

for the year ended 31st December, 2000

1. GENERAL

The Company is a listed public limited company incorporated in the Hong Kong Special Administrative Region (“Hong Kong”). Its ultimate holding company is Allied Group Limited (“Allied Group”), a listed public limited company which is also incorporated in Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and a jointly controlled entity are set out in notes 45, 46 and 17 to the financial statements respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of properties and certain investments in securities. The principal accounting policies adopted in preparing these financial statements and which conform with accounting principles generally accepted in Hong Kong are set out below:

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 dates of acquisition or up to the effective dates of disposal, as appropriate.

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

Capital reserve/goodwill

Capital reserve or goodwill arising on consolidation represents the shortfall or excess of the purchase consideration over the fair value of the Group’s share of the separable net assets at the date of acquisition of subsidiaries, associates or jointly controlled entities. Capital reserve and goodwill are credited and written off directly to reserves in the year of acquisition respectively.

The profit or loss on the disposal of a previously acquired business includes the attributable amount of purchased goodwill previously eliminated against or credited to reserves relating to that business.

Foreign currencies

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

On consolidation, the financial statements of the Group’s operations outside Hong Kong are translated at exchange rates ruling on the balance sheet date. Exchange differences arising, if any, are dealt with in reserves. On disposal of an operation outside Hong Kong, the balance of the translation reserve attributable to that operation is transferred to the income statement as part of the profit or loss on disposal of that operation.

for the year ended 31st December, 2000

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition

When properties are developed for sale, income is recognised on the execution of a binding sales agreement or when the relevant building occupation permit is issued by the building authority, whichever is the later. Payments received from purchasers prior to this stage are recorded as deposits received, which are shown as a current liability. When the consideration is in the form of cash or cash equivalents, and the receipt of the consideration is deferred, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

When completed properties are acquired for resale, revenue is recognised on the execution of a binding sales agreement.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

Sales of investments are recognised on a trade date or contract date basis, where appropriate.

Service income is recognised when services are provided.

Interest income receivable from customers is recognised in the income statement on an accrual basis, except in the case of receivables which are overdue or deemed to be doubtful for which no interest is accrued in the income statement.

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

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

Operating leases

Rentals payable on properties under operating leases are charged to the income statement on a straight-line basis over the terms of the relevant leases.

Retirement benefit scheme contributions

The contributions payable to the Group's defined contribution retirement benefit scheme are charged to the income statement.

for the year ended 31st December, 2000

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Fixed assets

Fixed assets, other than investment properties and hotel properties, are stated at cost less depreciation and amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to income 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.

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 or amortisation is provided to write off the cost of fixed assets, other than investment properties and hotel properties which are held on leases with an unexpired term of more than 20 years, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Long-term leasehold land	Over the remaining terms of the leases
Medium-term leasehold land	4%
Buildings	Over the estimated useful lives of 50 years or over the remaining terms of the leases, if less than 50 years
Leasehold improvements	20%
Furniture, fixtures and equipment	20% – 33 $\frac{1}{3}$ %
Motor vehicles and vessels	16 $\frac{2}{3}$ % – 20%

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

for the year ended 31st December, 2000

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment properties/hotel properties

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

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

No depreciation or amortisation is provided on investment properties and hotel properties which are held on leases with an unexpired term of more than 20 years. It is the Group's practice to maintain the hotel property in a continual state of sound repair so that the property's value is not diminished by the passage of time. Depreciation is, however, provided on hotel furniture and fixtures. The cost of maintenance and repairs is charged to the income statement and the cost of significant improvements is capitalised.

On disposal of an investment property/hotel property, the balance of the property revaluation reserve attributable to that property is transferred to the income statement as part of the profit or loss on disposal of the property.

Properties under development

Land and buildings in the course of development for production, rental or administrative purposes or for purposes not yet determined, are carried at cost, less any impairment loss considered necessary by the Directors. Cost includes land cost, development cost, borrowing costs and other direct costs attributable to such properties, net of any rentals and interest income earned, until the relevant properties reach a marketable state. Depreciation or amortisation of these assets, calculated on the same basis as other property assets, commences when the assets are put into use.

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. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

for the year ended 31st December, 2000

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interest in associates

An associate is an enterprise, other than a subsidiary or a jointly controlled entity, over which the Group is in a position to exercise significant influence in management, 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 profit is eliminated to the extent of the Group's interest in the relevant associates. Unrealised loss is eliminated to the extent of the Group's interest in the relevant associates, except where the transaction provides evidence of an impairment of the asset transferred.

Interest in jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

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

When the Group transacts with its jointly controlled entity, unrealised profit is eliminated to the extent of the Group's interest in the relevant jointly controlled entity. Unrealised loss is eliminated to the extent of the Group's interest in the relevant jointly controlled entity, except where the transaction provides evidence of an impairment of the asset transferred.

Investments in securities

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

At subsequent reporting dates, debt securities which the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised costs, less any impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each year represents a constant yield on the investment.

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

for the year ended 31st December, 2000

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in securities (CONT'D)

Where securities are held for trading purposes (trading securities), unrealised gains and losses are included in net profit or loss for the year. For other securities (non-trading securities), unrealised gains and losses are dealt with in the investments revaluation reserve, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the year.

Properties under development for sale/properties held for sale

Properties under development for sale/properties held for sale are stated at the lower of cost and net realisable value. Cost includes land cost, development cost, borrowing costs and other direct costs attributable to such properties, net of any rentals and interest income earned, until the relevant properties reach a marketable state. Net realisable value is determined by reference to management estimates of the selling price based on prevailing market conditions, less all estimated costs to completion and costs to be incurred in marketing and selling.

Inventories

Inventories, which represent food, beverage and hotel operating supplies, are stated at the lower of cost and net realisable value. Cost, comprising all costs of purchase and other costs which 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 necessary to make the sale.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, being assets which 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 proceeds from 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.

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.

for the year ended 31st December, 2000

3. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the gross proceeds received and receivable derived from the sale of properties and property based investments, securities trading, investing in securities portfolios and other financial assets, property rental and other property management services, and is summarised as follows:

	2000 HK\$'000	1999 HK\$'000
Sale of properties and property based investments	97,953	54,278
Management services	68,246	56,610
Interest income	51,562	74,544
Property rental	47,390	39,145
Securities trading	144	5,742
Dividend income	69	203
	<u>265,364</u>	<u>230,522</u>

An analysis of the Group's turnover and contribution to operating (loss) profit for the year by principal activity and geographical location of operations is as follows:

Business segments

	Turnover		Contribution to (loss) profit from operations	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By principal activity:				
Property rental and management services	115,636	95,755	1,805	28,579
Sale of properties and property based investments	97,953	54,278	(390,908)	(13,327)
Investment and finance	51,775	80,489	(18,172)	54,622
	<u>265,364</u>	<u>230,522</u>	(407,275)	69,874
Finance costs			(99,954)	(67,734)
Share of results of associates			111,952	156,535
Share of results of a jointly controlled entity			15,074	7,921
(Loss) profit before taxation			<u>(380,203)</u>	<u>166,596</u>

for the year ended 31st December, 2000

3. TURNOVER AND SEGMENTAL INFORMATION (CONT'D)**Geographical segments**

	Turnover		Contribution to (loss) profit from operations	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By geographical location of operations:				
The People's Republic of China				
Hong Kong	190,043	175,707	(292,566)	46,177
Mainland China	73,834	54,705	(32,017)	23,797
Others	1,487	110	(82,692)	(100)
	<u>265,364</u>	<u>230,522</u>	<u>(407,275)</u>	<u>69,874</u>
Finance costs			(99,954)	(67,734)
Share of results of associates			111,952	156,535
Share of results of a jointly controlled entity			15,074	7,921
(Loss) profit before taxation			<u>(380,203)</u>	<u>166,596</u>

4. PROVISIONS FOR IMPAIRMENT LOSSES

	2000 HK\$'000	1999 HK\$'000
Provisions for impairment losses comprise provisions for :		
Properties under development for sale	342,234	–
Properties under development	39,731	–
Non-trading securities	25,461	–
Properties held for sale	11,022	–
	<u>418,448</u>	<u>–</u>

for the year ended 31st December, 2000

5. (LOSS) PROFIT FROM OPERATIONS

	2000 HK\$'000	1999 HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Auditors' remuneration:		
Current year	1,152	1,144
Overprovision in previous years	(55)	(36)
	<u>1,097</u>	<u>1,108</u>
Depreciation and amortisation (note 6)	3,472	6,884
Net unrealised loss on trading securities	6,993	–
Rental payments in respect of properties under operating leases	3,731	3,265
Retirement benefit scheme contributions, net of forfeited contributions of HK\$101,000 (1999: HK\$23,000) (note 42)	1,070	1,264
Staff costs (including directors' emoluments but excluding retirement benefit scheme contributions)	43,962	40,207
Translation differences released in connection with the winding up of subsidiaries	43,000	–
and after crediting:		
Dividend income from investments in listed securities	69	203
Net unrealised gain on trading securities	–	893
Profit on disposal of investment properties	19,984	6,700
Profit on disposal of a jointly controlled entity	4,820	–
Rental income from investment properties under operating leases, net of outgoings of HK\$15,677,000 (1999: HK\$8,631,000)	31,713	30,514
	<u>31,713</u>	<u>30,514</u>

6. DEPRECIATION AND AMORTISATION

	2000 HK\$'000	1999 HK\$'000
Depreciation and amortisation	3,472	6,938
Less: Amount capitalised in respect of properties under development	–	(54)
	<u>3,472</u>	<u>6,884</u>

for the year ended 31st December, 2000

7. INFORMATION REGARDING DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2000 HK\$'000	1999 HK\$'000
Fees	—	—
Other emoluments:		
Executive Directors:		
Salaries and other benefits	2,974	6,688
Retirement benefit scheme contributions	83	90
Independent Non-Executive Directors:		
Salaries and other benefits	—	—
	<u>3,057</u>	<u>6,778</u>
	<u>3,057</u>	<u>6,778</u>

The emoluments of the Directors were within the following bands:

	Number of Directors	
	2000	1999
HK\$Nil – HK\$1,000,000	3	3
HK\$2,500,001 – HK\$3,000,000	—	1
HK\$3,000,001 – HK\$3,500,000	1	—
HK\$3,500,001 – HK\$4,000,000	—	1
	<u>—</u>	<u>1</u>

In addition, during the year a Director of the Company exercised his remaining share option granted since 6th December, 1994 under the share option scheme of Allied Group to subscribe for 1,000,000 shares in Allied Group at an exercise price of HK\$0.90 per share. The closing price of the Allied Group shares on the date of exercise was HK\$0.95 per share.

for the year ended 31st December, 2000

7. INFORMATION REGARDING DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONT'D)

(b) Employees' emoluments

The five highest paid individuals included one (1999: two) of the Directors, details of whose emoluments are set out in note 7(a) above. The emoluments of the remaining four (1999: three) individuals are as follows:

	2000 HK\$'000	1999 HK\$'000
Salaries and other benefits	2,940	1,990
Performance related incentive payments	186	56
Retirement benefit scheme contributions	138	106
	<u>3,264</u>	<u>2,152</u>

The emoluments of the above employees were within the following band:

	Number of employees	
	2000	1999
HK\$Nil – HK\$1,000,000	<u>4</u>	<u>3</u>

8. FINANCE COSTS

	2000 HK\$'000	1999 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	155,032	151,980
Other borrowings wholly repayable within five years	2,236	87
Bank borrowings not wholly repayable within five years	16,348	7,872
	<u>173,616</u>	<u>159,939</u>
Less: Amount capitalised in respect of properties under development	(73,662)	(92,205)
	<u>99,954</u>	<u>67,734</u>

for the year ended 31st December, 2000

9. TAXATION

	2000 HK\$'000	1999 HK\$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	1,581	7,071
Under (over)provision in previous years	92	(2,146)
	<u>1,673</u>	<u>4,925</u>
Share of taxation attributable to associates	9,532	24,440
Share of taxation attributable to a jointly controlled entity	1,337	2,365
	<u>12,542</u>	<u>31,730</u>

Hong Kong Profits Tax is calculated at the rate of 16% on the estimated assessable profits derived from Hong Kong.

Details of deferred taxation are set out in note 34.

10. (LOSS) PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's loss attributable to shareholders of HK\$396,059,000 (1999: profit of HK\$130,621,000), a loss of HK\$53,758,000 (1999: profit of HK\$1,674,000) has been dealt with in the financial statements of the Company.

11. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2000 (1999: Nil).

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss attributable to shareholders of HK\$396,059,000 (1999: profit of HK\$130,621,000) and on the weighted average number of 2,900,538,608 (1999: 2,900,537,773) shares in issue during the year.

Diluted (loss) earnings per share has not been presented because the exercise prices of the Company's warrants and share options were higher than the average market price of the Company's shares for both years.

for the year ended 31st December, 2000

13. FIXED ASSETS

	Investment properties HK\$'000	Hotel property HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and vessels HK\$'000	Total HK\$'000
The Group							
Cost or valuation							
At 1st January, 2000	826,500	-	47,314	3,421	24,910	23,845	925,990
Exchange adjustments	-	-	-	-	2	2	4
Acquisition of a subsidiary	121,733	-	-	-	-	-	121,733
Transfer from properties under development	1,450,993	449,093	-	-	-	-	1,900,086
Reclassification	47,989	-	(37,738)	-	(10,251)	-	-
Additions	1,996	-	-	-	6,227	449	8,672
Disposals	(22,337)	-	-	-	(102)	(414)	(22,853)
Disposal of property based subsidiaries	-	-	-	-	(300)	-	(300)
Deficit arising on revaluation	(339,874)	(14,078)	-	-	-	-	(353,952)
At 31st December, 2000	2,087,000	435,015	9,576	3,421	20,486	23,882	2,579,380
Comprising:							
At cost	-	-	9,576	3,421	20,486	23,882	57,365
At valuation in 2000	2,087,000	435,015	-	-	-	-	2,522,015
	2,087,000	435,015	9,576	3,421	20,486	23,882	2,579,380
Depreciation and amortisation							
At 1st January, 2000	-	-	8,199	3,415	22,612	20,420	54,646
Exchange adjustments	-	-	-	-	2	2	4
Provided for the year	-	-	164	6	1,947	1,355	3,472
Reclassification	17,691	-	(7,870)	-	(9,821)	-	-
Eliminated on disposals	-	-	-	-	(86)	(414)	(500)
Eliminated on disposal of property based subsidiaries	-	-	-	-	(282)	-	(282)
Eliminated on revaluation	(17,691)	-	-	-	-	-	(17,691)
At 31st December, 2000	-	-	493	3,421	14,372	21,363	39,649
Net book values							
At 31st December, 2000	2,087,000	435,015	9,083	-	6,114	2,519	2,539,731
At 31st December, 1999	826,500	-	39,115	6	2,298	3,425	871,344

for the year ended 31st December, 2000

13. FIXED ASSETS (CONT'D)

The net book value of properties held by the Group at 31st December, 2000 and 1999 comprises:

	2000			1999		
	Investment properties HK\$'000	Hotel property HK\$'000	Leasehold land and buildings HK\$'000	Investment properties HK\$'000	Hotel property HK\$'000	Leasehold land and buildings HK\$'000
Leasehold properties in:						
Hong Kong						
Long-term	1,737,000	435,015	–	497,500	–	29,868
Medium-term	350,000	–	–	329,000	–	–
Mainland China						
Long-term	–	–	9,083	–	–	9,247
	2,087,000	435,015	9,083	826,500	–	39,115

The Group's investment properties are held for rental purposes under operating leases and the hotel property is held for hotel operations. The Group's investment properties and hotel property in Hong Kong were revalued on 31st December, 2000 by FPD Savills (Hong Kong) Limited, Chartered Surveyors, on an open market value basis, at HK\$2,522,015,000 (1999: HK\$826,500,000).

The deficit arising on revaluation has been charged to the property revaluation reserve as set out in note 28.

The Company did not have any fixed assets at 31st December, 2000 or 1999.

for the year ended 31st December, 2000

14. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2000	1999
	HK\$'000	HK\$'000
At cost, less impairment provision:		
At 1st January	2,972,876	2,660,239
Exchange adjustments	391	330
Transfer to investment properties (note 13)	(1,450,993)	–
Transfer to hotel property (note 13)	(449,093)	–
Transfer to properties under development for sale	(1,230,036)	–
Additions, including interest of HK\$73,662,000 (1999: HK\$92,205,000) capitalised, net of impairment provision	278,172	312,307
Acquisition of a subsidiary	12,998	–
Disposal of property and property based subsidiaries	(12,640)	–
At 31st December	<u>121,675</u>	<u>2,972,876</u>

The carrying value of properties under development held by the Group at 31st December, 2000 and 1999 comprises:

	2000	1999
	HK\$'000	HK\$'000
Freehold properties in the United States of America	92,421	132,647
Long-term leasehold properties in Hong Kong	29,254	2,829,979
Medium-term leasehold properties in Mainland China	–	10,250
	<u>121,675</u>	<u>2,972,876</u>

At 31st December, 2000, the Group had interest capitalised of HK\$806,000 (1999: HK\$327,038,000) in respect of properties under development.

15. INTEREST IN SUBSIDIARIES

	The Company	
	2000	1999
	HK\$'000	HK\$'000
Unlisted shares at cost, less impairment provision	14	11,914
Amounts due from subsidiaries, less impairment provision	3,652,003	3,562,204
	<u>3,652,017</u>	<u>3,574,118</u>

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

Particulars of the Company's principal subsidiaries at 31st December, 2000 are set out in note 45.

for the year ended 31st December, 2000

16. INTEREST IN ASSOCIATES

	The Group	
	2000 HK\$'000	1999 HK\$'000
Listed securities in Hong Kong (note 16(i))	1,889,428	1,699,450
Unlisted shares (note 16(ii))	1,534,566	1,557,368
	<u>3,423,994</u>	<u>3,256,818</u>

	The Group	
	2000 HK\$'000	1999 HK\$'000
(i) Listed securities in Hong Kong		
Share of net assets	1,869,860	1,190,527
Listed non-redeemable convertible loan notes	–	489,194
Amount due from an associate	19,568	19,729
	<u>1,889,428</u>	<u>1,699,450</u>
Market value of listed securities	<u>946,585</u>	<u>734,757</u>

The listed non-redeemable convertible loan notes issued by Sun Hung Kai & Co. Limited (“Sun Hung Kai”) (“Notes”) bear interest at 8% per annum payable half yearly in arrears. The Notes were due on 31st December, 2000 and on that date, the Notes were automatically converted into 326,129,000 new Sun Hung Kai shares (with 65,225,800 new Sun Hung Kai 2003 warrants) at the initial conversion price of HK\$1.50 per Note. The new Sun Hung Kai shares were allotted on 12th January, 2001 to the Group and the Group became beneficially interested in 47.31% of the issued share capital of Sun Hung Kai as enlarged by the shares issued.

	The Group	
	2000 HK\$'000	1999 HK\$'000
(ii) Unlisted shares		
Share of net assets	1,526,238	1,549,593
Amounts due from associates	8,328	7,775
	<u>1,534,566</u>	<u>1,557,368</u>

for the year ended 31st December, 2000

16. INTEREST IN ASSOCIATES (CONT'D)

Particulars of the Company's principal associates at 31st December, 2000 are set out in note 46.

Extracts of the consolidated operating results and financial position of the Group's significant associates, Sun Hung Kai (note 16(a)) and Allied Kajima Limited ("Allied Kajima") (note 16(b)), which are based on their audited consolidated financial statements, are as follows:

(a) Operating results of Sun Hung Kai for the years ended 31st December, 2000 and 1999:

	2000 HK\$'000	1999 HK\$'000
Turnover	619,614	658,124
Depreciation and amortisation	10,606	8,774
Profit before taxation	139,358	284,671
Profit attributable to shareholders of Sun Hung Kai	<u>116,231</u>	<u>217,591</u>
Profit before taxation attributable to the Group	<u>62,531</u>	<u>110,258</u>

Financial position at 31st December, 2000 and 1999:

	2000 HK\$'000	1999 HK\$'000
Non-current assets	3,134,356	3,016,729
Current assets	<u>2,665,291</u>	<u>2,689,132</u>
Total assets	<u>5,799,647</u>	<u>5,705,861</u>
Non-current liabilities	25,924	529,544
Current liabilities	<u>1,552,695</u>	<u>1,640,422</u>
Total liabilities	<u>1,578,619</u>	<u>2,169,966</u>
Minority interests	<u>1,600</u>	<u>14,021</u>
Shareholders' funds	<u>4,219,428</u>	<u>3,521,874</u>

Note: Sun Hung Kai Securities Limited ("SHKSL"), a wholly-owned subsidiary of Sun Hung Kai, issued proceedings against New World Development Company Limited ("NWD") in December, 1998, claiming, inter alia, the repayment of approximately HK\$35,000,000 paid by SHKSL to NWD as restitution of monies received by NWD in relation to a project in Kuala Lumpur, Malaysia.

NWD and its wholly-owned subsidiary, namely, Stapleton Developments Limited, issued proceedings against SHKSL, claiming, inter alia, the specific performance of SHKSL's commitment with them in respect of the development project to provide funding of approximately HK\$115,900,000, of which HK\$18,700,000 represents interest accrued.

for the year ended 31st December, 2000

16. INTEREST IN ASSOCIATES (CONT'D)

(b) Operating results of Allied Kajima for the years ended 31st December, 2000 and 1999:

	2000 HK\$'000	1999 HK\$'000
Turnover	352,389	360,973
Depreciation and amortisation	14,452	16,711
Profit before taxation	96,588	88,750
Profit attributable to shareholders of Allied Kajima	<u>93,250</u>	<u>83,906</u>
Profit before taxation attributable to the Group	<u>48,294</u>	<u>44,375</u>

Financial position at 31st December, 2000 and 1999:

	2000 HK\$'000	1999 HK\$'000
Non-current assets	3,374,528	3,470,631
Current assets	<u>325,570</u>	<u>324,109</u>
Total assets	<u>3,700,098</u>	<u>3,794,740</u>
Non-current liabilities	526,637	586,319
Current liabilities	<u>141,537</u>	<u>131,093</u>
Total liabilities	<u>668,174</u>	<u>717,412</u>
Shareholders' funds	<u>3,031,924</u>	<u>3,077,328</u>
Contingent liabilities:		
Guarantees given by Allied Kajima to banks in respect of bank guarantees issued to the Inland Revenue Department in connection with tax disputes related to certain subsidiaries of Allied Kajima	<u>260,030</u>	<u>260,030</u>

Note: The financial statements of Allied Kajima include disclosures concerning the possible outcome of a tax dispute between subsidiaries of Allied Kajima and the Acting Commissioner of Inland Revenue in respect of assessments of profits raised by the Acting Commissioner in respect of the disposal of certain investment properties held by the subsidiaries in prior years. The outcome of the dispute could result in an additional tax liability for an aggregate amount of not more than HK\$249,000,000 to the Allied Kajima group. Whilst Allied Kajima's subsidiaries are strongly contesting the case, it is not possible to quantify the effects, if any, of the resolution of this uncertainty and accordingly, no provision has been made in the financial statements.

A fundamental uncertainty note relating to the abovementioned tax dispute has been included in the auditors' opinion of the financial statements of Allied Kajima.

for the year ended 31st December, 2000

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Share of net assets	–	51,636

The balance in 1999 represented the Group's interest in Shanghai Min Hoong Real Estate Development Co., Ltd, a corporation registered and operating in Shanghai, the People's Republic of China ("PRC"), and principally engaged in a property development. The Group was entitled to share 60% of any profit or loss that would arise from certain phases of the property development project.

On 26th August, 2000, the Group entered into a settlement agreement with the holding company of the joint venture partner, by which the Group discharged all of its obligations to the jointly controlled entity for a consideration of HK\$81,000,000.

for the year ended 31st December, 2000

18. INVESTMENTS IN SECURITIES

	Non-trading securities		Trading securities		Total	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
The Group						
Listed equity securities						
Hong Kong	–	–	1,781	3,426	1,781	3,426
Outside Hong Kong	–	–	2,912	8,321	2,912	8,321
	–	–	4,693	11,747	4,693	11,747
Unlisted equity securities						
Hong Kong	3,910	3,910	–	–	3,910	3,910
Outside Hong Kong	–	25,355	–	–	–	25,355
	3,910	29,265	–	–	3,910	29,265
	3,910	29,265	4,693	11,747	8,603	41,012
Market value of listed equity securities at 31st December:						
Hong Kong	–	–	1,781	3,426	1,781	3,426
Outside Hong Kong	–	–	2,912	8,321	2,912	8,321
	–	–	4,693	11,747	4,693	11,747
Carrying amount analysed for reporting purposes as:						
Non-current	3,910	29,265	–	–	3,910	29,265
Current	–	–	4,693	11,747	4,693	11,747
	3,910	29,265	4,693	11,747	8,603	41,012
The Company						
Unlisted equity securities						
Hong Kong	510	510	–	–	510	510
Carrying amount analysed for reporting purposes as:						
Non-current	510	510	–	–	510	510

for the year ended 31st December, 2000

19. RECEIVABLE DUE AFTER ONE YEAR

The amount represents the balances of the consideration receivable, net of impairment provision, arising on the disposal of property based subsidiaries and a jointly controlled entity, and is payable as follows:

	The Group	
	2000 HK\$'000	1999 HK\$'000
Within one year	20,414	146,883
More than one year, but not exceeding two years	72,187	–
	<u>92,601</u>	<u>146,883</u>
Less: Amount repayable within one year and included in accounts receivable, deposits and prepayments shown under current assets	(20,414)	(146,883)
	<u>72,187</u>	<u>–</u>

20. PROPERTIES UNDER DEVELOPMENT FOR SALE

The Group's properties under development for sale, which are held under long-term leases in Hong Kong, are stated at estimated net realisable value at the balance sheet date.

21. PROPERTIES HELD FOR SALE

The Group's properties held for sale, which are held under medium-term leases in Hong Kong, are stated at net realisable value at the balance sheet date.

There was no cost of properties held for sale recognised as an expense during the year (1999: HK\$18,232,000).

22. INVENTORIES

The amount represents hotel operating supplies. No such costs were recognised as an expense during the year.

for the year ended 31st December, 2000

23. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

The average credit terms of the Group range from 30 to 180 days. Included in accounts receivable, deposits and prepayments are trade receivable totalling HK\$83,626,000 (1999: HK\$187,026,000), the aging analysis of which is stated as follows:

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Aged:		
0 to 30 days	39,989	8,602
31 to 180 days	27,679	12,092
181 to 365 days	8,557	146,909
Over 365 days	7,401	19,423
	<u>83,626</u>	<u>187,026</u>

24. ACCOUNTS PAYABLE AND ACCRUED CHARGES

Included in accounts payable and accrued charges are trade payable of HK\$143,147,000 (1999: HK\$71,118,000), the aging analysis of which is stated as follows:

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Aged:		
0 to 30 days	42,768	42,446
31 to 180 days	21,223	6,233
181 to 365 days	51,895	2,891
Over 365 days	27,261	19,548
	<u>143,147</u>	<u>71,118</u>

for the year ended 31st December, 2000

25. SHARE CAPITAL

	Number of shares	Value HK\$'000
Ordinary shares of HK\$0.20 each		
Authorised:		
At 1st January, 1999, 31st December, 1999 and 31st December, 2000	30,000,000,000	6,000,000
Issued and fully paid:		
At 1st January, 1999 and 31st December, 1999	2,900,537,773	580,108
Exercise of warrant subscription rights	1,651	–
At 31st December, 2000	2,900,539,424	580,108

26. WARRANTS

Pursuant to an ordinary resolution passed at the Extraordinary General Meeting of the Company held on 20th June, 1997, a bonus issue of warrants in the proportion of one warrant for every five shares held was approved. Warrant holders were entitled to subscribe in cash for one fully paid share at an initial subscription price of HK\$1.50 per share, subject to adjustment, at any time from 4th July, 1997 to 3rd July, 2000 (both days inclusive). 580,011,810 warrants were outstanding at 31st December, 1999. During the year, a total of 1,651 warrants were converted into 1,651 ordinary shares at a subscription price of HK\$1.50 per share. The remaining 580,010,159 warrants, representing 580,010,159 ordinary shares issuable, lapsed at the close of business on 3rd July, 2000 accordingly.

27. SHARE OPTION SCHEME

Pursuant to the share option scheme ("Scheme") of the Company adopted on 30th June, 1993, the Board of Directors of the Company is authorised to grant options to any directors or full time employees of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than 80% of the average closing price of the Company's shares on the five trading days immediately preceding the offer of the options. The maximum number of shares issued or which may be issuable under the Scheme cannot exceed 10% of the issued share capital of the Company excluding any shares issued pursuant to the Scheme from time to time. An option may be exercised at any time during a period not exceeding five years commencing one month after the date the option is accepted and expiring on the last day of such period or ten years from 30th June, 1993, whichever is the earlier.

Options granted under the Scheme in previous years have lapsed. No options were granted to any person under the Scheme during the year.

for the year ended 31st December, 2000

28. REVALUATION RESERVES

	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Total HK\$'000
The Group			
At 1st January, 1999	794,217	(107,728)	686,489
Surplus arising on revaluation	2,099	–	2,099
Adjustment to revaluation surplus due to overprovision for construction costs	810	–	810
Share of post-acquisition reserve movements of associates	62,859	55,275	118,134
Released on disposal of investment properties	(10,005)	–	(10,005)
At 31st December, 1999	849,980	(52,453)	797,527
Deficit arising on revaluation	(336,261)	–	(336,261)
Adjustment to revaluation deficit due to overprovision for construction costs	941	–	941
Share of post-acquisition reserve movements of associates	27,337	48,564	75,901
Released on disposal of investment properties	(18,007)	–	(18,007)
At 31st December, 2000	<u>523,990</u>	<u>(3,889)</u>	<u>520,101</u>
Attributable to:			
Company and subsidiaries	355,327	–	355,327
Associates	494,653	(52,453)	442,200
At 31st December, 1999	<u>849,980</u>	<u>(52,453)</u>	<u>797,527</u>
Company and subsidiaries	2,000	–	2,000
Associates	521,990	(3,889)	518,101
At 31st December, 2000	<u>523,990</u>	<u>(3,889)</u>	<u>520,101</u>

for the year ended 31st December, 2000

29. ACCUMULATED PROFITS

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
At 1st January	1,670,882	1,540,261	95,847	94,173
(Loss) profit attributable to shareholders	(396,059)	130,621	(53,758)	1,674
At 31st December	<u>1,274,823</u>	<u>1,670,882</u>	<u>42,089</u>	<u>95,847</u>

The accumulated profits of the Group include HK\$1,504,833,000 (1999: HK\$1,464,363,000) retained by associates of the Group. At 31st December, 1999, accumulated profits of HK\$13,974,000 were retained by the jointly controlled entity.

The Company's reserves available for distribution to shareholders as at 31st December, 2000 are represented by accumulated profits of HK\$42,089,000 (1999: HK\$95,847,000).

for the year ended 31st December, 2000

30. OTHER RESERVES

	Special capital reserve HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Capital (goodwill) reserve HK\$'000	Total HK\$'000
The Group						
At 1st January, 1999	2,320,430	386,150	72,044	(160,135)	(74,128)	2,544,361
Acquisition of an associate	-	-	-	-	(17,160)	(17,160)
Share of post-acquisition reserve movements of associates	-	-	-	(17,812)	3,786	(14,026)
Exchange differences on translation of operations outside Hong Kong	-	-	-	649	-	649
Released on disposal of an associate	-	-	-	(186)	474	288
Released on disposal of a subsidiary	-	-	-	2	-	2
At 31st December, 1999	2,320,430	386,150	72,044	(177,482)	(87,028)	2,514,114
Exercise of warrant subscription rights	-	2	-	-	-	2
Acquisition of additional interest in an associate	-	-	-	-	121,940	121,940
Share of post-acquisition reserve movements of associates	-	-	-	(67,156)	(3,852)	(71,008)
Exchange differences on translation of operations outside Hong Kong	-	-	-	(2,564)	-	(2,564)
Translation differences released in connection with the winding up of subsidiaries	-	-	-	43,000	-	43,000
Released on disposal of a property based subsidiary	-	-	-	(781)	-	(781)
At 31st December, 2000	2,320,430	386,152	72,044	(204,983)	31,060	2,604,703

for the year ended 31st December, 2000

30. OTHER RESERVES (CONT'D)

	Special capital reserve HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Capital (goodwill) reserve HK\$'000	Total HK\$'000
Attributable to:						
Company and subsidiaries	2,320,430	386,150	72,044	(40,064)	(18,624)	2,719,936
Associates	–	–	–	(137,418)	(68,404)	(205,822)
At 31st December, 1999	<u>2,320,430</u>	<u>386,150</u>	<u>72,044</u>	<u>(177,482)</u>	<u>(87,028)</u>	<u>2,514,114</u>
Company and subsidiaries	2,320,430	386,152	72,044	(409)	103,316	2,881,533
Associates	–	–	–	(204,574)	(72,256)	(276,830)
At 31st December, 2000	<u>2,320,430</u>	<u>386,152</u>	<u>72,044</u>	<u>(204,983)</u>	<u>31,060</u>	<u>2,604,703</u>

	Special capital reserve HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Total HK\$'000
The Company				
At 1st January, 1999 and 31st December, 1999	2,320,430	386,150	72,044	2,778,624
Exercise of warrant subscription rights	–	2	–	2
At 31st December, 2000	<u>2,320,430</u>	<u>386,152</u>	<u>72,044</u>	<u>2,778,626</u>

As indicated in note 29, the Company's reserves available for distribution to shareholders at 31st December, 2000 are represented by accumulated profits of HK\$42,089,000 (1999: HK\$95,847,000). When sanctioning a reduction in nominal value of the Company's shares in 1998, the High Court of Hong Kong stipulated that the credit arising on the reduction be transferred to a special capital reserve, and that the reserve is not to be distributable until all of the liabilities of the Company as at the date of the order, 14th July, 1998, are settled. At 31st December, 2000, liabilities of the Company included HK\$55,487,000 (1999: HK\$84,189,000) in respect of liabilities in existence at 14th July, 1998. Accordingly, the special capital reserve was not distributable at 31st December, 2000.

31. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured and interest free. The subsidiaries have agreed not to demand repayment within twelve months from the balance sheet date and the balance is therefore shown as a non-current liability.

for the year ended 31st December, 2000

32. AMOUNTS DUE TO ASSOCIATES

The amounts due to associates are unsecured and interest free. Amounts of HK\$20,270,000 (1999: HK\$35,105,000) are repayable on demand. An associate has agreed not to demand repayment of the remaining balance of HK\$141,500,000 (1999: HK\$153,500,000) within twelve months from the balance sheet date and the balance is therefore shown as a non-current liability.

33. BANK BORROWINGS

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank borrowings comprise:				
Bank loans	1,732,413	1,555,307	–	–
Bank overdrafts	71,502	105,619	25,656	39,917
	1,803,915	1,660,926	25,656	39,917
Analysed as:				
Secured	1,759,711	1,610,599	–	–
Unsecured	44,204	50,327	25,656	39,917
	1,803,915	1,660,926	25,656	39,917
Bank loans and overdrafts are repayable as follows:				
Within one year or on demand	896,051	823,639	25,656	39,917
More than one year but not exceeding two years	210,933	397,176	–	–
More than two years but not exceeding five years	423,423	168,689	–	–
More than five years	273,508	271,422	–	–
	1,803,915	1,660,926	25,656	39,917
Less: Amount repayable within one year and shown under current liabilities	(896,051)	(823,639)	(25,656)	(39,917)
Amount due after one year	907,864	837,287	–	–

Details of the assets of the Group pledged to secure bank borrowings are set out in note 43.

for the year ended 31st December, 2000

34. DEFERRED TAXATION

	The Group	
	2000 HK\$'000	1999 HK\$'000
Balance at 1st January	9,789	11,448
Released on disposal of investment properties	–	(1,659)
Balance at 31st December	<u>9,789</u>	<u>9,789</u>

Deferred taxation mainly represents the taxation effect of the surplus arising on the revaluation of certain investment properties at the date of transfer from properties held for sale.

Deferred taxation has not been provided on the other valuation surpluses or deficits arising on the valuation of investment properties as profits or losses arising on the disposal of these assets would not be subject to taxation. Accordingly, the valuation does not constitute a timing difference for tax purposes.

35. RECONCILIATION OF (LOSS) PROFIT FROM OPERATIONS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 HK\$'000	1999 HK\$'000
(Loss) profit from operations	(407,275)	69,874
Impairment loss provision for properties under development for sale	342,234	–
Translation differences released in connection with the winding up of subsidiaries	43,000	–
Impairment loss provision for properties under development	39,731	–
Impairment loss provision for non-trading securities	25,461	–
Impairment loss provision for properties held for sale	11,022	–
Net unrealised loss on trading securities	6,993	–
Depreciation and amortisation	3,472	6,884
Write back of provision for construction costs	(12,001)	–
(Profit) loss on disposal of property based subsidiaries	(10,330)	4,260
Profit on disposal of a jointly controlled entity	(4,820)	–
Dividend income from investments in listed securities	(69)	(203)
Profit on disposal of fixed assets	(39)	(6,648)
Profit on disposal of an associate	–	(65)
Increase in property based investment	(52,164)	–
Decrease in properties held for sale	–	18,232
Increase in inventories	(73)	–
Decrease in trading securities	61	3,487
Decrease in accounts receivable, deposits and prepayments	157,887	119,025
Increase (decrease) in accounts payable and accrued charges	66,248	(3,010)
Increase in amount due to Allied Group Limited	24,340	27,376
Net cash inflow from operating activities	<u>233,678</u>	<u>239,212</u>

for the year ended 31st December, 2000

36. ACQUISITION OF SUBSIDIARIES

	2000 HK\$'000
Net assets acquired:	
Fixed assets	121,733
Properties under development	12,998
Deposits	67
Accounts payable	(8,128)
	<u>126,670</u>
Satisfied by:	
Cash paid	<u>126,670</u>
Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:	
Cash consideration paid	<u>126,670</u>

The subsidiaries acquired during the year utilised HK\$3,304,000 of the Group's net operating cash flow, utilised HK\$16,256,000 for investing activities and raised HK\$19,560,000 for financing activities.

for the year ended 31st December, 2000

37. DISPOSAL OF PROPERTY BASED SUBSIDIARIES

	2000 HK\$'000	1999 HK\$'000
Net assets disposed of:		
Properties under development	10,452	–
Fixed assets	18	18,606
Property based investment	52,164	–
Accounts receivable and prepayments	7	130
Bank balances	50	–
Accounts payable and accrued charges	(53)	–
Taxation	–	(476)
	<u>62,638</u>	<u>18,260</u>
Translation reserve released upon disposal	(781)	–
Profit (loss) on disposal of property based subsidiaries	<u>10,330</u>	<u>(4,260)</u>
	<u>72,187</u>	<u>14,000</u>
Satisfied by:		
Receivable due after one year	72,187	–
Cash received	–	14,000
	<u>72,187</u>	<u>14,000</u>
Analysis of the net (outflow) inflow of cash and cash equivalents in respect of the disposal of property based subsidiaries:		
Cash received	–	14,000
Bank balances disposed of	(50)	–
	<u>(50)</u>	<u>14,000</u>

The subsidiaries disposed of during the year utilised HK\$52,164,000 (1999: contributed HK\$23,000) of the Group's net operating cash flow and paid HK\$128,000 for investing activities and raised HK\$52,315,000 for financing activities (1999: HK\$23,000 for servicing of finance).

These represent the Group's only major non-cash transactions during the year.

for the year ended 31st December, 2000

38. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Bank loans HK\$'000	Amounts due to associates HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 1999	966,258	1,437,484	198,921	14,900	2,617,563
Exchange adjustments	-	-	-	(1)	(1)
New bank loans raised	-	503,962	-	-	503,962
Repayments during the year	-	(396,549)	(56,140)	-	(452,689)
Amounts advanced from associates	-	-	46,604	-	46,604
Disposal of an associate	-	-	(780)	-	(780)
Dividend paid by a subsidiary to minority shareholders	-	-	-	(3,290)	(3,290)
Share of results for the year	-	-	-	4,245	4,245
At 31st December, 1999	966,258	1,544,897	188,605	15,854	2,715,614
Exchange adjustments	-	15	-	(27)	(12)
Proceeds received from issue of shares	2	-	-	-	2
New bank loans raised	-	416,933	-	-	416,933
Repayments during the year	-	(247,979)	(30,453)	-	(278,432)
Amounts advanced from associates	-	-	3,613	-	3,613
Dividend paid by a subsidiary to minority shareholders	-	-	-	(700)	(700)
Share of results for the year	-	-	-	3,314	3,314
At 31st December, 2000	<u>966,260</u>	<u>1,713,866</u>	<u>161,765</u>	<u>18,441</u>	<u>2,860,332</u>

39. CONTINGENCIES

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Guarantees given to banks in respect of credit facilities utilised by:				
Subsidiaries	-	-	1,770,405	1,606,207
A subsidiary of an associate	245,000	275,000	245,000	275,000
Short-term bank deposits pledged as securities against bank and other borrowings granted to a subsidiary of Tian An China Investments Company Limited	-	61,042	-	-
	<u>245,000</u>	<u>336,042</u>	<u>2,015,405</u>	<u>1,881,207</u>

for the year ended 31st December, 2000

40. COMMITMENTS

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements:		
For property development projects	73,250	299,566
Others	39,304	3,580
	<u>112,554</u>	<u>303,146</u>

At 31st December, 2000, the Group had no outstanding commitments (1999: HK\$217,150,000) for equity capital and working capital to subsidiaries and associates in the PRC.

The Company did not have any significant capital commitments at 31st December, 2000 or 1999 .

41. LEASE COMMITMENTS

At 31st December, 2000, the Group had the following commitments payable in the following year under non-cancellable operating leases in respect of rented premises:

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Operating leases which expire:		
Within one year	1,106	18
In the second to fifth year inclusive	–	3,612
	<u>1,106</u>	<u>3,630</u>

The Company did not have any significant commitments under non-cancellable operating leases at 31st December, 2000 or 1999.

for the year ended 31st December, 2000

42. RETIREMENT BENEFIT SCHEME

The Group operates defined contribution retirement benefit schemes for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group under provident funds managed by independent trustees.

The retirement benefit cost charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, in accordance with the terms of the schemes, the contributions payable by the Group are reduced by the amount of forfeited employer's contributions.

At 31st December, 2000 and 1999, there were no material forfeited contributions which arose when employees left the retirement benefit schemes before they were fully vested in the contributions and which were available to reduce the contributions payable by the Group in the future years.

These schemes have now been closed to new employees as a consequence of the new Mandatory Provident Fund Pension Legislation introduced by the Hong Kong Government.

From 1st December, 2000 onwards, the new staff in Hong Kong joining the Group are required to join the new Mandatory Provident Fund Scheme. The Group is required to contribute 5%, while the employees are required to contribute 5% of their salaries to the scheme.

43. PLEDGE OF ASSETS

At 31st December, 2000, certain of the Group's investment properties, hotel property, properties under development, properties under development for sale and properties held for sale with an aggregate carrying value of HK\$3,520,833,000 (1999: HK\$3,848,611,000), and securities in respect of a listed associate with an aggregate carrying value of HK\$1,889,428,000 (1999: HK\$1,699,450,000) were pledged to secure loans and general banking facilities to the extent of HK\$1,981,794,000 (1999: HK\$1,846,678,000) granted to the Group. Facilities amounting to HK\$1,759,711,000 (1999: HK\$1,610,599,000) were utilised at 31st December, 2000. At 31st December, 2000, certain of the Group's bank deposits of HK\$664,000 (1999: HK\$67,258,000) were pledged to secure banking facilities amounting to HK\$664,000 (1999: HK\$67,166,000).

At 31st December, 2000, the Company had not pledged any assets. In 1999, certain of the Company's bank deposits of HK\$916,000 were pledged to secure a bank guarantee of HK\$824,000 granted to a subsidiary.

for the year ended 31st December, 2000

44. RELATED PARTY TRANSACTIONS AND BALANCES

The following is a summary of the significant transactions and balances with related parties during the year and as at year end.

	(Income)/Expenses	
	2000	1999
	HK\$'000	HK\$'000
Corporate management services, calculated at 0.5% of the Group's net assets to the ultimate holding company	27,813	27,295
Rent, property management and air-conditioning fees from the ultimate holding company	(3,447)	–
Interest income on listed non-redeemable convertible loan notes from an associate	(39,029)	(39,135)
Dividend income from associates	(30,847)	(41,568)
Property management and air-conditioning fees and other property related service fees from associates	(15,383)	(15,971)
Administration and management fees from an associate	(1,360)	(1,360)
Rent, property management and air-conditioning fees to an associate	5,128	3,221
Rent, property management and air-conditioning fees from a company with a common director	(1,070)	(1,210)
Interest expenses to a banking subsidiary of a company, of which an Independent Non-Executive Director of the Company was also a director	–	26,133
	<u> </u>	<u> </u>

- (a) During the year, both the Group and the shareholder of an associate, each having a 50% interest in the associate, received and repaid various interest free loans from such associate. At 31st December, 2000, the amounts lent to the Group totalled HK\$151,500,000 (1999: HK\$178,500,000).
- (b) Throughout the year, the Group had a several guarantee outstanding which was provided to banks in respect of credit facilities utilised by a wholly-owned subsidiary of an associate. The guarantee provided was in proportion to the Group's interest in the associate and the amount at 31st December, 2000 was HK\$245,000,000 (1999: HK\$275,000,000).
- (c) All short-term bank deposits which were pledged to secure loan facilities granted to a subsidiary of a company with a common director, amounting to RMB65,000,000 at 31st December, 1999 and equivalent to HK\$61,042,000, were released during the year.
- (d) On 26th August, 2000, the Group entered into an assignment agreement with the holding company of a joint venture partner to assign to the Group a promissory note of HK\$51,786,000 issued by a company with a common director as part of the consideration for discharging the Group's obligations to the joint venture company in the PRC.

The promissory note carried interest at the rate of 2% per annum. The principal together with the accrued interest of the promissory note was received by the Group before the year end date.

for the year ended 31st December, 2000

44. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

- (e) A subsidiary and a property project under development in the PRC were disposed of to subsidiaries of a company with a common director for a consideration of HK\$52,187,000 and HK\$20,000,000 respectively which were satisfied by two promissory notes. The promissory notes bear interest at 4.74% per annum and are due in 2002.
- (f) During the year, the Group received a sum of HK\$6,785,000 (1999: HK\$6,376,000), being a part of the proceeds arising on the disposal of properties by a jointly controlled entity.

None of the above related party transactions constitutes a discloseable connected transaction as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The net balances due from/(to) related parties at 31st December, 2000 and 1999 are summarised as follows:

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Ultimate holding company	(103,622)	(79,282)	(103,622)	(79,282)
Associates	(133,874)	(177,630)	-	-
Companies having a common director with the Company	74,529	(119,249)	2,410	2,410
	(162,967)	(376,161)	(101,212)	(76,872)

The above amounts are included in the balance sheet of the Group and the Company in the following ways:

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Interest in associates	27,896	1,184	-	-
Receivable due after one year	72,187	-	-	-
Accounts receivable, deposits and prepayments	2,626	149,293	2,410	2,410
Accounts payable and accrued charges	(284)	-	-	-
Amount due to Allied Group Limited	(103,622)	(79,282)	(103,622)	(79,282)
Amounts due to associates	(161,770)	(178,814)	-	-
Bank borrowings due within one year	-	(268,542)	-	-
	(162,967)	(376,161)	(101,212)	(76,872)

The above transactions have been entered into on terms agreed by the parties concerned.

for the year ended 31st December, 2000

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2000 which have their principal place of operations in Hong Kong are set out below:

Subsidiaries	Paid up issued ordinary share capital HK\$	Proportion of nominal value of issued capital		Principal activity
		held by the Company* / subsidiaries %	attributable to the Group %	
Alaston Development Limited	US\$1	100	100	Property holding
Allied Real Estate Agency Limited	2	100	100	Real estate agency
AP Administration Limited	2	100	100	Provision of management and consultancy services
AP Corporate Services Limited	2	100	100	Provision of corporate services
AP Development Limited	2	100 *	100	Investment holding
AP Diamond Limited	US\$1	100	100	Property development
AP Emerald Limited	US\$1	100	100	Investment holding
AP Finance Limited	2	100	100	Provision of financial services
AP Property Management Limited	2	100	100	Building management
Artem Company Limited	2	100	100	Provision of management services
Citymark Limited	2	100	100	Property development
Clever Winner Investment Limited	10	100	100	Property holding
Fame Arrow Company Limited	100,000	95	95	Loan financing
Florich Development Limited	10,000	100	100	Investment holding
Hillcrest Development Limited	20	100	100	Property holding
Hi-Link Limited	200	100	100	Investment holding
Jaffe Development Limited	US\$1	100	100	Property holding
King Policy Development Limited	2	100	100	Property holding
Maxplan Investment Limited	2	100	100	Securities trading
Mightyton Limited	10,000	100	100	Property holding

for the year ended 31st December, 2000

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONT'D)

Subsidiaries	Paid up issued ordinary share capital HK\$	Proportion of nominal value of issued capital		Principal activity
		held by the Company*/ subsidiaries %	attributable to the Group %	
Ontone Limited	2	100	100	Hotel operations and property holding
Polyking Services Limited	2	100	65	Building maintenance and cleaning services
Protech Property Management Limited	5,000	100	65	Building management
San Pack Properties Limited	10	100	100	Property holding
Sierra Joy Limited	2	100	100	Property holding

With the exception of Alaston Development Limited, AP Diamond Limited, AP Emerald Limited and Jaffe Development Limited, which were incorporated in the British Virgin Islands, all the above subsidiaries were incorporated in Hong Kong.

Particulars of the Company's principal subsidiaries at 31st December, 2000 which were incorporated and have their principal place of operations outside Hong Kong are set out below:

Subsidiaries	Place of incorporation/ operation	Paid up issued ordinary share capital	Proportion of nominal value of issued capital		Principal activity
			held by the Company*/ subsidiaries %	attributable to the Group %	
Allied Land (Shenzhen) Limited	British Virgin Islands	US\$1	100	100	Investment holding
Allied Properties China Limited	Cayman Islands	US\$1,000	100*	100	Investment holding
Elecrent Consultants Limited	British Virgin Islands	US\$1	100	100	Investment holding
Kenworld Corporation	Republic of Liberia	US\$1	100	100	Investment holding
Lakewood Development Corporation +	United States of America	US\$1,000	100	100	Property development and management

The above tables list the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

+ Companies not audited by member firms of Deloitte Touche Tohmatsu.

for the year ended 31st December, 2000

46. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31st December, 2000 are set out below:

Associates	Place of incorporation/ operation	Paid up issued ordinary share capital HK\$	Proportion of nominal value of issued capital held indirectly by the Company %	Principal activity
Allied Kajima Limited	Hong Kong	1,000,000	50	Property and investment holding
Sun Hung Kai & Co. Limited +	Hong Kong	232,514,612	33*	Investment holding

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

* Upon the allotment of new Sun Hung Kai shares to the Group on 12th January, 2001 pursuant to the conversion of the Notes (as detailed in note 16), the beneficial interest of the Group in Sun Hung Kai became 47%.

+ Companies not audited by member firms of Deloitte Touche Tohmatsu.