

Notes to the Financial Statements

Year ended 31st December, 2000



1. GENERAL, GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company is a public listed company incorporated in Bermuda on 13th May, 1999 as an exempt company under the Company Act 1981 of Bermuda (as amended) and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 13th October, 1999. The principal activities of the Group are property development and investment.

Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group, other than Chintex Oil And Gas Company Limited ("Chintex") a company formerly listed on the Stock Exchange, and its subsidiaries, when the conditional agreement dated 4th August, 1999 entered into among Rhenfield Development Corp., Mr. Tsang Wai Lun, Wayland, Madam Kwok Wai Man, Nancy and the Company in relation to the acquisition of Grand Field Group Holdings (BVI) Limited by the Company was completed on 7th October, 1999. Details of the reorganisation are set out in the document dated 2nd September, 1999 in connection with the proposal for Chintex to become a wholly-owned subsidiary of the Company by way of a scheme of arrangement under Section 166 of the Hong Kong Companies Ordinance.

The Group, other than Chintex and its subsidiaries, resulting from the above mentioned reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group, other than Chintex and its subsidiaries, for the year ended 31st December, 1999 have been prepared on the basis as if the Company had always been the holding company of the Group, other than Chintex and its subsidiaries, throughout the periods covered.

Pursuant to the scheme of arrangement, Chintex became a wholly-owned subsidiary of the Company and the consolidated income statement includes the results of Chintex and its subsidiaries from the date of acquisition.

In the opinion of the directors, the financial statements, prepared on the above basis, present fairly the results and the state of affairs of the Group as a whole.

Notes to the Financial Statements

Year ended 31st December, 2000



2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

(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.

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 between group enterprises are eliminated on consolidation.

(b) Investments in Subsidiaries

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

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Goodwill

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

Notes to the Financial Statements

Year ended 31st December, 2000



2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Goodwill *(continued)*

On the disposal of an investment in a subsidiary, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

(d) Revenue Recognition

Income from properties developed for sale is recognised on the execution of a legally binding sales agreement or when the relevant occupation permit or equivalent certificate is issued by the relevant authority, whichever is the later.

Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.

Management fee is recognised when services are provided.

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

(e) Property, Plant and Equipment

Property, plant and equipment is 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 asset 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 asset, the expenditure is capitalised as an additional cost of the asset.

Notes to the Financial Statements

Year ended 31st December, 2000



2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) Property, Plant and Equipment *(continued)*

Depreciation is charged so as to write off the cost of property, plant and equipment less residual value over their estimated useful lives, using the straight line method, on the following bases:

Leasehold land	Over the term of the lease
Land use rights	Over the term of the lease
Buildings	Over the shorter of the term of the lease, or 40 years
Furniture, fixtures and office equipment	20%
Leasehold improvements	20% - 33 $\frac{1}{3}$ %
Motor vehicles	20%

The carrying amounts of property, plant and equipment are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected cash flows are not discounted to their present values.

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

(f) Investment Properties

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

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

Notes to the Financial Statements

Year ended 31st December, 2000



2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Investment Properties *(continued)*

On disposal of investment properties, the balance on the investment property revaluation reserve attributable to the property disposed of is dealt with in the income statement.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

(g) Assets Under Leases

(i) Hire purchase contracts

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets, other than legal title, are accounted for as hire purchase contracts. At the inception of hire purchase contracts, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payment to the lessor are treated as consisting of capital and interest elements. Finance charges implicit in the hire purchase payments are charged to the income statement in proportion to the capital balances outstanding.

Assets held under hire purchase contracts are depreciated on the same basis as set out in note 2(e) above.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of the leased assets remain with the lessors are accounted for as operating leases. Rentals receivables and payables under operating leases are accounted for in the income statement on a straight-line basis over the periods of the relevant leases.

(h) Investment in a Property Development Joint Venture

Investment in a property development joint venture represents the consideration paid to a third party for acquiring the 5% interest of the income arising from a property development project which is operated by the Group. The investment is stated at cost, less provision for impairment in value, if necessary and the cost is amortised over the estimated economic life of the property development project.

Notes to the Financial Statements

Year ended 31st December, 2000



2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(i) Properties Under Development for Sale

Properties under development for sale are stated at development cost less provision for foreseeable losses, if any. Cost includes professional fees and borrowing costs capitalised in accordance with the Group's accounting policy.

(j) Properties Held for Sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to the unsold properties. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing and selling.

(k) Foreign Currencies

Transactions in currencies other than Hong Kong Dollars are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of the Group's overseas subsidiaries are translated at the exchange rates ruling on the balance sheet date. Exchange differences arising, if any, are included in the translation reserve in the shareholders' equity and are recognised as income or expenses in the period in which the subsidiary is disposed of.

(l) Taxation

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

Notes to the Financial Statements

Year ended 31st December, 2000



2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(m) Borrowing Costs

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

All other borrowing costs are expensed in the period in which they are incurred.

(n) Cash Equivalents

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

(o) Related Parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

Notes to the Financial Statements

Year ended 31st December, 2000



3. TURNOVER

Turnover represents the aggregate of net amounts received and receivable for developed properties sold by the Group to outside customers and property rental income during the year, and is analysed as follows:

	2000	1999
	HK\$'000	HK\$'000 (Note 1)
Sales of developed properties	46,976	104,448
Property rental	4,208	4,723
	<hr/>	
	51,184	109,171
	<hr/>	

4. OTHER REVENUE

Included in other revenue are amounts for project management fees of nil (1999: HK\$7,273,000) and interest income of HK\$751,000 (1999: HK\$2,087,000).

5. PROFIT FROM OPERATIONS

Profit from operations is stated at after crediting and charging the following:

	2000	1999
	HK\$'000	HK\$'000 (Note 1)
Crediting		
Gross rents from investment properties (Note)	4,208	4,723
Net foreign exchange gain	1,289	–
	<hr/>	
Charging		
Auditors' remuneration	280	400
Cost of inventories sold	21,569	52,154
Depreciation		
– owned assets	646	638
– assets held under hire purchase contracts	185	185
Net foreign exchange loss	–	3,037
Operating lease rental in respect of rented premises	623	402
Provision for doubtful debts	2,274	–
Provision for diminution in value of properties held for sale	495	–
Provision for impairment loss of land and buildings	–	1,931
Staff costs	3,624	2,886
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Note: The outgoings related to the gross rents from investment properties for the two years ended 31st December, 2000 are negligible.

Notes to the Financial Statements

Year ended 31st December, 2000



6. FINANCE COSTS

	2000 HK\$'000	1999 HK\$'000 (Note 1)
Interest on		
Bank loans, overdrafts and other borrowings wholly repayable		
– within five years	5,378	8,386
– over five years	1,076	–
Hire purchase contracts	54	54
Other borrowing costs	680	–
	<hr/> 7,188	<hr/> 8,440
<i>Less: Amounts capitalised in properties under development for sale</i>	<hr/> (2,785)	<hr/> (4,175)
	<hr/> 4,403	<hr/> 4,265

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2000 HK\$'000	1999 HK\$'000 (Note 1)
Directors' emoluments:		
Fees		
Executive directors	–	–
Independent non-executive directors	–	–
	<hr/> –	<hr/> –
Other emoluments (executive directors):		
Salaries	1,325	1,130
Other benefits	225	307
Provident fund contributions	3	–
	<hr/> 1,553	<hr/> 1,437
	<hr/> 1,553	<hr/> 1,437

The other benefits under other emoluments represent the estimated monetary value of premises provided rent free to certain directors.

Notes to the Financial Statements

Year ended 31st December, 2000



7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments were paid to the directors as follows:

	Number of directors	
	2000	1999
Nil to HK\$1,000,000	8	7

Employees' emoluments

During the year, the five highest paid individuals included four (1999: four) directors, details of whose emoluments are set out above. The emoluments of the remaining one (1999: one) highest paid individual were as follows:

	2000	1999
	HK\$'000	HK\$'000 (Note 1)
Salaries and other benefits	440	183
Provident fund contributions	1	—
	441	183

8. INCOME TAX EXPENSE

	2000	1999
	HK\$'000	HK\$'000 (Note 1)
The charge comprises:		
Hong Kong profits tax	—	—
Income tax in other regions of the People's Republic of China (the "PRC")		
Enterprises	325	6,588
Property development projects	444	39
	769	6,627

No provision for Hong Kong profits tax has been made in the financial statements as the Group's income neither arises in, nor is derived from, Hong Kong.

Notes to the Financial Statements

Year ended 31st December, 2000



8. INCOME TAX EXPENSE (continued)

PRC income tax for enterprises is calculated at 15% of the estimated assessable profit for the year.

PRC income tax for property development projects arises from the sales of developed properties in the PRC. Pursuant to several tax co-ordination agreements signed between the Group and a co-operative partner, the co-operative partner is primarily responsible for income tax arising from the relevant projects. The Group is required to pay to the co-operative partner its share of income tax arising from the projects at an amount equal to 1.5% of the gross amounts received and receivable for developed properties sold and the co-operative partner will assume the responsibilities to discharge all income tax arising from the projects to the relevant governmental authorities.

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

9. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year, a loss of HK\$316,000 (1999: HK\$104,000) has been dealt with in the financial statements of the Company.

10. DISTRIBUTION

In 1999, a distribution of HK\$50 million was made by a sole proprietorship to the then sole proprietor prior to the assumption of all of its assets and liabilities, including all its then existing contracts, by a subsidiary of the Company in accordance with the group reorganisation scheme.

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of HK\$11,176,000 (1999: HK\$28,740,000) and on the weighted average number of 1,155,942,623 (1999: 963,927,125) shares in issue during the year.

In determining the number of shares in issue for the year ended 31st December, 1999, a total of 187,752,000 shares issued pursuant to the group reorganisation as mentioned in note 1 are deemed to have been in issue throughout the year ended 31st December, 1999, representing the shares issued for the group reorganisation during the year ended 31st December, 1999. Adjustment has been made for the 1 to 5 subdivision of the Company's share in July 2000.

No diluted earnings per share has been presented as the exercise of the Company's options does not result in any dilutive effect.

Notes to the Financial Statements

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12. INVESTMENT PROPERTIES

	The Group
	HK\$'000
At 1st January, 2000	40,758
Transfer to properties held for sale	(8,065)
Deficit on revaluation	(1,128)
Exchange adjustments	117
	<hr/>
At 31st December, 2000	31,682

Investment properties were revalued at 31st December, 2000 by Sallmanns (Far East) Limited, an independent professional valuer, on an open market value basis. This valuation gave rise to a revaluation deficit of HK\$1,128,000 which has been charged to the investment property revaluation reserve.

Investment properties having a carrying amount of HK\$382,000 (1999: HK\$472,000) are in the process of obtaining the land and realty title certificates.

The Group has pledged investment properties having a carrying amount of HK\$28,858,000 (1999: HK\$36,747,000) to secure banking facilities granted to the Group.

All the Group's investment properties are situated outside Hong Kong and are held on long leases.

Notes to the Financial Statements

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13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and buildings HK\$'000	Furniture, fixtures and office equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1/1/2000	9,736	2,862	–	2,051	14,649
Reclassification	–	(247)	247	–	–
Additions	–	146	312	–	458
Transfer to properties held for sale	(2,067)	–	–	–	(2,067)
Exchange adjustments	24	34	–	32	90
At 31/12/2000	7,693	2,795	559	2,083	13,130
Accumulated depreciation					
At 1/1/2000	2,097	1,972	–	1,212	5,281
Reclassification	–	(70)	70	–	–
Charge for the year	103	279	107	342	831
Eliminated on transfer to properties held of sale	(95)	–	–	–	(95)
Exchange adjustments	1	14	–	9	24
At 31/12/2000	2,106	2,195	177	1,563	6,041
Net book value					
At 31/12/2000	5,587	600	382	520	7,089
At 31/12/1999	7,639	890	–	839	9,368

Notes to the Financial Statements

Year ended 31st December, 2000



13. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of land and buildings shown above comprises:-

	2000	1999
	HK\$'000	HK\$'000
Land and buildings situated in Hong Kong and are held on long leases	5,150	5,245
Land and buildings situated outside Hong Kong and are held on long leases	437	2,394
	<hr/> 5,587	<hr/> 7,639

The carrying amount of the Group's motor vehicles includes an amount of HK\$172,000 (1999: HK\$358,000) in respect of assets held under hire purchase contracts.

The Company has pledged land and buildings having a carrying amount of HK\$5,150,000 (1999: HK\$5,245,000) to secure banking facilities granted to the Group.

14. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2000	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	159,056	159,056

The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable on the Group as at the date on which the Company became the ultimate parent enterprise of the Group under the group reorganisation in 1999.

Notes to the Financial Statements

Year ended 31st December, 2000



14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of subsidiary	Place of incorporation (or registration)/ operation	Proportion of nominal value of issued capital/registered capital held by the Company		Issued and fully paid share capital/ registered capital	Principal activities
		Directly	Indirectly		
Grand Field Group Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	100%	–	US\$1	Investment holding
Grand Field Group Investments (BVI) Limited	British Virgin Islands/ Hong Kong	100%	–	US\$1	Investment holding
Grand Field Group Limited	Hong Kong	–	100%	Ordinary shares of HK\$200 Non-voting deferred shares of HK\$200	Investment holding
Grand Field Property Development (Shenzhen) Co. Ltd.	PRC	–	100%	HK\$18,000,000	Property development
Ka Fong Industrial Company, Limited	Hong Kong/ PRC	–	100%	Ordinary shares of HK\$200 Non-voting deferred shares of HK\$200,000	Property development
Kwan Cheung Holdings Limited	Hong Kong/ PRC	–	100%	Ordinary shares of HK\$200 Non-voting deferred shares of HK\$200	Property development

Notes to the Financial Statements

Year ended 31st December, 2000



14. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation (or registration)/ operation	Proportion of nominal value of issued capital/registered capital held by the Company		Issued and fully paid share capital/ registered capital	Principal activities
		Directly	Indirectly		
Shenzhen Kwan Cheung Property Co. Ltd.	PRC	–	90%	RMB534,300	Property development
Shing Fat Hong Limited (Note)	Hong Kong/ PRC	–	100%	Ordinary shares of HK\$4 Non-voting deferred shares of HK\$2	Property development
Chintex Oil And Gas Company Limited	Hong Kong	–	100%	Ordinary shares of HK\$103,700,000	Investment holding
Chinese Medicine And Technologies Company Limited	Hong Kong	–	100%	Ordinary shares of HK\$2	Inactive
Chintex Properties Limited	Hong Kong	–	100%	Ordinary shares of HK\$8,000,000	Inactive
Grand Field New Energy Company Limited	Hong Kong	–	100%	Ordinary shares of HK\$2	Inactive
Rockson Limited	Hong Kong	–	100%	Ordinary shares of HK\$3,600,000	Inactive

Note: Pursuant to the group reorganisation in 1999, Shing Fat Hong Limited assumed all of the assets and liabilities of Shing Fat Hong, a sole proprietorship owned by a director, Mr. Tsang Wai Lun, Wayland, including all its then existing contracts and has continued to carrying on the business which was hitherto conducted by Shing Fat Hong.

Notes to the Financial Statements

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15. LOANS RECEIVABLE

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Total loans receivable, secured	48,767	41,640
<i>Less:</i> Portion receivable within one year included under current assets	28,619	29,901
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Portion receivable after one year	20,148	11,739
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Loans receivable represent interest-free installments payable by the buyers of the developed properties of the Group.

16. INVESTMENT IN A PROPERTY DEVELOPMENT JOINT VENTURE

	The Group
	HK\$'000
Cost	
Acquired during the year and balance at 31st December, 2000	21,600
Amortisation	
Charge for the year and balance at 31st December, 2000	(1,080)
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Net book value	
At 31st December, 2000	20,520
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17. PROPERTIES UNDER DEVELOPMENT FOR SALE

Pursuant to the contracts for development of various projects in the PRC having a net book value of HK\$11,859,000 (1999: HK\$10,510,000) entered into between the Group and a co-operative partner, the co-operative partner is responsible for making available the project sites while the Group is responsible for, at its own cost, the construction of the properties. The certificates for state-owned land use rights granted for the land were registered in the name of the co-operative partner. Pursuant to those contracts for development, the Group is entitled to apply for land and realty title certificates for each separate unit in the name of the Group upon completion of development.

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17. PROPERTIES UNDER DEVELOPMENT FOR SALE (Continued)

Included in properties under development for sale is net interest capitalised of HK\$9,614,000 (1999: HK\$6,615,000) at a capitalisation rate of 7.8% (1999: 8.9%).

18. PROPERTIES HELD FOR SALE

At 31st December, 2000, the properties held for sale were situated outside Hong Kong and were held on long leases.

Land and title certificates for properties held for sale of HK\$3,550,000 (1999: HK\$10,972,000) were under application.

The certificates for state-owned land use rights granted for the land on which the aforesaid properties situated were registered in the name of a co-operative partner. Upon completion of development, the respective certificates for state-owned land use rights are required to be deposited with the relevant authorities for custody in exchange for the issue of land and realty title certificates for each separate unit.

The Group has pledged properties held for sale having a net book value of HK\$43,588,000 (1999: HK\$48,644,000) to secure banking facilities granted to the Group.

At the balance sheet date, properties held for sale amounted to HK\$3,946,000 (1999: nil) were carried at net realisable value.

19. PLEDGED BANK DEPOSITS

Bank deposits of HK\$12,279,000 (1999: HK\$16,499,000) have been pledged as security for mortgage loans made available from banks to the buyers of the Group's properties and for general banking facilities granted to the Group.

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20. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors with the following ageing analysis.

	2000	1999
	HK\$'000	HK\$'000
Current to 90 days	1,681	–
91 to 180 days	–	–
181 to 360 days	–	40
Over 360 days	23,842	22,868
	<hr/> 25,523	<hr/> 22,908

21. DUE TO A DIRECTOR

The amount is unsecured, interest free and there is no fixed term of repayment.

22. ISSUED CAPITAL

	2000		1999	
	Number of shares	Amount	Number of shares	Amount
	'000	HK\$'000	'000	HK\$'000
Authorised: ordinary shares of HK\$0.02 each (1999: HK\$0.1 each)				
At 1st January	1,000,000	100,000	–	–
Incorporation of the Company	–	–	1,000	100
Increase in authorised ordinary share capital in preparation for the listing of the Company's shares	–	–	999,000	99,900
1 to 5 subdivision of shares	4,000,000	–	–	–
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At 31st December	5,000,000	100,000	1,000,000	100,000
	<hr/>			
Issued and fully paid: ordinary shares of HK\$0.02 each (1999: HK\$0.1 each)				
At 1st January	200,000	20,000	–	–
Issue of shares on incorporation	–	–	1,000	100
Issue of shares pursuant to the group reorganisation in 1999	–	–	199,000	19,900
Exercise of share options	19,300	1,930	–	–
1 to 5 subdivision of shares	877,200	–	–	–
Placement of shares	198,000	3,960	–	–
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At 31st December	1,294,500	25,890	200,000	20,000

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22. ISSUED CAPITAL (continued)

During the year, options were exercised to subscribe for 19,300,000 ordinary shares of HK\$0.1 each in the Company at a total consideration of HK\$17,601,000.

In July, 2000, there was subdivision of the Company's share from every share of HK\$0.1 each into five shares of HK\$0.02 each. The subdivided shares rank *pari passu* in all respects with each other and the share subdivision has not resulted in any change in the relevant rights of the shareholders of the Company.

In August, 2000, the Company placed and issued 198,000,000 new ordinary shares of HK\$0.02 each at a price of HK\$0.20 per share. 108,000,000 shares were issued as the consideration to acquire the investment in a property development joint venture. The proceed of the remaining 90,000,000 shares are being used as working capital of the Group.

23. SHARE OPTIONS

Pursuant to the Company's share option scheme which became effective on 4th August, 1999, the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the higher of 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of the grant of the options and the nominal value of the shares.

The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the share option scheme.

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23. SHARE OPTIONS (continued)

The summary of movements in share options granted during the year to certain directors and employees of the Group under the share option scheme was as follows:

Date of grant	Exercise price HK\$	Exercise period	Number of share options			Outstanding at 31/12/2000
			Granted during the year	Exercised during the year	Adjustment during the year (note)	
25th January, 2000	0.1824 (note)	25th January, 2000 to 24th January, 2003	20,000,000	19,300,000	2,800,000	3,500,000
16th August, 2000	0.2002	16th August, 2000 to 16th August, 2003	19,800,000	–	–	19,800,000
			39,800,000	19,300,000	2,800,000	23,300,000

Note: On 3rd July, 2000, the number and exercise price of the share options were adjusted as a result of the subdivision of the Company's share from every share of HK\$0.10 each into five shares of HK\$0.02 each.

Notes to the Financial Statements

Year ended 31st December, 2000



24. RESERVES

	Share premium account HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Investment property revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
The Group								
At 1/1/1999	-	-	-	-	-	5	164,364	164,369
Shares issued at premium	7,305	-	-	-	-	-	-	7,305
Share issue expense	(5,487)	-	-	-	-	-	-	(5,487)
Reserve arising on group reorganisation	-	(2,215)	-	-	-	-	-	(2,215)
Surplus on revaluation	-	-	-	8,363	-	-	-	8,363
Goodwill arising on acquisition of subsidiaries	-	-	-	-	(9,171)	-	-	(9,171)
Translation of financial statements of overseas subsidiaries	-	-	-	-	-	(3,849)	-	(3,849)
Net profit for the year	-	-	-	-	-	-	28,740	28,740
Distribution	-	-	-	-	-	-	(50,000)	(50,000)
At 31/12/1999	1,818	(2,215)	-	8,363	(9,171)	(3,844)	143,104	138,055
Shares issued at premium upon								
- exercise of share options	15,671	-	-	-	-	-	-	15,671
- placement of shares	35,640	-	-	-	-	-	-	35,640
Share issue expense	(143)	-	-	-	-	-	-	(143)
Deficit on revaluation	-	-	-	(1,128)	-	-	-	(1,128)
Realised upon transfer of investment properties to properties held for sale	-	-	-	(1,568)	-	-	-	(1,568)
Translation of financial statements of overseas subsidiaries	-	-	-	-	-	6,045	-	6,045
Net profit for the year	-	-	-	-	-	-	11,176	11,176
At 31/12/2000	52,986	(2,215)	-	5,667	(9,171)	2,201	154,280	203,748
The Company								
Shares issued at premium	7,305	-	-	-	-	-	-	7,305
Share issue expense	(5,487)	-	-	-	-	-	-	(5,487)
Reserve arising on group reorganisation	-	-	140,281	-	-	-	-	140,281
Net loss for the year	-	-	-	-	-	-	(104)	(104)
At 31/12/1999	1,818	-	140,281	-	-	-	(104)	141,995
Share issued at premium upon								
- exercise of share options	15,671	-	-	-	-	-	-	15,671
- placement of shares	35,640	-	-	-	-	-	-	35,640
Share issued expense	(143)	-	-	-	-	-	-	(143)
Net loss for the year	-	-	-	-	-	-	(316)	(316)
At 31/12/2000	52,986	-	140,281	-	-	-	(420)	192,847

Notes to the Financial Statements

Year ended 31st December, 2000



24. RESERVES (continued)

The special reserve represents the difference between the nominal value of the shares of the subsidiaries and the nominal value of the Company's shares issued as part of the group reorganisation as explained in note 1.

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they became subsidiaries of the Company pursuant to the group reorganisation, and the nominal amount of the Company's shares issued as part of the group reorganisation as explained in note 1.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

	2000	1999
	HK\$'000	HK\$'000
Contributed surplus	140,281	140,281
Accumulated losses	(420)	(104)
	<hr/>	<hr/>
	139,861	140,177
	<hr/>	<hr/>

Notes to the Financial Statements

Year ended 31st December, 2000



25. INTEREST-BEARING BORROWINGS

	2000	1999
	HK\$'000	HK\$'000
Bank overdrafts	958	1,227
Bank loans	53,720	66,204
Other loans	17,860	–
	<hr/> 72,538	<hr/> 67,431
Analysed as:		
Secured	54,678	62,431
Unsecured	17,860	5,000
	<hr/> 72,538	<hr/> 67,431

The maturity of the above borrowings is as follows:

On demand or within one year	56,892	62,650
More than one year but not exceeding two years	2,214	353
More than two years but not exceeding five years	6,642	4,428
More than five years	6,790	–
	<hr/> 72,538	<hr/> 67,431
<i>Less:</i> Amount due within one year shown under current liabilities	<hr/> (56,892)	<hr/> (62,650)
Amount due after one year	<hr/> 15,646	<hr/> 4,781

26. DEFERRED TAXATION

A deferred tax asset of the Group amounting to HK\$561,000 (1999: HK\$561,000) has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

The Group does not have any intention to dispose of the investment properties in the PRC in the foreseeable future. Accordingly, no deferred taxation has been provided on the revaluation surplus of these properties.

The Company and the Group did not have any significant timing differences arising during the year or at the balance sheet date.

Notes to the Financial Statements

Year ended 31st December, 2000



27. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

The maturity of obligations under hire purchase contracts is as follows:

	2000	1999
	HK\$'000	HK\$'000
Within one year	135	180
More than one year but not exceeding two years	–	135
	<hr/>	<hr/>
	135	315
<i>Less:</i> Amount due within one year shown under current liabilities	(135)	(180)
	<hr/>	<hr/>
Amounts due after one year	–	135

28. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2000	1999
	HK\$'000	HK\$'000
		(Note 1)
Profit before taxation	11,945	35,367
Interest income	(751)	(2,087)
Interest expense	3,669	4,211
Interest on obligations under hire purchase contracts	54	54
Depreciation	831	823
Provision for impairment loss of land and buildings	–	1,931
Amortisation on investment in a property development joint venture	1,080	–
(Increase)/decrease in properties under development for sale	(22,904)	30,277
Decrease in properties held for sale	20,866	126
Increase in loans receivable	(5,726)	(20,303)
Increase in other debtors, deposits and prepayments	(3,549)	(6,285)
Increase/(decrease) in creditors, deposits and accrued charges	2,934	(14,847)
(Decrease)/increase in bills payable	(13,196)	12,496
Increase/(decrease) in deposits received for sale of developed properties	4,490	(50,429)
	<hr/>	<hr/>
Net cash outflow from operating activities	(257)	(8,666)

Notes to the Financial Statements

Year ended 31st December, 2000



29. ACQUISITION OF SUBSIDIARIES

	2000	1999
	HK\$'000	HK\$'000
Net liabilities of subsidiaries acquired:		
Bank balances and cash	–	9
Creditors and accrued charges	–	(650)
Amount due to a former director	–	(8,115)
	–	(8,756)
Goodwill arising acquisition	–	9,717
Total consideration	–	415
Satisfied by shares allotted	–	415
Net cash inflow arising on acquisition:		
Bank balances and cash acquired	–	9

In 1999, the subsidiaries acquired did not make a significant contribution to the Group's results and cash flows.

Notes to the Financial Statements

Year ended 31st December, 2000



30. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital (including premium) HK\$'000	Bank and other loans HK\$'000	Obligations under hire purchase contracts HK\$'000	Due (from)/to a director HK\$'000	Due to related parties HK\$'000	Due to a minority shareholder of a subsidiary HK\$'000
At 1/1/1999	16,560	126,785	495	(39,224)	3,274	–
Capitalisation of reserves arising on group reorganisation in 1999	2,215					
Issue of shares in exchange for shares in Grand Field Group Holdings (BVI) Limited	18,775	–	–	–	–	–
Issued of shares pursuant to the group reorganisation in 1999	8,530	–	–	–	–	–
Expenses incurred in connection with issue of shares	(5,487)	–	–	–	–	–
Repayment during the year	–	(60,581)	(180)	–	–	–
Raised during the year	–	–	–	14,916	24,541	3,199
Distribution made by a sole proprietorship to the then sole proprietor	–	–	–	50,000	–	–
At 31/12/1999	21,818	66,204	315	25,692	27,815	3,199
Issue of shares upon						
– exercise of share options	17,601	–	–	–	–	–
– placement of shares	39,600	–	–	–	–	–
Expenses incurred in connection with issue of shares	(143)	–	–	–	–	–
Repayment during the year	–	(15,362)	(180)	(13,850)	(28,987)	–
Raised during the year	–	17,860	–	–	–	2,009
Exchange adjustments	–	2,878	–	1,815	1,172	49
At 31/12/2000	78,876	71,580	135	13,657	–	5,257

Notes to the Financial Statements

Year ended 31st December, 2000



31. MAJOR NON-CASH TRANSACTION

During the year, the Group entered into agreement to acquire the investment in a property development joint venture at a consideration of HK\$21,600,000 which has been satisfied by the issue of 108,000,000 shares of the Company of HK\$0.02 each.

32. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities in respect of guarantees given to banks in relation to mortgage loans made available to the buyers of the developed properties of the Group amounting to approximately HK\$2,467,000 (1999: HK\$3,515,000).

33. CAPITAL COMMITMENTS

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Capital expenditure in respect of property development projects:		
Contracted for but not provided in the financial statements	87,902	258,852
Authorised but not contracted for	10,618	120,315
	<hr/>	<hr/>
	98,520	379,167
	<hr/>	<hr/>

34. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had the following outstanding annual commitments under non-cancellable operating leases:-

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Leases which expire:		
Within one year	215	—
In the second to fifth year inclusive	767	258
	<hr/>	<hr/>
	982	258
	<hr/>	<hr/>

Notes to the Financial Statements

Year ended 31st December, 2000

35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

