

NOTES TO  
FINANCIAL STATEMENTS (CONT'D)

31 December 2000

**23. SHARE CAPITAL**

**Shares**

	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
<i>Authorised:</i>		
5,000,000,000 shares of HK\$0.10 each	<b>500,000</b>	500,000
<i>Issued and fully paid:</i>		
2,525,584,800 (1999: 400,000,000) shares of HK\$0.10 each	<b>252,558</b>	40,000

During the year, the following movements in the issued and fully paid share capital of the Company were noted:

<b>Period</b>	<b>Description</b>	<b>Number of ordinary shares</b>	<b>Share capital <i>HK\$'000</i></b>	<b>Share premium <i>HK\$'000</i></b>
Balance at beginning of year		400,000,000	40,000	54,346
April to June 2000	Exercise of warrants	67,967,600	6,797	18,320
21 July 2000	Four for one bonus issue	1,636,686,400	163,668	(64,435)
20 November 2000	One for five bonus issue	420,930,800	42,093	(8,171)
	Share issue expenses	—	—	(60)
Balance at end of year		<b>2,525,584,800</b>	<b>252,558</b>	<b>—</b>

There were no changes in the authorised and issued share capital of the Company during the year ended 31 December 1999.

On 26 May 2000, the directors recommended a bonus issue of shares of the Company of HK\$0.10 each, credited as fully paid by way of capitalisation of the Company's share premium and retained profits, on the basis of four bonus shares for one existing share held by the shareholders whose names appeared on the register of members of the Company on 26 June 2000. On 21 July 2000, 1,636,686,400 shares of HK\$0.10 each were allotted by way of capitalisation of the Company's share premium of HK\$64,435,000 and retained profits of HK\$99,234,000.

On 25 September 2000, the directors recommended a bonus issue of one new share for every five existing shares held by the shareholders whose names appeared on the register of members of the Company on 31 October 2000. On 20 November 2000, 420,930,800 shares of HK\$0.10 each were allotted by way of capitalisation of the Company's share premium of HK\$8,171,000 and contributed surplus of HK\$33,921,000.

On consolidation, the above bonus issue of shares were credited by way of capitalisation of the Group's retained profits and share premium of HK\$133,155,000 and HK\$72,606,000, respectively.

**23. SHARE CAPITAL** *(continued)*

**Warrants**

On 29 July 1998, 80,000,000 warrants were issued. Each warrant conferred upon the holder the right to subscribe in cash for one share of HK\$0.10 each of the Company at a subscription price of HK\$1.20 per share, subject to adjustment, at any time between 31 July 1998 and 30 June 2000.

Prior to 26 June 2000, 9,171,600 warrants were exercised at the exercise price of HK\$1.20 per share, resulting in the issue of 9,171,600 ordinary shares of par value HK\$0.10 each for a total cash consideration of HK\$11,005,920.

Pursuant to a resolution passed on 26 June 2000, the subscription price per share of the outstanding warrants was adjusted from HK\$1.20 to HK\$0.24 to reflect the respective interests of the warrant holders as a result of the four for one bonus issue declared on 26 May 2000. Afterwards, a total of 58,796,000 of warrants were exercised at a price of HK\$0.24 per share, resulting in the issue of 58,796,000 shares of HK\$0.10 each of the Company and proceeds before expenses of HK\$14,111,040.

**Share options**

On 10 July 1998, the Company adopted a share option scheme (the "Scheme") under which the directors may, at their discretion, invite any employee and/or executive directors of the Group, to take up options to subscribe for the Company's shares. The subscription price is determined by the directors and should not be less than the greater of an amount equal to 80% of the average official closing price of the Company's shares on the Stock Exchange of Hong Kong for the five trading days immediately preceding the date of the offer of the option and the nominal value of the Company's shares. The maximum number of shares in respect of which options may be granted under the Scheme and any other scheme of the Company should not exceed 10% of the share capital of the Company in issue from time to time (except shares issued upon exercise of options granted pursuant to the Scheme).

No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Scheme exceeding 25% of the maximum number of shares in respect of which options may be granted under the Scheme.

No share options have been granted since the establishment of the Scheme.

NOTES TO  
FINANCIAL STATEMENTS (CONT'D)

31 December 2000

24. RESERVES

Group	Share premium <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 1999	54,346	529,943	—	548	263,503	848,340
Deficit on revaluation of investment properties	—	(92,047)	—	—	—	(92,047)
Arising from disposal of investment properties	—	(6,369)	—	—	—	(6,369)
Arising from acquisition of interests in associates	—	—	22,485	—	—	22,485
Profit for the year	—	—	—	—	20,032	20,032
Dividends	—	—	—	—	(12,016)	(12,016)
At 31 December 1999 and beginning of year	54,346	431,527	22,485	548	271,519	780,425
Deficit on revaluation of investment properties	—	(90,988)	—	—	—	(90,988)
Arising from disposal of interests in investment properties	—	(435)	—	—	—	(435)
Exercise of warrants	18,320	—	—	—	—	18,320
Issue of bonus shares	(72,606)	—	—	—	(133,155)	(205,761)
Share issue expenses	(60)	—	—	—	—	(60)
Arising from acquisition of interests in associates	—	—	2,552	—	—	2,552
Loss for the year	—	—	—	—	(28,820)	(28,820)
Dividends	—	—	—	—	(12,960)	(12,960)
<b>At 31 December 2000</b>	<b>—</b>	<b>340,104</b>	<b>25,037</b>	<b>548</b>	<b>96,584</b>	<b>462,273</b>
Reserves retained by:						
Company	54,346	—	—	—	20,940	75,286
Subsidiaries	—	431,527	22,485	548	252,257	706,817
Associates	—	—	—	—	(1,678)	(1,678)
31 December 1999	54,346	431,527	22,485	548	271,519	780,425
Company	—	—	—	—	66,764	66,764
Subsidiaries	—	340,104	25,037	548	53,724	419,413
Associates	—	—	—	—	(23,904)	(23,904)
<b>31 December 2000</b>	<b>—</b>	<b>340,104</b>	<b>25,037</b>	<b>548</b>	<b>96,584</b>	<b>462,273</b>

NOTES TO  
FINANCIAL STATEMENTS (CONT'D)

31 December 2000

24. RESERVES (continued)

Company

	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Retained profits</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 1999	54,346	623,622	7,525	685,493
Profit for the year	—	—	25,431	25,431
Dividends	—	—	(12,016)	(12,016)
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At 31 December 1999 and beginning of year	54,346	623,622	20,940	698,908
Exercise of warrants	18,320	—	—	18,320
Issue of bonus shares	(72,606)	(33,921)	(99,234)	(205,761)
Share issue expenses	(60)	—	—	(60)
Profit for the year	—	—	158,018	158,018
Dividends	—	—	(12,960)	(12,960)
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<b>At 31 December 2000</b>	<b>—</b>	<b>589,701</b>	<b>66,764</b>	<b>656,465</b>

The contributed surplus of the Company arose as a result of the Group reorganisation in preparation for the public listing of the Company's shares and warrants on the Stock Exchange of Hong Kong in 1998 and represented the excess of the net asset value of the subsidiaries acquired over the par value of the shares of the Company issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus may be distributed to the Company's shareholders under certain circumstances.

NOTES TO  
FINANCIAL STATEMENTS (CONT'D)

31 December 2000

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Profit from operating activities	77,944	104,448
Interest income	(5,350)	(4,667)
Project management income from associates	—	(10,400)
Depreciation	4,426	4,316
Unrealised losses on listed investments	296	—
Dividend income	(135)	—
Gain on disposal of investment properties	—	(6,369)
Loss on disposal of interests in investment properties	1,225	—
Gain on disposal of fixed assets	(39)	(1,029)
Provisions for bad and doubtful debts	3,046	364
PRC indirect taxes	9,089	14,272
Increase in accounts receivable	(2,100)	(1,131)
Increase in prepayments, deposits and other receivables	(2,932)	(7,977)
Decrease in accounts payable	(1)	(2,537)
Decrease in accrued expenses and other payables	(7,567)	(18,072)
Decrease in deposits received	(1,765)	(1,630)
	<u>76,137</u>	<u>69,588</u>

(b) Disposal of subsidiaries

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Net assets disposed of:		
Fixed assets	10	—
Investment properties	5,400	—
Prepayments, deposits and other receivables	12	—
Taxation	(262)	—
	<u>5,160</u>	<u>—</u>
Realisation of revaluation reserves attributable to the disposed subsidiaries	(435)	—
	<u>4,725</u>	<u>—</u>
Loss on disposal of subsidiaries	(1,225)	—
	<u>3,500</u>	<u>—</u>
Satisfied by:		
Cash	3,500	—
	<u>3,500</u>	<u>—</u>