

1. General

The Company is a public listed company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

The principal activities of the Company are property investment and investment holding. The principal activities of the subsidiaries and associates are shown in notes 15 and 16 respectively.

2. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is eliminated against reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of investments in subsidiaries or associates, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

2. Significant Accounting Policies (Continued)

Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

When a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in associates are stated at cost, as reduced by any decline in the value of the associates that is other than temporary. Results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

Revenue recognition

(i) Property trading

When properties are developed for resale, income is recognised only when a building or any portion of it contracted for sale is 100% completed and the relevant occupation permit is granted by the relevant government authority. Where properties are disposed of through the disposal of those subsidiaries which hold the titles of these properties, income is recognised when the ownership of the subsidiaries is transferred to the buyer. Payments received from the purchasers prior to this stage are recorded as customers' deposits included in trade and other payables under current liabilities.

(ii) Premium income

Premiums are recognised as income when an insurance policy is accepted and the relevant debit note is issued by the Group. 40% on the net premiums written during the year are deferred as unearned premiums at the balance sheet date.

(iii) Return on investments

Dividends from investee companies are recognised as income when the Group's right to receive the relevant payment is established, whilst interest income is recognised on a time basis that takes into account the effective yield on the relevant deposits.

(iv) Operating lease income

Rentals receivable under operating leases are credited to the income statement on a straight-line basis over the relevant lease term.

(v) Sales of goods

Sales of goods are recognised when goods are delivered and title has passed.

(vi) Management fee

Management fee income is recognised when services are rendered.

2. Significant Accounting Policies *(Continued)*

Property, plant and equipment

Property, plant and equipment other than properties under development are stated at cost or valuation less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period 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 asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost or valuation of property, plant and equipment, other than properties under development, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	Over the shorter of the lease term or 3 %
Plant and machinery	10%
Furniture, fixtures, motor vehicles and computer equipment	10 – 20%

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any surplus arising on the revaluation of land and buildings is credited to the other property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Properties under development

Land for properties under development is stated at cost. Where a piece of land is transferred from another class, it is stated at its carrying value at the time of the transfer and the value is treated as the deemed cost of the land. No further valuation of the land will be carried out subsequent to its reclassification.

Development expenditure is stated at the aggregate amount of costs, including interest expenses capitalised during the development period. Provision for anticipated losses is made, where appropriate. No depreciation is provided on properties under development.

2. Significant Accounting Policies (Continued)

Properties held for sale

Properties held for sale are stated at the lower of cost and the estimated market value.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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

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

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs to complete production and the estimated costs necessary to make the sale.

2. Significant Accounting Policies *(Continued)*

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

Retirement benefits scheme

The Group operates a defined contribution retirement benefits scheme for qualifying staff of certain companies in the Group, the assets of which are held in a separate trustee administered fund. Payments to the scheme are charged as an expense as they fall due.

Certain of the Group's employees have been enrolled in a Mandatory Provident Fund scheme. The contributions payable in respect of the current year to the fund are charged as an expense as they fall due.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of the Group's overseas operations are translated at rates ruling on the balance sheet date. Exchange differences arising, if any, are classified as equity and are recognised as income or as expenses in the period in which the operation is disposed of.

2. Significant Accounting Policies (Continued)

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

3. Segment Information

An analysis of turnover and contribution to profit before tax of the Group by business and geographical segments is as follows:

Business Segments

	Turnover 2000 HK\$'000	Turnover 1999 HK\$'000	Contribution to profit before tax 2000 HK\$'000	Contribution to profit before tax 1999 HK\$'000
Property investment	129,269	138,016	123,109	135,170
Property development	73,693	5,726	60,555	4,022
Property management	17,420	15,885	12,996	10,858
Insurance business	34,805	33,027	8,315	7,357
Trading and manufacturing businesses	49,200	51,260	6,250	4,974
Treasury investment	87,715	77,035	(26,204)	69,732
	392,102	320,949	185,021	232,113
Share of results of associates			242,741	183,047
Profit before tax			427,762	415,160

Geographical Segments

	Turnover 2000 HK\$'000	Turnover 1999 HK\$'000	Contribution to profit before tax 2000 HK\$'000	Contribution to profit before tax 1999 HK\$'000
Hong Kong	295,415	285,517	112,326	227,667
Mainland China	96,687	35,432	72,695	4,446
	392,102	320,949	185,021	232,113
Share of results of associates			242,741	183,047
Profit before tax			427,762	415,160

4. Turnover

Turnover represents the aggregate of the following amounts received and receivable during the year:

	2000 HK\$'000	1999 HK\$'000
Gross rental income	129,269	138,016
Interest income	84,355	71,591
Sales of goods	49,200	51,260
Gross insurance premium	34,805	33,027
Property management fees	17,420	15,885
Proceeds from disposal of properties	73,693	5,726
Proceeds from disposal of listed investments	1,034	3,744
Dividend income from listed investments	2,326	1,700
	392,102	320,949

5. Profit from Operations

	2000 HK\$'000	1999 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	827	855
(Surplus) deficit on revaluation of land and buildings	(80)	234
Depreciation	4,713	5,038
Loss on disposal of property, plant and equipment	—	20
Loss (gain) on disposal of other investments	458	(72)
Operating lease rentals in respect of land and buildings	5,793	3,858
Directors' emoluments (Note 7)	11,828	9,225
Other staff costs	31,812	30,861
Staff retirement scheme contributions, net of forfeited contributions of HK\$149,551 (1999: Nil)	879	5,517
Total staff costs	44,519	45,603
and after crediting:		
Gross rental income from properties		
Investment properties	129,269	137,419
Other properties	—	597
	129,269	138,016
Less: Outgoings	(6,160)	(7,872)
Net rental income from properties	123,109	130,144

6. Finance Costs

	2000 HK\$'000	1999 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank loans and overdrafts	203,890	132,954
Other borrowings	24,152	24,294
	228,042	157,248
Less: Amount capitalised as cost of properties under development at a capitalisation rate of 6.71% (1999: 5.95%) per annum	(171,622)	(119,754)
	56,420	37,494

7. Directors' and Employees' Emoluments

	2000 HK\$'000	1999 HK\$'000
Directors' fees	800	640
Other emoluments:		
Salary and other benefits	10,883	8,435
Retirement scheme contributions	145	150
	11,828	9,225

The amounts disclosed above include emoluments of HK\$400,000 (1999: HK\$240,000) payable to independent non-executive directors.

Notes:

- (a) Emoluments of Directors were within the following bands:

Range	No. of directors	
	2000	1999
Nil to HK\$1,000,000	11	11
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$2,000,001 to HK\$2,500,000	2	1
HK\$4,000,001 to HK\$4,500,000	—	1
HK\$4,500,001 to HK\$5,000,000	1	—

- (b) The five highest paid employees are all executive directors of the Company. Their emoluments have been disclosed and included in the above.
- (c) During the year, no emoluments were paid by the Group to the five highest paid directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

8. Taxation

	2000 HK\$'000	1999 HK\$'000
Hong Kong Profits Tax:		
The Company and its subsidiaries		
Current year	10,993	12,980
Under(over)provision in prior years	2,192	(2,138)
	13,185	10,842
Associates	43,923	32,606
	57,108	43,448
Overseas tax:		
The Company and its subsidiaries	1,146	189
Associates	412	703
	1,558	892
	58,666	44,340

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of the potential deferred tax credit (charge) not provided for in the year are set out in note 26.

9. Profit Attributable to Shareholders

Of the Group's profit attributable to shareholders for the year, HK\$93,261,000 (1999: HK\$310,977,000) has been dealt with in the financial statements of the Company.

10. Dividends

	2000 HK\$'000	1999 HK\$'000
Interim dividend paid at HK\$0.14 per share on 379,025,440 shares (1999: HK\$0.14 per share on 379,173,440 shares)	53,064	53,084
Proposed final dividend at HK\$0.21 per share on 379,025,440 shares (1999: HK\$0.21 per share on 379,025,440 shares)	79,595	79,595
	132,659	132,679

11. Earnings per Share

The calculation of earnings per share is based on the net profit for the year of HK\$370,576,000 (1999: HK\$367,166,000) and on the weighted average number of 379,026,974 (1999: 379,183,653) shares in issue during the year.

12. Investment Properties

	The Group HK\$'000	The Company HK\$'000
Valuation		
At 1st January, 2000	2,564,549	700,000
Additions	692	692
Surplus (deficit) on revaluation	78,608	(692)
At 31st December, 2000	2,643,849	700,000

The investment properties were revalued as at 31st December, 2000 on an open market value basis by Vigers Hong Kong Limited, a firm of independent professional valuers. The resulting surplus of the Group of approximately HK\$78,608,000 (1999: HK\$121,658,000) and deficit of the Company of approximately HK\$692,000 (1999: HK\$842,000) arising on revaluation have been credited and charged to the investment property revaluation reserve respectively.

All investment properties are held for rental income under operating leases.

A summary of the carrying values of investment properties, which are all situated in Hong Kong, is as follow:

	The Group		The Company
	2000 HK\$'000	1999 HK\$'000	2000 & 1999 HK\$'000
Held under:			
Long leases	2,626,849	2,545,549	700,000
Medium-term leases	17,000	19,000	–
	2,643,849	2,564,549	700,000

13. Property, Plant and Equipment

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures, motor vehicles and computer equipment HK\$'000	Total HK\$'000
The Group				
Cost/Valuation				
At 1st January, 2000	4,501	26,895	25,858	57,254
Additions	196	—	1,481	1,677
Disposals	(991)	—	(3,553)	(4,544)
Surplus on revaluation	168	—	—	168
At 31st December, 2000	3,874	26,895	23,786	54,555
COMPRISING:				
At cost	—	26,895	23,786	50,681
At valuation	3,874	—	—	3,874
	3,874	26,895	23,786	54,555
Accumulated Depreciation				
At 1st January, 2000	—	4,744	20,403	25,147
Charge for the year	97	2,006	2,610	4,713
Eliminated on disposals	(15)	—	(3,457)	(3,472)
Eliminated on revaluation	(82)	—	—	(82)
At 31st December, 2000	—	6,750	19,556	26,306
Net Book Values				
At 31st December, 2000	3,874	20,145	4,230	28,249
At 31st December, 1999	4,501	22,151	5,455	32,107

13. Property, Plant and Equipment (Continued)

A summary of the net book values of land and buildings held by the Group, which are all situated in the People's Republic of China ("PRC"), is as follow:

	2000 HK\$'000		1999 HK\$'000
Held under:			
Long leases	364		991
Medium-term leases	3,510		3,510
	3,874		4,501
	Land and buildings held in PRC under long leases HK\$'000	Furniture, fixtures, motor vehicles and computer equipment HK\$'000	Total HK\$'000
The Company			
Cost/Valuation			
At 1st January, 2000	–	13,002	13,002
Additions	196	457	653
Surplus on revaluation	168	–	168
At 31st December, 2000	364	13,459	13,823
COMPRISING:			
At cost	–	13,459	13,459
At valuation	364	–	364
	364	13,459	13,823
Accumulated Depreciation			
At 1st January, 2000	–	9,203	9,203
Charge for the year	2	1,529	1,531
Eliminated on revaluation	(2)	–	(2)
At 31st December, 2000	–	10,732	10,732
Net Book Values			
At 31st December, 2000	364	2,727	3,091
At 31st December, 1999	–	3,799	3,799

13. Property, Plant and Equipment *(Continued)*

The land and buildings were revalued as at 31st December, 2000 on an open market value basis by Vigers Hong Kong Limited, a firm of independent professional valuers. The resulting surplus arising on revaluation of the Group amounting to HK\$250,000 has been dealt with as follows:

- (i) a surplus of HK\$170,000 has been credited to the other property revaluation reserve; and
- (ii) a surplus of HK\$80,000 has been credited to the income statement.

The resulting surplus of the Company arising on revaluation amounting to HK\$170,000 has been credited to other property revaluation reserve.

The amount of land and buildings of the Group and the Company that would have been included in the financial statements at the balance sheet date had the assets been carried at cost less accumulated depreciation is approximately HK\$4,900,000 and HK\$194,000 (1999: HK\$6,222,000 and nil), respectively.

14. Properties under Development

	The Group	
	2000 HK\$'000	1999 HK\$'000
Land situated in Hong Kong and held under long lease, at cost	520,070	520,070
Land situated in the PRC and held under medium-term lease, at cost less provision	653,737	651,825
	1,173,807	1,171,895
Development expenditure to date	1,244,944	950,725
	2,418,751	2,122,620

Included in properties under development is net interest capitalised of approximately HK\$482,623,000 (1999: HK\$311,001,000).

15. Investments in Subsidiaries

	The Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares/capital contribution, at cost	286,433	285,194
Less: Provision	(34,372)	(34,372)
	252,061	250,822
Amounts due from subsidiaries, less provision (note)	2,840,366	2,609,690
	3,092,427	2,860,512

Note: Included in the balance is an amount of HK\$644,519,000 (1999: Nil) due from a subsidiary, the repayment of which had been subordinated to a bank.

In the opinion of the Company's directors, the amounts due from subsidiaries will not be repayable in the next twelve months from the balance sheet date and, accordingly, the amounts have been classified as non-current assets.

Particulars of the Company's principal subsidiaries as at 31st December, 2000 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Liu Chong Hing Estate Company, Limited	Hong Kong	HK\$10,000,000	100	—	Investment holding
* Liu Chong Hing Godown Company, Limited	Hong Kong	HK\$72,000,000	100	—	Property investment
Liu Chong Hing Insurance Company Limited	Hong Kong	HK\$50,000,000	100	—	Insurance business
Liu Chong Hing Property Management and Agency Limited	Hong Kong	HK\$1,000,000	100	—	Property management and agency
Abaleen Enterprises Limited	Hong Kong	HK\$100,000	100	—	Property investment
Alain Limited	Hong Kong	HK\$9,500	52.6	21.4	Investment holding

15. Investments in Subsidiaries (Continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Bonsun Enterprises Limited	Hong Kong	HK\$2,000,000	100	–	Property investment
China Link Technologies Limited	Hong Kong	US\$100	100	–	Investment holding
* Chong Yip Finance Limited	Hong Kong	HK\$1,000,000	100	–	Money lending
Devon Realty Limited	Hong Kong	HK\$200	100	–	Property investment
Donington Company Limited	Hong Kong	HK\$200	100	–	Property investment
Gem Gain Enterprises Limited	Hong Kong	HK\$30	100	–	Investment holding
Great Earnest Limited	Hong Kong	HK\$200	100	–	Property investment
Great Fun Limited	Hong Kong	HK\$200	100	–	Investment holding
Heng Kin Investment Limited	Hong Kong	HK\$2	100	–	Property investment
Jacot Limited	Hong Kong	HK\$2	100	–	Investment holding
Joyful Nice International Investment Limited	Hong Kong	HK\$2	100	–	Investment holding
Ko Yew Company Limited	Hong Kong	HK\$200	100	–	Property investment
Luxpolar Limited	Hong Kong	HK\$2	–	100	Property investment
Marble Kingdom Limited	Hong Kong	HK\$2	100	–	Investment holding
Oriental Victory Investment Limited	Hong Kong	HK\$2	100	–	Property investment
Queen Profit International Investment Limited	Hong Kong	HK\$61,540	83.75	–	Investment holding
Sino Pink Development Limited	Hong Kong	HK\$2	100	–	Property development
Speed World Investment Limited	Hong Kong	HK\$100	–	60	Investment holding
Top Team Limited	Hong Kong	HK\$200	100	–	Investment holding

15. Investments in Subsidiaries (Continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Wealth Good Investment Limited	Hong Kong	HK\$2	100	—	Investment holding
* Yue Tung Ching Kee Company Limited	Hong Kong	HK\$2,000,000	100	—	Property investment
* Guangzhou Chong Hing Property Development Company Limited	PRC	RMB170,000,000	—	60	Property development
* Maanshan Gaoke Magnetic Material Company Limited	PRC	RMB41,000,000	—	51.5	Manufacturing of magnetic materials
Shanghai Huang Pu Liu Chong Hing Property Development Company Limited	PRC	US\$27,000,000	—	70.3	Property development
Determined Resources Limited	British Virgin Islands/Hong Kong	US\$1,000	100	—	Share investment
Linktime International Development Limited	British Virgin Islands/PRC	US\$10	—	60	Consultancy services
Terryglass Limited	British Virgin Islands/Thailand	US\$1,000	100	—	Investment holding

None of the subsidiaries had any loan capital subsisting at 31st December, 2000 or at any time during the year.

The Company's directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or net assets of the Group.

* *The financial statements of these subsidiaries for the year ended 31st December, 2000 are not audited by Messrs. Deloitte Touche Tohmatsu*

16. Investments in Associates

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	—	—	3	3
Share of net assets of associates which are				
– listed in Hong Kong	2,571,946	2,419,532	—	—
– unlisted	2,050	2,463	—	—
	2,573,996	2,421,995	3	3
Amounts due from associates	1,200	1,200	—	—
	2,575,196	2,423,195	3	3
Market value of listed shares at 31st December	1,775,914	1,599,304	—	—

In the opinion of the Company's directors, the amounts due from associates will not be repayable in the next twelve months from the balance sheet date and, accordingly, the amounts have been classified as non-current assets.

Particulars of the Group's principal associates at 31st December, 2000 are as follows:

Name of associate	Place of incorporation/ operations	Class of share held	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Liu Chong Hing Bank Limited (Listed in Hong Kong) ("LCH Bank")	Hong Kong	Ordinary	—	45.1	Banking business
Falconmate Limited	Hong Kong	Ordinary	50.0	—	Property investment
Pelham Hill Limited	Hong Kong	Ordinary	25.0	—	Investment holding

The Company's directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the above list discloses only the particulars of those associates which principally affect the results or net assets of the Group.

The following details have been extracted from the audited financial statements of the Group's principal associate, LCH Bank, and its subsidiaries (hereinafter collectively referred to as the "LCH Bank Group").

16. Investments in Associates *(Continued)*

Consolidated results of LCH Bank Group for the year ended 31st December, 2000 are as follows:

	2000 HK\$'000	1999 HK\$'000
Interest income	2,608,729	2,266,861
Interest expenses	(1,668,593)	(1,460,732)
Net interest income	940,136	806,129
Other operating income	177,113	167,653
Operating income	1,117,249	973,782
Operating expenses	(404,568)	(370,864)
Operating profit before provisions and disposal of long-term assets	712,681	602,918
Charge for bad and doubtful debts	(171,533)	(185,309)
Gains less losses from disposal of property and equipment	40	169
Gains less losses from disposal of other securities	13,641	12,798
Surplus on revaluation of land and buildings	—	85
Profit from ordinary activities before taxation	554,829	430,661
Taxation	(98,231)	(73,813)
Profit attributable to shareholders	456,598	356,848
Dividends	(230,550)	(182,700)
Net profit for the year, retained	226,048	174,148

LCH Bank Group has selected the alternative treatment for securities other than held-to-maturity securities upon adoption of Statement of Standard Accounting Practice No. 24 "Accounting for investments in securities" issued by the Hong Kong Society of Accountants under which the valuation movements of non-trading securities are dealt with in equity while those of trading securities are dealt with in the income statement.

This accounting policy is not consistent with the benchmark treatment adopted by the Group. No adjustment has been made to achieve a consistent policy upon the equity accounting of the results of LCH Bank Group as it is not practicable to quantify the adjustment required.

16. Investments in Associates (Continued)

Consolidated financial position of LCH Bank Group as at 31st December, 2000:

	2000 HK\$'000	1999 HK\$'000
Assets		
Cash and short-term funds	14,558,320	10,063,218
Placements with banks and other financial institutions maturing between one and twelve months	2,831,917	3,885,285
Advances and other accounts	19,380,420	19,759,378
Trading securities	169,790	172,184
Held-to-maturity securities	187,547	170,362
Other securities	342,234	253,825
Interest in an associate	344,767	333,672
Property and equipment	1,176,805	1,176,851
Total assets	38,991,800	35,814,775
Liabilities		
Deposits and balances of banks and other financial institutions	1,158,721	1,334,485
Current, fixed, savings and other deposits of customers	31,108,597	28,327,783
Certificates of deposit issued	23,398	23,315
Other accounts and provisions	972,780	739,194
Proposed dividend	152,250	117,450
Total liabilities	33,415,746	30,542,227
Net tangible assets	5,576,054	5,272,548

17. Investments in Securities

	Investment securities		Other investments		Total	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
The Group						
Equity securities:						
Listed in Hong Kong	–	–	66,469	82,990	66,469	82,990
Listed overseas	–	–	694	2,455	694	2,455
Unlisted	72,888	1,980	177,801	140,196	250,689	142,176
	72,888	1,980	244,964	225,641	317,852	227,621
Market value of listed securities:						
Listed in Hong Kong	–	–	66,469	82,990	66,469	82,990
Listed overseas	–	–	694	2,455	694	2,455
	–	–	67,163	85,445	67,163	85,445
Carrying amount analysed for reporting purposes as:						
Current	–	–	25,636	32,444	25,636	32,444
Non-current	72,888	1,980	219,328	193,197	292,216	195,177
	72,888	1,980	244,964	225,641	317,852	227,621
The Company						
Equity securities:						
Listed in Hong Kong	–	–	25,636	32,444	25,636	32,444
Listed overseas	–	–	141	138	141	138
Unlisted	1,725	1,480	48,960	43,355	50,685	44,835
	1,725	1,480	74,737	75,937	76,462	77,417
Market value of listed securities:						
Listed in Hong Kong	–	–	25,636	32,444	25,636	32,444
Listed overseas	–	–	141	138	141	138
	–	–	25,777	32,582	25,777	32,582
Carrying amount analysed for reporting purposes as:						
Current	–	–	25,636	32,444	25,636	32,444
Non-current	1,725	1,480	49,101	43,493	50,826	44,973
	1,725	1,480	74,737	75,937	76,462	77,417

18. Advance to an Investee Company

The advance is unsecured, bear interests at market interest rates and have no fixed repayment terms. In the opinion of the Company's directors, the investee company will not repay the advance in the next twelve months from the balance sheet date and, accordingly, the amounts have been classified as non-current assets. The advance is subordinated to the repayment of bank loans of the investee company.

19. Amount due from a Former Subsidiary

The balance represents the amount due from a former subsidiary which was engaged in property development. This subsidiary was sold by the Company to a third party during the year. This amount is interest-free and is secured by a share charge on the former subsidiary's entire share capital and a first floating charge on certain of its assets. The amount of approximately HK\$29,614,000 due to be received after one year from the balance sheet date is shown as non-current asset. The remaining amount of HK\$25,940,000 due to be received within one year from the balance sheet date is included in trade and other receivables under current assets.

20. Inventories

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Raw materials	1,372	1,622	–	–
Work in progress	869	462	–	–
Finished goods	10,325	8,313	2,373	3,829
	12,566	10,397	2,373	3,829

The cost of inventories recognised as an expense during the year amounted to approximately HK\$42,950,000 (1999: HK\$46,286,000).

21. Trade and Other Receivables

The Group operates a controlled credit policy and allows an average credit period of 30 – 90 days to its trade customers who satisfy the credit evaluation. The aging analysis of trade receivable of HK\$52,238,000 (1999: HK\$24,885,000) which are included in trade and other receivables are as follows:

	2000 HK\$'000	1999 HK\$'000
Current	39,086	9,509
Over 30 days	6,364	7,797
Over 60 days	6,788	7,579
	52,238	24,885

22. Borrowings

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans				
Secured	384,868	320,000	320,000	320,000
Unsecured	1,635,000	1,404,000	1,635,000	1,404,000
Secured loan from LCH Bank Group	300,000	440,000	300,000	440,000
Bank overdrafts granted by LCH Bank Group, secured	1,832	2,032	1,832	2,032
Total bank borrowings	2,321,700	2,166,032	2,256,832	2,166,032
Amount due to an associate (note a)	376,064	331,930	1,794	1,556
Amounts due to subsidiaries (note b)	-	-	-	485
Amounts due to minority shareholders (note a)	67,090	61,797	-	-
	2,764,854	2,559,759	2,258,626	2,168,073
The maturity of borrowings is as follows:				
Bank borrowings				
On demand or within one year	831,832	780,032	831,832	780,032
More than one year but not exceeding two years	724,868	681,000	660,000	681,000
More than two years but not exceeding five years	765,000	705,000	765,000	705,000
	2,321,700	2,166,032	2,256,832	2,166,032
Less: Amount due within one year shown under current liabilities	(831,832)	(780,032)	(831,832)	(780,032)
Total bank borrowings	1,489,868	1,386,000	1,425,000	1,386,000
Amounts due to associates (note a)	376,064	331,930	1,794	1,556
Amounts due to subsidiaries (note b)	-	-	-	485
Amounts due to minority shareholders (note a)	67,090	61,797	-	-
Amounts due after one year	1,933,022	1,779,727	1,426,794	1,388,041

Note a. These borrowings are unsecured, bear interest at market interest rates and have no fixed repayment terms. In the opinion of the Company's directors, the respective creditors will not demand repayment in the next twelve months from the balance sheet date and, accordingly, the amounts have been classified as non-current liabilities.

Note b. These borrowings are unsecured, bear interest at market interest rates and have no fixed repayment terms. In the opinion of the Company's directors, the respective subsidiaries will not demand repayment in the next twelve months from the balance sheet date and, accordingly, the amounts have been classified as non-current liabilities.

23. Trade and Other Payables

At balance sheet date, included in trade and other payables are trade payable of HK\$33,664,000 (1999: HK\$26,380,000) and the aging analysis are as follows:

	2000 HK\$'000	1999 HK\$'000
Current	23,860	17,685
Over 30 days	7,931	3,797
Over 90 days	1,873	4,898
	33,664	26,380

24. Share Capital

	2000 HK\$'000	1999 HK\$'000
Ordinary shares of HK\$1 each		
Authorised:		
At 1st January and 31st December	600,000	600,000
Issued and fully paid:		
At 1st January	379,081	379,441
Shares repurchased and cancelled	(56)	(360)
At 31st December	379,025	379,081

During the year, the Company repurchased a total 56,000 shares of HK\$1 each in the Company through the Hong Kong Stock Exchange. All such shares have been cancelled and the total consideration was charged to accumulated profits as follows:

Trading month/year	Number of shares repurchased	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
January 2000	56,000	5.00	4.85	278

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

25. Reserves

	Capital reserve (Note a) HK\$'000	General reserve (Note a) HK\$'000	Inner reserve (Note a) HK\$'000	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Accumul- ated profits HK\$'000	Total HK\$'000
THE GROUP										
At 1st January, 1999	434,012	694,047	79,448	93,924	2,358,118	-	2,094	(264)	1,254,565	4,915,944
Share of surplus on revaluation of investments of associates	-	-	-	-	-	4,849	-	-	-	4,849
Exchange differences arising on translation of overseas operations	-	-	-	-	-	-	-	(6,302)	-	(6,302)
Goodwill arising on acquisition of a subsidiary	(1,663)	-	-	-	-	-	-	-	-	(1,663)
Net surplus on revaluation	-	-	-	121,658	-	-	-	-	-	121,658
Share of deficit on revaluation of properties of associates	-	-	-	(1,263)	(3,963)	-	-	-	-	(5,226)
Share of exchange translation differences of associates	-	-	-	-	-	-	-	1,622	-	1,622
Profit attributable to shareholders	-	-	-	-	-	-	-	-	367,166	367,166
Dividends	-	-	-	-	-	-	-	-	(132,679)	(132,679)
Transfer	-	10,000	-	-	-	-	-	-	(10,000)	-
Cancellation on repurchase of own shares	-	-	-	-	-	-	360	-	(1,866)	(1,506)
Reclassification (note b)	-	-	-	323,506	(323,506)	-	-	-	-	-
At 1st January, 2000	432,349	704,047	79,448	537,825	2,030,649	4,849	2,454	(4,944)	1,477,186	5,263,863
Share of surplus on revaluation of investments of associates	-	-	-	-	-	23,147	-	-	-	23,147
Exchange differences arising on translation of overseas operations	-	-	-	-	-	-	-	(662)	-	(662)
Goodwill arising on acquisition of additional interest in a subsidiary	(1,664)	-	-	-	-	-	-	-	-	(1,664)
Net surplus on revaluation	-	-	-	78,608	170	-	-	-	-	78,778
Share of surplus on revaluation of properties of associates	-	-	-	-	10,666	-	-	-	-	10,666
Share of exchange translation differences of associates	-	-	-	-	-	-	-	929	-	929
Eliminated on disposal of a subsidiary	(85)	-	-	-	-	-	-	(1,757)	-	(1,842)
Profit attributable to shareholders	-	-	-	-	-	-	-	-	370,576	370,576
Dividends	-	-	-	-	-	-	-	-	(132,659)	(132,659)
Cancellation on repurchase of own shares	-	-	-	-	-	-	56	-	(278)	(222)
At 31st December, 2000	430,600	704,047	79,448	616,433	2,041,485	27,996	2,510	(6,434)	1,714,825	5,610,910
Share of reserves of associates included above	345,886	659,047	79,448	30,812	509,759	27,996	-	2,539	755,004	2,410,491

25. Reserves (Continued)

	Capital reserve (Note a) HK\$'000	General reserve (Note a) HK\$'000	Inner reserve (Note a) HK\$'000	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Accumul- ated profits HK\$'000	Total HK\$'000
THE COMPANY										
At 1st January, 1999	3	-	-	317,921	-	-	2,094	-	920,427	1,240,445
Profit for the year	-	-	-	-	-	-	-	-	310,977	310,977
Dividends	-	-	-	-	-	-	-	-	(132,679)	(132,679)
Deficit on revaluation	-	-	-	(842)	-	-	-	-	-	(842)
Cancellation on repurchase of own shares	-	-	-	-	-	-	360	-	(1,866)	(1,506)
At 1st January, 2000	3	-	-	317,079	-	-	2,454	-	1,096,859	1,416,395
Profit for the year	-	-	-	-	-	-	-	-	93,261	93,261
Dividends	-	-	-	-	-	-	-	-	(132,659)	(132,659)
Surplus (deficit) on revaluation	-	-	-	(692)	170	-	-	-	-	(522)
Cancellation on repurchase of own shares	-	-	-	-	-	-	56	-	(278)	(222)
At 31st December, 2000	3	-	-	316,387	170	-	2,510	-	1,057,183	1,376,253

The Company's reserves available for distribution to shareholders at 31st December, 2000 amounted to HK\$1,057,183,000 (1999: HK\$1,096,859,000), being its accumulated profits at that date.

Note a. Capital reserve represent goodwill/reserve arising on consolidation of subsidiaries and associates.

General reserve represent distributable reserves set aside by the Company's subsidiaries and associates for future development.

Inner reserve represent the Group's share of inner reserve set aside by the LCH Bank Group in prior years to minimise undue fluctuation in profits in the income statement.

Note b. This adjustment served to reclassify revaluation reserves relating to certain properties which arose during the period in which these properties were investment properties.

26. Unrecognised Deferred Taxation

The components of unrecognised deferred tax assets (liabilities) at the balance sheet date are as follows:

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences because of:				
Taxation losses	42,168	38,269	30,353	29,054
Excess of tax allowances over depreciation	(317)	(542)	(327)	(448)
	41,851	37,727	30,026	28,606

The components of unprovided deferred tax credit for the year are as follows:

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Timing differences because of:				
Taxation losses	3,899	4,293	1,299	31
Excess of tax allowances over depreciation	225	211	121	40
	4,124	4,504	1,420	71

The net deferred tax assets have not been recognised in the financial statements as it is not certain that the tax benefits will be realised in the foreseeable future.

Deferred taxation has not been provided on the revaluation surplus arising on the Group's properties and the non-trading investments of its associates because profits arising on future disposal of these assets would not be subject to taxation. Accordingly, the surplus arising on revaluation does not constitute a timing difference for tax purpose.

27. Reconciliation of Profit before Tax to Net Cash Inflow (Outflow) from Operating Activities

	2000 HK\$'000	1999 HK\$'000
Profit before tax	427,762	415,160
Share of results of associates	(242,741)	(183,047)
Interest expenses	56,420	37,494
Depreciation	4,713	5,038
Unrealised holding gain on other investments	(14,039)	(92,768)
Loss (gain) on disposal of other investments	458	(72)
Loss on disposal of property, plant and equipment	–	20
Reserves eliminated on disposal of a subsidiary	(1,842)	–
(Surplus) deficit on revaluation of leasehold land and buildings	(80)	234
Provision for bad and doubtful debts	–	276
Increase in properties under development	(124,509)	(266,309)
Increase in amount due from a former subsidiary	(55,554)	–
Increase in inventories	(2,169)	(3,453)
Decrease in properties held for sale	1,544	1,297
(Increase) decrease in trade and other receivables	(3,614)	2,946
Increase in trade and other payables	9,942	10,905
Net Cash Inflow (Outflow) from Operating Activities	56,291	(72,279)

28. Acquisition of a Subsidiary

	2000 HK\$'000	1999 HK\$'000
Net assets acquired:		
Investments in securities	–	26,739
Trade and other payables	–	(4)
Amount due to a shareholder	–	(6,350)
Minority interests	–	11
	–	20,396
Goodwill arising on acquisition	–	1,663
	–	22,059
Satisfied by:		
Cash	–	8,000
Reclassification from investments in associates	–	14,059
	–	22,059

The subsidiary acquired during the prior year did not have a material effect on the profit or cash flows of the Group for that year.

29. Analysis of changes in Financing during the year

	Borrowings (excluding cash and cash equivalents) HK\$'000	Share capital HK\$'000
At 1st January, 1999	1,970,460	379,441
New borrowings raised	1,239,672	—
Repayments	(658,755)	—
Acquisition of a subsidiary	6,350	—
Cash outflow for repurchase of own shares	—	(1,866)
Repurchase of own shares paid out of accumulated profits	—	1,866
Nominal value of shares cancelled and transferred to capital redemption reserve	—	(360)
At 1st January, 2000	2,557,727	379,081
New borrowings raised	983,295	—
Repayments	(778,000)	—
Cash outflow for repurchase of own shares	—	(278)
Repurchase of own shares paid out of accumulated profits	—	278
Nominal value of shares cancelled and transferred to capital redemption reserve	—	(56)
At 31st December, 2000	2,763,022	379,025

30. Share Option Scheme

The share option scheme of the Company provides that the Directors may offer to any employees (including executive directors) of the Company and any of its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the share option scheme. However, no options were granted during the year or outstanding at the balance sheet date.

31. Pledge of Assets

The Group

At the balance sheet date, certain properties under development and investment properties of the Group with an aggregate carrying amount of HK\$1,816,000,000 (1999: investment properties together with certain land and buildings with an aggregate carrying amount of HK\$1,078,000,000) were pledged to banks to secure general banking facilities made available to the Group. In addition, the Group had also executed a share mortgage of its investment in an investee company with a carrying amount of HK\$102,102,000 (1999: HK\$70,102,000) in favour of banks against facilities granted to that investee company.

The Company

At the balance sheet date, the investment properties of the Company with an aggregate carrying amount of HK\$700,000,000 (1999: HK\$700,000,000) were pledged to banks to secure general banking facilities made available to the Company. In addition, the Company also pledged the shares of a subsidiary in favour of a bank against facilities granted to that subsidiary (1999: Nil).

32. Contingent Liabilities

The Group

In 1999, the Group had given guarantees to bankers for banking facilities amounting to HK\$26,000,000 granted to an associate. Such guarantees were released during 2000.

The Company

At the balance sheet date, the Company had given corporate guarantees to a bank for banking facilities amounting to HK\$150,000,000 granted to a subsidiary (1999: HK\$26,000,000 granted to an associate).

33. Capital Commitments

	The Group	
	2000 HK\$'000	1999 HK\$'000
Capital expenditure in respect of property development expenditure contracted for but not provided in the financial statements	227,758	294,028
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	—	581
Capital expenditure in respect of the contributions to the capital of an investee company contracted for but not provided in the financial statements	70,701	73,377
Capital expenditure in respect of the renovation works of investment properties contracted for but not provided in the financial statements	2,250	—
	300,709	367,986

The Company did not have any capital commitments at the balance sheet date.

34. Operating Lease Commitments

At the balance sheet date, the Group and the Company was committed to make payments in the following year under non-cancellable operating leases in respect of land and buildings as follows:

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Operating leases which expire:				
Within one year	48	844	48	844
In the second to fifth year inclusive	2,094	96	963	96
	2,142	940	1,011	940

35. Retirement Benefits Scheme

The Group operates a defined contribution retirement benefits scheme (the "ORSO Scheme") for the qualifying employees of certain companies in the Group and in December 2000, enrolled all other eligible employees into a Mandatory Provident Fund ("MPF") Scheme. The ORSO Scheme is registered under the Occupation Retirement Schemes Ordinance. The assets of both schemes are held separately from those of the Group in funds under the control of trustees.

The contributions payable to the fund by the Group are charged to income statement at rates specified in the rules of the ORSO Scheme. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. At the balance sheet date, there was forfeited contributions of HK\$149,551 arising upon employees leaving the ORSO Scheme which are available to reduce the contributions payable in the future years (1999: Nil).

The retirement benefit cost for the MPF charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

36. Related Party Disclosures

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

	2000 HK\$'000	1999 HK\$'000
Income receivable from an associate		
Rental income	5,435	3,923
Management and other service fee income	2,547	1,877
Interest income	2,804	2,994
Insurance income	2,426	2,228
	13,212	11,022
Expenses payable to an associate		
Interest expenses	22,696	32,756
Rental expenses	2,160	2,160
	24,856	34,916

The prices of the above transactions were determined by the directors with reference to market prices or prices for similar transactions with unrelated third parties.

In addition, at 31st December, 2000, the Group and the Company had outstanding balances with related parties, details of which are set out in the balance sheets, notes 15, 16 and 22 respectively.

Further, at 31st December, 2000, certain investment properties of the Group with an aggregate net book value of HK\$407 million (1999: HK\$378 million) have been pledged to the LCH Bank Group to secure banking facilities granted to the Group.