

Notes to the Accounts

For the year ended 31st December, 2000

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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

(b) Consolidation

The Group consists of the Company and its subsidiaries. The Group accounts include the accounts of the Company and its subsidiaries made up to 31st December. The Group accounts also include the Group's share of post acquisition profits less losses, and reserves of its associated companies and jointly controlled companies.

Minority interests represent the interests of outside shareholders in the operating results and assets/liabilities of subsidiaries.

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

(c) Goodwill/Capital reserve

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries and associated companies acquired and is eliminated against reserves in the year of acquisition. Capital reserve on consolidation which arises when the fair value exceeds the purchase consideration is credited directly to reserves.

(d) Subsidiaries

A subsidiary is a company in which more than 50% of its equity interest is held for the long term. Investments in subsidiaries are carried in the accounts at cost less provision for permanent diminution in value where appropriate. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(e) Associated companies

An associated company is one in which not less than 20% and not more than 50% of the issued share capital is held for the long term and significant influence is exercised in its management.

The Group's interests in associated companies are included in the consolidated balance sheet at the Group's share of net assets. The consolidated profit and loss account includes the Group's share of the results of associated companies for the year.

Notes to the Accounts

For the year ended 31st December, 2000

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Jointly controlled companies

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

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

(g) Revenue recognition

The Group recognises income on the following bases:

(i) Sale of properties and property interests

Sale of properties are recognised as income when the buildings or the portions thereof contracted for sale are completed and the relevant occupation permit has been granted.

Sale of investments in property interests are recognised as income on completion of the related sale and purchase agreement.

(ii) Rental income

Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

(iii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(iv) Property and project management fees

Property and project management fees are recognised as income when the services have been rendered.

(v) Dividend income

Dividend income is recognised when the shareholder's right to receive payment has been established.

Notes to the Accounts

For the year ended 31st December, 2000

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Properties

(i) Properties under development/completed properties for sale

Properties under development for sale and which are due for completion more than one year from the balance sheet date are stated at cost less provision for diminution in value and are shown as non-current assets. Properties under development for sale and which are due for completion within one year from the balance sheet date and completed properties for sale are stated at the lower of cost and net realisable value and are shown as current assets. Cost includes the cost of land, development expenditure, other attributable expenses and capitalised interest cost. Net realisable value is determined by the Directors based on the prevailing market conditions.

(ii) Properties under development for long term investment

Properties under development for long term investment purposes are stated at cost less provision for permanent diminution in value and are shown as non-current assets.

(iii) Investment properties

Completed properties which are held for long term rental income generating purposes are regarded as investment properties. Investment properties are stated at their open market value based on an annual professional valuation at the balance sheet date. Increases in valuation are credited to investment property revaluation reserve. Decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter charged to the profit and loss account. Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, such surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

Notes to the Accounts

For the year ended 31st December, 2000

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Depreciation of fixed assets

Investment properties with unexpired lease terms of over twenty years are not depreciated.

Other fixed assets are stated at cost less depreciation. Depreciation is calculated to write off the cost of the assets over their estimated useful lives in equal annual instalments on the following basis:

Leasehold land	Over the unexpired period of the lease, at 1.85% to 2.5% per annum
Buildings	Over the unexpired period of the lease or 40 years from the date of the building's completion whichever is the shorter, at approximately 2.5% per annum
Motor vehicles, furniture, fixtures and equipment	20% per annum

(j) Investments

Investments held for the long term are stated at cost less provision for permanent diminution in value.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment should be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

(k) Accounts receivable

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

(l) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight line basis over the lease periods.

Notes to the Accounts

For the year ended 31st December, 2000

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Deferred taxation

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

(n) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries, associated companies and jointly controlled companies expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves.

(o) Interest charges

Interest charges that are directly incurred in financing property developments are capitalised until the properties being developed have been completed.

Other interest charges are expensed as incurred.

(p) Retirement benefit costs

The Group contributes to a defined contribution retirement scheme and the mandatory provident fund scheme, which are available to all employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to these schemes are expensed as incurred.

Notes to the Accounts

For the year ended 31st December, 2000

2. TURNOVER, REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in property investment and development, project management and property management. Revenues recognised during the year are as follows:

	2000	1999
	HK\$'000	HK\$'000
Turnover		
Proceeds on sale of properties and property interests	23,853	76,659
Rental income	93,976	126,431
Property and project management fees	27,214	18,943
Mortgage loans interest income	940	1,007
	145,983	223,040
Other revenues		
Interest income	2,856	16,538
Other income	4,883	2,391
	7,739	18,929
Total revenues	153,722	241,969

An analysis of the Group's turnover and contribution to operating loss by principal activities and geographical distribution is as follows:

	Turnover		Operating loss	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) By activities:				
Sale of properties and property interests	23,853	76,659	(212,348)	(95,437)
Property letting	93,976	126,431	(184,835)	59,319
Property and project management	27,214	18,943	(21)	8,416
Mortgage loans financing	940	1,007	229	678
	145,983	223,040	(396,975)	(27,024)
(b) By locations:				
Hong Kong	107,692	143,252	(104,910)	56,811
PRC	38,291	79,788	(292,065)	(83,835)
	145,983	223,040	(396,975)	(27,024)

Notes to the Accounts

For the year ended 31st December, 2000

3. FINANCE COSTS

	<u>2000</u>	<u>1999</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans and overdrafts	66,572	64,704
Other loans wholly repayable within five years	14,552	12,840
	<u>81,124</u>	<u>77,544</u>
Bank charges	967	3,721
	<u>82,091</u>	<u>81,265</u>
Total borrowing costs	82,091	81,265
Less: Amounts capitalised in properties under development	(1,178)	(5,929)
	<u><u>80,913</u></u>	<u><u>75,336</u></u>

4. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	<u>2000</u>	<u>1999</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting:		
Gross rental income from investment properties	82,886	119,756
Gross rental income from other properties	11,090	6,675
	<u><u>111,976</u></u>	<u><u>126,431</u></u>
Charging:		
Cost of completed properties sold	19,031	73,055
Outgoings in respect of investment properties	32,648	22,425
Outgoings in respect of other properties	6,145	4,738
Loss on disposal of investment properties	–	2,924
Staff costs (note 6)	25,713	27,765
Retirement benefit costs (note 7)	573	1,396
Depreciation	2,187	3,228
Auditors' remuneration	1,454	1,597
Operating lease rental on land and buildings	320	668
Net provisions/write-down of property interests:		
Provision for diminution in value of properties under development	131,695	72,125
Write-down of completed properties for sale	33,826	904
Provision/(write-back of provision) for loan to an investee company	28,137	(32,484)
Deficit on revaluation of investment properties (note 11)	169,285	–
Write-off of interests in associated companies	–	4,340
	<u><u>362,943</u></u>	<u><u>44,885</u></u>

Notes to the Accounts

For the year ended 31st December, 2000

5. SHARE OF RESULTS OF ASSOCIATED COMPANIES AND JOINTLY CONTROLLED COMPANY

	<u>2000</u>	<u>1999</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Associated companies:		
Share of net operating losses	(17,026)	(5,544)
Share of (provision)/write-back of provision for property interests	(42,672)	2,161
Share of revaluation (deficit)/surplus of investment properties	(36,224)	520
Share of write-off of goodwill	(4,514)	–
	<u> </u>	<u> </u>
Share of results of associated companies	(100,436)	(2,863)
Share of results of a jointly controlled company	22	154
	<u> </u>	<u> </u>
	<u>(100,414)</u>	<u>(2,709)</u>

6. STAFF COSTS

(a) Directors' emoluments

The emoluments of the Directors, except benefits in kind, have been included in staff costs and retirement benefit costs disclosed in note 4 to the Accounts.

	<u>2000</u>	<u>1999</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive Directors:		
Fees	135	135
Basic salaries	3,983	3,996
Housing allowances and benefits in kind	1,706	1,726
Other allowances	971	945
Contributions to retirement schemes	395	397
Discretionary or performance related bonus	134	136
Non-executive Directors:		
Fees	168	161
	<u> </u>	<u> </u>
	<u>7,492</u>	<u>7,496</u>

Notes to the Accounts

For the year ended 31st December, 2000

6. STAFF COSTS (Continued)

(a) Directors' emoluments (Continued)

The emoluments of the Directors fall within the following bands:

	<u>2000</u>	<u>1999</u>
	No. of directors	No. of directors
Emoluments Band		
HK\$Nil-HK\$1,000,000	9	9
HK\$3,000,001-HK\$3,500,000	1	1
HK\$3,500,001-HK\$4,000,000	1	1
	<u>11</u>	<u>11</u>

The above analysis includes two (1999: two) directors whose emoluments were among the five highest in the Group.

Pursuant to the Company's share option scheme, the Company has granted share options to the Directors. Details of the share options held by the Directors are set out in note 20 to the Accounts.

Notes to the Accounts

For the year ended 31st December, 2000

6. STAFF COSTS (Continued)

(b) Employee costs

Details of the emoluments paid to the three (1999: three) individuals whose emoluments were the highest in the Group and have not been included in the Directors' emoluments are as follows:

	<u>2000</u>	<u>1999</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries	2,153	2,599
Housing allowances	348	592
Other allowances	411	400
Contributions to retirement schemes	201	223
Discretionary or performance related bonus	379	341
Compensation for loss of office	588	–
	<u>4,080</u>	<u>4,155</u>

The emoluments of the individuals fall within the following bands:

	<u>2000</u>	<u>1999</u>
	No. of individuals	No. of individuals
Emoluments Band		
HK\$Nil-HK\$1,000,000	–	–
HK\$1,000,001-HK\$1,500,000	3	2
HK\$1,500,001-HK\$2,000,000	–	1
	<u>3</u>	<u>3</u>

Notes to the Accounts

For the year ended 31st December, 2000

7. RETIREMENT BENEFIT COSTS

For the defined contribution retirement scheme, the rate of contribution payable by the Group varies from 5% to 15% of the employees' basic salaries depending on the length of service and the grade of the employees. The Group's contributions may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

For the mandatory provident fund scheme ("MPF Scheme"), the Group's contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme from 31st December, 2000 if their relevant income is more than HK\$4,000 per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

The amounts of gross contributions and unvested benefits so utilised by the Group during the year are as follows:

	<u>2000</u>	<u>1999</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross contributions	1,357	1,486
Less: Contributions forfeited by those employees who left the defined contribution retirement scheme prior to vesting fully in the contributions	<u>(784)</u>	<u>(90)</u>
Net contributions	<u><u>573</u></u>	<u><u>1,396</u></u>

At 31st December, 2000, there were no forfeited contribution available to reduce contributions payable by the Group (1999: Nil) and no outstanding contributions payable (1999: Nil).

Notes to the Accounts

For the year ended 31st December, 2000

8. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the year. Taxation on the People's Republic of China ("PRC") income has been calculated on the estimated assessable profit for the year at rates of taxation prevailing in the PRC. Tax rebate represented a 10% refund of Hong Kong profits tax paid for the year ended 31st December, 1997.

The charge/(credit) for taxation comprises:

	<u>2000</u>	<u>1999</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Company and subsidiaries:		
Hong Kong profits tax	1,804	3,448
PRC income tax	26	41
Overprovision in prior years	(1,033)	(592)
Tax rebate	–	(2,148)
	<u>797</u>	<u>749</u>
Associated companies:		
Hong Kong profits tax	150	221
Under/(over) provision in prior years	99	(1,598)
Tax rebate	–	(114)
	<u>249</u>	<u>(1,491)</u>
Jointly controlled company:		
PRC income tax	11	25
	<u>1,057</u>	<u>(717)</u>

9. LOSS/PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

Included in the loss/profit attributable to shareholders is a loss of HK\$119,000 (1999: profit of HK\$21,637,000) which is dealt with in the Accounts of the Company.

Notes to the Accounts

For the year ended 31st December, 2000

10. LOSS/EARNINGS PER SHARE

Loss (1999: earnings) per share is calculated based on the consolidated loss after taxation and minority interests of HK\$405,144,000 (1999: consolidated profit after taxation and minority interests of HK\$8,600,000) and on the number of shares in issue of 1,126,341,026 shares (1999: 1,126,341,026 shares) during the year.

Diluted loss (1999: earnings) per share has not been shown as the effect of the exercise of the outstanding share options granted by the Company would be anti-dilutive in respect of both years presented.

11. FIXED ASSETS

Group

	Investment properties	Other properties	Motor vehicles	Furniture, fixtures and equipment	Total
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Cost or valuation					
At 1st January, 2000	2,524,000	37,985	4,183	8,700	2,574,868
Translation difference	4,855	–	–	–	4,855
Cost adjustments	(18,062)	(2,182)	–	–	(20,244)
Additions	–	1,245	7	1,158	2,410
Disposals/write off	–	–	–	(644)	(644)
Revaluation deficit	(443,793)	–	–	–	(443,793)
	<u>2,067,000</u>	<u>37,048</u>	<u>4,190</u>	<u>9,214</u>	<u>2,117,452</u>
	<u>2,067,000</u>	<u>37,048</u>	<u>4,190</u>	<u>9,214</u>	<u>2,117,452</u>
Accumulated depreciation					
At 1st January, 2000	–	4,229	3,402	5,820	13,451
Charge for the year	–	690	424	1,073	2,187
Disposals/write off	–	–	–	(627)	(627)
	<u>–</u>	<u>4,919</u>	<u>3,826</u>	<u>6,266</u>	<u>15,011</u>
	<u>–</u>	<u>4,919</u>	<u>3,826</u>	<u>6,266</u>	<u>15,011</u>
Net book value					
At 31st December, 2000	<u>2,067,000</u>	<u>32,129</u>	<u>364</u>	<u>2,948</u>	<u>2,102,441</u>
At 31st December, 1999	<u>2,524,000</u>	<u>33,756</u>	<u>781</u>	<u>2,880</u>	<u>2,561,417</u>

Notes to the Accounts

For the year ended 31st December, 2000

11. FIXED ASSETS (Continued)

The Group's interests in investment properties and other properties at their net book values are analysed as follows:

	Group	
	2000	1999
	<u>HK\$'000</u>	<u>HK\$'000</u>
In Hong Kong, held on:		
Leases of over 50 years	1,104,000	1,104,000
Leases of between 10 to 50 years	399,475	439,963
In PRC, held on:		
Leases of between 10 to 50 years	<u>595,654</u>	<u>1,013,793</u>
	<u>2,099,129</u>	<u>2,557,756</u>

Fixed assets other than investment properties are stated at cost.

The investment properties were revalued on 31st December, 2000 on an open market value basis by DTZ Debenham Tie Leung (1999: revalued by Knight Frank), an independent property valuer. The deficits arising on revaluation are first set off against the investment property revaluation reserve of HK\$274,508,000 (*note 21*) and thereafter HK\$169,285,000 are charged to the profit and loss account (*note 4*).

Notes to the Accounts

For the year ended 31st December, 2000

11. FIXED ASSETS (Continued)

Company

	Motor vehicles	Furniture, fixtures and equipment	Total
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Cost			
At 1st January, 2000	1,470	1,759	3,229
Additions	–	9	9
	<u>1,470</u>	<u>1,768</u>	<u>3,238</u>
At 31st December, 2000	1,470	1,768	3,238
	<u>1,470</u>	<u>1,768</u>	<u>3,238</u>
Accumulated depreciation			
At 1st January, 2000	882	1,662	2,544
Charge for the year	294	44	338
	<u>1,176</u>	<u>1,706</u>	<u>2,882</u>
At 31st December, 2000	1,176	1,706	2,882
	<u>1,176</u>	<u>1,706</u>	<u>2,882</u>
Net book value			
At 31st December, 2000	<u>294</u>	<u>62</u>	<u>356</u>
At 31st December, 1999	<u>588</u>	<u>97</u>	<u>685</u>

12. SUBSIDIARIES

	Company	
	2000	1999
	<u>HK\$'000</u>	<u>HK\$'000</u>
Unlisted shares, at cost	1,332,004	1,332,004
Loans to subsidiaries	2,111,118	2,083,485
	<u>3,443,122</u>	<u>3,415,489</u>
Less: Provision (note 21)	(1,184,493)	(509,076)
	<u>2,258,629</u>	<u>2,906,413</u>

The loans to subsidiaries are unsecured and have no fixed terms of repayment. Loans to subsidiaries of HK\$423,564,000 (1999: HK\$407,475,000) bear interest at prevailing market rate while other loans are interest free.

Notes to the Accounts

For the year ended 31st December, 2000

12. SUBSIDIARIES (Continued)

The following is a list of the subsidiaries as at 31st December, 2000 which, in the opinion of the Directors, principally affect the results and assets of the Group:

Name	Place of incorporation/ operation	Principal activities	Issued share capital	Group equity interest %
Capital Deal Limited	Hong Kong	Property investment	HK\$2	100
Doulos Management Services Limited	Hong Kong	Property management	HK\$10,000	70
Evergrand Property Management Limited	Hong Kong	Property management	HK\$1,000	100
Everstar Development Limited	Hong Kong	Property investment	HK\$2	100
Fairfax Limited	Hong Kong	Property development	HK\$2	70
Fortune Asset Development Limited	Hong Kong	Property development	HK\$2	100
Fortune Best Investment Limited	Hong Kong	Investment holding	HK\$2	100
Goodjoy Development Limited	Hong Kong	Property trading	HK\$2	100
Joymate Development Limited	Hong Kong	Investment holding	HK\$2	100
Kinbo Development Limited	Hong Kong	Property trading	HK\$1,000	51
Man Wall Property Agency and Management Limited	Hong Kong	Investment holding and property management	HK\$50,000	100
Modern Pacific Development Limited	Hong Kong/ The People's Republic of China	Property trading	HK\$2	100

Notes to the Accounts

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12. SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Principal activities	Issued share capital	Group equity interest %
On Site Developments Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$1	100
Parkland Property Management Limited	Hong Kong	Property management	HK\$7,500	100
Perfect On Development Limited	Hong Kong	Property investment	HK\$2	100
Putterby Investments Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$1	100
#Ryoden Development BVI Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$10,000	100
Ryoden Project Management Limited	Hong Kong	Project management	HK\$2	100
Ryoden Property Agencies Company Limited	Hong Kong	Property agency	HK\$2	100
Ryoden Property Development Company Limited	Hong Kong	Investment holding and project management	HK\$1,000 HK\$1,000,000*	100
Ryoden Property Finance Limited	Hong Kong	Property finance	HK\$2	100
Shanghai Winning Property Development Company Limited	The People's Republic of China	Property investment and trading	US\$40,000,000**	60

Notes to the Accounts

For the year ended 31st December, 2000

12. SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Principal activities	Issued share capital	Group equity interest %
Smart Winner Development Limited	Hong Kong	Investment holding	HK\$2	100
Spot On Services Limited	British Virgin Islands/ Hong Kong	Project management	US\$1	100
Star Victory Investments Limited	British Virgin Islands/ Hong Kong	Property trading	US\$1	100
Supermate Investment Limited	Hong Kong	Investment holding	HK\$2	100
The Assurers and Company Limited	Hong Kong	Property insurance agent	HK\$20	100
Well Beauty Investment Limited	Hong Kong	Property development	HK\$100	80
Wellsorce Development Limited	Hong Kong	Property investment	HK\$5,000 HK\$5,000*	100

Subsidiary held directly by the Company

* Non-voting deferred shares

** Registered capital

13. PROPERTIES UNDER DEVELOPMENT

At 31st December, 2000, the amount of properties under development for sale that are carried at cost less diminution in value amounted to HK\$321,761,000 (1999: HK\$443,926,000). No properties under development are intended to be held for long term investment purposes.

Notes to the Accounts

For the year ended 31st December, 2000

14. ASSOCIATED COMPANIES

	Group	
	2000	1999
	<u>HK\$'000</u>	<u>HK\$'000</u>
Share of net liabilities	(261,186)	(161,253)
Amounts due from associated companies	649,911	670,309
Amounts due to associated companies	(18,913)	(14,564)
	<u>369,812</u>	<u>494,492</u>
Unlisted shares, at cost	<u>104,569</u>	<u>104,569</u>

The amounts due from/to associated companies are unsecured, interest free and have no fixed terms of repayment.

The following is a list of the associated companies as at 31st December, 2000 which, in the opinion of the Directors, principally affect the results and assets of the Group:

Name	Place of incorporation/ operation	Principal activities	Issued share capital	Group equity interest %
China Nation Enterprises Limited	Hong Kong	Investment holding	HK\$10,000	35.3
Fortune Top Properties Limited	Hong Kong	Property investment	HK\$2	40
Longshine Assets Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$100	40
Parallel Asia Engineering Company Limited	Hong Kong	Investment holding	HK\$10,000	50
Saggio Holdings Limited	Cayman Islands/ Hong Kong	Distribution of office supplies and computer accessories	US\$100,000	40.7
Silverthrone Investments Limited	British Virgin Islands/ Hong Kong	Investment holding	US\$100	50

Notes to the Accounts

For the year ended 31st December, 2000

14. ASSOCIATED COMPANIES (Continued)

Name	Place of incorporation/ operation	Principal activities	Issued share capital	Group equity interest %
Shanghai Hua Zhong Property Development Company Limited	The People's Republic of China	Property development and trading	US\$60,000,000**	35.3
Ying Tai Development Company Limited	Hong Kong	Property trading	HK\$20,000 HK\$10,000*	50

All associated companies are held indirectly by the Company.

* Non-voting deferred shares

** Registered capital

15. JOINTLY CONTROLLED COMPANY

	Group	
	2000	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	631	631
Share of undistributed post-acquisition reserves	144	130
Share of net assets	775	761

Details of the jointly controlled company held indirectly by the Company as at 31st December, 2000 are as follows:

Name	Place of incorporation/ operation	Principal activity	Group equity interest/ profit sharing/ voting power %
Shanghai Ling Jien Property Management Company Limited	The People's Republic of China	Property management	25

Notes to the Accounts

For the year ended 31st December, 2000

16. INVESTMENT

	Group	
	2000	1999
	<u>HK\$'000</u>	<u>HK\$'000</u>
Investment in and loan to the investee company	212,611	183,491
Less: Provision	<u>(179,441)</u>	<u>(151,304)</u>
	<u><u>33,170</u></u>	<u><u>32,187</u></u>

The investee company is unlisted and engaged in property development in Hong Kong in which the Group has 10% equity interests. The loan to the investee company of HK\$212,611,000 (1999: HK\$183,491,000) is subordinate to a bank loan granted to the investee company.

17. LOANS RECEIVABLE

	Group	
	2000	1999
	<u>HK\$'000</u>	<u>HK\$'000</u>
Mortgage loans	5,665	13,750
Amounts due within one year included under current assets	<u>(1,353)</u>	<u>(2,604)</u>
	<u><u>4,312</u></u>	<u><u>11,146</u></u>

Mortgage loans are secured by legal charges over the properties owned by the borrowers.

18. COMPLETED PROPERTIES FOR SALE

At 31st December, 2000, the amount of completed properties for sale that are carried at net realisable value amounted to HK\$188,334,000 (1999: HK\$31,577,000).

Notes to the Accounts

For the year ended 31st December, 2000

19. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	7,157	3,946	–	–
Prepayments and deposits	2,643	3,599	509	379
Other receivables	18,580	28,903	–	–
	<u>28,380</u>	<u>36,448</u>	<u>509</u>	<u>379</u>

There are no credit terms granted by the Group to customers.

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

	Group	
	2000	1999
	HK\$'000	HK\$'000
Less than 30 days	4,322	1,683
30-60 days	1,387	639
60-90 days	481	24
Over 90 days	967	1,600
	<u>7,157</u>	<u>3,946</u>

Notes to the Accounts

For the year ended 31st December, 2000

20. SHARE CAPITAL

	Number of shares of HK\$0.50 each '000	Nominal value HK\$'000
Authorised:		
At 31st December, 2000 and 1999	<u>1,700,000</u>	<u>850,000</u>
Issued and fully paid:		
At 31st December, 2000 and 1999	<u>1,126,341</u>	<u>563,171</u>

There was no movement in share capital for the years ended 31st December, 2000 and 1999.

At a Special General Meeting of the Company held on 1st September, 1992, a share option scheme ("the Scheme") was approved. Under the Scheme, the Board of Directors may invite the executive directors of the Company and the employees of the Group to take up options to subscribe for the Company's shares. The subscription price for the Company's shares under the Scheme is determined by the Board of Directors and will not be less than 80% of the average of the closing prices of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares, whichever is the higher.

At 31st December, 2000, the Company had outstanding options granted to eligible employees to subscribe for shares of the Company as follows:

Date of grant	Number of shares under options '000	Subscription price per share HK\$	Exercisable period	
			From	To
Directors				
16th April, 1996	1,350	2.00	16th April, 1997	15th April, 2002
12th June, 1997	4,000	2.10	12th June, 1998	31st August, 2002
Executives				
16th April, 1996	450	2.00	16th April, 1997	15th April, 2002

A nominal consideration at HK\$1.00 was paid by the employees for each lot of share options granted. During the year, 212,500 (1999: 3,427,000) share options expired and were cancelled. No share options were exercised during the years ended 31st December, 2000 and 1999.

Notes to the Accounts

For the year ended 31st December, 2000

21. RESERVES

Group

	Capital reserve	Investment property revaluation reserve	Exchange reserve	Capital redemption reserve	Contributed surplus	Share premium	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2000								
Company and subsidiaries	62,046	274,508	1,247	3,003	191,036	688,155	968,683	2,188,678
Associated companies	(1,612)	-	1,811	-	-	-	(236,325)	(236,126)
Jointly controlled company	-	-	25	-	-	-	105	130
At 1st January, 2000	60,434	274,508	3,083	3,003	191,036	688,155	732,463	1,952,682
Exchange translation difference	-	-	4,116	-	-	-	-	4,116
Deficit on revaluation of investment properties (note 11)	-	(274,508)	-	-	-	-	-	(274,508)
(Loss)/profit for the year								
- Company and subsidiaries	-	-	-	-	-	-	(304,189)	(304,189)
- Associated companies	-	-	-	-	-	-	(100,966)	(100,966)
- Jointly controlled company	-	-	-	-	-	-	11	11
At 31st December, 2000	60,434	-	7,199	3,003	191,036	688,155	327,319	1,277,146
Retained by:								
Company and subsidiaries	62,046	-	4,327	3,003	191,036	688,155	664,494	1,613,061
Associated companies	(1,612)	-	2,844	-	-	-	(337,291)	(336,059)
Jointly controlled company	-	-	28	-	-	-	116	144
	60,434	-	7,199	3,003	191,036	688,155	327,319	1,277,146

Notes to the Accounts

For the year ended 31st December, 2000

21. RESERVES (Continued)

Group

	Capital reserve	Investment property revaluation reserve	Exchange reserve	Capital redemption reserve	Contributed surplus	Share premium	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1999								
Company and subsidiaries	91,742	642,892	433	3,003	191,036	688,155	953,996	2,571,257
Associated companies	(1,623)	-	1,012	-	-	-	(230,441)	(231,052)
Jointly controlled company	-	-	57	-	-	-	308	365
At 1st January, 1999	90,119	642,892	1,502	3,003	191,036	688,155	723,863	2,340,570
Exchange translation difference	-	-	1,581	-	-	-	-	1,581
Deficit on revaluation of investment properties	-	(368,384)	-	-	-	-	-	(368,384)
Write-off of goodwill on acquisition of an associated company	(29,696)	-	-	-	-	-	-	(29,696)
Release on liquidation of an associated company	11	-	-	-	-	-	-	11
Profit/(loss) for the year								
- Company and subsidiaries	-	-	-	-	-	-	14,687	14,687
- Associated companies	-	-	-	-	-	-	(5,884)	(5,884)
- Jointly controlled company	-	-	-	-	-	-	(203)	(203)
At 31st December, 1999	60,434	274,508	3,083	3,003	191,036	688,155	732,463	1,952,682
Retained by:								
Company and subsidiaries	62,046	274,508	1,247	3,003	191,036	688,155	968,683	2,188,678
Associated companies	(1,612)	-	1,811	-	-	-	(236,325)	(236,126)
Jointly controlled company	-	-	25	-	-	-	105	130
	60,434	274,508	3,083	3,003	191,036	688,155	732,463	1,952,682

Notes to the Accounts

For the year ended 31st December, 2000

21. RESERVES (Continued)

Company

	Capital redemption reserve	Contributed surplus	Share premium	Retained profits	Total
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
At 1st January, 2000	3,003	810,164	688,155	451,360	1,952,682
Provision for investments in subsidiaries (note 12)	–	(675,417)	–	–	(675,417)
Loss for the year	–	–	–	(119)	(119)
	<u>3,003</u>	<u>134,747</u>	<u>688,155</u>	<u>451,241</u>	<u>1,277,146</u>
At 31st December, 2000	<u>3,003</u>	<u>134,747</u>	<u>688,155</u>	<u>451,241</u>	<u>1,277,146</u>
At 1st January, 1999	3,003	1,219,689	688,155	429,723	2,340,570
Provision for investments in subsidiaries	–	(409,525)	–	–	(409,525)
Profit for the year	–	–	–	21,637	21,637
	<u>3,003</u>	<u>810,164</u>	<u>688,155</u>	<u>451,360</u>	<u>1,952,682</u>
At 31st December, 1999	<u>3,003</u>	<u>810,164</u>	<u>688,155</u>	<u>451,360</u>	<u>1,952,682</u>

- (a) The Group's contributed surplus represents the amount of a loan owing from a subsidiary to the former ultimate holding company assigned to the Group and the nominal value of the subsidiary's shares less the nominal value of the Company's shares issued pursuant to the group reorganisation prior to listing of the Company and less share issue expenses.
- (b) The Company's contributed surplus represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the net asset value of the subsidiaries acquired pursuant to the group reorganisation prior to listing of the Company and less share issue expenses and subsequent provision for investments in subsidiaries.

Notes to the Accounts

For the year ended 31st December, 2000

22. MINORITY INTERESTS AND LOANS

	Group	
	2000	1999
	<u>HK\$'000</u>	<u>HK\$'000</u>
Share of deficits	(48,121)	(18,061)
Loans from minority shareholders	<u>294,450</u>	<u>229,605</u>
	<u><u>246,329</u></u>	<u><u>211,544</u></u>

The loans from minority shareholders represent proportionate funding from the minority shareholders of jointly developed projects. The loans are unsecured, interest free and have no fixed terms of repayment. HK\$58,250,000 (1999: HK\$50,227,000) included in the loans is subordinate to a bank loan granted to a subsidiary.

23. LONG TERM LIABILITIES

	Group		Company	
	2000	1999	2000	1999
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Secured loans (note 29)	677,291	709,900	418,000	393,000
Unsecured loans	<u>190,000</u>	<u>260,763</u>	<u>–</u>	<u>15,000</u>
	<u>867,291</u>	<u>970,663</u>	<u>418,000</u>	<u>408,000</u>
Amounts due within one year included under current liabilities	<u>(76,000)</u>	<u>(252,473)</u>	<u>–</u>	<u>(15,000)</u>
	<u><u>791,291</u></u>	<u><u>718,190</u></u>	<u><u>418,000</u></u>	<u><u>393,000</u></u>

- (a) The analysis of the above is as follows:

Wholly repayable within five years

Bank loans	677,291	808,663	418,000	408,000
Other loans from a shareholder	<u>190,000</u>	<u>162,000</u>	<u>–</u>	<u>–</u>
	<u><u>867,291</u></u>	<u><u>970,663</u></u>	<u><u>418,000</u></u>	<u><u>408,000</u></u>

Notes to the Accounts

For the year ended 31st December, 2000

23. LONG TERM LIABILITIES (Continued)

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(b) The maturity of the Group's long term liabilities is as follows:				
Bank loans				
– within one year	76,000	252,473	–	15,000
– in the second year	283,291	163,190	100,000	–
– in the third to fifth years inclusive	318,000	393,000	318,000	393,000
	677,291	808,663	418,000	408,000
Other loans from a shareholder				
– in the second year	190,000	162,000	–	–
	867,291	970,663	418,000	408,000

24. ACCOUNTS PAYABLE AND ACCRUALS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	83,184	156,791	–	–
Other payables and accruals	22,833	43,717	1,697	3,425
	106,017	200,508	1,697	3,425

There are no credit terms granted by suppliers to the Group.

Notes to the Accounts

For the year ended 31st December, 2000

24. ACCOUNTS PAYABLE AND ACCRUALS (Continued)

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

	Group	
	2000	1999
	<u>HK\$'000</u>	<u>HK\$'000</u>
Less than 30 days	7,798	2,670
30-60 days	2,305	1,514
60-90 days	1,370	629
Over 90 days	71,711	151,978
	<u>83,184</u>	<u>156,791</u>

25. DEFERRED TAXATION

No provision for deferred tax has been made as there are no material timing differences. The revaluation surplus or deficit attributable to investment properties does not constitute a timing difference, and deferred tax thereon has not been quantified.

26. CONTINGENT LIABILITIES

	Group		Company	
	2000	1999	2000	1999
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Guarantees for credit facilities granted to				
– subsidiaries	–	–	412,027	384,856
– associated companies	–	31,602	–	31,602
– an investee company	130,000	189,603	130,000	189,603
	<u>130,000</u>	<u>221,205</u>	<u>542,027</u>	<u>606,061</u>

Notes to the Accounts

For the year ended 31st December, 2000

27. CAPITAL COMMITMENTS

At 31st December, 2000, the Group had the following capital commitments:

	Group	
	2000	1999
	<u>HK\$'000</u>	<u>HK\$'000</u>
Contracted but not provided for in respect of properties under development	87,244	24,772
Authorised but not contracted for in respect of		
– other fixed assets	608	1,669
– properties under development	–	1,355
	<u>87,852</u>	<u>27,796</u>

28. LEASE COMMITMENTS

	Group	
	2000	1999
	<u>HK\$'000</u>	<u>HK\$'000</u>
Operating lease commitments at 31st December in respect of land and buildings payable in the next twelve months, analysed according to the period in which the lease expires, are as follows:		
– expiring in the first year	<u>20</u>	<u>242</u>

29. PLEDGE OF ASSETS

As at 31st December, 2000, the secured bank loan facilities (*note 23*) granted to the Group were secured by mortgages over the Group's properties with an aggregate carrying value of approximately HK\$2,433 million (1999: HK\$2,490 million), charges over certain bank accounts which amounted to approximately HK\$2.7 million (1999: HK\$13.6 million) and over the shares of the property owning subsidiaries. In addition, shares in an investee company (1999: associated companies and an investee company) were pledged to banks as part of the security given to secure bank loan facilities granted to the company.

Notes to the Accounts

For the year ended 31st December, 2000

30. RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions which were carried out in the normal course of the Group's business:

	Note	Group	
		2000 HK\$'000	1999 HK\$'000
Rental income from related companies	(a)	1,986	5,203
Property management fee paid to a related company	(b)	1,300	1,257
Management fee paid to a related company	(c)	3,840	3,840
Interest paid to a shareholder	(d)	14,260	12,522
Project management fees received from an associated company		3,824	810
Secondment fees received from an associated company		853	910
Purchase of goods and services from a related company	(e)	716	–
Investment acquired from a related company	(f)	–	68,800
Proceeds on properties sold to a minority shareholder	(g)	–	38,281
Proceeds on properties sold to a related company	(h)	–	12,500

- (a) Certain subsidiaries in the Group have entered into lease agreements with certain related companies, in which the directors of the companies, Messrs. Fa-kuang Hu, Raymond Hu and Herman Hu, are directors and have indirect beneficial interests, for leasing office, carpark and shop space to the related companies. The leases were entered into on normal commercial terms.
- (b) Property management fee was paid to Zhong Hai Property Management (Shanghai) Company Limited on normal commercial terms. Its holding company, China Overseas Land & Investment Limited ("China Overseas"), is a substantial shareholder of the Company. One of the directors of China Overseas is also a director of the Company.
- (c) Management fee was paid to Ryoden (Holdings) Limited ("RHL") in which the directors of the Company, Messrs. Fa-kuang Hu, Raymond Hu and Herman Hu, are directors and have indirect beneficial interests.
- (d) Loan interest paid to Designcase Limited ("Designcase"), a shareholder of the Company, was at prevailing market interest rates.
- (e) Lift supply and installation costs were paid to Ryoden Elevator Company Limited, a subsidiary of RHL. These transactions were conducted in the normal course of business at normal commercial prices and terms.

Notes to the Accounts

For the year ended 31st December, 2000

30. RELATED PARTY TRANSACTIONS (Continued)

- (f) In 1999, 38.6% equity interests in Saggio Holdings Limited was acquired from Talisburg Investments Limited, a subsidiary of RHL. The transaction was entered into on normal commercial terms.
- (g) In 1999, certain units at Shanghai Square, Shanghai were sold to Shanghai Yongye Enterprise (Group) Company Limited, a minority shareholder of the subsidiary, Shanghai Winning Property Development Company Limited, at market prices.
- (h) In 1999, certain units at Star House were sold to Gold Spark Development Limited, an associated company of RHL, at market price.

31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	<u>2000</u>	<u>1999</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating loss	(396,975)	(27,024)
Depreciation	2,187	3,228
Loss on disposal of fixed assets	17	30
Loss on disposal of interests in the jointly controlled company	–	24
Loss on disposal of investment properties	–	2,924
Interest income	(2,856)	(16,538)
Interest expense	79,946	71,615
Write-off of interests in associated companies	–	4,340
Provision/(write-back of provision) for loan to an investee company	28,137	(32,484)
Provision for diminution in value of properties under development	131,695	72,125
Write-down of completed properties for sale	33,826	904
Deficit on revaluation of investment properties	169,285	–
Decrease in properties completed and under development for sale	2,241	73,565
Decrease in accounts receivable and prepayments	8,064	25,347
Decrease in customer and rental deposits	(287)	(470)
(Decrease)/increase in accounts payable and accruals	(54,589)	12,624
(Decrease)/increase in amounts due to related companies	(354)	546
Exchange difference	(756)	169
	<u>(419)</u>	<u>190,925</u>
Net cash (outflow)/inflow from operating activities	<u>(419)</u>	<u>190,925</u>

Notes to the Accounts

For the year ended 31st December, 2000

31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital and premium	Loans	Minority interests and loans	Restricted bank balances
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
At 1st January, 2000	1,251,326	970,663	211,544	(13,622)
Net cash (outflow)/inflow from financing	–	(103,372)	127,139	10,959
Loss attributable to minority interests	–	–	(93,302)	–
Other movements	–	–	948	–
	<u>1,251,326</u>	<u>867,291</u>	<u>246,329</u>	<u>(2,663)</u>
At 31st December, 2000	<u>1,251,326</u>	<u>867,291</u>	<u>246,329</u>	<u>(2,663)</u>
At 1st January, 1999	1,251,326	1,023,197	268,835	(6,529)
Net cash outflow from financing	–	(52,534)	(19,040)	(7,093)
Loss attributable to minority interests	–	–	(37,616)	–
Other movements	–	–	(635)	–
	<u>1,251,326</u>	<u>970,663</u>	<u>211,544</u>	<u>(13,622)</u>
At 31st December, 1999	<u>1,251,326</u>	<u>970,663</u>	<u>211,544</u>	<u>(13,622)</u>

Notes to the Accounts

For the year ended 31st December, 2000

32. SUBSEQUENT EVENT

On 2nd April, 2001, the Group entered into a conditional agreement (“the Agreement”) with a wholly owned subsidiary of China Overseas Land & Investment Limited (“COLI”), a substantial shareholder of the Company, pursuant to which the Group would dispose of its entire interest in Fortune Best Investment Limited (“Fortune Best”), a subsidiary owning 60% interest in Shanghai Square, for a total cash consideration of approximately HK\$341.5 million. The Agreement is subject to the approval of the independent shareholders of the Company at the Special General Meeting expected to be held on 18th May, 2001. The Agreement is, among others, conditional upon the completion of a share sale agreement of even date between Supreme Class Limited, Chung Hoi Finance Limited (both wholly owned subsidiaries of COLI) as the vendors and Designcase Limited, the controlling shareholder of the Company, as the purchaser relating to the sale and purchase of 243,706,000 shares of the Company.

The Group is not expected to record further loss for this disposal in the financial year ending 31st December, 2001 (saved for any operating loss incurred in respect of Fortune Best during the period between 1st January, 2001 and 31st March, 2001).

33. APPROVAL OF ACCOUNTS

The Accounts were approved by the Board of Directors on 2nd April, 2001.