
Less: Unallocated administration expenses			(15,606,520)	(23,530,166)
			(75,043,388)	(23,828,001)



Notes to the Accounts (Cont'd)

31st December, 2000

3. OPERATING LOSS

	GROUP	
	Year ended	Fifteen months
	31.12.2000	ended
	<i>HK\$</i>	31.12.1999
		<i>HK\$</i>
(a) Operating loss is stated after crediting and charging the following:		
Crediting		
Gain on disposal of fixed assets	122,644	—
Gain on disposal of investment securities	3,014,193	1,680,540
Net forfeited retirement benefits contribution	28,250	—
Insurance compensation received for a motor vessel destroyed	—	13,948,200
Gain on disposal of 5% equity interest in a subsidiary	—	12,858,807
Gain on dissolution of a subsidiary	—	2,441,533
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Charging		
Cost of inventories sold	734,324,391	841,131,156
Depreciation of fixed assets	9,302,049	9,472,430
Staff costs	12,759,671	16,555,940
Operating lease rentals in respect of land and buildings	1,750,698	2,000,515
Outgoings in respect of investment properties	3,260,321	3,555,447
Retirement benefits costs	—	217,792
Auditors' remuneration	537,128	373,185
Loss on disposal of fixed assets	—	16,480,431
Write down of land and buildings to recoverable amount	2,407,645	30,000,000
Provision for diminution in value of long term investments (Note 12)	50,000,000	—
Write down of motor vessels to recoverable amount (Notes 3(b) and 14)	9,536,018	—
Provision for loss on discontinued ship chartering operation (Notes 3(b) and 14)	7,333,996	—
Penalty for early termination of lease agreement	—	1,232,238
Loan receivable written off	—	7,740,674
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Notes to the Accounts (Cont'd)

31st December, 2000

3. OPERATING LOSS (Cont'd)

- (b) On 15th November, 2000, in view of the substantial losses incurred in ship chartering business, the directors resolved to discontinue the ship chartering operation and dispose all the vessels. As at the date on which these accounts are approved, all vessels were disposed to independent third parties. The write down of motor vessels to recoverable amount and expenses to be incurred in discontinuing the ship chartering operation amounting to HK\$16,870,014 had been fully provided for in this financial year. The contribution to turnover and the loss from ordinary activities after finance costs in respect of the discontinued operation, accounted for up to the year ended 31st December, 2000, were as follows:

	GROUP	
	Year ended	Fifteen months
	31.12.2000	ended
	<i>HK\$</i>	31.12.1999
		<i>HK\$</i>
Turnover	35,949,193	16,242,631
Loss from ordinary activities after finance costs	(24,693,914)	(25,640,457)

4. FINANCE COSTS

	GROUP	
	Year ended	Fifteen months
	31.12.2000	ended
	<i>HK\$</i>	31.12.1999
		<i>HK\$</i>
Interest on bank loans		
— repayable within 5 years	23,466,967	23,542,892
— repayable over 5 years	3,229,212	4,548,509
	26,696,179	28,091,401



Notes to the Accounts (Cont'd)

31st December, 2000

5. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

(a) Directors' emoluments

The directors' emoluments of the Company disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:

	Year ended 31.12.2000 <i>HK\$</i>	Fifteen months ended 31.12.1999 <i>HK\$</i>
Independent Non-Executive Directors' fees	300,000	300,000
Emoluments of Executive Directors		
Salaries and other benefits	3,614,920	4,773,044
Discretionary bonuses	120,000	122,000
Retirement benefits contribution	1,000	69,975
Inducement fees	—	500,000
	4,035,920	5,765,019

The number of directors in different emolument bands are as follows:

	Number of directors	
Emolument bands	Year ended 31.12.2000	Fifteen months ended 31.12.1999
HK\$ Nil to HK\$1,000,000	6	6
HK\$1,500,001 to HK\$2,000,000	—	1
HK\$2,000,001 to HK\$2,500,000	1	—
HK\$2,500,001 to HK\$3,000,000	—	1



Notes to the Accounts (Cont'd)

31st December, 2000

5. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (Cont'd)

(b) Employees' emoluments

The five highest paid employees of the Group during the year ended 31st December, 2000 included one director (fifteen months ended 31.12.1999: two). The emoluments of the remaining four (fifteen months ended 31.12.1999: three) employees are as follows:

	Year ended 31.12.2000 HK\$	Fifteen months ended 31.12.1999 HK\$
Salaries and other benefits	3,035,500	3,715,000
Discretionary bonuses	56,000	356,500
Retirement benefits contribution	48,735	45,660
	<u>3,140,235</u>	<u>4,117,160</u>

The remaining four (fifteen months ended 31.12.1999: three) highest paid employees in different emolument bands are as follows:

	Number of employees	
Emolument bands	Year ended 31.12.2000	Fifteen months ended 31.12.1999
HK\$ Nil to HK\$1,000,000	4	1
HK\$1,000,001 to HK\$1,500,000	—	1
HK\$2,000,001 to HK\$2,500,000	—	1
	<u>—</u>	<u>1</u>



Notes to the Accounts (Cont'd)

31st December, 2000

6. TAXATION

Hong Kong profits tax has been provided for at the rate of 16% (fifteen months ended 31.12.1999: 16%) on the estimated assessable profit for the year/period. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

(a) The amount of taxation charged to the consolidated profit and loss account represents:

	GROUP	
	Year ended 31.12.2000 <i>HK\$</i>	Fifteen months ended 31.12.1999 <i>HK\$</i>
Hong Kong profits tax		
— current	641,510	1,040,618
Overseas taxation		
— current	1,026,726	1,362,629
	1,668,236	2,403,247
Share of taxation attributable to an associated company	250,578	562,343
	1,918,814	2,965,590

(b) The major components of deferred taxation that have not been provided for are as follows:

	GROUP		COMPANY	
	31.12.2000 <i>HK\$</i>	31.12.1999 <i>HK\$</i>	31.12.2000 <i>HK\$</i>	31.12.1999 <i>HK\$</i>
Accelerated capital allowances	436,000	90,000	(7,000)	(5,000)
Estimated tax losses	(9,564,000)	(4,847,000)	(2,565,000)	(323,000)
Surplus arising on revaluation of investment properties in mainland China	24,867,000	22,948,000	—	—
	15,739,000	18,191,000	(2,572,000)	(328,000)
Share of associated company's surplus arising on revaluation of investment properties in mainland China	37,755,000	35,032,000	—	—
	53,494,000	53,223,000	(2,572,000)	(328,000)



Notes to the Accounts *(Cont'd)*

31st December, 2000

6. TAXATION *(Cont'd)*

The revaluation of investment properties in Hong Kong does not constitute a timing difference for deferred taxation purposes as realisation of the revaluation surplus would not result in a taxation liability. Deferred taxation has not been provided for in respect of revaluation surplus arising from the revaluation of the Group's investment properties located in mainland China as the directors have no intention to dispose of the properties and consider that it is not probable a liability will crystallise in the foreseeable future. No provision for other deferred taxation asset has been made in the accounts as it is uncertain whether the asset will crystallise in the foreseeable future.

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$8,707,106 (Fifteen months ended 31.12.1999: profit of HK\$3,685,002).

8. LOSS PER SHARE

Loss per share is calculated based on the loss attributable to shareholders of the Group for the year ended 31.12.2000 of HK\$100,146,718 (Fifteen months ended 31.12.1999: HK\$51,150,386) and 261,684,910 shares (31.12.1999: 261,684,910 shares) of the Company in issue during the year.

No diluted loss per share has been presented for current year and prior period because the exercise of the outstanding potential ordinary shares would have anti-dilutive effect for the year/period.



Notes to the Accounts (Cont'd)

31st December, 2000

9. FIXED ASSETS

(a) GROUP

	Land and Buildings			Furniture, Fixtures &	Motor Vehicles	Motor Vessels	Total
	Investment	Other	Leasehold	Office			
	Properties	Properties	Improvement	Equipment			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Cost or valuation							
Brought forward							
Cost	—	90,379,646	7,986,120	5,331,554	2,881,289	47,912,101	154,490,710
Valuation	458,996,700	—	—	—	—	—	458,996,700
	458,996,700	90,379,646	7,986,120	5,331,554	2,881,289	47,912,101	613,487,410
Exchange adjustment	(485,357)	2,696	1,787	(4,806)	3,564	—	(482,116)
Additions	—	—	359,834	641,716	342,764	7,121,947	8,466,261
Disposals	—	—	—	(8,298)	(295,300)	(18,186,288)	(18,489,886)
Transfer out (Note 14)	—	—	—	—	—	(36,847,760)	(36,847,760)
Reclassification	24,032,298	(25,506,852)	—	—	—	—	(1,474,554)
Revaluation	3,281,463	—	—	—	—	—	3,281,463
Carried forward							
Cost	—	64,875,490	8,347,741	5,960,166	2,932,317	—	82,115,714
Valuation	485,825,104	—	—	—	—	—	485,825,104
	485,825,104	64,875,490	8,347,741	5,960,166	2,932,317	—	567,940,818
Aggregate depreciation							
Brought forward	—	34,957,895	4,256,493	2,967,705	2,426,365	13,303,646	57,912,104
Exchange adjustment	—	151	1,051	(1,197)	1,914	—	1,919
Current charge	—	884,930	1,257,862	786,329	208,720	6,164,208	9,302,049
Write down							
to recoverable amount	2,407,645	—	—	—	—	9,536,018	11,943,663
Disposals	—	—	—	(1,045)	(295,300)	(13,417,875)	(13,714,220)
Transfer out (Note 14)	—	—	—	—	—	(15,585,997)	(15,585,997)
Reclassification	—	(1,474,554)	—	—	—	—	(1,474,554)
Carried forward	2,407,645	34,368,422	5,515,406	3,751,792	2,341,699	—	48,384,964
Net book value at							
31st December 2000	483,417,459	30,507,068	2,832,335	2,208,374	590,618	—	519,555,854
Net book value at							
31st December 1999	458,996,700	55,421,751	3,729,627	2,363,849	454,924	34,608,455	555,575,306



Notes to the Accounts (Cont'd)

31st December, 2000

9. FIXED ASSETS (Cont'd)

(a) GROUP (Cont'd)

The net book value of the Group's interests in land and buildings comprises:

	Hong Kong <i>HK\$</i>	Outside Hong Kong <i>HK\$</i>	Total <i>HK\$</i>
Investment properties:			
Freehold	—	14,776,803	14,776,803
Leases of between 10 to 50 years	63,200,000	—	63,200,000
Leases of over 50 years	277,300,000	128,140,656	405,440,656
	<u>340,500,000</u>	<u>142,917,459</u>	<u>483,417,459</u>
Other properties:			
Leases of over 50 years	27,466,818	3,040,250	30,507,068
	<u>367,966,818</u>	<u>145,957,709</u>	<u>513,924,527</u>

Freehold investment properties situated in Vancouver, Canada were valued on the basis of their open market value as at the balance sheet date by Niemi LaPorte & Dowle Appraisals Limited, a member of the Appraisal Institute of Canada. Other investment properties were valued on an open market value basis as at the balance sheet date by A. G. Wilkinson & Associates, an independent firm of chartered surveyors.

As at the balance sheet date, certain land and buildings with an aggregate net book value of HK\$481,704,073 (31.12.1999: HK\$468,474,087) were pledged to banks to secure the Group's banking facilities to the extent of approximately HK\$369,500,000 (31.12.1999: HK\$367,119,000). An investment property with net book value of HK\$8,000,000 (31.12.1999: HK\$13,000,000) was subsequently disposed and the secured bank loan was repaid after the balance sheet date.

(b) COMPANY

	Furniture, Fixtures and Office Equipment <i>HK\$</i>	Motor Vehicles <i>HK\$</i>	Total <i>HK\$</i>
Cost			
Brought forward	1,164,498	213,371	1,377,869
Exchange adjustment	586	3	589
Additions	5,265	—	5,265
Carried forward	<u>1,170,349</u>	<u>213,374</u>	<u>1,383,723</u>
Aggregate depreciation			
Brought forward	1,060,152	213,371	1,273,523
Exchange adjustment	441	3	444
Current charge	32,514	—	32,514
Carried forward	<u>1,093,107</u>	<u>213,374</u>	<u>1,306,481</u>
Net book value			
at 31st December, 2000	<u>77,242</u>	<u>—</u>	<u>77,242</u>
at 31st December, 1999	<u>104,346</u>	<u>—</u>	<u>104,346</u>



Notes to the Accounts (Cont'd)

31st December, 2000

10. INTERESTS IN SUBSIDIARIES

	COMPANY	
	31.12.2000 HK\$	31.12.1999 HK\$
Unlisted shares, at cost	51,215,949	51,215,947
Due from subsidiaries	378,374,185	355,832,020
	429,590,134	407,047,967
Due to subsidiaries	(215,823,889)	(210,088,304)
	213,766,245	196,959,663

The amount due from/(to) subsidiaries are interest free and have no fixed terms for repayment.

Details of the subsidiaries as at the balance sheet date are set out below:

Name of company	Issued and fully paid share/registered capital	Effective percentage holding		Principal activities
		31.12.2000	31.12.1999	
Incorporated in Hong Kong				
Alliance Pacific Investment Limited *	Ordinary HK\$ 2	100%	100%	Property investment operates in Beijing, China
Allon Trading Limited	Ordinary HK\$ 2	100%	100%	Securities trading and money lending
Broad Wise Development Limited *	Ordinary HK\$ 2	100%	100%	Ship owning, operates worldwide
Capital Head Investment Limited *	Ordinary HK\$ 2	100%	100%	Property investment operates in Shanghai, China
Concord Trinity Development Limited *	Ordinary HK\$ 2 Non- voting deferred HK\$ 2	100%	100%	Property investment operates in Shanghai, China
Conwell Properties Limited	Ordinary HK\$ 2	100%	100%	Real estate agent
Focus General Limited *	Ordinary HK\$ 10,000	100%	100%	Investment holding
G.C. Luckmate Trading Limited *	Ordinary HK\$ 4,000,000	95%	95%	General trading
G.C. Nominees Limited	Ordinary HK\$ 2	100%	100%	Investment holding
Glory South Investment Limited *	Ordinary HK\$ 2	100%	100%	Property investment, operates in Hainan, China
Halesite Limited	Ordinary HK\$ 4,000,000	100%	100%	Property investment
Honour Alliance Development Limited *	Ordinary HK\$ 2	100%	100%	Property investment



Notes to the Accounts (Cont'd)

31st December, 2000

10. INTERESTS IN SUBSIDIARIES (Cont'd)

Name of company	Issued and fully paid share/registered capital	Effective percentage holding		Principal activities
		31.12.2000	31.12.1999	
Jelson Enterprises Limited *	Ordinary HK\$ 2 Non-voting deferred HK\$ 2	100%	100%	Property investment operates in Shanghai, China
Kay Nin Investments Limited*	Ordinary HK\$ 1,000	100%	100%	Ship owning, operates worldwide
Nam Hong Holdings Limited *	Ordinary HK\$ 998 Non-voting deferred HK\$ 2	100%	100%	Property investment
New Solution Consultants Limited	Ordinary HK\$ 2	100%	100%	Investment holding
Silver Regent Development Limited*	Ordinary HK\$ 2	100%	100%	Property investment
Star Talent Investment Limited *	Ordinary HK\$ 2	100%	100%	Property investment operates in Beijing, China
Sunison Development Limited	Ordinary HK\$ 2	100%	100%	Investment holding
System Nominees Limited	Ordinary HK\$ 2	100%	—	Investment holding
Tai Loy Trading Company Limited	Ordinary HK\$ 43,440,000	100%	100%	Investment holding
Incorporated in the British Virgin Islands				
Adamgate Limited *	Ordinary US\$ 1	100%	100%	Investment holding
Dajen Properties Limited	Ordinary US\$ 1	100%	100%	Investment holding
Fairlight Limited *	Ordinary US\$ 1	100%	100%	Investment holding
Great China Commodities Limited *	Ordinary US\$ 10,000	95%	95%	Investment holding
Great China Development (Shanghai) Limited	Ordinary US\$ 10	100%	100%	Investment holding
Great China Trading Limited *	Ordinary US\$ 1	—	100%	Disposed on 1st August, 2000
Great China (PRC) Limited *	Ordinary US\$ 1	100%	100%	Investment holding
Ngai Luen Limited	Ordinary US\$ 1	100%	100%	Investment holding
Orlando Finance Limited *	Bearer US\$ 1	100%	100%	Financing
Pakka Properties Limited *	Ordinary US\$ 1	100%	100%	Investment holding
Po Kok Holdings Limited	Ordinary US\$ 10	100%	100%	Property investment, operates in Shanghai, China
Poppins Properties Limited*	Ordinary US\$ 50,000	95%	60%	Investment holding
Silver Brooch Limited *	Ordinary US\$ 1	100%	100%	Investment holding
Ursula Group Limited *	Bearer US\$ 1	100%	—	Ship chartering, operates worldwide



Notes to the Accounts (Cont'd)

31st December, 2000

10. INTERESTS IN SUBSIDIARIES (Cont'd)

Name of company	Issued and fully paid share/registered capital	Effective percentage holding		Principal activities
		31.12.2000	31.12.1999	
Incorporated in the Bahamas				
Ideal Base Holdings Limited *	Ordinary US\$ 2	100%	100%	Ship owning, operates worldwide (The vessel was disposed on 29.5.2000 and no operation thereafter)
Incorporated in Canada				
549653 B. C. Limited	Common CAD 1	100%	100%	Property investment operates in Vancouver, Canada
Established in the People's Republic of China				
Beijing Haode Business Consultancy Company Limited * <i>(a foreign equity joint venture enterprise)</i>	Registered capital US\$ 200,000	100%	100%	Real estate agent operates in Beijing China
Haode Property Management (Shanghai) Company Limited <i>(a wholly foreign owned investment enterprise)</i>	Registered capital US\$ 500,000	100%	100%	Real estate agent operates in Shanghai China
Qingdao Parada International Heating Company Limited * <i>(a foreign equity joint venture enterprise)</i>	Registered capital US\$ 360,000	63%	63%	Boiler trading operates in Qingdao, China

All subsidiaries operate in Hong Kong except otherwise stated.

Except for those subsidiaries marked with an asterisk "*", the above subsidiaries are all held directly by the Company.



Notes to the Accounts (Cont'd)

31st December, 2000

11. INTERESTS IN ASSOCIATED COMPANIES

	GROUP		COMPANY	
	31.12.2000 HK\$	31.12.1999 HK\$	31.12.2000 HK\$	31.12.1999 HK\$
Share of net assets	72,743,038	64,576,340	—	—
Due from associated companies	70,113,475	73,930,720	70,113,475	73,930,719
	142,856,513	138,507,060	70,113,475	73,930,719

The amount due from associated companies are interest free and have no fixed terms for repayment.

Details of associated companies at the balance sheet date are as follows:

Name of company	Place of incorporation/ establishment	Particulars of issued shares/ registered capital	Effective percentage holding		Principal activities
			31.12.2000	31.12.1999	
Samstrong International Limited	British Virgin Islands	Ordinary US\$100	43%	43%	Investment holding
Da Da Development (Shanghai) Corporation (a wholly foreign owned investment enterprise)	The People's Republic of China	Registered capital US\$10,200,000	43%	43%	Property investment

12. LONG TERM INVESTMENTS

	GROUP	
	31.12.2000 HK\$	31.12.1999 HK\$
Unlisted shares, at cost		
— Hainan Yangpu Land Development Company Limited	50,000,000	50,000,000
Less: Provision for diminution in value	(50,000,000)	—
	—	50,000,000
Club debentures, at cost	3,221,056	3,221,056
	3,221,056	53,221,056



Notes to the Accounts (Cont'd)

31st December, 2000

13. INVESTMENT PENDING DISPOSAL

Investment pending disposal represented the Group's investment in convertible bonds issued by local corporate and were listed overseas. All convertible bonds were disposed of at a profit during the year.

14. MOTOR VESSELS PENDING DISPOSAL UNDER DISCONTINUED OPERATION

The Group discontinued its ship chartering operation during the year. An amount of HK\$21,261,763 was recouped from the scrap sales of the vessels subsequent to the balance sheet date. The vessels were written down to recoverable amounts by HK\$9,536,018 and a provision for loss in connection with the discontinued operation amounted to HK\$7,333,996 were both recorded in the current year's profit and loss account. The amount to be recouped from the scrap sales of the vessels was classified under current assets. The provision for loss in connection with the discontinued operation was classified as accruals under current liabilities (Note 19).

As at the balance sheet date, two vessels with carrying value of HK\$21,261,763 (31.12.1999: HK\$28,043,700) were pledged to a bank to secure banking facilities to the extent of approximately HK\$5,721,000 (31.12.1999: HK\$8,551,000). The secured bank loans were repaid upon the disposal of the vessels after the balance sheet date.

15. DEPOSITS RECEIVABLE

	GROUP	
	31.12.2000	31.12.1999
	HK\$	HK\$
Deposits on a property held for resale (Note (a))	54,918,600	—
Deposits recoverable under an arbitration award (Notes (a) and (b))	18,045,318	64,487,318
	<u>72,963,918</u>	<u>64,487,318</u>

- (a) In previous years, the Group signed several agreements with certain mainland Chinese parties (the "Parties") to set up a co-operative company to invest in a residential development in Jing An District, Shanghai (the "Project"). Pursuant to the agreements, the Group paid HK\$55 million to the Parties and issued letters of credit amounted to HK\$10 million on their behalf. Owing to the default of the Parties, the Group rescinded the agreements. The Group secured from the China International Economic and Trade Arbitration Commission in Beijing an award entitling the Group to recover from the Parties all amounts previously paid to them of approximately HK\$65 million plus interest (the "Award"). To enforce the Award, the Court in Shanghai ordered the sale of certain floors of the Project with a gross floor area of about 16,000 square metres (the "auctioned Property") through public auction. To speed up the enforcement, the Group participated in the auction and submitted a bid of HK\$52 million, and obtained the auctioned Property. The total cost for the auctioned Property was about HK\$55 million which included HK\$3 million commission fee paid for the auction. The bid price was allowed by the Court to set off against the outstanding amount under the Award.

The Group took possession of the auctioned Property on 2nd March, 2001 and is now in the process of completing the formality for the registration of legal title of the auctioned Property. As the registration of legal title has not yet been completed, the amount is, therefore, included in deposits receivable. The auctioned Property would be sold on a strata title basis once the title had been formally transferred to the Group.



Notes to the Accounts (Cont'd)

31st December, 2000

15. DEPOSITS RECEIVABLE (Cont'd)

(b) The Group is entitled to recover the remaining outstanding balance and the court handling fee of HK\$5 million totalling HK\$18 million plus interest accrued under the Award as at the balance sheet date. Further application could be made to the Court to freeze further assets of the Parties. The directors are, therefore, confident that the balance will be recovered in full and consequently no provision has been made in the accounts. However, the interest accrued on the Award was not taken up in the accounts for prudence.

16. INVENTORIES

	GROUP	
	31.12.2000	31.12.1999
	<i>HK\$</i>	<i>HK\$</i>
Merchandise, at cost	2,325,363	2,252,492
Stock in transit, at cost	—	28,702,446
	2,325,363	30,954,938

17. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	GROUP		COMPANY	
	31.12.2000	31.12.1999	31.12.2000	31.12.1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	4,495,373	3,315,828	—	—
Bills receivable	72,777,668	21,179,752	—	—
Trade and bills receivables (Note (a))	77,273,041	24,495,580	—	—
Prepayments and deposits	2,076,589	8,905,370	780,911	776,866
Other receivables	5,785,428	3,476,573	312,903	121,402
	85,135,058	36,877,523	1,093,814	898,268



Notes to the Accounts (Cont'd)

31st December, 2000

17. ACCOUNTS RECEIVABLE AND PREPAYMENTS (Cont'd)

Note:

- (a) The majority of the Group's turnover is on letter of credit or documents against payment. The credit terms given to the customers vary and are generally based on the financial strength of individual customers. In order to effectively manage the credit risks associated with trade debts, credit evaluations of customers are performed periodically.

At 31st December, 2000, the ageing analysis of the trade and bills receivables were as follows:

	GROUP	
	31.12.2000	31.12.1999
	HK\$	HK\$
Current	65,609,100	23,529,950
30-60 days	8,059,683	177,194
60-90 days	50,964	163,614
Over 90 days	3,553,294	624,822
	<u>77,273,041</u>	<u>24,495,580</u>

18. BANK BALANCES, PLEDGED

As at the balance sheet date, cash and bank balances amounted to HK\$39,849,773 for the Group and HK\$38,402,100 for the Company (31.12.1999: HK\$58,574,268 for the Group and HK\$38,322,000 for the Company) were pledged to banks to secure general banking facilities.

19. ACCOUNTS PAYABLE AND ACCRUALS

	GROUP		COMPANY	
	31.12.2000	31.12.1999	31.12.2000	31.12.1999
	HK\$	HK\$	HK\$	HK\$
Bills payable	63,820,218	74,396,502	12,576,834	13,177,707
Other payables	11,077,496	15,420,469	164,009	457,223
Accruals (Note 14)	14,491,943	9,535,289	1,560,374	2,017,890
	<u>89,389,657</u>	<u>99,352,260</u>	<u>14,301,217</u>	<u>15,652,820</u>



Notes to the Accounts (Cont'd)

31st December, 2000

19. ACCOUNTS PAYABLE AND ACCRUALS (Cont'd)

At 31st December, 2000, the ageing analysis of the bills payable were as follows:

	GROUP		COMPANY	
	31.12.2000 HK\$	31.12.1999 HK\$	31.12.2000 HK\$	31.12.1999 HK\$
Current	63,820,218	27,630,134	12,576,834	2,268,453
30-60 days	—	44,589,825	—	10,909,254
60-90 days	—	—	—	—
Over 90 days	—	2,176,543	—	—
	63,820,218	74,396,502	12,576,834	13,177,707

20. SHARE CAPITAL

	COMPANY	
	31.12.2000 HK\$	31.12.1999 HK\$
Authorised 500,000,000 (31.12.1999: 500,000,000) ordinary shares of HK\$0.20 each	100,000,000	100,000,000
Issued and fully paid 261,684,910 (31.12.1999: 261,684,910) ordinary shares of HK\$0.20 each	52,336,982	52,336,982

Pursuant to the Employees Share Option Scheme approved by the shareholders on 29th March, 1993, the directors may, at their discretion, grant options to certain employees of the Company or its subsidiaries, including directors of such companies, to subscribe for ordinary shares of HK\$0.20 each in the Company. During the year, 500,000 share options were lapsed. Options entitling the holders to subscribe for 12,180,000 (31.12.1999: 12,680,000) ordinary shares at an exercise price of HK\$0.94 per share between 2nd September, 1993 to 1st September, 2003 were outstanding at the balance sheet date.

No share option was exercised during current year and prior period.



Notes to the Accounts (Cont'd)

31st December, 2000

21. RESERVES

	GROUP		COMPANY	
	31.12.2000 HK\$	31.12.1999 HK\$	31.12.2000 HK\$	31.12.1999 HK\$
SHARE PREMIUM ACCOUNT	19,516,419	19,516,419	19,516,419	19,516,419
INVESTMENT PROPERTIES				
REVALUATION RESERVE				
Brought forward	359,829,175	382,833,401	—	—
Surplus/(deficit) on revaluation for the year/period	7,408,986	(23,004,226)	—	—
Carried forward	367,238,161	359,829,175	—	—
EXCHANGE FLUCTUATION RESERVE				
Brought forward	1,241,363	802,763	—	—
Arising on translation of the accounts of overseas subsidiaries and an associated company during the year/period	466,142	438,600	—	—
Carried forward	1,707,505	1,241,363	—	—
RESERVE ARISING ON CONSOLIDATION				
Brought forward	1,441,177	3,882,710	—	—
Dissolution of subsidiaries	—	(2,441,533)	—	—
Carried forward	1,441,177	1,441,177	—	—
RETAINED PROFITS				
Brought forward	185,070,611	236,220,997	133,930,094	130,245,092
(Loss)/profit for the year/period	(100,146,718)	(51,150,386)	(8,707,106)	3,685,002
Carried forward	84,923,893	185,070,611	125,222,988	133,930,094
TOTAL RESERVES	474,827,155	567,098,745	144,739,407	153,446,513
Retained by:				
Company and subsidiaries				
— Share premium account	19,516,419	19,516,419		
— Investment properties revaluation reserve	302,860,661	299,579,198		
— Exchange fluctuation reserve	54,556	—		
— Reserve arising on consolidation	1,441,177	1,441,177		
— Retained profits	78,211,634	181,985,941		
	402,084,447	502,522,735		
Associated companies				
— Investment properties revaluation reserve	64,377,500	60,249,977		
— Exchange fluctuation reserve	1,652,949	1,241,363		
— Retained profits	6,712,259	3,084,670		
	72,742,708	64,576,010		
	474,827,155	567,098,745		



Notes to the Accounts (Cont'd)

31st December, 2000

22. ADVANCE FROM A MINORITY SHAREHOLDER

The advance from a minority shareholder is unsecured and is not repayable within twelve months from the balance sheet date. Out of the total balances includes an advance of HK\$6,408,508 made during the year which bears basic interest at 10% per annum and allows the minority shareholder to participate in the profit sharings of a subsidiary until the annualized return on the advance reached 18% per annum.

23. BANK LOANS, SECURED — NON-CURRENT PORTION

	GROUP		COMPANY	
	31.12.2000	31.12.1999	31.12.2000	31.12.1999
	HK\$	HK\$	HK\$	HK\$
Repayable within a period of less than one year or on demand	62,898,696	74,052,332	29,568,005	52,530,843
In the second year	37,425,989	46,561,132	10,296,312	21,464,643
In the third to fifth year	40,208,317	68,235,516	30,888,936	9,092,529
After the fifth year	63,443,683	10,435,953	34,723,749	2,273,132
	203,976,685	199,284,933	105,477,002	85,361,147
Less: Amount due within one year included in current liabilities	(62,898,696)	(74,052,332)	(29,568,005)	(52,530,843)
Bank loans, secured — Non-current portion	141,077,989	125,232,601	75,908,997	32,830,304

Bank loans were secured on certain investment properties and fixed assets (note 9), bank deposits (note 18), issued shares of certain subsidiary companies and assignment of rental and charter hire income. Guarantees were also given by the Company in respect of certain subsidiaries' borrowings.



Notes to the Accounts (Cont'd)

31st December, 2000

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Year ended 31.12.2000 <i>HK\$</i>	Fifteen months ended 31.12.1999 <i>HK\$</i>
Operating loss	(101,739,567)	(51,919,402)
Interest expenses	26,696,179	28,091,401
Interest income	(4,772,095)	(4,774,130)
Gain on disposal of convertible bonds	(3,014,193)	(567,402)
Discount accretion on convertible bonds	—	(562,315)
Depreciation charges	9,302,049	9,472,430
(Gain)/loss on disposal of fixed assets	(122,644)	16,480,431
Fixed assets written off	—	49,370
Provision for diminution in value of long term investments	50,000,000	—
Write down of land and buildings to recoverable amount	2,407,645	30,000,000
Write down of motor vessels to recoverable amount	9,536,018	—
Insurance compensation received for a motor vessel destroyed	—	(13,948,200)
Gain on dissolution of a subsidiary	—	(2,441,533)
Gain on disposal of 5% equity interest in a subsidiary	—	(12,858,807)
Decrease in short term investments	—	1,117,200
Decrease in short term secured loan receivable	—	17,673,854
Increase in deposits receivable	(8,476,600)	—
Decrease/(increase) in inventories	28,629,575	(11,650,503)
Increase in accounts receivable and prepayments	(48,163,218)	(892,830)
Increase in rental deposits received	399,304	74,483
(Decrease)/increase in accounts payable and accrued expenses	(8,907,840)	59,676,292
Net cash (outflow)/inflow from operating activities	<u>(48,225,387)</u>	<u>63,020,339</u>



Notes to the Accounts (Cont'd)

31st December, 2000

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of changes in financing during the year/period

	Secured bank loans		Minority interests		Advance from a minority shareholder	
	Year ended	Fifteen month ended	Year ended	Fifteen month ended	Year ended	Fifteen month ended
	31.12.2000	31.12.1999	31.12.2000	31.12.1999	31.12.2000	31.12.1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Balance brought forward	199,284,933	252,038,937	1,613,274	1,185,490	3,041,816	3,041,816
Net receipt/(repayment) on secured bank loans	4,691,752	(52,754,004)	—	—	—	—
Minority interests in share of profits/(losses)	—	—	366,504	(196,669)	—	—
Acquisition of 35% equity interest in a subsidiary	—	—	(8)	—	—	—
Disposal of 5% equity interest in a subsidiary	—	—	—	624,453	—	—
Advance from a minority shareholder	—	—	—	—	6,408,508	—
Balance carried forward	<u>203,976,685</u>	<u>199,284,933</u>	<u>1,979,770</u>	<u>1,613,274</u>	<u>9,450,324</u>	<u>3,041,816</u>



Notes to the Accounts (Cont'd)

31st December, 2000

25. CONTINGENT LIABILITIES AND COMMITMENTS

	GROUP		COMPANY	
	31.12.2000	31.12.1999	31.12.2000	31.12.1999
	HK\$	HK\$	HK\$	HK\$
Contingent liabilities:				
Bills discounted with recourse	15,796,418	—	—	—
Guarantees for banking facilities utilized by subsidiaries	—	—	264,976,993	286,505,181
Commitments under operating leases:				
Payments in the next year for land and buildings which expires:				
— within one year	317,018	228,439	—	—
— within the second to fifth year	1,200,000	—	—	—
— After the fifth year	690,015	687,055	—	—
	<u>2,207,033</u>	<u>915,494</u>	<u>—</u>	<u>—</u>
	<u>18,003,451</u>	<u>915,494</u>	<u>264,976,993</u>	<u>286,505,181</u>

As at the balance sheet date the Group had contingent liabilities in respect of a legal claim lodged against a subsidiary company. The maximum liability of the Group as at the balance sheet date was estimated to be about HK\$9,300,000 (31.12.1999: HK\$9,300,000). The directors, based on the advice of the Group's legal advisor, considered that the Group had good defence against the alleged claim and accordingly no provision has been made in the accounts for the legal claim.

26. ULTIMATE HOLDING COMPANY

The directors regard Asian Pacific Investment Corporation, a company incorporated in Panama, as being its ultimate holding company.

27. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 14th March, 2001.