

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited.

Pursuant to a special resolution passed by the shareholders of the Company at an extraordinary general meeting held on 5th May, 2000, the Company adopted the new name of Far East Technology International Limited 遠東科技國際有限公司. The change of name of the Company became effective from 12th May, 2000.

The principal activities of the Group are property trading, property investment, share investment, merchandise manufacturing, trading of garments and commodity concrete, software development, system integration, operation of training and certification centres, a golf resort complex, restaurant and amusement park.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in the light of its net current liabilities of approximately HK\$108 million as at 31st December, 2000. The directors consider that with the continuing support of the Group's bankers in respect of the existing secured banking facilities, the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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 within the Group have been eliminated on consolidation.



NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

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

Any premium or discount arising on the acquisition of an interest in an associate or a jointly controlled entity, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate or the jointly controlled entity at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of investments in subsidiaries, associates or jointly controlled entity, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary, associate or jointly controlled entity.

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, as reduced by any decline in the value of the subsidiary that is other than temporary.

Investments in associates

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

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, 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



3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any decline in the value of the associate that is other than temporary.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, 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.

The Company's investments in jointly controlled entities are stated at cost, as reduced by any decline in value of the jointly controlled entity that is other than temporary. Results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

Revenue recognition

Income from sales of completed properties is recognised upon completion of the sales agreement and when risks and rewards of ownership are passed to the buyers. Income from pre-sale of properties under development is recognised over the course of development, by reference to the value of work completed.

Rental income under operating leases is credited to the income statement, on a straight-line basis over the relevant lease term.

Sales of investments are recognised when title to the investments is transferred and the buyer takes legal possession of the investments.

Income from the golf resort complex represents the invoiced value of food and beverage sales, income from membership sales, subscriptions and related services. Sales of food and beverage are recognised when the respective services are rendered while subscriptions are recognised on an accrual basis.

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



NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Income from trading derivative financial products is recognised when the contract has been concluded.

Sales of merchandises are recognised when goods are delivered and title has passed.

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

Property, plant and equipment

Property, plant and equipment other than construction in progress 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 assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally 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.

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

Where 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 future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Golf resort complex	2% – 20%
Land and buildings in the PRC	over lease term
Amusement equipment	20%
Leasehold improvements	10%
Exhibits, display items, furniture, fittings and costumes	6% – 20%
Lifts, electrical and other equipment	10% – 20%
Trams, coaches and motor vehicles	20% – 30%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

PRC denotes the People's Republic of China other than Hong Kong Special Administrative Region.

No depreciation is provided on the freehold land of the golf resort complex.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

No depreciation is provided on construction in progress until the asset is completed and put into productive use.

Properties

(i) Land and buildings in the PRC

Land and buildings in the PRC consist of land use rights and buildings in the PRC. The carrying value includes the cost of land use rights, construction costs, borrowing costs capitalised in accordance with the Group's accounting policy and other direct development expenditure.

(ii) Golf resort complex

The golf resort complex consists of freehold land and buildings erected thereon and is stated at cost to the Group. The carrying value of the golf resort complex includes land cost, construction costs, borrowing costs capitalised in accordance with the Group's accounting policy and other direct development expenditure.

(iii) Construction in progress

Construction in progress represents the direct cost of construction of factory buildings, plant and machinery and other assets and will be reclassified to the appropriate categories of assets on completion.

Land held for development

Land held for development for purpose not yet determined is stated at cost less provision.

Investment properties

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



NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

Investment properties are stated at their open market value based on independent professional valuations at the 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. Where a decrease has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of properties under development for sale includes land cost, construction cost, borrowing costs capitalised and other direct development expenditure.

When the property under development is sold in advance of completion, profit is recognised and calculated on a percentage of completion basis when the construction has progressed beyond the preliminary stage of development. The percentage used is based on the proportion of construction cost incurred up to the balance sheet date to estimated total construction costs.

Leisure-entertainment complex construction in progress

The leisure-entertainment complex construction in progress is stated at cost less any foreseeable losses and deposits received. The cost of the leisure-entertainment complex includes land cost, construction costs, other direct development expenditure, overheads and other associated costs attributable to the development project.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. 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, associates or jointly controlled entity which are denominated in currencies other than the Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.



NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Derivative financial products

Derivative financial products consist of foreign exchange contracts, options and futures contracts. Transactions undertaken for trading purposes are marked to market value and included in derivative trading account under current assets or liabilities. The gains or losses arising therefrom are recognised in the income statement as they arise.

Retirement benefits schemes

Retirement benefit costs charged to the income statement represent the Group's contributions payable in respect of the current year to the retirement benefits scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash equivalents

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 advances.

4. SEGMENTAL INFORMATION

The Group's turnover and contribution to loss from operations, analysed by principal activity are as follows:

	Turnover 2000 HK\$	Contribution to (loss) profit from operation 2000 HK\$	Turnover 1999 HK\$	Contribution to (loss) profit from operation 1999 HK\$
Sales of goods	60,324,903	(12,328,055)	32,007,777	(5,051,625)
Share investment	47,900,831	(6,816,756)	35,442,319	17,061,026
Construction income	27,096,205	297,689	-	-
Restaurant income	18,283,020	(1,275,720)	-	-
Gross rental income				
from properties investment	10,127,628	(238,074)	10,276,507	(5,732,352)
Golf-resort complex	6,976,510	(3,222,825)	8,411,126	(4,867,349)
Consultancy fee income	4,891,591	2,652,886	-	-
Sales of properties	4,491,104	2,126,457	4,706,599	8,962,095
Dividend income	827,784	827,784	2,131,248	2,131,248
Interest income	716,442	716,442	1,041,429	1,041,429
Amusement park	298,862	(1,708,957)	673,949	(3,245,747)
	<u>181,934,880</u>	<u>(18,969,129)</u>	<u>94,690,954</u>	<u>10,298,725</u>

NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

4. SEGMENTAL INFORMATION (continued)

A geographical analysis of the Group's turnover and contribution to loss from operations, by location of market, is as follows:

	Turnover 2000 HK\$	Contribution to (loss) profit from operation 2000 HK\$	Turnover 1999 HK\$	Contribution to (loss) profit from operation 1999 HK\$
Hong Kong	62,574,525	(7,640,127)	39,767,484	13,129,924
Singapore	53,272,484	(3,821,596)	8,600,229	1,674,731
Malaysia	11,742,558	(3,873,210)	13,471,187	(929,646)
PRC	18,401,777	(5,802,673)	32,852,054	(3,576,284)
Japan	35,943,536	2,168,477	–	–
	181,934,880	(18,969,129)	94,690,954	10,298,725

5. TURNOVER

Turnover represents the aggregate of gross proceeds from sales of properties, merchandise and investments held for trading, dividend and interest income, consultancy and construction income, gross rental income, gross income from the operation of the golf resort complex, restaurant and gross income from amusement park during the year as follows:

	2000 HK\$	1999 HK\$
Sales of goods	60,324,903	32,007,777
Share investment	47,900,831	35,442,319
Construction income	27,096,205	–
Restaurant income	18,283,020	–
Gross rental income from properties investment	10,127,628	10,276,507
Golf-resort complex	6,976,510	8,411,126
Sales of properties	4,491,104	4,706,599
Consultancy fee income	4,891,591	–
Dividend income	827,784	2,131,248
Interest income	716,442	1,041,429
Amusement park	298,862	673,949
	181,934,880	94,690,954

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



6. OTHER REVENUE

Included in other revenue is net income, as follows:

	2000 HK\$	1999 HK\$
Surplus on revaluation of investment properties	–	529,033
Unrealised holding gain on other investments	–	11,738,666
Management fee income	3,081,275	3,138,658
Profit on disposal of investment properties	247,279	243,777
Profit (loss) on disposal of property, plant and equipment	162,562	(50,925)
Profit on disposals of land held for development	–	8,797,262
Provision for doubtful debts written back	241,797	–
Refund of security sum on termination of licence agreement	668,611	–
Project management fee	270,618	–
Net exchange gain	992,598	5,329,632
Others	3,368,787	–
	<u>9,033,527</u>	<u>29,726,103</u>

7. OTHER OPERATING EXPENSES

	2000 HK\$	1999 HK\$
Bad debt written off	3,078,581	8,318,800
Unrealised holding loss on other investments	6,879,653	–
Impairment provision on amusement equipment	5,548,000	–
Provision for investment securities	5,000,000	–
Provision for advance to an associate	3,500,000	4,750,599
Impairment loss on other investments	456	–
Pre-operating expenses	–	5,519,545
Loss on derivative financial products trading	–	1,498,158
Realised loss on disposal of investment securities	–	866,864
	<u>24,006,690</u>	<u>20,953,966</u>



NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

8. (LOSS) PROFIT FROM OPERATIONS

	2000 HK\$	1999 HK\$
(Loss) profit from operations has been arrived at after charging (crediting):		
Depreciation		
Owned assets	17,490,321	8,786,486
Assets held under finance leases	763,183	676,576
	<u>18,253,504</u>	<u>9,463,062</u>
Auditors' remuneration	669,255	604,372
Staff costs, included retirement benefits scheme contributions of HK\$1,261,703 (1999: HK\$1,443,416)	19,035,560	6,785,361
Operating lease rental in respect of premises	2,780,442	157,528
Rental income, after outgoings of HK\$3,391,775 (1999: HK\$5,468,769)	<u>(6,735,853)</u>	<u>(4,807,738)</u>

9. FINANCE COSTS

	2000 HK\$	1999 HK\$
Interest on:		
Bank loans and overdrafts wholly repayable within five years	16,431,138	13,841,228
Finance leases	59,540	142,420
Other borrowings	459,307	533,777
	<u>16,949,985</u>	<u>14,517,425</u>
Total borrowing costs	16,949,985	14,517,425
Less: Amount capitalised in properties under development for sale	-	(1,354,108)
	<u>16,949,985</u>	<u>13,163,317</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2000 HK\$	1999 HK\$
Directors' fees:		
Executive directors	60,000	55,000
Non-executive directors	60,000	60,000
Independent non-executive directors	53,219	33,315
	<u>173,219</u>	<u>148,315</u>
Other emoluments of executive directors:		
Salaries and other benefits	1,077,482	688,962
	<u>1,250,701</u>	<u>837,277</u>

Emoluments of all the directors were within the band from HK\$Nil to HK\$1 million in both years.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (1999: one) was non-executive director of the Company whose emolument is included in the disclosures in above. The emoluments of the remaining four (1999: four) individuals were as follows:

	2000 HK\$	1999 HK\$
Salaries and other benefits	<u>1,023,471</u>	<u>1,701,502</u>

Emoluments of these staff were within the band from HK\$Nil to HK\$1 million in both years.



NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

11. TAXATION

	2000 HK\$	1999 HK\$
The charge comprises:		
The Company and Subsidiaries		
Profits for the year		
Hong Kong	–	128,283
Other jurisdictions	424,630	295,952
Prior years		
Hong Kong	582,125	–
Other jurisdictions	–	–
Deferred taxation		
Overprovision in prior year	(162,424)	–
	<u>844,331</u>	<u>424,235</u>

No Provision for Hong Kong Profits Tax has been provided in the financial statements as the Company and the subsidiaries incurred a tax loss during the year.

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit in 1999.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

Details of the provided and unprovided deferred taxation are set out in note 33.

12. LOSS FOR THE YEAR

Of the Group's loss for the year of HK\$92,743,662 (1999: HK\$88,401,536), a loss of HK\$83,766,041 (1999: a loss of HK\$87,619,016) has been dealt with in the financial statements of the Company.

13. DIVIDENDS

No interim dividend was paid during the year and no final dividend was recommended by the directors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



14. LOSS PER SHARE

The calculation of loss per share is based on the loss for the year of HK\$92,743,662 (1999: HK\$88,401,536) and on the weighted average number of 313,350,549 (1999: 298,568,905) ordinary shares in issue during the year. As there was no dilutive potential ordinary share, no diluted loss per share was presented.

15. INVESTMENT PROPERTIES

	THE GROUP
	HK\$
<hr/>	
AT VALUATION	
At 1st January, 2000	245,265,116
Disposals	(3,576,740)
Currency realignment	(6,222,103)
Surplus on revaluation	<u>17,359,412</u>
At 31st December, 2000	<u><u>252,825,685</u></u>

Investment properties were revalued at 31st December, 2000 by DTZ Debenham Tie Leung for investment properties in Hong Kong and DBS Property Services Pte Ltd. for investment properties in Singapore, on an open market value existing use basis. The net surplus on revaluation net of minority interest amounted to HK\$15,623,471 has been credited to the investment properties revaluation reserve.

All of the Group's investment properties are rented out under operating leases.

The carrying amount of investment properties comprises:

	2000 HK\$	1999 HK\$
In Hong Kong under medium-term leases	44,600,000	45,100,000
Outside Hong Kong under long leases	<u>208,225,685</u>	<u>200,165,116</u>
	<u><u>252,825,685</u></u>	<u><u>245,265,116</u></u>

NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

16. PROPERTY, PLANT AND EQUIPMENT

	Land and building in the PRC held under medium term lease HK\$	Construction in progress overseas held under medium term lease HK\$	Amusement equipment HK\$	Golf resort complex overseas held under freehold land HK\$	Lifts, electrical and other equipment HK\$	Exhibits display items furniture, fittings and costumes HK\$	Leasehold improvements HK\$	Trams, coaches and motor vehicles HK\$	Total HK\$
THE GROUP									
COST									
At 1st January, 2000	18,729,990	11,191,063	13,439,155	134,266,643	35,522,482	4,012,971	1,718,315	9,133,912	228,014,531
Additions	-	55,651	11,096,000	-	2,499,502	-	18,895,985	910,617	33,457,755
Disposals	-	(1,053,499)	-	-	(153,494)	(192,715)	-	(685,591)	(2,085,299)
Transfer	-	(10,122,186)	-	-	-	-	10,122,186	-	-
Currency realignment	888,380	729	637,431	381,680	1,282,814	2,392	(233,146)	348,722	3,309,002
At 31st December, 2000	19,618,370	71,758	25,172,586	134,648,323	39,151,304	3,822,648	30,503,340	9,707,660	262,695,989
ACCUMULATED DEPRECIATION									
At 1st January, 2000	2,840,632	-	4,928,313	2,957,475	12,590,202	2,657,797	234,427	5,554,576	31,763,422
Provided for the year	786,059	-	6,972,644	614,754	5,370,789	286,427	3,063,944	1,158,887	18,253,504
Impairment provision	-	-	5,548,000	-	-	-	-	-	5,548,000
Eliminated on disposals	-	-	-	-	(138,780)	(192,715)	-	(276,670)	(608,165)
Currency realignment	134,732	-	233,754	10,104	336,055	(2,161)	11,120	216,174	939,778
At 31st December, 2000	3,761,423	-	17,682,711	3,582,333	18,158,266	2,749,348	3,309,491	6,652,967	55,896,539
NET BOOK VALUES									
At 31st December, 2000	15,856,947	71,758	7,489,875	131,065,990	20,993,038	1,073,300	27,193,849	3,054,693	206,799,450
At 31st December, 1999	15,889,358	11,191,063	8,510,842	131,309,168	22,932,280	1,355,174	1,483,888	3,579,336	196,251,109

The net book value of motor vehicles, lifts, electrical and other equipment includes an amount of HK\$3,135,463 (1999: HK\$3,465,609) in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Furniture and fittings <i>HK\$</i>
<hr/>	
THE COMPANY	
COST	
At 1st January, 2000	127,955
Additions	15,266
Disposals	<u>(127,955)</u>
At 31st December, 2000	<u>15,266</u>
ACCUMULATED DEPRECIATION	
At 1st January, 2000	127,955
Provided for the year	10,992
Eliminated on disposals	<u>(127,955)</u>
At 31st December, 2000	<u>10,992</u>
NET BOOK VALUE	
At 31st December, 2000	<u><u>4,274</u></u>
At 31st December, 1999	<u><u>-</u></u>

NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

17. LAND HELD FOR DEVELOPMENT

	THE GROUP HK\$	THE COMPANY HK\$
COST		
At 1st January, 1999	36,790,054	4,000,000
Disposals	(2,005,618)	(2,005,618)
Currency realignment	(1,017,606)	-
At 31st December, 1999	33,766,830	1,994,382
Currency realignment	35,404	-
At 31st December, 2000	<u>33,802,234</u>	<u>1,994,382</u>

An analysis of the Group's and Company's land held for development is as follows:

	THE GROUP		THE COMPANY	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Land in Hong Kong held under medium-term lease	2,734,382	2,734,382	1,994,382	1,994,382
Freehold land outside Hong Kong	31,067,852	31,032,448	-	-
	<u>33,802,234</u>	<u>33,766,830</u>	<u>1,994,382</u>	<u>1,994,382</u>

Included in land held for development in Hong Kong held under medium-term lease is a piece of land with a book value of HK\$1,994,382 (1999: HK\$1,994,382), the title to which has not been transferred to the Company and is still registered in the name of the vendor companies which are controlled by certain directors as trustee for the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



18. LEISURE-ENTERTAINMENT COMPLEX

	THE GROUP	
	2000 HK\$	1999 HK\$
Transferred from property, plant and equipment, at net book value	357,157,672	357,157,672
Additional cost incurred to date	9,310,113	8,779,006
	366,467,785	365,936,678
Less: Deposits received	(67,933,800)	(67,933,800)
Currency realignment	(7,957,196)	-
Provision for loss	(153,576,789)	(93,100,000)
	137,000,000	204,902,878
	(137,000,000)	-
Reclassification to other receivables	-	204,902,878

On 7th December, 1996, Tang Dynasty City Pte. Ltd. ("TDC"), a subsidiary of the Company, in which the Company hold a 95% interest and Mr. Dennis Chiu, managing director of the Company, owns the remaining 5%, entered into an agreement ("Agreement") with Admiralty Leisure Pte. Ltd. ("AL") in relation to a leisure-entertainment complex known as the "Tang Dynasty City" to comprise a theme park, a so-called palace and a hotel (collectively as "Theme Park"). In particular, under the Agreement:

- (i) TDC has agreed to sell the leasehold property comprising the theme park for a cash consideration of S\$47 million (equivalent to approximately HK\$218 million);
- (ii) TDC has agreed to complete its property under development which comprises the construction of a so-called palace and a hotel and to sell the property at a consideration of S\$18 million (equivalent to approximately HK\$83 million) and S\$50 million (equivalent to approximately HK\$232 million) respectively upon completion;
- (iii) TDC has agreed to manage the theme park for an initial period of three years after the sale of the theme park.



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For the year ended 31st December, 2000

18. LEISURE-ENTERTAINMENT COMPLEX *(continued)*

As required by Tourist Authority of Singapore, the title of the Theme Park had been transferred to AL in 1997. To secure payment of the balance of consideration, TDC had obtained a mortgage over the Theme Park from AL. The Group therefore, ceased to operate the Theme Park. However, under the Agreement, the Group is still required to construct the palace and hotel within the Theme Park.

In 1998, due to the economic downturn in Singapore, AL could not fulfil its payment obligations in accordance with the time schedule specified in the Agreement. As at 31st December, 1998, TDC had received approximately 13% of the total consideration of S\$115 million (equivalent to approximately HK\$535 million). As a result, the construction of the palace and hotel has been suspended.

In 1999, AL had been put under judicial management and the outstanding sale consideration remains unpaid.

During the year, AL has been put under liquidation and in order to proof the debt to the liquidator, invoices have been raised and accordingly the net amount of HK\$137 million has been included in trade and other receivables.

Pursuant to a conditional sale and purchase agreement signed between the Company and an independent third party dated 9th April 2001, the Company is to acquire 49% interest of the issued share capital of Asian Mark Limited at a consideration of HK\$196 million to be satisfied by the 95% interest in TDC, a shareholder's loan of S\$51.2 million (approximately HK\$238 million) advanced to TDC and the allotment and issue of 59 million shares of the Company at par value of HK\$1 each. The completion of this transaction is subject to the satisfactory results of a due diligence review to be performed by the Company. On the basis of the conditional agreement, the directors estimate that the fair value of the leisure-entertainment complex is approximately HK\$137 million and on this basis, have made an additional provision of HK\$60,476,789 during the year ended 31st December, 2000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



19. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2000 HK\$	1999 HK\$
Unlisted shares, at cost	152,190,786	152,190,758
Amounts due from subsidiaries	547,794,321	485,437,219
	699,985,107	637,627,977
Less: Provision for impairment in value	(300,643,517)	(220,456,702)
	399,341,590	417,171,275

The amounts due from subsidiaries are unsecured and interest-free. In the opinion of directors, no repayment will be demanded within the next twelve months. Accordingly, the amount is classified as non-current asset.

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

Name of subsidiary	Place/country of incorporation or registration/ or operations	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Direct subsidiary				
Allington Investments Corporation	Republic of Liberia/ Hong Kong	100 ordinary shares of US\$1 each	100%	Inactive
Brentford Investments Inc.	Republic of Liberia/ Hong Kong	2 ordinary shares of US\$100 each	100%	Share investment
Cathay Motion Picture Studios Limited*	Hong Kong/ Hong Kong	30,000 ordinary shares of HK\$100 each	100%	Property investment

NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place/country of incorporation or registration/ operations	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Direct subsidiary <i>(continued)</i>				
China Entertainment (Jiangsu) Development Limited *	Hong Kong/ Hong Kong	2 ordinary shares of HK\$1 each	100%	Not yet commenced business
Chinasoft International Holdings Limited	Samoa/ Hong Kong	1 ordinary share of US\$1 each	100%	Investment holding
China Soft Incorporated	Cayman Islands/ Hong Kong	1 ordinary share of US\$1 each	100%	Inactive
Far East Art and Cultural Corporation Limited	Hong Kong/ Hong Kong	2 ordinary shares of HK\$1 each	100%	Property investment
Far East Holdings China Limited	Hong Kong/ Hong Kong	2 ordinary shares of HK\$1 each	100%	Investment holding
Goldtrack Limited	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	90%	Investment holding
Goodway Holdings Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1 each	100%	Investment holding
HealthOnline.com Limited (Formerly known as Far East Infrastructure Group Company, Limited)	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Inactive

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



19. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place/country of incorporation or registration/ operations	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Direct subsidiary (continued)				
Kwong Ming Amusement Company, Limited	Hong Kong/ Hong Kong	10 ordinary shares of HK\$100 each, 4,480 non-voting deferred shares of HK\$100 each	100% 100%	Property investment
Laichi Kok Amusement (Haimen) Company Limited*	PRC/PRC	RMB20,935,332#	100%	Operation of amusement park
Peterfame Company Limited	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Property investment
Profess World Investments Limited	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Property investment
RFC Far East Ltd.*	British Virgin Islands/ Singapore	10 ordinary shares of US\$1 each	100%	Investment holding
Successful Investments Limited*	British Virgin Islands/ Malaysia	100 ordinary shares of US\$1 each	100%	Investment holding
Sabrina Invest & Trade Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1 each	100%	Investment holding

NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place/country of incorporation or registration/ operations	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Direct subsidiary <i>(continued)</i>				
Tang City Properties Pte. Ltd.*	Singapore/ Singapore	100,000 ordinary shares of S\$1 each	90%	Property trading and investment
Tang Dynasty City Pte. Ltd.*	Singapore/ Singapore	25,000,000 ordinary shares of S\$1 each	95%	Construction, development and management of a leisure-entertainment complex in Singapore
Indirect subsidiary				
Chinasoft International Limited (formerly known as Pioneer Technology Limited)	Hong Kong/ Hong Kong	2 ordinary shares of HK\$1 each	100%	Investment holding
Far East Holdings International Limited (Formerly known as Pacific China Infrastructure Company Limited)	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Inactive
Far East Holdings (Jiangsu) Limited	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



19. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place/country of incorporation or registration/ operations	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Indirect subsidiary (continued)				
FEH Strategic Investment Pte. Ltd.*	Singapore/ Singapore	10 ordinary shares of S\$1 each	90%	Property trading and investment
FEH Land & Leisure Sdn. Bhd.*	Malaysia/ Malaysia	1,000,000 ordinary shares of RM1 each	100%	Investment holding
FEH Club Management and Consultancy Sdn Bhd.*	Malaysia/ Malaysia	100 ordinary shares of RM1 each	59%	Inactive
FEH Resources Sdn. Bhd.*	Malaysia/ Malaysia	100 ordinary shares of RM1 each	59%	Inactive
Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited*	PRC/PRC	US\$3,940,000#	51%	Garment manufacturing
RFC Far East Cafe Pte. Ltd.*	Singapore/ Singapore	100,000 ordinary shares of S\$1 each	100%	Cafeteria operations and catering
Seremban Golf Resort Berhad*	Malaysia/ Malaysia	13,598,400 ordinary shares of RM1 each	53%	Operation of a recreational golf and family resort and property development
Suzhou Goldtract Commodity Concrete Company Limited*	PRC/PRC	US\$1,840,000*	63%	Production of commodity concrete

NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place/country of incorporation or registration/ operations	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Indirect subsidiary <i>(continued)</i>				
Tang City Parkway Pte. Ltd.*	Singapore/ Singapore	10 ordinary shares of S\$1 each	90%	Property investment
Tang Dynasty Catering Pte. Ltd.*	Singapore/ Singapore	100,000 ordinary shares of S\$1 each	95%	Inactive
Tang Leisure Consultant Pte. Ltd.*	Singapore/ Singapore	10 ordinary shares of S\$1 each	95%	Inactive
TD Consultants Pte. Ltd.*	Singapore/ Singapore	100 ordinary shares of S\$1 each	95%	Inactive
Wing Tung On Construction Co. Pte. Ltd.*	Singapore/ Singapore	100,000 ordinary shares of S\$1 each	95%	Inactive

* The financial statements of these companies have been audited by firms other than Deloitte Touche Tohmatsu.

Registered capital

None of the subsidiaries had any loan capital outstanding at the end of the year.

20. INVESTMENTS IN ASSOCIATES

	THE GROUP	
	2000 HK\$	1999 HK\$
Share of net assets	–	–
Amount due from an associate	13,606,410	13,606,410
Less: Provision	(8,250,599)	(4,750,599)
	5,355,811	8,855,811

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



20. INVESTMENTS IN ASSOCIATES (continued)

The amount due from an associate is unsecured, interest-free and the amount is not repayable within the next twelve months.

Particulars of the Company's associates at 31st December, 2000, which are all incorporated in Malaysia, are as follows:

Name of associate	Proportion of nominal value of issued capital held by the Group	Principal activities
FE Land Sdn. Bhd.	30%	Investment holding
Skyrex Development Sdn. Bhd.	50%	Inactive

The Group's share of results of associates for the year was based upon their unaudited management accounts made up to 31st December, 2000.

21. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2000 HK\$	1999 HK\$
Share of net assets	<u>6,145,449</u>	<u>—</u>

At 31st December, 2000, the Group had 65% interest in a jointly controlled entity, Wuxi Cheerman Recreation Centre Co. Ltd., ("Wuxi"), a company registered and operated in PRC.

The Group's share of results of a jointly controlled entity was based upon its audited financial statements made up to 31st December, 2000 which is not audited by Deloitte Touche Tohmatsu.

The results and financial position of the jointly controlled entity is considered not material to the consolidated financial statements of the Group.

NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

22. INVESTMENTS IN SECURITIES

	OTHER INVESTMENTS		INVESTMENT SECURITIES		TOTAL	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
THE GROUP						
Equity securities:						
Listed in						
Hong Kong	1,717,854	5,690,550	46,803,769	46,803,769	48,521,623	52,494,319
Overseas	16,166,921	39,711,076	-	-	16,166,921	39,711,076
Unlisted in Hong Kong	40,600,000	-	-	-	40,600,000	-
	<u>58,484,775</u>	<u>45,401,626</u>	<u>46,803,769</u>	<u>46,803,769</u>	<u>105,288,544</u>	<u>92,205,395</u>
Market value of equity securities:						
Listed in						
Hong Kong	1,717,854	5,690,550	18,793,481	24,963,795	20,511,335	30,654,345
Overseas	16,166,921	39,711,076	-	-	16,166,921	39,711,076
	<u>17,884,775</u>	<u>45,401,626</u>	<u>18,793,481</u>	<u>24,963,795</u>	<u>36,678,256</u>	<u>70,365,421</u>
Carrying amount analysed for reporting purposes as:						
Current	17,884,775	45,401,626	-	-	17,884,775	45,401,626
Non-current	40,600,000	-	46,803,769	46,803,769	87,403,769	46,803,769
	<u>58,484,775</u>	<u>45,401,626</u>	<u>46,803,769</u>	<u>46,803,769</u>	<u>105,288,544</u>	<u>92,205,395</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



22. INVESTMENTS IN SECURITIES (continued)

	OTHER INVESTMENTS	
	2000 HK\$	1999 HK\$
THE COMPANY		
Equity securities:		
Listed in		
Hong Kong	1,080,354	4,732,350
Overseas	15,648,154	39,711,076
	<u>16,728,508</u>	<u>44,443,426</u>
Market value of equity securities:		
Listed in		
Hong Kong	1,080,354	4,732,350
Overseas	15,648,154	39,711,076
	<u>16,728,508</u>	<u>44,443,426</u>

23. INVENTORIES

	THE GROUP	
	2000 HK\$	1999 HK\$
Raw materials	1,969,112	1,347,422
Work in progress	1,006,754	788,290
Finished goods	1,053,542	996,472
	<u>4,029,408</u>	<u>3,132,184</u>

Included above are raw materials of HK\$1,375,526 (1999: HK\$342,127), work in progress of HK\$1,006,754 (1999: HK\$788,290) and finished goods of HK\$987,377 (1999: HK\$928,994) which are carried at net realisable value.

The cost of inventories recognised as an expense during the year was HK\$ 44,968,921. (1999: HK\$27,868,575).

NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

24. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP	
	2000 HK\$	1999 HK\$
Held under freehold land outside Hong Kong	19,536,241	17,933,361

Included herein is loan interest capitalised of HK\$1,354,108 (1999: HK\$1,354,108).

25. TRADE AND OTHER RECEIVABLES

For sales of goods, the group has a policy of allowing an average credit period of 30 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The ageing analysis of trade receivables is as follows:

	THE GROUP	
	2000 HK\$	1999 HK\$
0 – 30 days	29,949,540	26,033,547
31 – 60 days	4,577,417	211,087
61 – 90 days	527,347	162,945
Over 90 days	5,885,728	4,038,990
Total trade receivables	40,940,032	30,446,569
Other receivables	162,917,527	24,741,575
	203,857,559	55,188,144

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



26. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables is as follows:

	THE GROUP	
	2000 HK\$	1999 HK\$
0 – 30 days	6,038,644	–
31 – 60 days	316,710	–
61 – 90 days	1,163,682	–
Over 90 days	44,165,853	26,706,476
Total trade payables	51,684,889	26,706,476
Other payables	71,030,925	67,630,934
	<u>122,715,814</u>	<u>94,337,410</u>

27. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and are repayable on demand.

28. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and repayable on demand. The related companies are controlled by certain directors of the Company.

NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

29. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP	
	2000 HK\$	1999 HK\$
The maturity of obligations under finance leases is as follows:		
Within one year	743,970	1,017,062
More than one year, but not exceeding two years	184,518	92,617
More than two years, but not exceeding five years	136,723	56,953
	<u>1,065,211</u>	<u>1,166,632</u>
Amounts due within one year shown under current liabilities	<u>(743,970)</u>	<u>(1,017,062)</u>
Amounts due after one year	<u>321,241</u>	<u>149,570</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



30. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Bank overdrafts	12,422,676	600,522	–	–
Bank loans	259,829,134	251,718,442	43,205,815	39,149,237
	272,251,810	252,318,964	43,205,815	39,149,237
Secured	251,733,829	245,702,399	33,205,815	39,149,237
Unsecured	20,517,981	6,616,565	10,000,000	–
	272,251,810	252,318,964	43,205,815	39,149,237
The maturity of the bank loans and overdrafts is as follows:				
Within one year	235,162,271	167,864,884	28,805,815	23,149,237
More than one year, but not exceeding two years	27,489,539	71,309,118	4,800,000	8,000,000
More than two years, but not exceeding five years	9,600,000	13,144,962	9,600,000	8,000,000
	272,251,810	252,318,964	43,205,815	39,149,237
Amounts due within one year shown under current liabilities	(235,162,271)	(167,864,884)	(28,805,815)	(23,149,237)
Amounts due after one year	37,089,539	84,454,080	14,400,000	16,000,000



NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

31. SHARE CAPITAL

	Number of ordinary shares of HK\$1 each	Nominal value HK\$
<i>Authorised:</i>		
At 31st December, 1999 and 2000	<u>700,000,000</u>	<u>700,000,000</u>
<i>Issued and fully paid:</i>		
At 1st January, 2000	298,568,905	298,568,905
Issue of shares during the year	<u>33,100,000</u>	<u>33,100,000</u>
At 31st December, 2000	<u>331,668,905</u>	<u>331,668,905</u>

There was no change in the authorised share capital of the Company for each of the two years ended 31st December, 2000.

There was no change in the issued share capital of the Company during the year ended 31st December, 1999.

On 21st July, 2000, 33,100,000 ordinary shares of HK\$1 each were issued at par value for the acquisition of an investment security. The new shares issued rank pari passu with the existing shares in all respects.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



32. RESERVES

	Share premium HK\$	Investment property revaluation reserve HK\$	Exchange reserve HK\$	Accumulated losses HK\$	Total HK\$
THE GROUP					
At 1st January, 1999	282,892,010	-	(15,304,351)	(50,245,027)	217,342,632
Net surplus on revaluation					
less minority interests	-	12,329,742	-	-	12,329,742
Released on disposal	-	(476,958)	-	-	(476,958)
Loss for the year	-	-	-	(88,401,536)	(88,401,536)
Exchange differences arising on translation of overseas subsidiaries	-	-	1,983,251	-	1,983,251
At 31st December, 1999	282,892,010	11,852,784	(13,321,100)	(138,646,563)	142,777,131
Released on disposal	-	(417,731)	-	-	(417,731)
Net surplus on revaluation					
less minority interests	-	15,623,471	-	-	15,623,471
Loss for the year	-	-	-	(92,743,662)	(92,743,662)
Exchange differences arising on translation of overseas subsidiaries	-	-	(8,701,631)	-	(8,701,631)
At 31st December, 2000	<u>282,892,010</u>	<u>27,058,524</u>	<u>(22,022,731)</u>	<u>(231,390,225)</u>	<u>56,537,578</u>
THE COMPANY					
At 1st January, 1999	282,892,010	-	-	(60,495,863)	222,396,147
Loss for the year	-	-	-	(87,619,016)	(87,619,016)
At 31st December, 1999	282,892,010	-	-	(148,114,879)	134,777,131
Loss for the year	-	-	-	(83,766,041)	(83,766,041)
At 31st December, 2000	<u>282,892,010</u>	<u>-</u>	<u>-</u>	<u>(231,880,920)</u>	<u>51,011,090</u>

Included in the above is the Group's share of post-acquisition reserves of its associates, as follows:

THE GROUP					
At 1st January, 1999	-	-	(2,163)	(7,281)	(9,444)
Profit for the year	-	-	-	7,155	7,155
Exchange difference	-	-	2,163	-	2,163
At 31st December, 1999 and 31st December, 2000	<u>-</u>	<u>-</u>	<u>-</u>	<u>(126)</u>	<u>(126)</u>

The Company has no distributable reserves as at 31st December, 2000 and 1999.

NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

33. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
At 1st January	399,555	395,562	-	-
Transfer to current taxation	(162,424)	-	-	-
Currency realignment	1,365	3,993	-	-
At 31st December	<u>238,496</u>	<u>399,555</u>	<u>-</u>	<u>-</u>

At the balance sheet date, the major components of the deferred tax liabilities (assets), provided and unprovided, are as follows:

	Provided		Unprovided	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
THE GROUP				
Tax effect of timing differences because of:				
Excess (shortfall) of tax allowances over depreciation	238,496	399,555	356,053	(360,597)
Unutilised tax losses	-	-	(28,955,335)	(13,710,040)
	<u>238,496</u>	<u>399,555</u>	<u>(28,599,282)</u>	<u>(14,070,637)</u>
THE COMPANY				
Tax effect of timing differences because of:				
Shortfall tax allowances over depreciation	-	-	(387)	(1,694)
Unutilised tax losses	-	-	(12,886,694)	(7,692,181)
	<u>-</u>	<u>-</u>	<u>(12,887,081)</u>	<u>(7,693,875)</u>

Net deferred tax asset has not been recognised in the financial statements as it is not certain that the deferred tax asset will be utilised in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



33. DEFERRED TAXATION *(continued)*

The amount of the unprovided deferred taxation charge (credit) for the year is as follows:

	THE GROUP	
	2000 HK\$	1999 HK\$
Tax effect of timing differences because of:		
Excess of depreciation over tax allowances	716,650	(76,254)
Tax losses arising	(15,425,707)	(4,503,638)
Changes in tax rates	180,412	-
	<u>(14,528,645)</u>	<u>(4,579,892)</u>

Deferred taxation has not been provided on the surplus arising on the revaluation of investment properties as profit or loss arising on the disposal of these assets would not be subject to taxation. Accordingly, the surplus arising on revaluation does not constitute a timing difference for tax purpose.

NOTES OF THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000

34. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 HK\$	1999 HK\$
Loss before taxation	(97,236,229)	(95,957,437)
Share of results of associates	–	(7,155)
Share of results of a jointly controlled entity	840,326	–
Interest expenses	16,949,985	13,163,317
Depreciation	18,253,504	9,463,062
Profit on disposal of an investment property	(247,279)	(243,777)
Surplus on revaluation of investment properties	–	(529,033)
Realised loss on disposal of investment securities	–	866,864
(Profit) loss on disposal of property, plant and equipment	(162,562)	50,925
Profit on disposal of land held for development	–	(8,797,262)
Provision for advances to an associate	3,500,000	4,750,599
Provision for loss on the leisure – entertainment complex	60,476,789	93,100,000
Provision for investment securities	5,000,000	–
Impairment provision on amusement equipment	5,548,000	–
Unrealised holding loss on other investments	6,879,653	–
(Increase) decrease in inventories	(897,224)	1,733,315
(Increase) decrease in trade and other receivables	(11,669,415)	5,618,897
Decrease in investments in securities	20,637,198	2,318,506
Increase (decrease) in trade and other payables	20,878,404	(19,323,926)
(Decrease) increase in amounts due to directors	(1,209,702)	9,393,182
Increase (decrease) in amounts due to related companies	889,710	(1,434,503)
(Increase) decrease in properties under development for sale	(1,602,880)	3,219,761
Effect of foreign exchange rate changes	5,456,772	–
Net cash inflow from operating activities	<u>52,285,050</u>	<u>17,385,335</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



35. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Obligations under finance leases HK\$	Bank loans HK\$
Balance at 1st January, 1999	1,499,155	264,079,330
Net cash outflow from financing	(344,364)	(12,818,327)
Currency realignment	11,841	457,439
Balance at 31st December, 1999	1,166,632	251,718,442
Net cash (outflow) inflow from financing	(99,142)	7,325,092
Currency realignment	(2,279)	785,600
Balance at 31st December, 2000	<u>1,065,211</u>	<u>259,829,134</u>

36. MAJOR NON-CASH TRANSACTIONS

- (a) During the year, the Group acquired an investment security of HK\$45.6 million out of which HK\$33.1 million was satisfied by the issue of 33.1 million shares of the Company at par value of HK\$1 each and an outstanding amount of HK\$7.5 million was included in trade and other payables.
- (b) During the year, the deposit for acquisition of plant and equipment of HK\$11,096,000 was reclassified as amusement equipment in property, plant and equipment.

37. PLEDGE OF ASSETS

At the balance sheet date:

- (a) banking facilities to the extent of approximately HK\$40 million (1999: HK\$40 million) of which HK\$19 million (1999: HK\$24 million) were utilised, are secured by the legal mortgage of certain of the Group's investment properties in Hong Kong with an aggregate net book value of approximately HK\$45 million (1999: HK\$45 million);
- (b) facilities in respect of foreign exchange transactions to the extent of approximately HK\$20 million (1999: HK\$20 million) of which HK\$14 million (1999: HK\$15 million) were utilised, are secured by part of the Group's bank deposits of approximately HK\$14 million (1999: HK\$4 million);



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For the year ended 31st December, 2000

37. PLEDGE OF ASSETS *(continued)*

- (c) the term loans granted to a Group's subsidiary and an associate obtained from licensed financial institutions to the extent of approximately HK\$103 million and HK\$ Nil (1999: HK\$104 million and HK\$14 million), of which HK\$74 million and HK\$ Nil (1999: HK\$70 million and HK\$14 million) were utilised respectively are secured by:
 - (i) Group's golf resort complex and properties under development in Malaysia with an aggregate net book value of approximately HK\$158 million (1999: HK\$182 million);
 - (ii) fixed and floating charge over the land and properties of the respective subsidiary; and
 - (iii) jointly and severally guarantees by a director of the Company and a director of the respective subsidiary.

- (d) banking facilities to the extent of approximately HK\$142 million (1999: HK\$147 million) of which HK\$126 million (1999: HK\$128 million) were utilised, are secured by:
 - (i) Group's investment properties in Singapore with an aggregate net book value of approximately HK\$202 million (1999: HK\$200 million); and
 - (ii) severally guaranteed by the Company and a director of the Company.

- (e) banking facilities to the extent of approximately HK\$ 7 million (1999:HK\$7 million) of which HK\$7 million (1999: HK\$7 million) were utilised, are secured by the Group's plant equipment and motor vehicles in PRC with an aggregate book value of approximately HK\$8 million (1999: HK\$20 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2000



38. CONTINGENT LIABILITIES

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

	THE GROUP		THE COMPANY	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Guarantees given to bank, in respect of banking facilities utilised by subsidiaries	-	-	193,303,057	137,826,398

39. CAPITAL COMMITMENTS

At the balance sheet date, there were outstanding capital commitments authorised and contracted for, but not provided for in the financial statements in respect of:

	THE GROUP		THE COMPANY	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
Capital commitments for construction cost of restaurant	-	6,330,800	-	-
Acquisition of plant and equipment	-	6,484,983	-	-
Contribution to capital of investment	9,678,271	9,678,271	9,678,271	9,678,271
	9,678,271	22,494,054	9,678,271	9,678,271

At the balance sheet date, the Group and the Company has no capital expenditure that has been authorised but not contracted for.

40. DERIVATIVE FINANCIAL PRODUCTS

At the balance sheet date, there were HK\$6,442,591 foreign exchange contracts with contractual amount outstanding (1999: HK\$Nil) for dealing purpose. The contractual amount of these products indicate the volume of transactions outstanding at the balance sheet date.



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For the year ended 31st December, 2000

41. MATERIAL LITIGATIONS

- (1) In 1995, the subsidiary in Malaysia were named as defendants in legal proceedings pertaining to the question of rights and interests in the shares of Seremban Golf Resort Berhad ("SGR"). The principal allegation by the plaintiffs, representing approximately 29.9% of the shareholdings in SGR, is that the defendants are in breach of certain clauses of the shareholders' agreement in respect of the sales and purchase of shares in SGR. The plaintiffs claimed that on account of the said breach, they were entitled to re-acquire their previous shareholdings in SGR from the defendants. The net asset value of SGR as at 31st December, 2000 was approximately RM16 million, equivalent to approximately HK\$33 million.

In 1996, the plaintiffs' applications for injunction orders have been dismissed with costs and the suit was ordered to be stayed pending arbitration. As at 31st December, 2000, the plaintiffs still have not taken any steps to refer the matter to arbitration. Therefore, the directors are of the opinion that there were no material direct or contingent liabilities arising from the aforesaid litigation at the balance sheet date.

- (2) On 30th November, 1999, a corporation in which certain shareholders of SGR have interest served a notice pursuant to Section 218 of the Malaysian Companies Act, 1965 to recover an alleged claim in the amount of HK\$10,285,638 for which provision has been made and included under trade and other payables.

The Group has however denied that the alleged debt is due and has instituted cost proceedings for inter alia a declaration accordingly. Hearing has been fixed on 5th June, 2001.

- (3) A contractor for SGR had taken legal action to recover a sum of HK\$5,189,809 (included under trade and other payables) which the contractor alleged to be due and owing under a settlement agreement dated 10th October, 1997.

SGR is contesting the same and alleged that the works completed by the contractor are defective and have also risen to encroachment upon neighbouring lands. SGR had filed an application to stay the proceedings for reference to arbitration and is presently appealing against the High Court order dismissing the application. In the meanwhile, the High Court has granted an order staying the court proceedings pending appeal. There is no progress in respect of this case during the year.

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41. MATERIAL LITIGATIONS *(continued)*

- (4) Pursuant to a subscription agreement entered into by a wholly owned subsidiary, Goodway Holdings Limited ("GHL"), the Company and Tricom Cyberworld Holdings Limited ("Tricom") on 14th June 2000, GHL agreed to subscribe from Tricom 1,120,000 shares at a consideration of approximately HK\$46 million to be satisfied by cash of HK\$12.5 million and the issuance and allotment of 33.1 million shares of the Company. During the year, an amount of HK\$5 million was paid and 33.1 million shares of the Company were issued in respect of this agreement as unlisted investment in securities. The outstanding amount of HK\$7.5 million has been included in trade and other payables. On 11th October, 2000, Tricom has taken legal action to claim the outstanding amount of HK\$7.5 million plus interest and costs of the action. On 10th February, 2001, GHL issued a defence and counterclaim to Tricom for the rescission of the subscription agreement, the return of HK\$5 million, the restitution of the 33.1 million shares of the Company and an injunction to restrain Tricom from selling or transferring of these shares. As advised by the Company's lawyers, GHL has a good defence in the action. Accordingly, in the opinion of the directors, no provision is necessary in respect of the unlisted investment in securities. However, as the directors of the Company are uncertain that Tricom is able to repay the amount of HK\$5 million to GHL, a provision of the same amount has been made against the unlisted investment in securities.

42. POST BALANCE SHEET EVENT

A conditional sale and purchase agreement were signed between the Company and an independent third party on 9th April, 2001. Based on the agreement, the Company agreed to acquire 49% interest of the issued share capital of Asian Mark Limited at a consideration of HK\$196 million to be satisfied by the 95% interest in a subsidiary TDC, a shareholder's loan of S\$51.2 million (approximately HK\$238 million) advanced to TDC and the allotment and issue of 59 million shares of the Company at par value of HK\$1 each. The completion of this transaction is subject to the satisfactory results of a due diligence review to be performed by the Company. As at the date of report, this transaction is still not yet completed.