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# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 1. CORPORATE INFORMATION

During the year, the Group was engaged in the following principal activities:

- investment holding
- property investment
- property development

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAPs”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, as further explained in the accounting policies note below.

### (b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and a jointly-controlled entity for the year ended 31 December 2000. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### (c) Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting rights or issued share capital or controls the composition of its Board of Directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the Directors, there have been permanent diminution in values, when they are written down to values determined by the Directors.

### (d) 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 none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as a jointly-controlled entity.

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# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (d) Joint ventures *(continued)*

The Group's share of the post acquisition results and reserves of a jointly-controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post acquisition results of the jointly-controlled entity is determined based on the agreed profit sharing ratio. The Group's interest in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values other than temporary in nature deemed necessary by the Directors.

### (e) Goodwill

Goodwill arising on consolidation of subsidiaries and on acquisition of associates and jointly-controlled entities represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. On disposal of subsidiaries, associates or jointly-controlled entities, the relevant portion of attributable goodwill previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

### (f) Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the lease terms
Leasehold improvements	20%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **(g) Investment properties**

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

### **(h) Properties under development**

Properties under development are stated at cost which includes all development expenditure, interest charges and other costs directly attributable to such properties.

Properties under development which have been pre-sold are stated at cost plus attributable profits less any foreseeable losses, and deposits received and instalments received.

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties is calculated by reference to the proportion of construction costs incurred up to the accounting date, to the estimated total construction costs to completion, limited to the amount of sales deposits and instalments received and with due allowance for contingencies.

Properties under development which have either been pre-sold or which are intended for sale and are expected to be completed within one year from the balance sheet date are classified as current assets.

### **(i) Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

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# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **(j) Completed properties for sale**

Completed properties for sale are stated in the balance sheet at the lower of cost and net realisable value. Net realisable value is estimated by the Directors based on prevailing market conditions. Cost is determined by an apportionment of the total land and building cost attributable to unsold properties.

### **(k) Deferred tax**

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

### **(l) Foreign currencies**

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and the jointly-controlled entity expressed in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

### **(m) Borrowing costs**

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

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# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (n) Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The Scheme became effective from 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

Prior to the Scheme being effective, the Group operated a defined contribution retirement benefits scheme for those employees who were eligible to participate in the scheme. This scheme operated in a similar way to the Scheme, except that when an employer left the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. This scheme was terminated with effect from 1 December 2000.

### (o) Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) income from the sale of completed properties for sale, when all of the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer;
- (ii) income from the pre-sale of properties under development, on the exchange of legally binding unconditional sales contracts, provided that the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined, and on the basis set out in (h) above;
- (iii) rental income, on a time proportion basis over the lease terms; and
- (iv) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

### (p) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

## 3. TURNOVER

Turnover represents the aggregate of the gross amounts of proceeds from the sale and pre-sale of properties, adjusted to reflect the stage of construction, to the extent that they were not previously recognised, and gross rental income, after elimination of all significant intra-group transactions, less any applicable turnover taxes.

Revenue from the following activities has been included in turnover:

	<b>2000</b>	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale and pre-sale of properties	<b>170,327</b>	139,869
Gross rental income	<b>7,468</b>	8,101
Turnover	<b><u>177,795</u></b>	<u>147,970</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## 4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	<b>2000</b>	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	<b>75,048</b>	88,351
Depreciation	<b>2,168</b>	1,881
Operating lease rentals on land and buildings	<b>3,425</b>	4,690
Staff costs (including directors' remuneration):		
Provident fund contributions	<b>122</b>	169
Less: Forfeited contributions	<b>(40)</b>	(9)
Net contributions to provident fund	<b>82</b>	160
Wages and salaries	<b>18,700</b>	19,787
	<b>18,782</b>	19,947
Auditors' remuneration	<b>850</b>	850
Loss on write-off of fixed assets	<b>49</b>	736
Provision for due from a jointly-controlled entity	<b>5,402</b>	5,456
Provisions for doubtful debts	<b>28,043</b>	—
and after crediting:		
Gross rental income from investment properties	<b>7,468</b>	8,101
Less: Outgoings	—	—
Net rental income	<b>7,468</b>	8,101
Exchange gains/(losses), net	<b>1,863</b>	(10,149)
Interest income	<b>1,911</b>	5,267

## 5. FINANCE COSTS

	<b>Group</b>	
	<b>2000</b>	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on bank loans and overdrafts wholly repayable within five years	<b>13,469</b>	6,566
Less : Interest capitalised	<b>(10,432)</b>	(6,025)
	<b>3,037</b>	541

# NOTES TO THE FINANCIAL STATEMENTS

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## 6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	<b>Group</b>	
	<b>2000</b>	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees:		
Executive Directors	1,250	1,580
Independent Non-Executive Directors	490	635
	<u>1,740</u>	<u>2,215</u>
Other executive Directors' emoluments:		
Salaries, allowances and benefits in kind	11,272	5,010
	<u>13,012</u>	<u>7,225</u>

The remuneration of the Directors fell within the following bands:

	<b>Number of directors</b>	
	<b>2000</b>	1999
Nil — HK\$1,000,000	3	5
HK\$1,000,001 — HK\$1,500,000	1	3
HK\$1,500,001 — HK\$2,000,000	1	2
HK\$2,000,001 — HK\$2,500,000	—	—
HK\$3,000,001 — HK\$3,500,000	<u>3</u>	<u>—</u>

## 7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the current and prior years were all Directors, the details of whose remuneration are disclosed in note 6 to the financial statements.

## 8. TAX

	<b>Group</b>	
	<b>2000</b>	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for the year:		
Hong Kong	—	207
Elsewhere	11,513	10,364
	<u>11,513</u>	<u>10,571</u>

No provision for Hong Kong profits tax has been made as the Group has not generated any taxable profits in Hong Kong during the year. Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong in the prior year.

Mainland China tax has been calculated on the taxable income of subsidiaries operating in Mainland China at the applicable rates.

No provision for deferred tax has been made in respect of accelerated capital allowances as the Directors consider that a liability is not expected to crystallise in the foreseeable future.

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is a loss of HK\$26,534,000 (1999: loss of HK\$73,940,000).

## 10. DIVIDENDS

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Interim — HK\$0.008 (1999: HK\$0.012) per share	4,768	7,152
Proposed final — HK\$0.012 (1999: HK\$0.016) per share	<u>7,152</u>	<u>9,536</u>
	<u><b>11,920</b></u>	<u><b>16,688</b></u>

The distributions of dividends for the current and prior years were made out of the Company's contributed surplus.

A proposed final dividend of HK1.2 cents per share, in total approximately HK\$7,152,000 (1999: HK\$9,536,000), has been included in these financial statements.

## 11. EARNINGS PER SHARE

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

	2000	1999
<b>Earnings:</b>		
Net profit attributable to shareholders	<u><b>HK\$10,128,000</b></u>	<u><b>HK\$2,180,000</b></u>
<b>Number of shares:</b>		
Weighted average number of ordinary shares in issue during the year	<u><b>596,003,345</b></u>	<u><b>595,606,496</b></u>

Diluted earnings per share has not been presented as no diluting events existed during the current and prior years.

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## 12. FIXED ASSETS

### Group

	Land and buildings	Leasehold improvements	Office equipment	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost:						
At 1 January 2000	—	4,678	2,494	968	2,753	10,893
Additions	7,649	1,159	475	42	53	9,378
Written off	—	—	(156)	(12)	—	(168)
Exchange realignment	—	16	8	2	8	34
At 31 December 2000	7,649	5,853	2,821	1,000	2,814	20,137
Accumulated depreciation:						
At 1 January 2000	—	3,147	1,395	499	1,826	6,867
Provided during the year	86	1,167	410	146	359	2,168
Written off	—	—	(111)	(8)	—	(119)
Exchange realignment	—	12	5	1	6	24
At 31 December 2000	86	4,326	1,699	638	2,191	8,940
Net book value:						
At 31 December 2000	7,563	1,527	1,122	362	623	11,197
At 31 December 1999	—	1,531	1,099	469	927	4,026

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 12. FIXED ASSETS (continued)

Company	Leasehold improvements <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost:				
At 1 January 2000	506	352	571	1,429
Additions	30	101	1	132
Written off	—	(63)	—	(63)
At 31 December 2000	<u>536</u>	<u>390</u>	<u>572</u>	<u>1,498</u>
Accumulated depreciation:				
At 1 January 2000	40	132	214	386
Provided during the year	104	75	115	294
Written off	—	(36)	—	(36)
At 31 December 2000	<u>144</u>	<u>171</u>	<u>329</u>	<u>644</u>
Net book value:				
At 31 December 2000	<u>392</u>	<u>219</u>	<u>243</u>	<u>854</u>
At 31 December 1999	<u>466</u>	<u>220</u>	<u>357</u>	<u>1,043</u>

The Group's land and buildings included above are held under medium term land use rights in Mainland China.

## 13. INVESTMENT PROPERTIES

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
At beginning of year	254,400	271,200
Reclassified from completed properties for sale, at cost	—	11,574
Reclassified from properties under development	153,748	—
Revaluation surplus/(deficit) — <i>note 25</i>	<u>37,452</u>	<u>(28,374)</u>
At 31 December, at valuation	<u>445,600</u>	<u>254,400</u>

The investment properties are held under medium term land use rights in Mainland China.

The investment properties were revalued by Chesterton Petty Limited, an independent firm of professionally qualified valuers, on an open market value, existing use basis as at 31 December 2000.

At the balance sheet date, certain of the Group's investment properties were pledged to secure general banking facilities granted to the Group as set out in note 23.

# NOTES TO THE FINANCIAL STATEMENTS

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## 14. PROPERTIES UNDER DEVELOPMENT

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Cost as at 31 December	368,631	413,760
Add: Attributable profits on pre-sale of properties	79,914	30,417
Less: Progress instalments received	<u>(128,992)</u>	<u>(82,653)</u>
	319,553	361,524
Portion classified as current assets	<u>(258,965)</u>	<u>(300,936)</u>
Non-current assets	<u><b>60,588</b></u>	<u><b>60,588</b></u>

The analysis by lease term of the carrying value of the properties under development is as follows:

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Situated in Mainland China		
Long term	319,553	204,321
Medium term	<u>—</u>	<u>157,203</u>
	<u><b>319,553</b></u>	<u><b>361,524</b></u>

Certain properties under development were pledged to banks to secure banking facilities granted to the Group as set out in note 23.

## 15. INTERESTS IN SUBSIDIARIES

	Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Unlisted shares, at cost	467,158	599,404
Provisions for diminutions in values	<u>(47,800)</u>	<u>(47,800)</u>
	419,358	551,604
Due from subsidiaries	267,096	139,065
Provision against due from a subsidiary	<u>(25,009)</u>	<u>—</u>
	242,087	139,065
	<u><b>661,445</b></u>	<u><b>690,669</b></u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 15. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Paid-up registered/ issued share capital	Percentage of equity attributable to the Company	Principal activities
China Land Realty Investment (BVI) Limited	British Virgin Islands	US\$11,204 Ordinary	100%	Investment holding
Chongqing Smart Hero Real Estate Development Company Limited	Mainland China	US\$2,000,000	100%	Property development, holding and management
Dongxum Real Estate Development Company Limited	Hong Kong	HK\$2 Ordinary, HK\$300 Non-voting deferred (Note a)	100%	Investment holding
Ever Brian Inc.	British Virgin Islands/ Mainland China	US\$1 Ordinary	100%	Agency services
Guangzhou Dongxun Real Estate Development Company Limited	Mainland China	HK\$184,130,000	(Note b)	Property development, holding and management
Shun Fat Group (China) Limited	Hong Kong	HK\$100 Ordinary	85%	Investment holding
Smart Hero (Holdings) Limited	Hong Kong	HK\$2 Ordinary, HK\$300 Non-voting deferred (Note a)	100%	Investment holding

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 15. INTERESTS IN SUBSIDIARIES (continued)

### Notes

- a The non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the company, or to participate in any distribution on winding up.
- b Guangzhou Dongxun Real Estate Development Company Limited ("Guangzhou Dongxun") is a co-operative joint venture established in Mainland China. In accordance with the terms of the joint venture agreement, the Group is responsible for contributing the entire registered capital of Guangzhou Dongxun and is entitled to the entire profits of Guangzhou Dongxun and is responsible for all of its losses.

The above table lists the subsidiaries of the Company as at 31 December 2000 which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Except for China Land Realty Investment (BVI) Limited, all of the above subsidiaries are indirectly held by the Company.

## 16. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2000	1999
	HK\$'000	HK\$'000
Share of net assets	—	—
Due from a jointly-controlled entity	10,858	10,912
Less: Provision	(10,858)	(5,456)
	<u>—</u>	<u>5,456</u>

The amount due from the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the jointly-controlled entity, which has not yet commenced operations and was held indirectly through a subsidiary, is as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest	Principal activities
Beijing Huaxunfa Real Estate Development Co., Limited	Corporate	Mainland China	46.75%	Property development, holding and management

# NOTES TO THE FINANCIAL STATEMENTS

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## 17. COMPLETED PROPERTIES FOR SALE

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
At 31 December	<u><b>103,940</b></u>	<u>133,730</u>

The Group's completed properties for sale are all held under long term land use rights in Mainland China.

At the balance sheet date, certain of the Group's completed properties for sale were pledged to secure general banking facilities granted to the Group as set out in note 23.

## 18. TRADE RECEIVABLES

The aged analysis of trade receivables at the balance sheet date is as follows:

	Group			
	2000		1999	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Within 6 months	23,432	13	1,230	1
More than 6 months to within 1 year	8,709	5	35,482	25
More than 1 year to within 2 years	29,183	16	30,361	22
More than 2 years to within 3 years	20,138	10	12,284	9
Over 3 years	29,317	16	17,033	12
Not due as at 31 December	<u>74,227</u>	<u>40</u>	<u>44,145</u>	<u>31</u>
	<b>185,006</b>	<b>100</b>	140,535	<b>100</b>
Provisions for doubtful debts	<u>(14,736)</u>		<u>—</u>	
	<b>170,270</b>		140,535	
Portion classified as current assets	<u>(134,769)</u>		<u>(140,535)</u>	
Non-current assets	<u><b>35,501</b></u>		<u>—</u>	

The Group generally grants a credit term of four to six months to the customers.

The Group's trade receivables are aged based on the due date of instalments as stipulated in the sales contracts.

The Building ownership certificate is held by the Group until the contracted amount and related expenses of the property have been fully settled.

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## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Non-current assets:				
Prepayments	84,722	—	—	—
Deposits (note a)	45,769	—	9,000	—
Due from a Chinese joint venture partner (note b)	28,284	—	—	—
	<u>158,775</u>	<u>—</u>	<u>9,000</u>	<u>—</u>
Current assets:				
Prepayments	133,039	167,788	20	22
Deposits and other receivables	42,693	187,167	836	9,822
Due from a Chinese joint venture partner (note b)	—	28,176	—	—
Dividend receivable	—	—	65,000	65,000
	<u>175,732</u>	<u>383,131</u>	<u>65,856</u>	<u>74,844</u>

### Notes

- (a) These represented deposits for potential investment ventures.
- (b) The amount due is unsecured and interest-free. The terms thereof changed from no fixed terms of repayment in the prior year to not repayable within twelve months from the balance sheet date in current year.

## 20. CASH AND BANK BALANCES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Cash and bank balances	5,662	19,557	438	3,886
Fixed term deposits with maturities				
— within three months	—	2,789	—	—
— over three months	2,829	—	—	—
	<u>8,491</u>	<u>22,346</u>	<u>438</u>	<u>3,886</u>



# NOTES TO THE FINANCIAL STATEMENTS

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## 21. TRADE PAYABLES

The aged analysis of trade payables at the balance sheet date is as follows:

	Group		1999	
	2000 HK\$'000	Percentage	HK\$'000	Percentage
Within 6 months	7,893	8	23,183	19
More than 6 months to within 1 year	2,095	2	4,911	4
More than 1 year to within 2 years	23,258	22	16,425	14
More than 2 years to within 3 years	16,204	16	929	1
Over 3 years	55,434	52	75,188	62
	<u>104,884</u>	<u>100</u>	<u>120,636</u>	<u>100</u>

The Group's trade payables are aged based on the date of goods or services received.

## 22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Accruals	23,353	16,532	11,684	4,907
Other payables	105,290	85,943	—	—
Due to a Chinese joint venture partner ( <i>note a</i> )	4,591	4,574	—	—
Final dividend payable	7,152	9,536	7,152	9,536
	<u>140,386</u>	<u>116,585</u>	<u>18,836</u>	<u>14,443</u>

*Note (a)* — The amount due is unsecured, interest-free and has no fixed terms of repayment.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 23. INTEREST-BEARING BANK LOANS AND BORROWINGS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans, secured	187,334	91,290	—	—
Bank loans, unsecured	—	28,176	—	—
	<u>187,334</u>	<u>119,466</u>	<u>—</u>	<u>—</u>
Bank loans repayable:				
Within one year or on demand	151,508	110,074	—	—
In the second year	35,826	9,392	—	—
	<u>187,334</u>	<u>119,466</u>	<u>—</u>	<u>—</u>
Current portion	<u>(151,508)</u>	<u>(110,074)</u>	<u>—</u>	<u>—</u>
Non-current portion	<u>35,826</u>	<u>9,392</u>	<u>—</u>	<u>—</u>

The Group had bank loan facilities amounting to HK\$197,639,000 (1999: HK\$125,036,000), of which approximately HK\$187,334,000 (1999: HK\$119,466,000) had been utilised at the balance sheet date. The bank loans are secured by certain of the Group's investment properties, properties under development and completed properties for sale.

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# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 24. SHARE CAPITAL

### Shares

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Authorised:		
1,200,000,000 ordinary shares of HK\$0.10 each	<b><u>120,000</u></b>	<u>120,000</u>
Issued and fully paid:		
596,004,000 (1999: 596,004,000) ordinary shares of HK\$0.10 each	<b><u>59,600</u></b>	<u>59,600</u>

### Share options

On 19 September 1997, the Company adopted a share option scheme under which the Directors may, at their discretion, invite any employee or executive Director of the Group to take up options to subscribe for shares of the Company, exercisable at any time for a period from the commencement date and expiring on the last day of the period, to be determined by the Board of Directors or the tenth anniversary of the adoption date, whichever is the earlier. The maximum number of shares in respect of which share options may be granted under the scheme may not exceed 10% of the issued share capital of the Company from time to time.

No share options were granted during the year.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 25. RESERVES

### Group

	Share premium account HK\$'000	Contributed surplus HK\$'000	Investment properties revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 1999	219,288	114,826	208,634	6,911	254,347	804,006
Premium on shares issued by way of scrip dividend	714	—	—	—	—	714
Exchange adjustment on translation of overseas subsidiaries	—	—	—	1,192	—	1,192
Deficit on revaluation of investment properties — <i>note 13</i>	—	—	(28,374)	—	—	(28,374)
Profit for the year	—	—	—	—	2,180	2,180
Dividends — <i>note 10</i>	—	(16,688)	—	—	—	(16,688)
At 31 December 1999 and 1 January 2000	220,002	98,138	180,260	8,103	256,527	763,030
Goodwill on acquisition of a subsidiary	—	—	—	—	(35,000)	(35,000)
Exchange adjustment on translation of overseas subsidiaries	—	—	—	1,489	—	1,489
Surplus on revaluation of investment properties — <i>note 13</i>	—	—	37,452	—	—	37,452
Profit for the year	—	—	—	—	10,128	10,128
Dividends — <i>note 10</i>	—	(11,920)	—	—	—	(11,920)
At 31 December 2000	<u>220,002</u>	<u>86,218</u>	<u>217,712</u>	<u>9,592</u>	<u>231,655</u>	<u>765,179</u>
Reserves retained by:						
Company and subsidiaries	220,002	86,218	217,712	9,592	231,655	765,179
Jointly-controlled entity	—	—	—	—	—	—
At 31 December 2000	<u>220,002</u>	<u>86,218</u>	<u>217,712</u>	<u>9,592</u>	<u>231,655</u>	<u>765,179</u>
Company and subsidiaries	220,002	98,138	180,260	8,103	256,527	763,030
Jointly-controlled entity	—	—	—	—	—	—
At 31 December 1999	<u>220,002</u>	<u>98,138</u>	<u>180,260</u>	<u>8,103</u>	<u>256,527</u>	<u>763,030</u>

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 25. RESERVES (continued)

### Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 1999	219,288	581,894	(14,869)	786,313
Premium on shares issued by way of scrip dividend	714	—	—	714
Loss for the year	—	—	(73,940)	(73,940)
Dividends — <i>note 10</i>	—	(16,688)	—	(16,688)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999 and 1 January 2000	220,002	565,206	(88,809)	696,399
Loss for the year	—	—	(26,534)	(26,534)
Dividends — <i>note 10</i>	—	(11,920)	—	(11,920)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	<u>220,002</u>	<u>553,286</u>	<u>(115,343)</u>	<u>657,945</u>

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act (1981) of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2000 HK\$'000	1999 HK\$'000
Profit from operating activities	24,678	13,330
Depreciation	2,168	1,881
Interest income	(1,911)	(5,267)
Proceeds from pre-sale of properties	46,339	221,997
Attributable profits on pre-sale properties	(49,497)	(51,518)
Development costs on properties under development	(22,615)	(28,470)
Profit from sale of properties	(45,782)	(25,214)
Loss on write-off of fixed assets	49	736
Decrease in due from a jointly-controlled entity	54	43
Provision for due from a jointly-controlled entity	5,402	5,456
Decrease/(increase) in trade receivables	(29,735)	19,356
Decrease/(increase) in prepayments, deposits and other receivables	48,732	(359,528)
Increase in due from a Chinese joint venture partner	(108)	(86)
Increase in trade payables, other payables and accruals	10,416	132,130
Increase in due to a Chinese joint venture partner	17	—
Exchange adjustments on consolidation of foreign subsidiaries	1,428	1,331
Net cash outflow from operating activities	<u>(10,365)</u>	<u>(73,823)</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (b) Analysis of changes in financing during the years

	<b>Share capital (including share premium) HK\$'000</b>	<b>Bank loans HK\$'000</b>	<b>Minority interests HK\$'000</b>
At 1 January 1999	278,817	71,442	1,230
Share of profit after tax of subsidiary	—	—	38
Issue by way of scrip dividend	71	—	—
Premium of shares issued by way of scrip dividend	714	—	—
Disposal of subsidiaries	—	—	(1,268)
Cash inflow from financing, net	<u>—</u>	<u>48,024</u>	<u>—</u>
At 31 December 1999 and 1 January 2000	279,602	119,466	—
Cash inflow from financing, net	<u>—</u>	<u>67,868</u>	<u>—</u>
At 31 December 2000	<u><u>279,602</u></u>	<u><u>187,334</u></u>	<u><u>—</u></u>

### (c) Acquisition of a subsidiary

	<b>2000 HK\$'000</b>	<b>1999 HK\$'000</b>
Net assets acquired	<u>—</u>	<u>—</u>
Goodwill on acquisition	<u><b>35,000</b></u>	<u>—</u>
	<b>2000 HK\$'000</b>	<b>1999 HK\$'000</b>
Satisfied by:		
Cash	<u><b>35,000</b></u>	<u>—</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (c) Acquisition of a subsidiary (Continued)

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary:

	2000 HK\$'000	1999 HK\$'000
Cash consideration and net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	<u>35,000</u>	<u>—</u>

The results of the subsidiary acquired during the year had no significant impact on the Group's turnover or the consolidated profit after tax for the year ended 31 December 2000.

### (d) Disposals of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net assets disposed of:		
Other receivables	—	52,111
Accruals and other payables	—	(38,475)
Tax	—	(9,687)
Minority interests	—	(1,268)
	<u>—</u>	<u>—</u>
Gain on disposal of a subsidiary	—	2,681
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>2,681</u>
Satisfied by:		
Increase in other receivables	—	2,681
	<u>—</u>	<u>2,681</u>

The results of the subsidiaries disposed of in the prior year had no significant impact on the Group's turnover or the consolidated profit after tax for the year ended 31 December 1999.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 27. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties	<u>242,383</u>	<u>202,979</u>	<u>—</u>	<u>—</u>

## 28. PLEDGE OF ASSETS

Details of the Group's bank loans and borrowings secured by assets of the Group are included in note 23 to the financial statements.

## 29. COMMITMENTS

### (a) Capital commitments

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Capital commitments in respect of property development projects:				
Authorised, but not contracted for	—	40,113	—	—
Contracted, but not provided for	<u>197,350</u>	<u>53,831</u>	<u>—</u>	<u>—</u>
	<b>197,350</b>	93,944	—	—
Capital commitments in respect of capital contributions to a jointly-controlled entity:				
Contracted, but not provided for	<u>132,090</u>	<u>132,090</u>	<u>—</u>	<u>—</u>
	<b>329,440</b>	<b>226,034</b>	<b>—</b>	<b>—</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 29. COMMITMENTS (continued)

### (b) Commitments under operating leases

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Annual commitments payable under non-cancellable operating leases in respect of land and buildings expiring:				
Within one year	720	352	720	—
In the second to fifth years, inclusive	4,963	4,456	1,771	3,871
	<u>5,683</u>	<u>4,808</u>	<u>2,491</u>	<u>3,871</u>

## 30. CONNECTED TRANSACTIONS

As disclosed as a connected transaction in note 30(a) to the financial statements as at 31 December 1999, on 30 May 2000, Dongxum Real Estate Development Company Limited (“Dongxum Real Estate”), a wholly-owned subsidiary of the Group, entered into a conditional agreement (the “Acquisition Agreement”) with Ho Pak Hung, a Director of the Company, for the acquisition of his 90% equity interest in 上海外灘房地產有限公司 (the “Property Company”) for a consideration of RMB128,000,000 (or approximately HK\$120,800,000). Despite the lengthy efforts by Mainland China lawyer of the Company with the Shunde approval authority concerning the transfer of the interests in the Property Company, the Shunde approval authority did not approve the structure of the transfer adopted by the Company. As a result, Dongxum Real Estate entered into an agreement on 29 September 2000 with Ho Pak Hung to cancel the Acquisition Agreement. Details of the cancellation are set out in the Company’s press announcement dated 29 October 2000.

## 31. RELATED PARTY TRANSACTIONS

In addition to the transactions as disclosed in note 30, during the year, the Group had the following transactions with certain companies in which the Directors have beneficial interests:

- (a) On 27 May 1999, Gold Coast Department Store Company Limited (“Gold Coast”) and Powerex Investment Limited (“Powerex”) entered into a tenancy agreement (the “1999 Agreement”) relating to the lease of a portion of the commercial podium of Phase 1 of Haizhu Peninsula Garden, Guangzhou, Mainland China (the “Premises”) with a total gross floor area of approximately 4,000 square metres at a monthly base rental of approximately HK\$249,000 (approximately RMB265,000) and a maximum monthly turnover-based rental of approximately HK\$421,000 (approximately RMB450,000). The 1999 Agreement commenced on 1 June 1999 for a term of one year. The aggregate rental for the period totalled HK\$1,245,000 (approximately RMB1,325,000).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 31. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Gold Coast is beneficially owned by Ho Tsam Hung, Ho Pak Hung and Lam Ling Tak; all three of whom are Directors of the Company.

The 1999 Agreement was approved by the Directors, including the Independent Non-Executive Directors, and the rental for the period from 1 January 2000 to 31 May 2000 has been fully settled in accordance with the terms of the 1999 Agreement.

- (b) On 30 May 2000, Gold Coast and Powerex entered into another tenancy agreement (the “2000 Agreement”) relating to the lease of a portion of the Premises with a total gross floor area of approximately 4,000 square metres at a monthly base rental of approximately HK\$249,000 (approximately RMB265,000) and a maximum monthly turnover-based rental of approximately HK\$421,000 (approximately RMB450,000).

The 2000 Agreement commenced on 1 June 2000 for a term for one year. The aggregate rental for the period from 1 June 2000 to 31 December 2000 totalled HK\$1,743,000 (approximately RMB1,855,000) and has been fully settled in accordance with the terms of the 2000 Agreement.

- (c) Pursuant to two leases entered into between the Company and Smart Hero Investment Limited (“Smart Hero”) dated 1 September 1999, the Company agreed to lease two residential units in Hong Kong from Smart Hero as Directors’ residences at an aggregate monthly rental of HK\$85,000 and HK\$90,000, respectively. Each lease was entered into for a term of two years commencing from 1 September 1999, of which one of the leases was early terminated in September 2000. Smart Hero is beneficially owned by Ho Tsam Hung, Ho Pak Hung, Ho Kam Hung and Lam Ling Tak, all of whom are Directors of the Company.

The provision of Directors’ residences by the Company for the two Directors formed part of their respective remuneration packages under their service contracts.

- (d) On 1 September 2000, Ho Pak Hung, a Director of the Company, entered into an agreement with the Company to indemnify it from any losses arising from certain prepayments and investment deposits totalling approximately HK\$155,000,000 together with interest thereon whenever applicable. The full amount which totalled approximately HK\$158,000,000, has been included in the consolidated balance sheet as at 31 December 2000. The indemnity covers the period from 1 September 2000 to 31 December 2001.

On 24 April 2001, Ho Tsam Hung, Ho Kam Hung, both of whom are Directors of the Company, entered into an agreement with the Company to indemnify it from any losses arising from a receivable of approximately HK\$26,000,000, as included in the consolidated balance sheet as at 31 December 2000. The indemnity covers the period from 24 April 2001 to 31 December 2001.

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# NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

## 32. POST BALANCE SHEET EVENTS

On 6 April 2001, China Land Realty Investment (BVI) Limited (“CLRI”), a wholly-owned subsidiary of the Company, entered into a conditional agreement (the “Agreement”) to purchase from Empower Assets Limited (“Empower”) the fully paid share capital of I-Action Agents Limited for a consideration of HK\$320,000,000 (subject to cash adjustment). The consideration will be satisfied by the issue and allotment to Empower and/or its nominee(s) such number of shares of US\$1.00 each credited as fully paid, representing 49% of the enlarged issued share capital of Ample Dragon Limited (“Ample Dragon”). CLRI owns 100% equity interest of Ample Dragon which in turn has 100% equity interest in Powerex, Wider Choice Investments Limited, Dongxum Real Estate and Guangzhou Dongxun. The Agreement is conditional, amongst other things, including the approval by the relevant authorities in Hong Kong and Mainland China. The proposed acquisition and disposal transactions constitute discloseable transactions pursuant to the Listing Rules of the Stock Exchange of Hong Kong Limited, full details of which are set out in the Company’s press announcement dated 11 April 2001.

## 33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 24 April 2001.