

Notes to the Financial Statements

For the year ended 31st December 2000

(1) GENERAL

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

Subsequent to the year end 31st December, 2000, the Company changed its name from Hing Kong Holdings Limited to Vision Century Corporation Limited. Upon the close of the general offers made by Vision Century Limited ("VCL") to acquire all the then issued shares in the share capital (other than those shares already owned by it) and the unlisted warrants of the Company, VCL became the ultimate holding company of the Company.

The principal activity of the Company is investment holding while the principal activities of its subsidiaries are property development and investment, securities trading and investment, development and management of business parks, investment in information-technology projects, and infra-structure investment.

(2) SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year, and also include the Group's share of results of associates on the basis set out in note 2(d) below. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

(b) Goodwill and capital reserve

Goodwill or capital reserve on acquisition of a subsidiary or an associate represents respectively the excess or shortfall of the purchase consideration over the Group's share of the fair value ascribed to the separable net assets of the subsidiary or associate at the date of acquisition. Goodwill or capital reserve is written off or credited directly to reserves in the year of acquisition.

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For the year ended 31st December 2000

(2) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

On the disposal of a subsidiary or an associate, the attributable amount of goodwill or capital reserve previously written off against or credited to reserves is included in the determination of the profit or loss on disposal.

When there is impairment in value of goodwill that is other than temporary, the amount of goodwill impaired is reversed from the reserve and charged to the income statement as an expense.

(c) Subsidiaries

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

Interest in subsidiaries are carried in the financial statements of the Company at cost less any decline in the value of the subsidiary that is other than temporary. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Associates

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

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

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

Notes to the Financial Statements

For the year ended 31st December 2000

(2) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Interest in 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. A joint venture which involves the establishment of a separate entity in which each venturer has an interest is referred to as a jointly controlled entity.

The Group's interest in a jointly controlled entity is accounted for using equity method of accounting. The Group's attributable share of net assets of the jointly controlled entity includes the share of post acquisition reserves.

Where a group enterprise transacts with a jointly controlled entity of the Group, 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.

Investments made by means of joint venture structures which does not result in the Group having joint control with the other venturers, 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 investment in securities (where the Group exercises neither control nor significant influence).

(f) Investments in securities

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

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

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. 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 year.

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For the year ended 31st December 2000

(2) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Fixed assets

Fixed assets are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the fixed assets has been put into operation, such as repairs and maintenance and overhaul costs, is 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 fixed assets, the expenditure is capitalised as an additional cost of the asset.

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

Depreciation is provided to write off the cost of items of fixed assets over their estimated useful lives, using the straight-line method, on the following basis:

Category of fixed assets	Annual depreciation rates
Premises under long leases in the People's Republic of China ("PRC")	Over the remaining term of the lease or 5% whichever is the higher
Motor vehicles	12%-20%
Furniture, fixtures and office equipment	19.20%-33.33%
Leasehold improvements	20%

When the recoverable amounts of fixed assets have declined below their carrying amounts, the carrying amounts are reduced to reflect the decline in value. In determining the recoverable amount of fixed assets, expected cashflows are not discounted to their present values.

Notes to the Financial Statements

For the year ended 31st December 2000

(2) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Properties under development

Properties under development for long term retention are classified under non-current assets and are stated at cost less provision for diminution in value. These properties are reclassified as investment properties or other properties as the case may be upon completion of the development.

Properties under development for sale are included in stocks at the lower of cost and net realisable value.

Costs of properties under development include costs of acquisition to the Group, development expenditure, borrowing costs, finance charges and other direct costs attributable to such development.

Net realisable value is determined by reference to sale proceeds in the ordinary course of business after the balance sheet date, or by management estimates based on prevailing market conditions, less all estimated costs to completion and costs to be incurred in marketing and selling.

(i) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalised, attributable to unsold units. Net realisable value is determined by management, based on prevailing market conditions.

Notes to the Financial Statements

For the year ended 31st December 2000

(2) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Recognition of revenue

- (i) Sales of properties are recognised on the completion of the transactions. When properties under development for sale are presold prior to completion, income is recognised on the execution of a binding sales agreement or when the relevant building occupation permit is issued by the relevant authority, whichever is the later. Payments received prior to this stage are recorded as deposits received and included in current liabilities.
- (ii) Property management fee income is recognised when the services are rendered.
- (iii) Rental and licence income under operating leases is recognised on a straight line basis over the terms of the relevant leases.
- (iv) Investment income is recognised when the Group's right to receive payment is established.
- (v) Sales of investments are recognised on trade day or contract date basis, where appropriate.
- (vi) Interest income is recognised on a time basis.

(k) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of 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.

Notes to the Financial Statements

For the year ended 31st December 2000

(2) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Intangible assets

Costs incurred in the acquisition of technology knowhow are capitalised and amortised from the date of commencement of commercial operation. Where the recoverable amount of the technology knowhow has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value.

(m) Research and development costs

Expenditure on research and development is charged to the income statement in the period in which it is incurred except where a major project is clearly defined and it is reasonably anticipated that development costs will be recovered through future commercial activity, are separately identifiable and directly attributable to the project. Such development costs are deferred and written off over the life of the project from the date of commencement of commercial operation.

(n) Foreign currencies

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

On consolidation, the financial statements of subsidiaries outside Hong Kong are translated at rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the exchange reserve.

(o) Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. 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 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 are deducted from the borrowing costs capitalised. All other borrowing costs are recognised as expenses in the period in which they are incurred.

Notes to the Financial Statements

For the year ended 31st December 2000

(3) *TURNOVER*

Turnover represents the amounts received and receivable from sales of completed properties and trading securities, property letting, provision of property management services and revenue from infra-structure investment during the year.

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Turnover for the year comprises:		
Continuing operations:		
Proceeds from sale of completed properties	519,591	81,119
Rental income from property letting	3,419	519
Property management fees	836	472
Proceeds from sale of trading securities	41,179	381
	565,025	82,491
Discontinued operations:		
Toll road income	–	17,338
Total	565,025	99,829

(4) *OTHER OPERATING REVENUE/ (EXPENSES)*

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Net realised and unrealised holding loss on trading securities	(2,820)	(5,268)
Realised gain on disposal of short-term non-trading securities	11,167	–
Interest income	2,414	2,386
Dividend income	616	447
Other revenue in relation to property projects	–	1,677
Miscellaneous income	425	–
	11,802	(758)

Notes to the Financial Statements

For the year ended 31st December 2000

(5) PROVISION (MADE)/WRITTEN BACK FOR OPERATIONS

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Provision (Made)/Written back in relation to:		
Property projects	(73,160)	6,714
Non-trading securities	(7,355)	23,159
Debtors	–	4,692
	(80,515)	34,565

(6) (LOSS)/ PROFIT FROM OPERATIONS

	The Group	
	2000	1999
	HK\$'000	HK\$'000
(Loss)/Profit from operations has been arrived at after charging:		
Depreciation of fixed assets	3,080	9,914
Less: Amount capitalised to properties under development in the PRC	(943)	(184)
	2,137	9,730
Auditors' remuneration		
– current year	900	618
– overprovision for previous years	(56)	(40)
	844	578
Staff costs		
– including retirement benefits scheme contributions, net of forfeitures, of HK\$517,000 (1999: HK\$921,000)	23,378	23,046
Payments under operating leases on land and buildings	2,920	2,834
Loss on disposal of fixed assets	8	–
And after crediting:		
Foreign exchange gain, net	152	311

Notes to the Financial Statements

For the year ended 31st December 2000

(7) FINANCE COSTS

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Interest on:		
Continuing operations:		
Bank and other borrowings		
wholly repayable within five years	66,946	31,925
Other borrowing costs	2,511	3,133
	69,457	35,058
Less: Amounts capitalised under properties under development included in fixed assets	(2,674)	–
Amounts capitalised under properties under development for sale	(42,756)	(30,164)
	24,027	4,894
Discontinued operations:		
Bank borrowings wholly repayable within five years	–	1,095
	24,027	5,989

(8) DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

Directors' emoluments are analysed as follows:

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Executive Directors:		
Fees	1,680	2,840
Salaries, allowances and other benefits	6,786	2,465
Retirement benefits scheme contributions	18	–
	8,484	5,305
Independent Non-Executive Directors:		
Fees	120	120
	8,604	5,425
Total directors' emoluments	8,604	5,425

Notes to the Financial Statements

For the year ended 31st December 2000

(8) DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(a) Directors (Cont'd)

The directors' emoluments are within the following bands:

	The Group	
	2000	1999
	Number of	Number of
	Directors	Directors
Nil-HK\$1,000,000	9	8
HK\$3,000,001-HK\$3,500,000	–	1
HK\$7,500,001-HK\$8,000,000	1	–
	10	9

(b) Five Highest Paid Individuals

The five highest paid individuals of the Group included 1 director (1999: 1), details of whose emoluments are set out above. The emoluments of the five highest paid individuals were as follows:

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Fees, salaries, allowances and other benefits	13,323	8,557
Discretionary bonuses	–	175
Retirement benefits scheme contributions	230	184
	13,553	8,916

Notes to the Financial Statements

For the year ended 31st December 2000

(8) DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(b) Five Highest Paid Individuals (Cont'd)

The five highest paid individuals' emoluments fall within the following bands are:

	The Group	
	2000	1999
	Number of	Number of
	Employees	Employees
HK\$1,000,001-HK\$1,500,000	3	3
HK\$1,500,001-HK\$2,000,000	1	1
HK\$3,000,001-HK\$3,500,000	–	1
HK\$7,500,001-HK\$8,000,000	1	–
	5	5

(9) RETIREMENT BENEFITS SCHEME

During the year, the Group operates defined contribution retirement benefits schemes for eligible employees. Contributions to the schemes are made by both the employer and the employees at the rate of 5% on the employees' total monthly package.

Those schemes were replaced by Mandatory Provident Fund ("MPF"), schemes in December, 2000 when the Mandatory Provident Fund Ordinance ("MPFO") became effective. Accordingly, the vested interests were transferred to the MPF schemes. Contributions to these MPF schemes are made by both the employers and employees at 5% of the relevant income and other requirements as set out in the MPFO and its related rules and regulations. Certain staff may elect to contribute more than the minimum as a voluntary contribution. Contributions are capped at 5% of the staff's total monthly package.

The assets of the schemes are held separately from those of the Group in independently administered funds. The costs charged to the income statement represent the contributions paid and payable by the Group to the schemes less contributions forfeited for those employees who leave the schemes prior to vesting fully in such contributions before the implementation of the MPF schemes. Forfeited contributions utilised to reduce the existing level of the Group's contributions under the schemes during the year amounted to approximately HK\$343,000 (1999: HK\$87,000) as at the balance sheet date, the amount of forfeited contribution available for future utilisation was nil (1999: HK\$109,000).

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(10) NON-OPERATING PROVISION MADE

	The Group	
	2000 HK\$'000	1999 HK\$'000
Provision made for impairment in values of:		
Non-trading securities	(114,399)	–
Intangible assets	(63,979)	–
Goodwill arising on acquisition of a subsidiary	(13,098)	–
Goodwill arising on acquisition of an associate	(63,904)	–
	(255,380)	–

(11) OTHER NON-OPERATING REVENUE

	The Group	
	2000 HK\$'000	1999 HK\$'000
Realised gain on disposal of non-trading securities	–	24,221
Loss on disposal of discontinued operations	–	(5,258)
	–	18,963

(12) SHARE OF RESULTS OF ASSOCIATES

The Group's share of results of associates includes a provision of HK\$32,002,000 (1999:nil) representing the Group's share of deficit on revaluation of an investment property held by an associate.

(13) TAXATION

	The Group	
	2000 HK\$'000	1999 HK\$'000
The (charge)/credit comprises:		
The Company and Subsidiaries		
Hong Kong Profits Tax for the year	(905)	(30)
Associates		
Share of Hong Kong Profits Tax on results of associates	–	132
	(905)	102

Notes to the Financial Statements

For the year ended 31st December 2000

(13) TAXATION (Cont'd)

Hong Kong Profits Tax is calculated at the rate of 16% (1999: 16%) based on the estimated assessable profits for the year.

The Group and the Company did not have any significant unprovided deferred taxation as at the balance sheet date or for the year.

(14) (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's loss for the year, a loss of HK\$614,429,000 (1999: a profit of HK\$179,774,000) has been dealt with in the financial statements of the Company.

(15) DIVIDENDS

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Interim dividend paid—nil (1999:HK1.0 cent per share)	—	10,830
Final dividend proposed—nil (1999: nil)	—	—
	—	10,830

(16) BASIC (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss attributable to the shareholders for the year of HK\$355,811,000 (1999: a profit of HK\$19,650,000) and on the weighted average number of 1,576,992,134 (1999:1,083,590,331) shares in issue during the year. No diluted (loss)/earnings per share has been presented because had the Company's warrants and convertible bonds been exercised, there should have been no dilutive effect on the Group's results for both years.

Notes to the Financial Statements

For the year ended 31st December 2000

(17) SEGMENTAL INFORMATION

An analysis of the Group's turnover and (loss)/profit from operations by principal activities and geographical locations are as follows:

(a) By principal activities

	Property, development, investment and management HK\$'000	Securities trading and investment HK\$'000	Infrastructure - Power Plant HK\$'000	Infrastructure - Toll roads HK\$'000	Others HK\$'000	Total HK\$'000
Turnover						
Continuing operations						
2000	523,846	41,179	-	-	-	565,025
1999	82,110	381	-	-	-	82,491
Discontinued operations						
2000	-	-	-	-	-	-
1999	-	-	-	17,338	-	17,338
Total						
2000	523,846	41,179	-	-	-	565,025
1999	82,110	381	-	17,338	-	99,829
(Loss)/Profit from Operations						
Continuing operations						
2000	(55,938)	17,252	(439)	-	(37,166)	(76,291)
1999	7,701	22,823	116	-	(30,464)	176
Discontinued operations						
2000	-	-	-	-	-	-
1999	-	-	-	6,001	-	6,001
Total						
2000	(55,938)	17,252	(439)	-	(37,166)	(76,291)
1999	7,701	22,823	116	6,001	(30,464)	6,177

Notes to the Financial Statements

For the year ended 31st December 2000

(17) SEGMENTAL INFORMATION (Cont'd)

(b) By geographical locations

	Hong Kong HK\$'000	Other regions in the PRC HK\$'000	Total HK\$'000
Turnover			
Continuing operations			
2000	565,025	–	565,025
1999	82,491	–	82,491
Discontinued operations			
2000	–	–	–
1999	–	17,338	17,338
Total			
2000	565,025	–	565,025
1999	82,491	17,338	99,829
(Loss)/Profit from Operations			
Continuing operations			
2000	(69,696)	(6,595)	(76,291)
1999	(720)	896	176
Discontinued operations			
2000	–	–	–
1999	–	6,001	6,001
Total			
2000	(69,696)	(6,595)	(76,291)
1999	(720)	6,897	6,177

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(18) FIXED ASSETS

The Group	Premises in the PRC under Long Term Lease HK\$'000	Motor Vehicles HK\$'000	Office Equipment HK\$'000	Furniture And Fixtures HK\$'000	Leasehold Improve- ments HK\$'000	Properties in the PRC Under Development under Medium Term Lease HK\$'000	Total HK\$'000
Cost							
At 1st January, 2000	14,829	2,392	1,825	613	3,479	–	23,138
Exchange realignment	(2)	9	4	1	1	189	202
Additions	–	377	1,000	258	465	42,289	44,389
Acquisition of subsidiaries	–	3,294	592	410	–	630,000	634,296
Disposals	–	(622)	(14)	–	–	–	(636)
Provision for impairment in value	(4,405)	–	–	–	–	–	(4,405)
At 31st December, 2000	10,422	5,450	3,407	1,282	3,945	672,478	696,984
Accumulated depreciation							
At 1st January, 2000	1,369	840	742	187	346	–	3,484
Exchange realignment	–	1	1	–	–	–	2
Charge for the year	499	922	679	223	757	–	3,080
Acquisition of subsidiaries	–	152	55	28	–	–	235
Eliminated on disposals	–	(37)	(6)	–	–	–	(43)
At 31st December, 2000	1,868	1,878	1,471	438	1,103	–	6,758
Carrying amount							
At 31st December, 2000	8,554	3,572	1,936	844	2,842	672,478	690,226
At 31st December, 1999	13,460	1,552	1,083	426	3,133	–	19,654

As at 31st December, 2000, total borrowing costs in the amount of approximately HK\$2,674,000 (1999: nil) was capitalised in properties under development.

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For the year ended 31st December 2000

(19) INTANGIBLE ASSETS

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Cost		
Acquisition of a subsidiary	62,351	–
Additions	1,628	–
Provision made	(63,979)	–
	–	–

(20) INTERESTS IN SUBSIDIARIES

	The Company	
	2000	1999
	HK\$'000	HK\$'000
Amounts due from subsidiaries, net of provision	1,794,164	1,942,088

Particulars regarding the principal subsidiaries at 31st December, 2000 are set out in note 39 to the financial statements.

(21) INTERESTS IN ASSOCIATES

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	40,156	156
Share of undistributed post-acquisition reserves	(135,196)	(107,038)
Capital reserves on acquisition of an associate	(28,917)	–
The Group's share of net liabilities	(123,957)	(106,882)
Amounts due from associates	261,196	262,402
Amounts due to associates	–	(1)
Disposal of associates	1	–
	137,240	155,519

Notes to the Financial Statements

For the year ended 31st December 2000

(21) INTERESTS IN ASSOCIATES (Cont'd)

Particulars regarding the principal associates at 31st December, 2000 are set out in note 39 to the financial statements. Extracts of the financial information of a significant associate is set out in note 40 to the financial statements.

(22) INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Unlisted investment, at carrying value	23,827	23,827
Share of undistributed post-acquisition reserves	3,511	2,594
The Group's share of net assets	27,338	26,421
Amounts due from a jointly controlled entity	141,136	178,541
	168,474	204,962

The interest in a jointly controlled entity represents the Group's 50% interest in Wuhu Baoda Electric-Power Development Company Limited ("蕪湖保達電力開發有限公司"), a corporation which is registered and operating in Wuhu, the PRC, which in turn has a 50% interest in a power plant in Wuhu, the PRC.

Extracts of the financial information of the jointly controlled entity is set out in note 41 to the financial statements.

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(23) INVESTMENTS IN EQUITY SECURITIES

	2000		1999	
	The Group HK\$'000	The Company HK\$'000	The Group HK\$'000	The Company HK\$'000
Non-current Investments				
Non-trading securities				
Listed shares in Hong Kong, at market value	7,231	–	17,355	–
Unlisted investment, at fair value	13,659	6,465	3,873	3,873
	20,890	6,465	21,228	3,873
Current Investments				
Trading securities				
Listed shares in Hong Kong, at market value			4,106	25,621
Non-trading securities				
Listed shares in Hong Kong, at market value			2,032	23,159
			6,138	48,780

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(24) PROPERTIES HELD FOR SALE

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Cost or carrying value:		
Completed properties held for sale	358,903	319,228
Properties under development for sale	1,068,386	1,155,518
	1,427,289	1,474,746

In prior years, only those properties expected to be realised within twelve months of the balance sheet date are included in current assets. In the opinion of directors, in order to better reflect the operation of the Group, properties under development which are expected to be realised in the normal course of the Group's property development cycle are to be included in current assets. As a result, carrying value of certain properties under development in aggregate amounts of HK\$1,155,518,000 which were grouped under non-current assets as at 31st December, 1999 are reclassified as properties under development for sale under current assets.

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(25) DEBTORS, DEPOSITS AND PREPAYMENTS

Consideration in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Rental receipts are payable in advance by the tenants.

The aging analysis of trade debtors is stated as follows:

	2000		1999	
	The Group HK\$'000	The Company HK\$'000	The Group HK\$'000	The Company HK\$'000
Within 3 months	119,509	–	2	–

(26) CREDITORS AND ACCRUALS

The aging analysis of trade creditors is stated as follows:

	2000		1999	
	The Group HK\$'000	The Company HK\$'000	The Group HK\$'000	The Company HK\$'000
Within 3 months	101,533	718	–	–
Over 12 months	9,594	–	9,558	–
	111,127	718	9,558	–

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(27) BANK AND OTHER BORROWINGS

	2000		1999	
	The Group HK\$'000	The Company HK\$'000	The Group HK\$'000	The Company HK\$'000
Bank and other borrowings comprises:				
Bank and other borrowings	656,176	30,000	399,900	20,000
Bank overdrafts	76,266	76,266	81,482	81,482
	732,442	106,266	481,382	101,482
Analysed as:				
Secured	655,643	57,734	460,591	80,691
Unsecured	76,799	48,532	20,791	20,791
	732,442	106,266	481,382	101,482
Bank and other borrowings and bank overdrafts are repayable as follows:				
–within 1 year	612,022	106,266	176,782	101,482
–between 1 and 2 years	85,420	–	268,200	–
–between 2 and 5 years	35,000	–	36,400	–
	732,442	106,266	481,382	101,482
Less: Amounts due within 1 year included under current liabilities	(612,022)	(106,266)	(176,782)	(101,482)
	120,420	–	304,600	–

Notes to the Financial Statements

For the year ended 31st December 2000

(28) SHARE CAPITAL

	2000		1999	
	Number of Shares	HK\$'000	Number of Shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each				
At 1st January	1,600,000,000	160,000	1,600,000,000	160,000
Increase in authorised share capital	600,000,000	60,000	–	–
At 31st December	2,200,000,000	220,000	1,600,000,000	160,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
At 1st January	1,071,514,419	107,151	1,088,624,419	108,862
Issue of shares	596,421,068	59,643	–	–
Repurchase of shares	–	–	(17,110,000)	(1,711)
At 31st December	1,667,935,487	166,794	1,071,514,419	107,151

(29) WARRANTS

Unlisted Warrants

Pursuant to an agreement relating to special warrants (the "Warrant Agreement") entered into between the Company and Mr. Chow Nin Mow, Albert ("Mr. Chow") on 22nd July, 1997 where the Warrant Agreement was part of the terms of appointment of Mr. Chow as the Managing Director of the Company so approved in the special general meeting held on 19th July, 1997, the Company has granted and issued to Mr. Chow a total of 120,000,000 unlisted warrants to subscribe for 120,000,000 of the Company's shares of HK\$0.1 each at a price of HK\$2.88 per share (subject to adjustment). 60,000,000 of the unlisted warrants are exercisable from 23rd July, 1999 to 22nd July, 2005 (both dates inclusive) while 60,000,000 of the unlisted warrants are exercisable from 23rd July, 2001 to 22nd July, 2005 (both dates inclusive) save for certain circumstances as specified in the Warrant Agreement. None of the unlisted warrants were exercised and converted into shares of the Company during the year.

(30) EMPLOYEE SHARE OPTION SCHEME

On 10th January, 2000, the shareholders approved a share option scheme under which the directors may, at their discretion, invite any full-time employees or executive directors of any members of the Group to take up options at HK\$1 per option to subscribe for shares of HK\$0.1 each in the issued share capital of the Company ("Shares") at any time during the ten years from the date of approval. The subscription price for Shares will be determined by the Board of directors of the Company and will not be less than 80% of the average of the closing prices of the Shares on the Stock Exchange for the five trading days immediately preceding the date on which an option is granted or the nominal value of a Share, whichever is the higher. The maximum number of Shares in which options can be granted may not exceed 10% of the issued Shares, excluding any Shares issued on the exercise of options, from time to time. No options were offered to any full-time employees or executive directors of any members of the Group under the share option scheme since the adoption of the new employee share option scheme.

Notes to the Financial Statements

For the year ended 31st December 2000

(31) RESERVES

(a) The Group

	Investments	(Goodwill)/	Capital		Accumulated		
	Share Revaluation	Capital Redemption	Redemption	Exchange	(Losses) /		
	Premium	Reserve	Reserve	Reserve	Profits	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January, 1999	1,460,716	(31,198)	-	196	1,520	(131,447)	1,299,787
Transfer to accumulated							
losses upon capital reduction	(134,457)	-	-	-	-	134,457	-
Expenses in relation to the							
capital reduction	(26)	-	-	-	-	-	(26)
Exchange difference arising							
on translation of overseas							
operations	-	-	-	-	555	-	555
Unrealised gain on investment							
in non-trading securities	-	1,045	-	-	-	-	1,045
Premium and expenses paid							
on repurchase of shares	(12,834)	-	-	-	-	-	(12,834)
Profit for the year	-	-	-	-	-	19,650	19,650
Dividend paid	-	-	-	-	-	(10,830)	(10,830)
Balance at							
31st December, 1999	1,313,399	(30,153)	-	196	2,075	11,830	1,297,347
Attributable to:							
The Company and its							
subsidiaries	1,313,399	(30,153)	-	196	2,004	116,345	1,401,791
Associates	-	-	-	-	-	(107,038)	(107,038)
Jointly controlled entity	-	-	-	-	71	2,523	2,594
	1,313,399	(30,153)	-	196	2,075	11,830	1,297,347

Notes to the Financial Statements

For the year ended 31st December 2000

(31) RESERVES (Cont'd)

(a) The Group (Cont'd)

	Investments Share Premium	Revaluation Reserve	(Goodwill)/ Capital Reserve	Capital Redemption Reserve	Exchange Reserve	Accumulated (Losses) / Profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January, 2000	1,313,399	(30,153)	-	196	2,075	11,830	1,297,347
Premium on issue of shares	589,107	-	-	-	-	-	589,107
Expenses in connection with issue of shares	(3,706)	-	-	-	-	-	(3,706)
Expenses in relation to the capital reduction	(20)	-	-	-	-	-	(20)
Exchange difference arising on translation of overseas operations	-	-	-	-	725	-	725
Deficit on revaluation of non-trading securities	-	(17,479)	-	-	-	-	(17,479)
Impairment loss transferred to the income statement	-	47,632	-	-	-	-	47,632
Goodwill reserve arising on acquisition of subsidiaries and an associate	-	-	(203,696)	-	-	-	(203,696)
Write off due to impairment of goodwill	-	-	77,002	-	-	-	77,002
Loss for the year	-	-	-	-	-	(355,811)	(355,811)
Balance at 31st December, 2000	1,898,780	-	(126,694)	196	2,800	(343,981)	1,431,101
Attributable to:							
The Company and its subsidiaries	1,898,780	-	(126,694)	196	2,520	(212,016)	1,562,786
Associates	-	-	-	-	-	(135,196)	(135,196)
Jointly controlled entity	-	-	-	-	280	3,231	3,511
	1,898,780	-	(126,694)	196	2,800	(343,981)	1,431,101

Notes to the Financial Statements

For the year ended 31st December 2000

(31) RESERVES (Cont'd)

(b) The Company

	Capital Accumulated			Total HK\$'000
	Share Redemption Premium HK\$'000	Reserve HK\$'000	(Losses)/ Profits HK\$'000	
Balance at				
1st January, 1999	1,460,716	196	(134,457)	1,326,455
Transfer to accumulated losses upon capital reduction	(134,457)	–	134,457	–
Expenses in relation to the capital reduction	(26)	–	–	(26)
Premium and expenses paid on repurchase of shares	(12,834)	–	–	(12,834)
Profit for the year	–	–	179,774	179,774
Dividend paid	–	–	(10,830)	(10,830)
Balance at				
31st December, 1999 and 1st January, 2000	1,313,399	196	168,944	1,482,539
Premium on issue of shares	589,107	–	–	589,107
Expense in connection with issue of shares	(3,706)	–	–	(3,706)
Expenses in relation to the capital reduction	(20)	–	–	(20)
Loss for the year	–	–	(614,429)	(614,429)
Balance at				
31st December, 2000	1,898,780	196	(445,485)	1,453,491

At the balance sheet date, the Company has no distributable reserve (1999: distributable reserve of HK\$168,944,000).

Notes to the Financial Statements

For the year ended 31st December 2000

(32) CONVERTIBLE BONDS

The Company issued ten convertible bonds (the "Convertible Bonds") at a subscription price of HK\$6,600,000 per Convertible Bond, amounting to an aggregate amount of HK\$66,000,000 on 31st January, 2000 (the "Issue Day") to China Travel International Investment Hong Kong Limited ("CTII"). The Convertible Bonds shall be repaid subject to and in accordance with the terms of the Convertible Bonds on the date immediately after the end of 30 calendar months from the Issue Day (the "Maturity Date"). The Convertible Bonds bear interest at a rate of two per cent. per annum which is payable every six months in arrear commencing 31st July, 2000. The holder of the Convertible Bonds, may at any time prior to Maturity Date require the Company to convert the whole but not part only of the principal amount outstanding under each of the ten issued Convertible Bonds at the conversion price of HK\$0.986 per share (subject to adjustment).

Unless previously converted, the Convertible Bonds will be redeemed by the Company at its principal amount outstanding together with accrued interest thereon on maturity.

(33) MINORITY INTERESTS

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Share of net liabilities of subsidiaries	(5,109)	(17,611)
Amount due from a minority shareholder	(2,262)	(2,262)
Amounts due to minority shareholders	192,793	187,662
	185,422	167,789

(34) PLEDGE OF ASSETS

As at the balance sheet date, the Group pledged certain completed properties held for sale and properties under development for sale in Hong Kong with carrying values of HK\$971,840,000 (1999: HK\$800,863,000) and bank deposits in the PRC amounted HK\$50,652,000 (1999: nil) to secure the loan facilities granted to the Group.

Notes to the Financial Statements

For the year ended 31st December 2000

(35) CONTINGENT LIABILITIES

As at the balance sheet date, the Company issued guarantees to the extent of HK\$799,894,000 (1999: HK\$725,400,000) of which HK\$568,794,000 (1999: HK\$379,900,000) were utilised in respect of the bank loan facilities granted to subsidiaries.

As at the balance sheet date, the Group has no significant contingent liabilities.

(36) RELATED PARTY TRANSACTIONS

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

- (a) Billion Property Limited ("Billion"), a wholly-owned subsidiary of the Company, and China Travel Service (Holdings) Hong Kong Limited ("CTSH") entered into an agreement on 19th August, 1997 and a supplemental agreement on 10th September, 1997 (collectively as "1997 Tycoon Place Agreements"), pursuant to which Billion acquired from CTSH a 90% interest in Ideal Investment Holdings Limited ("Ideal") and the remaining 10% interest in Ideal is owned by CTSH⁽ⁱ⁾. Ideal had an one-third interest in the development known as Tycoon Place at Wong Yue Tang, Tai Po ("Tycoon Place"). According to the 1997 Tycoon Place Agreements, CTSH undertook to finance and bear all costs attributable to Ideal in connection with the completion of Tycoon Place and if any disposal proceeds of Tycoon Place attributable to Ideal were used to discharge any liabilities of those companies which hold Tycoon Place, CTSH would pay to Billion an amount equivalent to 90% of such disposal proceeds to which Ideal would be entitled. As at 31st December, 2000, a principal sum of approximately HK\$103.6 million (1999: HK\$103.6 million) was due and owing by CTSH to Billion pursuant to the 1997 Tycoon Place Agreements.

Note:

- (i) On 4th June, 1999, Billion entered into a conditional agreement (the "1999 Tycoon Place Agreement") with CTSH pursuant to which Billion acquired from CTSH of its 10% remaining equity interests in Ideal and the related loan outstanding and owing by Ideal to CTSH. Upon completion of the 1999 Tycoon Place Agreement, Ideal had become a wholly-owned subsidiary of Billion.

Notes to the Financial Statements

For the year ended 31st December 2000

(36) RELATED PARTY TRANSACTIONS (Cont'd)

- (b) On 25th August, 1998, the Company entered into a conditional agreement with China Travel Hip Kee Godown Hong Kong Limited ("CTHKG"). Pursuant to that agreement (the "538/539 Agreement") between the Company and CTHKG, the parties concerned would jointly develop the property at Hung Hom Inland Lot No.538 (No.1 Cheong Hang Road, Hung Hom, Kowloon) and Hung Hom Inland Lot No.539 (No.20 Winslow Street, Hung Hom, Kowloon) (together the "538/539 Property").

CTHKG is the owner of the 538/539 Property. In accordance with the terms of the 538/539 Agreement, the Company shall jointly develop the 538/539 Property with CTHKG on the basis that all development expenses will be contributed and all net proceeds of sales (if any) and all unsold units (if any) will be shared in ratio of 40% for the Company and 60% for CTHKG. Also, the Company shall pay 40% of the land cost of the 538/539 Property to CTHKG.

The Group's participation in the development of the 538/539 Property is conditional on the granting of Government's approval to the change of land usage and the modification of the Government lease regarding the 538/539 Property so as to enable its redevelopment into commercial and/or other purposes as the parties may agree. Furthermore, the 538/539 Agreement is also subject to the compliance of such conditions as may be required under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and/or by the Stock Exchange.

- (c) On 4th June, 1999, the Company entered into a conditional agreement (the "10663 Agreement") with Hing Kong Properties (Hong Kong) Limited (the "Developer"), a wholly-owned subsidiary of the Company, and China Travel Service (Hong Kong) Limited ("CTSHK"), a subsidiary of CTSH, pursuant to which the Developer has the exclusive right to develop the property at Kowloon Inland Lot No.10663 at Cheong Tung Road, Hung Hom, Kowloon (the "10663 Property") and shall be entitled to all proceeds of sale for letting (if any) in respect of the development of the 10663 Property and the right to assign the 10663 Property to it if there is no disposal of units of the developed 10663 Property. Part of the total consideration payable by the Developer of HK\$62 million had been paid upon completion of the 10663 Agreement in

Notes to the Financial Statements

For the year ended 31st December 2000

(36) RELATED PARTY TRANSACTIONS (Cont'd)

July 1999 by the Developer to Billion at the direction of CTSHK in partial settlement of the sum being due and owing by CTSH to Billion at that time pursuant to the 1997 Tycoon Place Agreements. The remaining balance of the consideration in the sum of HK\$30 million will be paid within 7 business days of the execution documents giving effect to the lease modification of the lease of the 10663 Property. The Company and CTSHK also agreed to cancel the original development agreement dated 25th August, 1998 between them regarding the 10663 Property.

- (d) On 16th November, 1999, Longbarn International Limited ("Longbarn"), a wholly-owned subsidiary of the Company, entered into a conditional joint development agreement ("Fanling Agreement") with Common Well Limited ("Common Well"), a wholly-owned subsidiary of CTII pursuant to which Common Well as the owner of a site known as Lot Nos. 2836 R.P., 2837, 2838, 2840, 2846 and 2847 in the Demarcation District No.51, Fanling, New Territories ("Fanling Property") agreed to jointly develop the Fanling Property with Longbarn for residential and/or such other purposes as the parties may agree. Each of the Common Well and Longbarn (through its subsidiaries acting as the developer) shall bear 50% of all costs, expenses and charges in carrying out and completing the development and the sale thereof.
- (e) On 16th November, 1999, CPL Investments Limited ("CPL"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Shun Tak Agreement") with Goster Resources Limited ("Goster"), a wholly-owned subsidiary of CTII, whereby CPL acquired the property situate at 33rd Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong from Goster at the consideration of HK\$106 million of which HK\$40 million was satisfied in cash and HK\$66 million was satisfied by the issue of Convertible Bonds by the Company to CTII. The Convertible Bonds were issued upon the completion of the Shun Tak Agreement in early 2000 pursuant to a subscription agreement which was entered into on the same date of the Shun Tak Agreement between the Company and CTII. According to the terms of the Convertible Bonds, the holder of Convertible Bonds has the right to convert into an aggregate number of 66,937,120 new shares of the Company. None of the Convertible Bonds were converted during the year.

Notes to the Financial Statements

For the year ended 31st December 2000

(36) RELATED PARTY TRANSACTIONS (Cont'd)

CTHKG, CTSHK and CTII are subsidiaries of CTSH and are related to the Group as both CTII and CTSH were substantial shareholders of the Company.

- (f) On 20th November, 1999, the Company and its wholly-owned subsidiary, Tinet Limited ("Tinet") entered into a conditional sale and purchase agreement with CyberCity Holdings Limited ("CCH") and CyberCity International Limited ("CCI") whereby Tinet agreed to acquire (directly or indirectly) from CCH or CCI 80% equity interest in SCCIL, a sino-foreign equity joint venture enterprises established in Shenzhen, the PRC for a total consideration of HK\$500,000,000, which was satisfied by the allotment and issue of 500,000,000 new shares of the Company at the issue price of HK\$1.00 per share. SCCIL was granted the right to develop a hi-tech park known as CyberCity Shenzhen in the PRC.

After allotment of the said new shares, CCH became a substantial shareholder of the Company. Dr. Jiang Xiaoming, Simon, who was the single largest shareholder of CCH, was also appointed a director of the Company on 9th February, 2000.

On 1st June, 2000, SCCIL, an indirect non-wholly owned subsidiary of the Company, and CyberCity IT (Shenzhen) Co. Ltd. ("CCIT") entered into an installation agreement ("Installation Agreement") whereby CCIT agreed to procure the installation of a wiring network for SCCIL's Towers A and B in Phase I of CyberCity Shenzhen for a consideration of RMB3,200,000 (approximately HK\$3,018,000). The Installation Agreement had never been performed and was terminated on 5th January, 2001.

CCIT is a related to the Group as it is an indirect wholly-owned subsidiary of CCH, who at the time of contract was a substantial shareholder of the Company.

Notes to the Financial Statements

For the year ended 31st December 2000

(37) CAPITAL COMMITMENTS

	2000		1999	
	The Group	The Company	The Group	The Company
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investment in hi-tech science park and information technology projects	57,706	–	597,635	3,886
Investment in unlisted company	101,400	–	–	–
	159,106	–	597,635	3,886

(38) OPERATING LEASE COMMITMENTS

At the balance sheet date, the annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings are as follows:

	2000		1999	
	The Group	The Company	The Group	The Company
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating leases which expire:				
Within one year	804	–	897	–
In the second to fifth years inclusive	5,225	–	–	–
	6,029	–	897	–

Notes to the Financial Statements

For the year ended 31st December 2000

(39) PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Cont'd)

- (a) Particulars of the principal subsidiaries as at 31st December, 2000 which were incorporated and are operating in Hong Kong except otherwise stated are as follows:

Name of subsidiaries	Particulars of issued share capital		Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group	Principal activities
	Number of ordinary shares	Par value per share		
Directly held by the Company:				
Hing Kong Secretaries Limited	2	HK\$1	100%	Secretarial and nominee services
Indirectly held by the Company:				
Beijing Gang Lu Real Estate Development Co., Ltd. (i) (iv)	–	US\$11,200,000 (registered capital)	50% (iii)	Property development in the PRC
Belview Limited	2	HK\$1	100%	Investment holding
Best Keeping Resources Limited	2	HK\$1	100%	Property and golf club membership holding
Best Ridge Investment Limited	2	HK\$1	100%	Securities trading/investment
Billion Property Limited (ii)	1	US\$1	100%	Investment holding
Bohan Limited	2	HK\$1	100%	Investment holding
Chaton Limited	2	HK\$1	100%	Securities trading/investment
CPL Investments Limited	2	HK\$1	100%	Property trading/investment
Dalian Wanguo Amenity Centre Company Limited (i) (iv)	–	US\$10,000,000 (registered capital)	88%	Property development in the PRC
E-Commerce Technology Limited (ii)	1	US\$1	100%	Investment holding
E-Ventures Limited (ii)	1	US\$1	100%	Investment holding
Easykeys Limited (ii)	100	US\$1	72%	Information technology investment

Notes to the Financial Statements

For the year ended 31st December 2000

(39) PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Cont'd)

Name of subsidiaries	Particulars of issued share capital		Proportion of nominal value of issued	Principal activities
	Number of ordinary shares	Par value per share	ordinary share capital/ registered capital held by the Group	
Indirectly held by the Company (cont'd):				
Future Way Consultants Limited (ii)	10	US\$1	100%	Investment holding
Great Project Property Limited	100	HK\$1	50% (iii)	Investment holding
Glory Honour Development Limited	10,000	HK\$1	100%	Property development
Hing Kong Administration Limited	2	HK\$1	100%	Management consultancy services
Hing Kong Development				
(Hong Kong) Limited	2	HK\$1	100%	Property development
Hing Kong Finance Limited	2	HK\$1	100%	Group financing
Hing Kong Investments (Dalian) Limited	2	HK\$1	100%	Investment holding
Hing Kong PRC Investments Limited	2	HK\$1	100%	Investment holding
Hing Kong Properties				
(Hong Kong) Limited	2	HK\$1	100%	Property development
Hing Kong Property Management				
Limited	2	HK\$1	100%	Property management
Hing Kong Technology Limited (ii)	1	US\$1	100%	Investment holding
Ideal Investment Holdings				
Limited (ii)	50,000	US\$1	100%	Investment holding
Limbo Enterprises Limited (ii)	1	US\$1	100%	Property development
Master Glory Development Limited	10,000	HK\$1	100%	Property development
Maxwin Holdings Limited (iii)	100	US\$1	100%	Investment holding
Million Wealth Development Limited	2	HK\$1	100%	Property development
Mutual Forever Investment Limited	2	HK\$1	100%	Securities Investment
Pacificwide Holdings Limited (ii)	1	US\$1	100%	Investment holding
Prosper Advance Investments				
Limited	2	HK\$1	100%	Property development

Notes to the Financial Statements

For the year ended 31st December 2000

(39) PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Cont'd)

Name of subsidiaries	Particulars of issued share capital		Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group	Principal activities
	Number of ordinary shares	Par value per share		
Indirectly held by the Company (Cont'd):				
Rich Ocean Development Limited	10,000	HK\$1	100%	Property development
Shenzhen CyberCity International Co., Limited (i) (iv)	-	RMB100,000,000 (registered capital)	95%	Property development in PRC
Shun Yick Kee Limited	2	HK\$1	100%	Securities Investment
Tinet Limited (ii)	1	US\$1	100%	Investment holding
Victory Great Investment Limited	2	HK\$1	100%	Property development
Wide Best Development Limited	2	HK\$1	100%	Property development
Yechain Development Limited	2	HK\$1	65%	Property development

No loan capital has been issued by any of the subsidiaries of the Group at 31st December, 2000 or at any time during the year.

- (b) Particulars of the principal associates as at 31st December, 2000 which were incorporated and are operating in Hong Kong except otherwise stated, are as follows:

Name of associates indirectly held by the Company:	Proportion of nominal value of issued ordinary share capital held by the Group	Principal activities
Unlisted:		
Longshine Assets Limited ⁽ⁱⁱⁱ⁾ ^(iv)	40.002%	Investment holding
Fortune Top Properties Limited ^(iv)	40.002%	Property investment
Poly-Strong Development Limited	50%	Property trading
New Digital Associates Limited ⁽ⁱⁱ⁾ ^(iv)	50%	Information technology investment
Beijing Golden Voyage Electronic Technology Company Limited ^{(ii)(iv)}	50%	Development and sale of education software

Notes to the Financial Statements

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(39) PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Cont'd)

Notes:

- (i) Registered and with place of operation in the PRC.
- (ii) Incorporated in the British Virgin Islands
- (iii) According to the shareholders' agreement of Great Project Property Limited ("GPP"), the Group is able to control more than half of the voting power of the board of directors and that of the shareholders' meeting of GPP and its subsidiaries.
- (iv) Not audited by Deloitte Touche Tohmatsu

The above tables list the subsidiaries and associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries and associates would, in the opinion of the directors, result in particulars of excessive length.

(40) EXTRACTS OF THE FINANCIAL INFORMATION OF A SIGNIFICANT ASSOCIATE

Extract of financial statement of the Group's associate, Longshine Assets Limited, based on its unaudited consolidated accounts is set out as follows:

Operating Results:

	Unaudited 2000 HK\$'000	Unaudited 1999 HK\$'000
Turnover	27,414	28,008
(Loss)/Profit attributable to shareholders	(70,582)	19,287

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(40) EXTRACTS OF THE FINANCIAL INFORMATION OF A SIGNIFICANT ASSOCIATE (Cont'd)

Financial Position:

	Unaudited 2000 HK\$'000	Unaudited 1999 HK\$'000
Investment property	400,000	478,700
Current assets	3,890	8,523
Current liabilities	(23,572)	(99,272)
Shareholders' loans	(653,312)	(655,972)
Other non-current liabilities	(64,000)	–
Shareholders' deficit	(336,994)	(268,021)

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(41) EXTRACTS OF THE FINANCIAL INFORMATION OF A SIGNIFICANT JOINTLY CONTROLLED ENTITY

Extract of financial statement of the Group's jointly controlled entity, Wuhu Baoda Electric-Power Development Company Limited, based on its unaudited accounts is set out as follows:

Operating Results:

	Unaudited 2000 HK\$'000	Unaudited 1999 HK\$'000
Turnover	94,623	90,231
Profit attributable to shareholders	1,416	5,045

Financial Positions:

	Unaudited 2000 HK\$'000	Unaudited 1999 HK\$'000
Fixed assets	283,828	305,889
Current assets	38,558	49,592
Current liabilities	(815)	(912)
Shareholders' loans	(266,895)	(301,728)
Shareholders' fund	54,676	52,841