

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 17.

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 inter-company transactions and balances within the Group have been 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 written off to 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 or a jointly controlled entity, 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 or jointly controlled entity at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On the disposal of investments in subsidiaries, associates and jointly controlled entities, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the gain or loss on disposal of the subsidiary, associate or jointly controlled entity.

Revenue recognition

Development properties

When properties are developed for sale, income is recognised only when the sale is completed or when the relevant building occupation permit is issued by the relevant authority, whichever is the later. Payments received from purchasers prior to this stage are recorded as sales deposits under current liabilities.

Notes to the Financial Statements

For the year ended 31st December, 2000

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

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

Service income is recognised when services are rendered.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

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 professional valuations at the balance sheet date. They are valued at intervals of not more than three years by independent professionally qualified valuers. In each of the intervening years, valuations are undertaken by the directors in consultation with qualified staff or independent valuers. 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 on 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 the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment other than properties under development is stated at cost less depreciation or amortisation. 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 assets have 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 assets, the expenditure is capitalised as an additional cost of the assets.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale 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 or amortisation is provided to write off the cost of items 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:

Land and buildings	2% to 4%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Plant and machinery	10%
Leasehold improvements	25%

Properties under development

Properties under development for investment purposes are classified under property, plant and equipment and are stated at cost less provision for diminution in value.

Properties under development for sale are classified under current assets and are stated at the lower of cost and net realisable value.

Cost comprises land cost and development costs including attributable borrowing costs and charges capitalised during the development period. For the purposes of consolidation, the carrying values of properties held by property-owning subsidiaries are adjusted to reflect the actual cost of acquisition of such properties to the Group.

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 expenses in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 registered capital, 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.

Interests in associates

An associate is an enterprise, other than a subsidiary or a jointly controlled entity, over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

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

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

When the Group transacts with a jointly controlled entity, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

Other joint venture arrangements

Investments made by means of joint venture structures which do not result in the Group having joint control with the other venturer are accounted for as subsidiaries (where the Group controls the board of directors or equivalent governing body), associates (where the Group is in a position to exercise significant influence) or other investments in securities (where the Group exercises neither control nor significant influence).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity ("held-to-maturity debt securities") are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is 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, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting 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.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries, associates and jointly controlled entities which are denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Quotas

Revenue from the sale of, and the cost of acquiring, temporary quotas are dealt with in the income statement in the period in which they arise. Quotas allocated by the authorities in Hong Kong are not capitalised and are not included as assets in the balance sheet. The cost of permanent quotas acquired is amortised over three years after the year of acquisition.

Notes to the Financial Statements

For the year ended 31st December, 2000

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 advance.

3. TURNOVER AND CONTRIBUTION TO PROFIT (LOSS) FROM OPERATIONS

Turnover comprises:

	2000	1999
	HK\$'000	HK\$'000
Gross rental income	501,753	475,698
Gross invoiced sales	142,138	151,549
Interest income	117,094	168,009
Agency and service fees income	5,213	2,240
Proceeds from sale of securities	4,434	–
Dividend income	3,628	2,861
Gross proceeds from sale of properties	810	32,041
Project management fee income	664	664
	775,734	833,062

The turnover and contribution to profit (loss) from operations of the Group, analysed by geographical area and principal activity are as follows:

	Turnover		Profit (loss) from operations	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical area:				
Hong Kong	412,951	489,272	301,595	313,975
Greater China other than Hong Kong	1,455	31,023	(14,688)	(9,369)
New Zealand and Australia	355,275	308,318	183,811	183,718
Indonesia	6,053	4,449	(22,883)	5,078
	775,734	833,062	447,835	493,402
By principal activity:				
Property investment	507,630	475,602	313,911	359,606
Garment manufacturing and trading	142,138	151,549	25,840	30,705
Investment	125,156	173,870	126,410	114,945
Property development	810	32,041	(18,326)	(11,854)
	775,734	833,062	447,835	493,402

Notes to the Financial Statements

For the year ended 31st December, 2000

4. OTHER REVENUE

	2000 HK\$'000	1999 HK\$'000
Included in other revenue is:		
Exchange gain, net	<u>2,336</u>	<u>5,414</u>

5. NET LOSS ON INVESTMENTS AND PROPERTIES

	2000 HK\$'000	1999 HK\$'000
Loss on disposal of investment properties	(42,940)	(31,123)
(Loss) gain on disposal of subsidiaries	(26,277)	20,656
Goodwill written off upon liquidation of an associate	(15,802)	–
Provision for diminution in value of properties for sale written back	15,177	–
Provision for diminution in the value of properties under development	(6,562)	(18,511)
Unrealised loss on investment in listed securities	(3,989)	–
Loss on dilution of interests in subsidiaries	–	(22,434)
	<u>(80,393)</u>	<u>(51,412)</u>

Notes to the Financial Statements

For the year ended 31st December, 2000

6. PROFIT FROM OPERATIONS

	2000 HK\$'000	1999 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Provision for the year	2,485	2,356
Overprovision for prior years	–	(94)
	<u>2,485</u>	<u>2,262</u>
Depreciation and amortisation		
Owned assets	5,173	5,784
Assets held under finance leases	332	384
Less: Amounts capitalised to property development projects	(103)	(91)
	<u>5,402</u>	<u>6,077</u>
Bad debts written off	1,055	2,090
Cost of inventories of finished goods sold	86,357	107,690
Cost of inventories of properties sold	18,143	33,459
Directors' emoluments		
Directors' fees (note 8)	180	180
Management remuneration (note 8)	10,294	12,218
Loss on disposal of property, plant and equipment	657	143
Provision for mortgage loans receivable	9,423	–
Realised loss on disposal of investment in securities	3,070	–
Rental payments under operating leases	7,134	4,894
and crediting:		
Gross rental income from investment properties	481,685	474,642
Less: Outgoings	(31,279)	(59,564)
	<u>450,406</u>	<u>415,078</u>
Net rental income from investment properties		
Interest earned on bank deposits	115,350	144,199
Less: Amount capitalised to property development projects	(520)	–
	<u>114,830</u>	<u>144,199</u>
Dividend income from listed investments	2,660	2,393
Dividend income from unlisted investments	968	468

7. FINANCE COSTS

	2000 HK\$'000	1999 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within 5 years	302,724	271,683
Other loan wholly repayable within 5 years	19,752	35,443
Bank loans not wholly repayable within 5 years	30,814	29,670
Obligations under finance leases	181	122
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Total borrowing costs	353,471	336,918
Less: Amounts capitalised to property development projects	(52,600)	(32,391)
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	300,871	304,527
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Borrowing costs capitalised during the year arose on the general borrowing pool and calculated by applying a capitalisation rate of 7.23% (1999: 7.26%) to expenditure on qualifying assets.

8. DIRECTORS' EMOLUMENTS

	2000 HK\$'000	1999 HK\$'000
Directors' fees:		
Executive	70	70
Non-executive	70	70
Independent non-executive	40	40
	<hr/>	<hr/>
	180	180
	<hr/>	<hr/>
Other emoluments:		
Executive		
Salaries and other benefits	5,525	5,485
Discretionary payments	500	1,000
Performance based bonus	3,445	4,934
Contributions to pension scheme	744	739
Independent non-executive		
Other remuneration	80	60
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	10,294	12,218
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	10,474	12,398
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Notes to the Financial Statements

For the year ended 31st December, 2000

8. DIRECTORS' EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	2000	1999
	Number of directors	Number of directors
Nil to HK\$500,000	6	6
HK\$500,001 to HK\$1,000,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$6,500,001 to HK\$7,000,000	1	–
HK\$7,500,001 to HK\$8,000,000	–	1
	8	9

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (1999: two) were directors whose emoluments are included in the disclosures in note 8. The emoluments of the remaining three (1999: three) individuals were as follows:

	2000	1999
	HK\$'000	HK\$'000
Salaries and other emoluments	6,493	5,471
Contributions to pension scheme	–	110
	6,493	5,581

Their emoluments were within the following bands:

	2000	1999
	Number of employees	Number of employees
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	1	–
	3	3

10. TAXATION

	2000 HK\$'000	1999 HK\$'000
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax	8,079	8,936
Income tax outside Hong Kong	117	907
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	8,196	9,843
Deferred taxation credit	(367)	(568)
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	7,829	9,275
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Hong Kong Profits Tax is calculated at 16% (1999: 16%) of the estimated assessable profits. Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions. Details of the potential deferred tax asset (liability) are set out in note 33.

11. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year of HK\$102,725,000 (1999: HK\$150,136,000), profit of HK\$15,732,000 (1999: HK\$68,241,000) has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2000 HK\$'000	1999 HK\$'000
Interim, paid—HK6 cents per share on 505,293,586 shares (1999: HK 6 cents per share on 504,901,413 shares)	30,318	30,294
Final, proposed—HK10 cents per share on 507,293,586 shares (1999: HK10 cents per share on 504,901,413 shares)	50,729	50,490
Additional prior year's dividend paid on exercise of share options and 2008 warrants subsequent to the issue of the annual report	39	220
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	81,086	81,004
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13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Net profit for the year	<u>102,725</u>	<u>150,136</u>
Earnings for the purposes of basic earnings per share	102,725	150,136
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of subsidiaries/associates based on dilution of their earnings per share	<u>(6,591)</u>	<u>(3,367)</u>
Earnings for the purposes of diluted earnings per share	<u>96,134</u>	<u>146,769</u>

Number of shares

	2000	1999
Weighted average number of ordinary shares for the purposes of basic earnings per share	505,210,911	540,007,406
Effect of dilutive potential ordinary shares:		
Options	4,571,434	2,654,494
Warrants	<u>54,194,947</u>	<u>55,939,326</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>563,977,292</u>	<u>598,601,226</u>

14. INVESTMENT PROPERTIES

	In New Zealand and Australia held freehold HK\$'000	In Hong Kong held under long leases HK\$'000	In Hong Kong held under medium- term leases HK\$'000	In other regions of the People's Republic of China ("PRC") held under medium- term leases HK\$'000	In Australia held under long leases HK\$'000	In New Zealand held under short lease HK\$'000	In New Zealand held under long lease HK\$'000	Total HK'000
THE GROUP								
VALUATION								
At 1st January, 2000	3,629,281	105,000	2,204,000	-	88,880	8,130	357,944	6,393,235
Exchange adjustments	(554,403)	-	-	-	(15,163)	(1,256)	(51,031)	(621,853)
Additions	131,840	-	-	23,675	-	-	2,980	158,495
Transfer in (to)	1,184,282	-	-	-	-	-	(49,883)	1,134,399
(Deficit) surplus on valuation	(142,586)	5,000	47,000	9,625	23,506	-	(18,503)	(75,958)
On disposal of subsidiaries	(129,162)	-	-	-	-	-	-	(129,162)
Disposals	(47,170)	-	-	-	-	-	(758)	(47,928)
At 31st December, 2000	<u>4,072,082</u>	<u>110,000</u>	<u>2,251,000</u>	<u>33,300</u>	<u>97,223</u>	<u>6,874</u>	<u>240,749</u>	<u>6,811,228</u>
DEPRECIATION								
At 1st January, 2000	-	-	-	-	-	4,720	-	4,720
Exchange adjustments	-	-	-	-	-	(729)	-	(729)
Provided for the year	-	-	-	-	-	1,304	-	1,304
At 31st December, 2000	-	-	-	-	-	<u>5,295</u>	-	<u>5,295</u>
NET BOOK VALUES								
At 31st December, 2000	<u>4,072,082</u>	<u>110,000</u>	<u>2,251,000</u>	<u>33,300</u>	<u>97,223</u>	<u>1,579</u>	<u>240,749</u>	<u>6,805,933</u>
At 31st December, 1999	<u>3,629,281</u>	<u>105,000</u>	<u>2,204,000</u>	-	<u>88,880</u>	<u>3,410</u>	<u>357,944</u>	<u>6,388,515</u>

The Group's investment properties have been revalued as at 31st December, 2000 on an open market value basis by independent professional valuers as follows:

Properties situated in:	Name of independent professional valuer
Hong Kong held under medium-term and long leases	Chesterton Petty Ltd., Independent Chartered Surveyors
PRC held under medium-term leases	CB Richard Ellis Limited, Independent Professional Valuer
New Zealand and Australia held under long leases	Colliers Jardine New Zealand Limited, Colliers Jardine Consultancy and Valuation Pty Limited
New Zealand and Australia held freehold	Jones Lang La Salle Advisory Limited, International Property Consultants

The Group's investment property situated in New Zealand held under short lease is stated at directors' valuation. The above-mentioned valuations have been adopted by the directors in these financial statements and the net surplus arising on revaluation, which has been credited to the investment properties revaluation reserve, amounting to HK\$9,237,000.

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For the year ended 31st December, 2000

15. PROPERTY, PLANT AND EQUIPMENT

	Properties under development (note a) HK\$'000	Land and buildings (note b) HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles (note c) HK\$'000	Plant and machinery HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1st January, 2000	1,451,218	1,010	29,969	14,137	2,067	748	1,499,149
Exchange adjustments	(156,242)	(130)	(2,760)	(882)	–	–	(160,014)
Additions	220,147	–	3,956	3,520	375	–	227,998
Disposals	–	(136)	(9,374)	(6,656)	(161)	–	(16,327)
Transfer in (to)	(1,102,541)	–	(1,671)	–	–	1,671	(1,102,541)
At 31st December, 2000	412,582	744	20,120	10,119	2,281	2,419	448,265
DEPRECIATION							
At 1st January, 2000	18,511	147	22,123	9,554	1,051	281	51,667
Exchange adjustments	–	(19)	(1,967)	(302)	–	–	(2,288)
Provided for the year	–	28	2,890	882	191	210	4,201
Eliminated on disposals	–	(24)	(7,322)	(3,546)	(101)	–	(10,993)
Provision for diminution in value	6,562	–	–	–	–	–	6,562
Transfer in (to)	–	–	(1,636)	–	–	1,636	–
At 31st December, 2000	25,073	132	14,088	6,588	1,141	2,127	49,149
NET BOOK VALUES							
At 31st December, 2000	387,509	612	6,032	3,531	1,140	292	399,116
At 31st December, 1999	1,432,707	863	7,846	4,583	1,016	467	1,447,482

(a) Properties under development

	In other regions of PRC under long lease HK\$'000	In New Zealand and Australia under long lease HK\$'000	Total HK\$'000
COST			
At 1st January, 2000	386,627	1,064,591	1,451,218
Exchange adjustment	1,723	(157,965)	(156,242)
Additions	15,933	204,214	220,147
Transfer to investment properties	–	(1,102,541)	(1,102,541)
At 31st December, 2000	404,283	8,299	412,582

15. PROPERTY, PLANT AND EQUIPMENT (Continued)**(a) Properties under development (Continued)**

At 31st December, 2000, the net interest capitalised to properties under development was HK\$126,734,000 (1999: HK\$74,134,000) of which HK\$52,600,000 (1999: HK\$32,391,000) was incurred during the year; the total amount of depreciation on furniture, fixtures and equipment capitalised to properties under development was HK\$299,000 (1999: HK\$282,000) of which HK\$17,000 (1999: HK\$21,000) was charged during the year; the total amount of depreciation on motor vehicles capitalised to properties under development was HK\$1,768,000 (1999: HK\$1,682,000) of which HK\$86,000 (1999: HK\$70,000) was charged during the year.

Certain property development projects have been temporarily suspended during the year. No interest has been capitalised since suspension.

(b) Land and buildings

	In other regions in the PRC under long lease HK\$'000	In the Republic of Indonesia under long lease HK\$'000	Total HK\$'000
COST			
At 1st January, 2000	544	466	1,010
Exchange adjustments	–	(130)	(130)
Disposals	(136)	–	(136)
	<u>408</u>	<u>336</u>	<u>744</u>
At 31st December, 2000	<u>408</u>	<u>336</u>	<u>744</u>

(c) At 31st December, 2000, the carrying value of motor vehicles includes an amount of HK\$1,812,000 (1999: HK\$3,006,000) in respect of assets held under finance leases.

16. PERMANENT QUOTAS

	THE GROUP HK\$'000
COST	
At 1st January, 2000 and at 31st December, 2000	85,511
AMORTISATION	
At 1st January, 2000 and at 31st December, 2000	<u>(85,511)</u>
NET BOOK VALUES	
At 31st December, 2000 and at 31st December, 1999	<u>–</u>

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2000 HK\$'000	1999 HK\$'000
Investments in unlisted shares at cost (less amounts written off)	259,461	259,461
Less: provision for impairment	(122,875)	–
	<u>136,586</u>	<u>259,461</u>

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

Details of the principal subsidiaries, all of which are companies with limited liability, at 31st December, 2000 are set out as below:

Direct subsidiaries	Place/country of incorporation/operation	Issued and paid up share capital	Effective percentage of issued share capital held by the Company	Principal activities
Chisel Limited	The British Virgin Islands/ Hong Kong	2 ordinary shares of US\$1 each	100	Investment holding
Modern Tender Limited	The British Virgin Islands	1 ordinary share of US\$1	100	Investment holding
S E A Holdings (NZ) Limited	The British Virgin Islands/ New Zealand	1 ordinary share of US\$1	100	Investment holding
SEABO Pacific Limited	Bermuda	767,919 ordinary shares of HK\$1 each	100	Investment holding
South-East Asia Investment and Agency Company, Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	Investment holding

17. INVESTMENTS IN SUBSIDIARIES (Continued)

Indirect subsidiaries	Place/country of incorporation or registration/operation	Issued and paid up share capital/ registered capital	Effective percentage of issued share capital/ registered capital held by the Company	Principal activities
AGP Management Pty Ltd.	Australia	AUD350,000	100	Property and asset management
Asia Pacific Investment and Management Services N.V.	Netherlands Antilles	US\$6,000	100	Consultancy and management services
Chengdu Huashang House Development Co., Ltd.	PRC (note)	RMB50,000,000	97	Property development
Guangzhou Yingfat House Property Development Co., Ltd.	PRC (note)	US\$20,110,000	100	Property development
Guangzhou Yingtat House Property Development Co., Ltd.	PRC (note)	US\$5,000,000	100	Property development
Handy View Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property investment and garment trading
Polyfull Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property development
Shinning Worldwide Limited	The British Virgin Islands/ Hong Kong	1,000 ordinary shares of US\$1 each	55	Property development
Top Greenery Limited	The British Virgin Islands	1 ordinary share of US\$1	100	Fund management
Trans Tasman Properties Limited*	New Zealand	598,709,449 shares of no par value	54.8	Property investment and development
UniMilo's Knitwear Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	60	Garment manufacturing
Wing Siu Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property investment

* The financial statements of Trans Tasman Properties Limited are not audited by Deloitte Touche Tohmatsu.

Note: These companies are incorporated in the form of Sino-foreign co-operative joint venture.

18. INTERESTS IN ASSOCIATES

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Investments in associates		
Share of net assets		
– listed	–	82,960
– unlisted	<u>48,912</u>	<u>–</u>
	<u>48,912</u>	<u>82,960</u>
Market value:		
Listed shares in an associate	<u>–</u>	<u>70,637</u>

Liquidation of the associate, Global Property Fund, formerly listed in Australia, with 12.5% effective equity interest owned by the Group, commenced on 28th June, 2000. The carrying value of HK\$25,788,000 is included above, being the estimated recoverable amount from this investment.

Details of the Group's interests in associates, all of which are companies with limited liability, at 31st December, 2000 are as follows:

Name of company	Place/ country of incorporation/ operation	Class of shares held	Effective percentage of nominal value of issued capital held by the Group	Principal activities
Athena Technologies (Hong Kong) Limited	Hong Kong	Ordinary	50	Provision of services
Athena Technologies Inc.	British Virgin Islands	Ordinary	50	Investment holding
Cybapolis Limited	Hong Kong	Ordinary	50	Software development
DFreedomZone Inc.	The United States of America	Common stock	50	Software development
e-commerce Logistics Limited	Hong Kong	Ordinary	35	e-fulfillment, warehousing and delivery services
GSB Supplynet Limited	New Zealand	Ordinary	44	Public sector procurement
Professional Service Brokers Limited	New Zealand	Ordinary Preference	44 44	Procurement management
Supplynet Limited	New Zealand	Ordinary	39	e-commerce marketplace
Wisdom Zone Limited	Hong Kong	Ordinary	50	Property investment

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Share of net liabilities	(13,701)	(13,723)
Loans to jointly controlled entities	53,380	53,231
	<u>39,679</u>	<u>39,508</u>

The loans are unsecured and interest free.

As at 31st December, 2000, the Group had interests in the following jointly controlled entities formed as Sino-foreign equity joint venture:

Name of entity	Country of registration/ operation	Registered capital	Effective percentage of registered capital held by the Group	Principal activities
Chengdu Mingqiang Real Estate Co., Ltd.	PRC	US\$6,000,000	50	Property development
Sichuan Jinhong Cement Co., Ltd.	PRC	US\$10,000,000	50	Cement manufacturing

20. OTHER INVESTMENTS

	Held to maturity securities		Investment in securities Non-trading securities		Trading securities		Total	
	2000	1999	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP								
Debt security:								
Listed – overseas	20,090	20,090	–	–	–	–	20,090	20,090
Unlisted	47	–	–	–	–	–	47	–
	<u>20,137</u>	<u>20,090</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>20,137</u>	<u>20,090</u>
Equity securities:								
Listed – Hong Kong	–	–	102,901	30,856	4,167	–	107,068	30,856
– overseas	–	–	22	–	–	–	22	–
Unlisted	–	–	628	684	–	–	628	684
	<u>–</u>	<u>–</u>	<u>103,551</u>	<u>31,540</u>	<u>4,167</u>	<u>–</u>	<u>107,718</u>	<u>31,540</u>
Club debentures/memberships								
Unlisted	–	–	10,674	10,674	–	–	10,674	10,674
	<u>20,137</u>	<u>20,090</u>	<u>114,225</u>	<u>42,214</u>	<u>4,167</u>	<u>–</u>	<u>138,529</u>	<u>62,304</u>
Market value of listed securities	<u>20,439</u>	<u>20,340</u>	<u>102,923</u>	<u>30,856</u>	<u>4,167</u>	<u>–</u>	<u>127,529</u>	<u>51,196</u>
Carrying amount analysed for reporting purposes as:								
Current	–	–	–	–	4,167	–	4,167	–
Non-current	<u>20,137</u>	<u>20,090</u>	<u>114,225</u>	<u>42,214</u>	<u>–</u>	<u>–</u>	<u>134,362</u>	<u>62,304</u>

Notes to the Financial Statements

For the year ended 31st December, 2000

21. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts are unsecured and interest free.

22. OTHER LOANS RECEIVABLE

Included in the other loans receivable are advances secured by mortgages over leasehold properties in Hong Kong, amounting to HK\$722,000 (1999: HK\$12,772,000).

23. INVENTORIES

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Raw materials	664	642
Work-in-progress	2,723	2,099
	<u>3,387</u>	<u>2,741</u>

All inventories are stated at cost.

24. PROPERTIES FOR SALE

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Completed	68,774	78,917
Under development	235,262	295,721
	<u>304,036</u>	<u>374,638</u>

Included in the above are completed properties for sale and properties under development for sale of HK\$68,774,000 (1999: HK\$1,228,000) and HK\$235,262,000 (1999: HK\$295,721,000) respectively which are carried at net realisable values.

25. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 2.5 months to its trade customers.

Included in debtors, deposits and prepayments are trade debtors of HK\$27,562,000 (1999: HK\$38,521,000), an aged analysis of which at the reporting date is as follows:

	2000	1999
	HK\$'000	HK\$'000
0 to 60 days	19,279	15,932
61 to 90 days	3,494	782
91 to 365 days	2,774	11,083
Over 365 days	2,015	10,724
	<u>27,562</u>	<u>38,521</u>

26. ADVANCES TO DIRECTORS OF AN INDIRECT SUBSIDIARY

	Mr. Donald I. Fletcher <i>HK\$'000</i>	Mr. R.J. Hodge <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at beginning of the year	<u>1,348</u>	<u>407</u>	<u>1,755</u>
Balance at end of the year	<u>1,192</u>	<u>114</u>	<u>1,306</u>
Maximum amount outstanding during the year	<u>1,415</u>	<u>407</u>	
Interest rate per annum	<u>Nil</u>	<u>4.3%</u>	

The above advances are unsecured and repayable on demand.

27. AMOUNTS DUE FROM (TO) AN ASSOCIATE

The amounts are unsecured, non-interest bearing and repayable on demand.

28. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors of HK\$26,148,000 (1999: HK\$36,540,000), an aged analysis of which at the reporting date is as follows:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
0 to 60 days	18,981	18,886
61 to 90 days	3,982	1,323
91 to 365 days	2,525	8,603
Over 365 days	660	7,728
	<u>26,148</u>	<u>36,540</u>

29. BORROWINGS

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Bank loans and overdrafts		
– secured	4,019,136	5,026,792
– unsecured	–	211
Convertible capital notes	142,378	224,079
Obligations under finance leases	1,997	3,179
Other loans	628	1,186
	<u>4,164,139</u>	<u>5,255,447</u>
The borrowings are repayable as follows:		
Bank loans and overdrafts:		
Within one year	859,007	1,147,340
More than one year, but not exceeding two years	2,269,339	195,011
More than two years, but not exceeding five years	625,937	3,386,930
More than five years	264,853	297,722
	<u>4,019,136</u>	<u>5,027,003</u>
Convertible capital notes (<i>note</i>)	<u>142,378</u>	<u>224,079</u>
Obligations under finance leases:		
Within one year	259	697
More than one year, but not exceeding two years	283	1,781
More than two years, but not exceeding five years	1,455	701
	<u>1,997</u>	<u>3,179</u>
Other loans:		
More than one year, but not exceeding two years	354	419
More than two years, but not exceeding five years	274	767
	<u>628</u>	<u>1,186</u>
Total	<u>4,164,139</u>	<u>5,255,447</u>
Less: Amounts due within one year shown under current liabilities	<u>(859,266)</u>	<u>(1,148,037)</u>
Amount due after one year	<u>3,304,873</u>	<u>4,107,410</u>

29. BORROWINGS (Continued)

Notes: The convertible capital notes will mature on 27th June, 2004 and bear interest at 9.5% per annum. Upon maturity, the noteholders may elect to convert some or all of the notes into the shares of the issuer subsidiary, Trans Tasman Properties Limited ("TTP"), on a one for one basis and/or redeem some or all of the notes for NZ\$1 each. TTP reserves the right on maturity to override the noteholders' election to redeem their notes in cash and to allot shares instead. The notes are unsecured and subordinated to other debts of TTP until conversion.

TTP is a New Zealand public listed investment holding company and 54.8% of the shares in TTP is held by the Group as at 31st December, 2000.

30. OTHER PAYABLES

	THE GROUP	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
The other payables are payable as follows:		
Within one year	17,854	11,320
More than one year, but not exceeding two years	–	13,254
More than two years but not exceeding five years	18,843	25,401
	36,697	49,975
Less: Amounts due within one year shown under current liabilities	(17,854)	(11,320)
Amount due after one year	18,843	38,655

31. SHARE CAPITAL

Movements during the year in the share capital of the Company were as follows:

	Number of shares		Share capital	
	2000	1999	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each:				
Authorised:				
At beginning and end of year	1,000,000,000	1,000,000,000	100,000	100,000
Issued and fully paid:				
At beginning of year	504,901,413	545,910,703	50,490	54,591
Shares issued on exercise of share options	2,000,000	–	200	–
Shares issued on exercise of warrant subscription rights	392,173	3,496,085	39	350
Shares repurchased and cancelled	–	(44,505,375)	–	(4,451)
At end of year	507,293,586	504,901,413	50,729	50,490

Notes to the Financial Statements

For the year ended 31st December, 2000

31. SHARE CAPITAL (Continued)

Notes:

- (a) During the year, certain holders of warrants exercised their rights to subscribe for 392,173 ordinary shares at an exercise price of HK\$1.38 per share.
- (b) During the year, certain option holders of the Company's Employee Share Option Scheme exercised their options to subscribe for 2,000,000 ordinary shares at an exercise price of HK\$1.85 per share.
- (c) Warrants

The Company had outstanding warrants expiring in 2008 and entitling the registered holders to subscribe in cash for fully paid shares of HK\$0.1 each of the Company at a subscription price of HK\$1.38 per share, subject to adjustment, until 3rd December, 2008. As at the balance sheet date, the aggregate par value of shares issuable against the outstanding warrants amounted to HK\$12,497,314 (1999: HK\$12,536,531) and the amount receivable by the Company upon full exercise of the warrants amounted to HK\$172,462,925 (1999: HK\$173,004,125).

Exercise in full of the rights attached to the 2008 warrants still outstanding at the balance sheet date would, under the present capital structure of the Company, result in the issue of 124,973,135 (1999: 125,365,308) additional shares of HK\$0.1 each.

- (d) Employee Share Option Scheme

The Company operates an Employee Share Option Scheme for the benefits of its eligible employees, including executive directors. The original scheme was adopted on 30th June, 1990, a new scheme was approved and adopted on 23rd June, 2000 and to be effective until 29th June, 2010.

Under the terms of the Employee Share Option Scheme, the board of directors of the Company may offer to any director or full time employee/chief executive of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% or such other percentage limit as the Stock Exchange may from time to time prescribe, of the issued share capital of the Company from time to time.

Pursuant to the Company's Employee Share Option Scheme, options to purchase ordinary shares in the Company are granted to directors and employees. Particulars of movements of the options during the year are as follows:

Price per share to be paid on exercise of option HK\$	Number of options			
	Outstanding at beginning of year	Granted during the year	Exercised during the year	Outstanding at end of year
1.44	–	28,000,000	–	28,000,000
1.85	23,000,000	–	2,000,000	21,000,000
2.78	13,500,000	–	–	13,500,000
4.40	2,200,000	–	–	2,200,000
	<u>38,700,000</u>	<u>28,000,000</u>	<u>2,000,000</u>	<u>64,700,000</u>

Consideration received by the Company for options granted during the year amounted to HK\$30.

Notes to the Financial Statements

For the year ended 31st December, 2000

32. RESERVES

	Investment property revaluation reserve HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Investments revaluation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE GROUP									
At 1st January, 1999	632,059	226,611	(133,584)	(9,335)	253,363	-	277,707	1,940,811	3,187,632
Arising upon acquisition of additional interest in a subsidiary	-	-	-	-	(397)	-	-	-	(397)
Arising upon acquisition of associates	-	-	-	-	(16,197)	-	-	-	(16,197)
Released upon liquidation of subsidiaries	-	-	-	-	940	-	-	-	940
Revaluation surplus of investment properties	39,259	-	-	-	-	-	-	-	39,259
Released upon disposal of investment properties	(11,122)	-	-	-	-	-	-	-	(11,122)
Exchange movement during the year	-	-	41,488	-	-	-	-	-	41,488
Shares repurchased and cancelled	-	(84,560)	-	-	-	4,451	-	(4,451)	(84,560)
Premium on issue of shares upon exercise of 2008 warrant rights	-	4,475	-	-	-	-	-	-	4,475
Unrealised holding gain on investments in securities	-	-	-	2,323	-	-	-	-	2,323
Net profit for the year	-	-	-	-	-	-	-	150,136	150,136
Dividends	-	-	-	-	-	-	-	(81,004)	(81,004)
At 31st December, 1999	660,196	146,526	(92,096)	(7,012)	237,709	4,451	277,707	2,005,492	3,232,973
Arising upon acquisition of associates	-	-	-	-	(80,396)	-	-	-	(80,396)
Released upon liquidation of an associate	-	-	(395)	-	16,197	-	-	-	15,802
Revaluation surplus of investment properties	9,237	-	-	-	-	-	-	-	9,237
Released upon disposal of investment properties	23,684	-	-	-	-	-	-	-	23,684
Exchange movement during the year	-	-	(104,236)	-	-	-	-	-	(104,236)
Premium on issue of shares upon exercise of Employees' options	-	3,500	-	-	-	-	-	-	3,500
Premium on issue of shares upon exercise of 2008 warrant rights	-	502	-	-	-	-	-	-	502
Unrealised holding loss on investments in securities	-	-	-	(27,687)	-	-	-	-	(27,687)
Net profit for the year	-	-	-	-	-	-	-	102,725	102,725
Dividends	-	-	-	-	-	-	-	(81,086)	(81,086)
At 31st December, 2000	<u>693,117</u>	<u>150,528</u>	<u>(196,727)</u>	<u>(34,699)</u>	<u>173,510</u>	<u>4,451</u>	<u>277,707</u>	<u>2,027,131</u>	<u>3,095,018</u>

Notes to the Financial Statements
For the year ended 31st December, 2000

32. RESERVES (Continued)

	Investment property revaluation reserve HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Investments revaluation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE COMPANY									
At 1st January, 1999	-	226,611	-	-	-	-	190,081	1,949,738	2,366,430
Shares repurchased and cancelled	-	(84,560)	-	-	-	4,451	-	(4,451)	(84,560)
Premium on issue of shares upon exercise of 2008 warrant rights	-	4,475	-	-	-	-	-	-	4,475
Net profit for the year	-	-	-	-	-	-	-	68,241	68,241
Dividends	-	-	-	-	-	-	-	(81,004)	(81,004)
At 31st December, 1999	-	146,526	-	-	-	4,451	190,081	1,932,524	2,273,582
Premium on issue of shares upon exercise of 2008 warrant rights	-	502	-	-	-	-	-	-	502
Premium on issue of shares upon exercise of Employees' option	-	3,500	-	-	-	-	-	-	3,500
Net profit for the year	-	-	-	-	-	-	-	15,732	15,732
Dividends	-	-	-	-	-	-	-	(81,086)	(81,086)
At 31st December, 2000	-	150,528	-	-	-	4,451	190,081	1,867,170	2,212,230

Included in the above is the Group's share of post-acquisition reserves of its associates, as follows:

	Investment property revaluation reserve HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st January, 1999	50,307	11,678	-	(37,730)	24,255
Movements during the year	(50,307)	(2,594)	(16,197)	-	(69,098)
Net profit for the year	-	-	-	17,968	17,968
At 31st December, 1999	-	9,084	(16,197)	(19,762)	(26,875)
Movements during the year	-	(6,640)	(64,199)	14,322	(56,517)
Net loss for the year	-	-	-	(3,644)	(3,644)
At 31st December, 2000	-	2,444	(80,396)	(9,084)	(87,036)

32. RESERVES (Continued)

Included in the above is the Group's share of the post-acquisition reserves of its jointly controlled entities as follows:

	Accumulated profits HK\$'000
At 1st January, 1999	(19,245)
Net loss for the year	<u>(371)</u>
At 31st December, 1999	(19,616)
Net profit for the year	<u>22</u>
At 31st December, 2000	<u><u>(19,594)</u></u>

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for their acquisition at the time of the Group reorganisation. According to the Bye-laws of the Company, the contributed surplus is distributable.

The Company's reserves available for distribution to shareholders as at 31st December, 2000 amounted to HK\$2,057,251,000 (1999: HK\$2,122,605,000).

33. DEFERRED TAXATION

Deferred taxation payable at the balance sheet date, represents the provision for taxation effect of timing differences due to deferred exchange gain.

The amount of the unprovided deferred tax asset (liability) for the year is as follows:

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Accelerated depreciation allowances	(41,835)	(49,879)	–	–
Tax losses	107,748	116,303	1,656	2,233
Other timing differences	(17,983)	24,606	–	–
	<u>47,930</u>	<u>91,030</u>	<u>1,656</u>	<u>2,233</u>

Notes to the Financial Statements

For the year ended 31st December, 2000

33. DEFERRED TAXATION (Continued)

The amount of the unprovided deferred tax (charge) credit of the Group for the year is as follows:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Accelerated depreciation allowances	8,044	(49,526)
Tax losses (utilised) arising	(8,555)	110,308
Other timing differences	(42,589)	24,606
	<u>(43,100)</u>	<u>85,388</u>

The net deferred tax asset has not been recognised in the financial statements as it is not certain that the net deferred tax benefit will be utilised in the foreseeable future.

Deferred tax has not been provided on the revaluation surplus arising on the valuation of investment properties situated in Hong Kong and investments in non-trading securities as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, such revaluation does not constitute a timing difference for tax purposes.

Deferred tax has not been provided on the revaluation surplus arising on the revaluation of property in PRC as it is not expected that the potential deferred taxation liability will crystallise in the foreseeable future.

34. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000	1999
	HK\$'000	HK\$'000
Profit before taxation	159,188	206,472
Share of results of associates	(12,202)	(17,968)
Share of results of jointly controlled entities	(22)	371
Depreciation and amortisation	5,402	6,077
Interest income	(117,094)	(168,009)
Interest expenses	300,871	304,527
Bad debts written off	1,055	2,090
Loss (gain) on disposal of subsidiaries	26,277	(20,656)
Loss on disposal of investment properties	42,940	31,123
Loss on dilution of interest in subsidiaries	-	22,434
Goodwill written off upon liquidation of an associate	15,802	-
Provision for mortgage loans receivable	9,423	-
Provision for diminution in the value of properties under development	6,562	18,511
Loss on disposal of property, plant and equipment	657	143
(Increase) decrease in inventories	(646)	5,582
Decrease in amounts due from associates	-	527
Decrease (increase) in properties for sale	38,744	(120,423)
Increase in other investments	(4,167)	-
Decrease in debtors, deposits and prepayments	6,262	337,319
Increase in advances to directors of an indirect subsidiary	79	138
Increase (decrease) in creditors, deposits and accrued charges	38,511	(145,831)
Decrease in other payables	(13,266)	(14,064)
Exchange difference	(42,446)	137,189
	<u>461,930</u>	<u>585,552</u>
Net cash inflow from operating activities		

35. PURCHASES OF SUBSIDIARIES

	2000	1999
	HK\$'000	HK\$'000
NET ASSETS ACQUIRED		
Investment properties	–	4,187,287
Property, plant and equipment		
Properties under development	–	644,893
Other assets	–	11,841
Interest in an associate	–	82,407
Other loans receivable	–	20,902
Debtors, deposits and prepayments	–	385,607
Bank balances and cash	–	229,305
Creditors, deposits and accrued charges	–	(163,931)
Bank and other borrowings	–	(2,721,491)
Taxation payable	–	(7,308)
Deferred taxation	–	(3,191)
Minority interests	–	(1,541,774)
	<u>–</u>	<u>–</u>
Transfer from interests in associates	–	1,124,547
	<u>–</u>	<u>(507,521)</u>
	<u>–</u>	<u>617,026</u>
Satisfied by:		
Cash consideration	–	198,670
Conversion of mandatory convertible notes	–	407,785
Debtors, deposits and prepayments	–	10,571
	<u>–</u>	<u>617,026</u>

Analysis of the net inflow of cash and cash equivalents in respect of the purchase of subsidiaries:

	2000	1999
	HK\$'000	HK\$'000
Cash consideration paid	–	(198,670)
Cash and cash equivalents acquired	–	229,305
	<u>–</u>	<u>229,305</u>
Net inflow of cash and cash equivalents in respect of the purchase of subsidiaries	<u>–</u>	<u>30,635</u>

The subsidiaries acquired in 1999 contributed HK\$158,226,000 to the Group's net operating cash flows, paid HK\$24,573,000 in respect of the net returns on investment and servicing of finance, utilised HK\$371,508,000 for investing activities and raised HK\$311,535,000 in respect of financing activities during that year.

The subsidiaries acquired in 1999 contributed HK\$141,378,000 to the Group's turnover, and HK\$20,677,000 to the Group's operating loss for that year.

Notes to the Financial Statements

For the year ended 31st December, 2000

36. DISPOSAL OF SUBSIDIARIES

	2000 HK\$'000	1999 HK\$'000
NET ASSETS DISPOSED OF		
Property, plant and equipment	–	289,967
Investment properties	129,162	–
Inventories	–	4
Debtors, deposits and prepayments	6,426	4,739
Taxation recoverable	–	195
Bank balances and cash	–	73,522
Creditors, deposits and accrual charges	(1,127)	(50,846)
Bank borrowings	–	(75,702)
Taxation payable	–	(6,540)
Deferred taxation	–	(3,181)
Minority interests	189	(153,030)
	<u>134,650</u>	<u>79,128</u>
(Loss) gain on disposal of subsidiaries	<u>(26,277)</u>	<u>20,656</u>
	<u>108,373</u>	<u>99,784</u>
Satisfied by:		
Cash consideration	108,869	202
Balance of consideration receivable included in debtors, deposits and prepayments	–	10,571
Balance of consideration offset by creditors and accrual charges	(496)	–
Shares repurchased	–	89,011
	<u>108,373</u>	<u>99,784</u>

Analysis of the net inflow (outflow) of cash and cash equivalents in respect of the sale of subsidiaries:

	2000 HK\$'000	1999 HK\$'000
Cash consideration	108,869	202
Cash and cash equivalents disposed of	–	(73,522)
	<u>108,869</u>	<u>(73,320)</u>

The subsidiary disposed of during the year had no significant contribution to the Group's cash flows, the Group's turnover or the Group's profit from operations.

37. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Bank and other borrowings HK\$'000	Minority interests HK\$'000	Amounts due to associates HK\$'000
Balance at 1st January, 1999	281,202	2,468,875	272,099	–
Dividends paid to minority shareholders	–	–	(48,773)	–
Net cash inflow (outflow) from financing	4,825	77,537	(3,375)	–
Shares repurchased and cancelled	(89,011)	–	–	–
Acquisition of subsidiaries	–	2,721,491	1,541,774	–
On disposal of subsidiaries	–	(75,702)	(153,030)	–
Minority's share of loss and reserves	–	–	113,007	–
Exchange difference	–	57,027	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st December, 1999	197,016	5,249,228	1,721,702	–
Net cash (outflow) inflow from financing	4,241	(549,942)	(58,759)	18,570
Inception of finance lease	–	2,339	–	–
On disposal of subsidiaries	–	–	189	–
Minority's share of profit and reserves	–	–	(248,020)	–
Exchange differences	–	(538,429)	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st December, 2000	<u>201,257</u>	<u>4,163,196</u>	<u>1,415,112</u>	<u>18,570</u>

Notes to the Financial Statements

For the year ended 31st December, 2000

38. COMMITMENTS

At the balance sheet date, the Group had capital commitments not provided for in these financial statements in respect of expenditure to be incurred on properties as follows:

	2000 HK\$'000	1999 <i>HK\$'000</i>
Hong Kong		
Authorised but not contracted for	<u>288,200</u>	<u>288,200</u>
Contracted for but not provided for in the financial statements	<u>30,756</u>	<u>31,896</u>
Other regions of the PRC		
Authorised but not contracted for	<u>593,980</u>	<u>664,500</u>
Contracted for but not provided for in the financial statements	<u>76,670</u>	<u>11,100</u>
New Zealand and Australia		
Authorised but not contracted for	<u>39,332</u>	<u>–</u>
Contracted for but not provided for in the financial statements	<u>32,860</u>	<u>162,710</u>

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises. The portion of these commitments which is payable in the following year is as follows:

	2000 HK\$'000	1999 <i>HK\$'000</i>
Operating leases which expire:		
Within one year	172	3,004
In the second to fifth years inclusive	12,411	10,390
Over five years	<u>4,380</u>	<u>27,731</u>
	<u>16,963</u>	<u>41,125</u>

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

39. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company did not have any significant contingent liabilities.

40. RETIREMENT BENEFITS SCHEME

The Group provides a defined contribution provident fund scheme for the benefit of its eligible employees in Hong Kong. The assets of the scheme are held separately from those of the Group under a trust administered by an independent trustee. The Group's contributions to this scheme, calculated at rates specified in the rules of the scheme, are recognised as expenses as incurred and may be reduced by contributions forfeited for those employees who have joined the scheme but left it prior to their entitlements becoming fully vested.

Forfeited contributions for the year amounting to HK\$601,000 (1999: HK\$367,000) can be used to reduce the level of contributions. Total contributions to the provident fund scheme for the year charged to the income statement amounted to HK\$1,599,000 (1999: HK\$1,137,000).

This scheme has now been closed to new employees as a consequence of the new Mandatory Provident Fund Pension Legislation introduced by the Hong Kong Government. New staff in Hong Kong joining the Group are required to join Mandatory Provident Fund.

All Hong Kong staff employed by the Group before 1st December, 2000 are offered to join the Mandatory Provident Fund or remain under the Group's provident fund scheme. The Group contributes 5% to 15%, while the employees contribute 5% of the monthly remunerations or HK\$1,000 per month to the Mandatory Provident Fund.

41. PLEDGE OF ASSETS

At the balance sheet date, the Group had the following mortgages and/or pledges over its assets to secure banking facilities and other loans granted to the Group.

- (a) Fixed and floating charges on investment properties with aggregate book values of HK\$6,772,633,000 (1999: HK\$7,398,835,000).
- (b) Properties for sales with aggregate book values of HK\$215,179,000 (1999: HK\$179,559,000)
- (c) Bank deposits of HK\$823,871,000 (1999: HK\$1,238,932,000).
- (d) The listed shares in a subsidiary.
- (e) Unlisted shares in a subsidiary.

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For the year ended 31st December, 2000

42. POST BALANCE SHEET EVENT

As announced by the Company on 20th February, 2001, the board of directors of Trans Tasman Properties Limited ("TTP"), resolved on 19th February, 2001 to put to its shareholders other than the Group and the independent holders of its listed convertible capital notes ("CCN") a proposal to convert their shares and CCN into redeemable secured property bonds. TTP was a New Zealand public listed investment holding company and 54.8% of the shares in TTP were held by the Group as at 31st December, 2000.

The proposal is conditional upon, inter alia, the approval of the High Court of New Zealand, the New Zealand Stock Exchange, the remaining shareholders of TTP and the CCN holders.

Formal notification to the shareholders of TTP and the CCN holders regarding the proposal is expected to be dispatched by mid-May 2001. Should the proposal being approved and implemented, TTP will become a wholly-owned subsidiary of the Group.