

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties and leasehold land and buildings in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account 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 are eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries of the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

(d) Co-operative joint ventures

Co-operative joint ventures are Sino-foreign joint ventures established in the People's Republic of China ("PRC") in respect of which the joint venture partners' profit sharing ratios and share of net assets upon the expiration of the joint venture periods are not necessarily in proportion to their capital contribution ratios but are separately defined in the joint venture agreements.

The Group's interests in co-operative joint ventures are accounted for as if they are subsidiaries by virtue of the fact that the Group has control over the boards of directors of these joint ventures and undertakes substantially all the rights and obligations in terms of their business operations.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) Capital reserve and goodwill

Capital reserve arising on consolidation, which represents the excess of the fair value of the net assets of a subsidiary over the cost of the investment at the date of acquisition, is credited directly to reserves. Goodwill arising on consolidation represents the excess of cost of investment over the fair value of the net assets of a subsidiary at the date of acquisition. Goodwill is eliminated against reserves in the year of acquisition.

(f) Revenue recognition

- (i) The revenue and profit from the sale of properties under development which take more than one year to complete are recognised when a legally binding contract of sale has been executed and reasonable certainty can be established as to the due completion of the project. The revenues and profits recognised in each year are apportioned from the total revenues and profits expected on completion based on the percentage of the construction costs incurred to the estimated total construction costs on completion, with due allowance for contingencies. The profit recognised is limited to the amounts of sales proceeds received.
- (ii) The revenue and profit from sale of properties under development (or separately identifiable phases of projects) which take less than one year to complete are recognised when a legally binding contract of sale has been executed and upon the completion of the development of such projects or phases of projects.
- (iii) The revenue in respect of sale of completed properties is recognised upon the conclusion of sale and purchase agreements.
- (iv) The revenue from provision of gas installation services is recognised according to the stage of completion of the installation services based on contract terms.
- (v) Property management fees are recognised when management services are rendered.
- (vi) Rental income is recognised on a time proportion basis.
- (vii) Income from investments is recognised when the right to received payment is established.
- (viii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(g) Investment properties

Investment properties are interests in land and buildings in respect of which the construction work have been completed and which are held for their investment potential, any rental income being negotiated at arm's length. Investment properties are valued annually by independent valuers on an open market value basis. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are charged to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amounts previously charged.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) Investment properties *(continued)*

Investment properties with unexpired lease periods over 20 years are not depreciated. Investment properties with unexpired lease periods of 20 years or less are depreciated over the remaining portion of the leases.

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

(h) Leasehold land and buildings

Leasehold land and buildings are stated at valuation. It is the Group's policy to review regularly the carrying value of leasehold land and buildings and adjustment is made where there has been a material change. Independent professional valuations are performed where appropriate. Increases in valuation are credited to land and buildings revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations in respect of the same land and buildings and are thereafter charged to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amounts previously charged.

Upon the disposal of leasehold land and buildings the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred from the revaluation reserve to retained profits.

Depreciation of leasehold land and buildings is calculated to write-off their carrying values on a straight-line basis over their expected useful lives to the Group or lease terms, whichever is shorter. The principal annual rates used for this purpose range from 2% to 4.5% per annum.

(i) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation of other fixed assets is calculated to write-off their cost on the straight-line basis over their estimated useful lives to the Group. The estimated useful lives used for this purpose are:

Leasehold improvement	50 years
Office equipment, furniture and fixtures	5 years
Motor vehicles	5 years

The gain or loss on disposal of other fixed assets is the difference between the net sales proceed and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any remaining revaluation reserve balance attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Assets held under finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods.

(k) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(l) Development properties

(i) Properties held for/under development comprise properties held for long-term investment potential and properties pending development. These properties are stated at cost less provision for diminution in value other than temporary in nature. No depreciation is provided on properties held for/under development.

(ii) Properties held for/under development for sale which take more than one year to complete are stated at cost plus attributable profits taken to date, less any foreseeable losses, where appropriate, and sales instalments received and receivable. Properties held for/under development for sale which take less than one year to complete and completed properties for sale are stated at the lower of cost and net realisable value.

Cost comprises land cost, including land premium and expenditure for demolition and resettlement, and development costs, including attributable interest and other relevant direct costs capitalised during the development period. Net realisable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less all estimated selling expenses.

(m) Other investments

Other investments are long-term investments in companies, other than subsidiaries or associated companies, and are stated at cost less provision for diminution in value other than temporary in nature, if any. Income from other investments is recognised to the extent of dividends received or receivable.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(n) Pre-operating expenses

Pre-operating expenses are written-off to the profit and loss account as incurred.

(o) Trade receivables

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(p) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profits as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(q) Borrowing costs

Borrowing costs incurred in the acquisition and development of properties prior to their completion are capitalised as part of the carrying value of the properties concerned. The capitalisation rate is based on the weighted average cost of the borrowings and the amounts capitalised are allocated to each individual project based on the costs incurred. All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

(r) Retirement benefit costs

The subsidiaries of the Group in the PRC participate in pension schemes operated by the relevant local government authorities in the PRC. Contributions are made to these schemes, which are defined contribution schemes in nature, based on certain percentages of the applicable payroll costs. Following the adoption of the Mandatory Provident Fund (“MPF”) Scheme in December 2000, the Group’s employees in Hong Kong joined the MPF Scheme.

The contributions to pension schemes are expensed as incurred.

(s) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as movement in reserves.

N O T E S T O T H E A C C O U N T S

2 **TURNOVER, REVENUE AND SEGMENT INFORMATION**

The Group is principally engaged in property development, investment and management in the PRC and Hong Kong and the operation of TransOnline in the PRC. During the year, the Group also commenced the provision of gas installation services in the PRC. Revenues, net of relevant business tax where applicable, recognised during the year are as follows:

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sale of properties	373,268	337,389
Rental income	5,976	1,675
Property management fees	2,416	2,450
Gas installation service fees	13,473	—
	<u>395,133</u>	<u>341,514</u>
Other revenues		
Investment income	1,569	735
Interest income	2,065	1,448
	<u>3,634</u>	<u>2,183</u>
Total revenues	<u>398,767</u>	<u>343,697</u>

An analysis of the Group's turnover and contribution to operating loss by principal activities is as follows:

	Turnover		Operating (loss)/profit	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property development	373,268	337,389	(20,529)	(23,986)
Property investment	5,976	1,675	(35,662)	131
Property management	2,416	2,450	(2,485)	17
Gas installation services	13,473	—	2,335	—
TransOnline operations	—	—	(13,421)	(17,047)
	<u>395,133</u>	<u>341,514</u>	<u>(69,762)</u>	<u>(40,885)</u>
Corporate expenses			(11,082)	(3,065)
			<u>(80,844)</u>	<u>(43,950)</u>

No geographical analysis is provided as less than 10% of the consolidated turnover and results of the Group are attributable to markets outside the PRC.

3 OPERATING LOSS

Operating loss is stated after (crediting)/charging the following:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Net exchange gain	(332)	(2,865)
Cost of properties sold	362,447	293,382
Auditors' remuneration	1,236	1,473
Depreciation of fixed assets	4,263	4,114
Staff costs	22,550	17,767
Loss on disposal of fixed assets	64	105
Retirement benefits contributions (<i>note 9</i>)	799	749
Operating lease rental in respect of land and buildings	1,135	1,429
Loss/(gain) on disposal of interest in a subsidiary (<i>note</i>)	2,766	(2,290)
Deficit on revaluation of investment properties	36,461	—
Provision for diminution in values of properties held for sale	—	32,677
Write-off of pre-operating expenses	<u>13,421</u>	<u>17,047</u>

Note:

During the year, the Group disposed of its 100% interest in Suzhou Jicheng Real Estate Building Co., Ltd. to Winsan (Fujian) Industrial Co. Ltd. ("Winsan Industrial"), a 50.45% owned subsidiary of the Company, at a consideration of RMB66,258,000 (HK\$62,472,000) giving rise to a loss to the Group of HK\$2,766,000.

4 FINANCE COSTS

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Interests on loans and overdrafts from banks and financial institutions	75,036	70,643
Interests on other loans wholly repayable within five years	65	10,222
Interest element of finance leases	57	49
Mortgage loan interest	<u>3,349</u>	<u>3,519</u>
Total borrowing costs incurred	78,507	84,433
Less: Amount capitalised in properties held for/under development and properties held for sale	<u>(48,579)</u>	<u>(62,699)</u>
Amount charged to the profit and loss account	<u>29,928</u>	<u>21,734</u>

The capitalisation rate applied to funds borrowed generally and used for property development projects during the year was 8% (1999: 8.9%) per annum.

5 TAXATION

(a) The amount of taxation in the consolidated profit and loss account represents:

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC income tax		
— Current	4,827	5,728
— Deferred taxation (<i>note 5(b)</i>)	(3,826)	—
	1,001	5,728
	1,001	5,728

The PRC income tax has been calculated on the estimated assessable profits of the PRC subsidiaries for the year at the rates of taxation prevailing in the PRC.

No provision for Hong Kong profits tax has been made in the accounts as the Group has no assessable profit in Hong Kong for the year (1999: Nil).

(b) Deferred taxation

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January	3,826	3,826
Transfer to profit and loss account (<i>note 5(a)</i>)	(3,826)	—
	—	3,826
	—	3,826

6 LOSS ATTRIBUTABLE TO THE SHAREHOLDERS

The loss attributable to the shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$110,359,000 (1999: HK\$69,519,000).

7 DIVIDENDS

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

8 LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to the shareholders of HK\$111,145,000 (1999: HK\$69,644,000) and the weighted average of 1,038,829,000 ordinary shares in issue (1999: ordinary shares in issue of 1,000,000,000) during the year.

The exercise of the share options granted under the Share Options Scheme of the Company would not have a dilutive effect on the loss per share for the year ended 31st December 2000.

9 RETIREMENT BENEFITS CONTRIBUTIONS

The Group's PRC subsidiaries participate in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. The rates of contribution to these schemes range from 20% to 22% of the basic salaries of each individual employed. There was no forfeited contribution throughout the year. Following the adoption of the MPF Scheme in December 2000, the Group's employees in Hong Kong joined the MPF Scheme.

10 DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The aggregate amounts of emoluments paid to directors of the Company during the year are as follows:

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' fees	360	360
Basic salaries, housing allowances, other allowances and benefits in kind	4,525	4,840
Benefit from share options exercised	11,225	—
	16,110	5,200
	16,110	5,200

During the year, options to acquire 10,500,000 ordinary shares of the Company granted to the directors of the Company were exercised, of which 9,500,000 shares were held by the directors as at 31st December 2000.

The emoluments of the directors of the Company fell within the following bands:

	Number of directors	
Emolument bands	2000	1999
HK\$Nil - HK\$1,000,000	3	9
HK\$1,000,001 to HK\$1,500,000	2	—
HK\$2,000,001 to HK\$2,500,000	2	—
HK\$8,000,001 to HK\$8,500,000	1	1
	8	10
	8	10

The directors' fees paid to independent non-executive directors of the Company for the year ended 31st December 2000 amounted to HK\$360,000 (1999: HK\$360,000).

None of the directors of the Company has waived any emolument in respect of the years ended 31st December 1999 and 2000.

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10 DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

- (b) The five individuals whose emoluments were the highest in the Group for the year include four (1999: four) directors of the Company whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining individual (1999: one) during the year are as follows:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind	<u>2,680</u>	<u>2,400</u>

11 FIXED ASSETS

Group

	Investment properties <i>HK\$'000</i>	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvement, equipment, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation					
At 1st January 2000	97,378	70,695	9,052	15,620	192,745
Transfer from properties held for/under development (<i>note 12</i>)	206,461	—	—	—	206,461
Additions at cost	—	903	3,391	4,877	9,171
Adjustment on revaluation	(36,461)	—	—	—	(36,461)
Disposals	—	—	(341)	(508)	(849)
At 31st December 2000	267,378	71,598	12,102	19,989	371,067
Accumulation depreciation					
At 1st January 2000	—	4,974	2,959	9,720	17,653
Charge for the year	—	2,436	887	940	4,263
Disposal	—	—	(208)	(306)	(514)
At 31st December 2000	—	7,410	3,638	10,354	21,402
Net book value					
At 31st December 2000	267,378	64,188	8,464	9,635	349,665
At 31st December 1999	97,378	65,721	6,093	5,900	175,092

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11 FIXED ASSETS (continued)

The analysis of the cost or valuation at 31st December 2000 of the above assets is as follows:

	Investment properties	Leasehold land and buildings	Leasehold improvement, equipment, furniture and fixtures	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At cost	—	—	12,102	19,989	32,091
At professional valuation	267,378	—	—	—	267,378
At directors' valuation	—	71,598	—	—	71,598
	<u>267,378</u>	<u>71,598</u>	<u>12,102</u>	<u>19,989</u>	<u>371,067</u>

(a) The Group's investment properties at their net book values are analysed as follows:

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
In Hong Kong, held on leases of over 50 years	170,000	—
In the PRC, held on leases of 50 years	97,378	97,378
	<u>267,378</u>	<u>97,378</u>

The investment properties were revalued by Greater China Appraisal Limited, an independent firm of professional valuers, on an open market value basis as at 31st December 2000.

Certain investment properties have been pledged to secure bank loans granted to the Group (note 25(b)).

N O T E S T O T H E A C C O U N T S

11 FIXED ASSETS *(continued)*

- (b) The Group's leasehold land and buildings are held under leases of over 50 years and are situated in:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Hong Kong	36,321	37,856
The PRC	27,867	27,865
	64,188	65,721

The leasehold land and buildings were stated at directors' valuation as at 31st December 2000. Had these leasehold land and buildings not been stated at valuation, their net book values as at 31st December 2000 would have been HK\$91,732,000 (1999: HK\$93,627,000), being cost of HK\$106,041,000 (1999: HK\$105,138,000) less accumulated depreciation of HK\$14,309,000 (1999: HK\$11,511,000).

At 31st December 2000, certain leasehold land and buildings of the Group with net book values totalling HK\$54,390,000 (1999: HK\$53,790,000) have been pledged to secure bank loans granted to the Group (note 25(a)).

- (c) Included in the net book value of motor vehicles is an amount of HK\$643,000 (1999: HK\$402,000) which represents motor vehicles held under finance leases.
- (d) The fixed assets of the Company represent furniture and fixtures.

12 PROPERTIES HELD FOR/UNDER DEVELOPMENT

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
At 1st January, at cost	380,557	310,704
Additions	6,560	69,853
Less: Provision for diminution in value	387,117	380,557
Transfers to investment properties, net of provision <i>(note 11)</i>	(93,547)	(93,547)
At 31st December	(206,461)	—
	87,109	287,010

13 INTERESTS IN SUBSIDIARIES

	Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Unlisted shares, at cost	368,000	368,000
Amounts due from subsidiaries	703,723	681,795
Amounts due to subsidiaries	(1,099)	(630)
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	1,070,624	1,049,165
Less: Provisions	(550,089)	(441,293)
	<hr/>	<hr/>
	520,535	607,872
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The amounts due from and to subsidiaries are unsecured, interest free and with no fixed terms of repayment. The details of the principal subsidiaries of the Company are set out in note 28 to the accounts.

14 INTEREST IN AN ASSOCIATED COMPANY

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Share of net assets	19,576	19,576
Amount due to an associated company	(23,430)	(27,499)
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	(3,854)	(7,923)
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The amount due to the associated company is unsecured, interest free and with no fixed term of repayment.

Particulars of the associated company at 31st December 2000 are as follows:

Name	Place of incorporation and business	Principal activities	Registered capital	Interests held
Suzhou Taihu Yunsheng Real Estate Development Co., Ltd.	PRC	Property development	US\$ 5,000,000	50%

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15 OTHER INVESTMENTS

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	4,194	3,984

16 PROPERTIES HELD FOR SALE

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Completed properties		
At cost	90,247	204,277
Properties held for/under development for sale		
Costs incurred plus attributable profits less foreseeable losses	825,355	1,208,806
Less: sales installments received	—	(374,963)
	825,355	833,843
Less: Provision for diminution in value	915,602	1,038,120
	(5,406)	(122,071)
	910,196	916,049

17 TRADE RECEIVABLE, PREPAYMENTS AND DEPOSITS

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>note</i>)	41,872	70,351
Prepayments for land acquisitions	225,998	199,201
Other prepayments and deposits	43,237	63,702
	311,107	333,254

17 TRADE RECEIVABLE, PREPAYMENTS AND DEPOSITS *(continued)*

Note:

The Group's revenues from sale of properties and gas installation services are billed based on terms of the sale and purchase contracts and are normally receivable upon issue of invoices. Property management fees and rental income are received in advance.

At 31st December 2000, the ageing analysis of the trade receivables was as follows:

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	22,677	33,231
91 — 180 days	6,945	12,453
181 — 365 days	12,106	15,120
Over 1 year	144	9,547
	<hr/>	<hr/>
	41,872	70,351
	<hr/> <hr/>	<hr/> <hr/>

18 TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	90,881	70,982
Deposits received	62,679	93,305
Other payables and accrued charges	103,036	116,321
	<hr/>	<hr/>
	256,596	280,608
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18 TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED *(continued)*

At 31st December 2000, the ageing analysis of the trade payables was as follows:

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	26,841	5,868
91 — 180 days	1,236	7,017
181 — 365 days	14,893	18,752
Over 1 year	47,911	39,345
	90,881	70,982
	90,881	70,982

19 SHORT-TERM LOANS

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Banks and financial institutions		
— Secured <i>(note 25)</i>	264,458	308,185
— Unsecured	274,994	261,082
Other third parties — unsecured	—	23,492
	539,452	592,759
	539,452	592,759

20 SHARE CAPITAL

	Company	
	Number of shares	HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised		
At 31st December 2000, 1999 and 1998	1,500,000,000	150,000
Issued and fully paid		
At 31st December 1999 and 1998	1,000,000,000	100,000
Issue of shares during 2000	68,100,000	6,810
At 31st December 2000	1,068,100,000	106,810

The movements in share capital of the Company during the year were:

- (a) On 27th June 2000, 55,000,000 ordinary shares of HK\$0.10 each were issued and allotted at HK\$0.50 per share pursuant to a share placement. The proceeds arising from the share placement, net of issuing costs, amounted to HK\$26,730,000.
- (b) 13,100,000 ordinary shares of HK\$0.10 each were issued and allotted at the range of HK\$0.173 to HK\$0.36 per share pursuant to the exercise of share options by certain directors and employees of the Group. The net proceeds arising from the exercise of the share options amounted to HK\$3,696,000.

Under the Share Option Scheme of the Company, the directors of the Company shall have the power at any time within a period of ten years from 5th July 1997 to make offers to directors and employees of the Group to take up options to subscribe for shares in the Company subject to certain terms and conditions. As at 31st December 2000, the share options outstanding were as follows:

Year granted	Number of options	Exercise price HK\$	Expiry date
1997	21,100,000	1.53	August 2007
1998	59,200,000	0.36	March 2008
2000	12,080,000	0.173 to 0.24	February to October 2010
	92,380,000		

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21 RESERVES

	Share premium account <i>HK\$'000</i>	Reserve on consolidation <i>HK\$'000</i>	Surplus reserves <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group						
At 1st January 1999	598,938	30,000	18,456	(7,771)	(106,142)	533,481
Loss for the year	—	—	—	—	(69,644)	(69,644)
Transfer from/(to) reserves (note 21(a))	—	—	1,865	—	(1,865)	—
Exchange differences	—	—	—	125	—	125
As at 31st December 1999	<u>598,938</u>	<u>30,000</u>	<u>20,321</u>	<u>(7,646)</u>	<u>(177,651)</u>	<u>463,962</u>
At 1st January 2000	598,938	30,000	20,321	(7,646)	(177,651)	463,962
Issue of ordinary shares	23,616	—	—	—	—	23,616
Loss for the year	—	—	—	—	(111,145)	(111,145)
Transfer from/(to) reserves (note 21(a))	—	—	2,061	—	(2,061)	—
Exchange differences	—	—	—	786	—	786
As at 31st December 2000	<u>622,554</u>	<u>30,000</u>	<u>22,382</u>	<u>(6,860)</u>	<u>(290,857)</u>	<u>377,219</u>
Company						
At 1st January 1999	905,232	—	—	—	(371,751)	533,481
Loss for the year	—	—	—	—	(69,519)	(69,519)
At 31st December 1999	<u>905,232</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(441,270)</u>	<u>463,962</u>
At 1st January 2000	905,232	—	—	—	(441,270)	463,962
Issue of ordinary shares	23,616	—	—	—	—	23,616
Loss for the year	—	—	—	—	(110,359)	(110,359)
At 31st December 2000	<u>928,848</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(551,629)</u>	<u>377,219</u>

21 RESERVES *(continued)*

- (a) Surplus reserves comprise statutory surplus reserve, discretionary surplus reserve and statutory public welfare fund of the subsidiary companies in the PRC and form part of the shareholders' funds.
- (b) Under the Cayman Islands Companies Law, the share premium accounts of the Company is distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

22 LONG-TERM LIABILITIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Long-term loans from banks and financial institutions <i>(note 25)</i>		
— secured	221,022	189,613
— unsecured	30,091	4,694
Obligation under finance leases	535	246
	251,648	194,553
Amounts repayable within one year	(26,571)	(153,268)
	225,077	41,285

At 31st December 2000, the Group's long-term liabilities were repayable as follows:

	Group			
	Long term loans		Obligation under finance leases	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	26,348	153,088	223	180
In the second year	17,915	17,530	312	66
In the third to fifth years	33,001	12,922	—	—
After the fifth year	173,849	10,767	—	—
	251,113	194,307	535	246

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating loss to net cash (outflow)/ inflow from operating activities

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Operating loss	(80,844)	(43,950)
Deficit on revaluation of investment properties	36,461	—
Provision for diminution in value of properties held for sales	—	32,677
Loss/(gain) on disposal of interest in a subsidiary	2,766	(2,290)
Depreciation	4,263	4,114
Loss on disposal of fixed assets	64	16
Gain on disposal of other investments	—	(567)
Decrease in amount due to an associated company	(4,069)	—
Investment income	(1,569)	—
Interest income	(2,065)	(1,448)
Decrease in properties held for sale, net of finance costs capitalised	52,326	350,615
Decrease/(increase) in trade receivables, prepayments and deposits	22,147	(137,337)
Decrease in amount due to the ultimate holding company	(10,876)	(11,455)
(Decrease)/increase in trade and other payables and deposits received	(24,012)	35,795
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	<u>(5,408)</u>	<u>226,170</u>

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Group							
	Share capital and premium		Obligation under finance leases		Short term and long term loans		Minority interest	
	2000	1999	2000	1999	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January	698,938	698,938	246	426	787,066	856,311	239,115	241,295
<i>Cash items:</i>								
Contribution from minority shareholders of subsidiaries in the PRC	—	—	—	—	—	—	9,588	1,878
New loans raised	—	—	—	—	749,526	644,313	—	—
Repayment of loans	—	—	—	—	(746,027)	(668,492)	—	—
Repayment of capital element of finance leases	—	—	(180)	(180)	—	—	—	—
Share placement(note 20(a))	26,730	—	—	—	—	—	—	—
Share options exercised (note 20(b))	3,696	—	—	—	—	—	—	—
<i>Non-cash items:</i>								
Inception of finance leases	—	—	469	—	—	—	—	—
Decrease in loans upon disposal of a subsidiary	—	—	—	—	—	(45,066)	—	—
Minority's share of losses of subsidiaries	—	—	—	—	—	—	(628)	(1,768)
Increase/(decrease) in minority interest resulting from the disposal of interest in a wholly owned subsidiary to a non-wholly owned subsidiary	—	—	—	—	—	—	2,766	(2,290)
At 31st December	<u>729,364</u>	<u>698,938</u>	<u>535</u>	<u>246</u>	<u>790,565</u>	<u>787,066</u>	<u>250,841</u>	<u>239,115</u>

24 COMMITMENTS

(a) Commitments under operating leases

At 31st December 2000, the Group had commitments to make payments in the next financial year under operating leases in respect of land and buildings as follows:

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leases which expire within one year	1,091	983

(b) Capital commitments

At 31st December 2000, the Group had capital commitments in respect of the following:

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for		
Land premium, resettlement and compensation and construction costs	248,289	360,333
Acquisition of property development projects	149,510	172,819
Capital contribution to a PRC joint venture	25,500	—
	423,299	533,152

25 PLEDGE OF ASSETS

At 31st December 2000, the Group had loans and overdrafts totalling HK\$809,418,000 (1999: HK\$809,910,000) which were secured by the following:

- (a) legal charges on the Group's leasehold land and buildings located in Hong Kong and the PRC with carrying value of HK\$54,390,000 (1999: HK\$53,790,000);
- (b) charges on certain investment properties and properties held for/under development and for sale of the Group with carrying value of HK\$488,688,000 (1999: HK\$462,633,000);
- (c) charges on certain bank deposits totalling HK\$92,686,000 (1999: HK\$134,786,000);
- (d) charges on shares of a subsidiary; and
- (e) corporate guarantees provided by a minority shareholder of a subsidiary and an independent third party.

26 CONTINGENT LIABILITIES

The Company's 50.45% owned subsidiary, Winsan Industrial, a company with its "A" shares listed on the Shanghai Stock Exchange in the PRC, provided corporate guarantees amounting to HK\$55,257,000 as at 31st December 2000 for bank loans granted to Fujian CFC Industries Co., Ltd. ("FCFC"), a company with its "A" shares listed on the Shenzhen Stock Exchange in the PRC. In return, FCFC also provided guarantees for bank loans of Winsan Industrial amounting to HK\$33,566,000 as at 31st December 2000. The loans of FCFC have been overdue. To date, no claims have been lodged against Winsan Industrial for performance of the guarantee. In the opinion of the directors of the Company, no provision is required to be made in the accounts.

27 RELATED PARTY TRANSACTIONS

During the year and in the normal course of business, the Company and its subsidiaries had transactions with certain related companies as follows:

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest payable to the ultimate holding company (<i>note</i>)	3,945	4,017
Rental income	—	804

Note:

This represents the interest, calculated at Hong Kong dollar prime rate, on the amount due to the ultimate holding company. The amount is unsecured and repayable on demand.

28 SUBSIDIARIES

As at 31st December 2000, the Company held interest in the following principal subsidiaries which, in the opinion of the directors, were significant to the results of the year and/or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

Company	Place of incorporation/ establishment and operation	Principal activities	Particulars of issued/ registered capital	Effective interest held
Winsan (BVI) Company Limited [#]	British Virgin Islands	Investment holding	2 ordinary shares of US\$1 each	100%
Winsan Company Limited	Hong Kong	Investment holding	10,000,000 ordinary shares of HK\$1 each 10,000 non-voting deferred shares of HK\$1 each	100%
Winsan Jin Ling Company Limited	Hong Kong	Investment holding	10,000,000 ordinary shares of HK\$1 each 10,000 non-voting deferred shares of HK\$1 each	100%
Hing Hung Yip Company Limited	Hong Kong	Investment holding	10,000,000 ordinary shares of HK\$1 each 10,000 non-voting deferred shares of HK\$1 each	100%
Evergrow Technology Investment Group Limited	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%
Cheeryork Investment Limited	Hong Kong	Property development	2 ordinary shares of HK\$1 each	100%
Fuzhou Hinghung Yip Property Management Co., Ltd.	PRC	Property management	RMB1,000,000	95% ⁽¹⁾
Winsan (Fujian) Estate Co. Ltd.	PRC	Property development	RMB30,000,000	100%
Winsan (Fujian) Industrial Co., Ltd.	PRC	Property development and investment	RMB341,010,182	50.45%

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28 SUBSIDIARIES (continued)

Company	Place of incorporation/ establishment and operation	Principal activities	Particulars of issued/ registered capital	Effective interest held
Fujian Zhong Sheng Real Estate Construction Co., Ltd.	PRC	Property development	RMB62,000,000	100%
Fujian Dongsheng Real Estate Co., Ltd.	PRC	Property development	RMB65,000,000	83% ⁽²⁾
Winsan (Shanghai) Real Estate Co., Ltd.	PRC	Property development	US\$15,000,000	50.45%
Suzhou Yung Sheng Construction Development Co., Ltd.	PRC	Property development	US\$8,000,000	52.93%
Suzhou Shengli House Property Development Co., Ltd.	PRC	Property development	US\$3,600,000	99.9%
Suzhou Jicheng Real Estate Building Co., Ltd.	PRC	Property development	US\$8,000,000	50.45%
Beijing Jinling Real Estate Co., Ltd.	PRC	Property development	RMB28,800,000	71% ⁽²⁾
Yunsheng (Nanjing) Holding Co., Ltd.	PRC	Property development	US\$2,430,000	100%
Fujian Xinsan Material Trading Co., Ltd.	PRC	Construction material trading	RMB5,000,000	26.6% ⁽¹⁾
Fuzhou Chang Jian Decoration and Construction Co., Ltd.	PRC	Design and decoration	RMB5,000,000	62.6% ⁽¹⁾

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28 SUBSIDIARIES (continued)

Company	Place of incorporation/ establishment and operation	Principal activities	Particulars of issued/ registered capital	Effective interest held
Evergrow Trans China Beijing Information Technology Co., Ltd.	PRC	Provision of on-line services	RMB10,000,000	70% ⁽¹⁾
Evergrow Trans China Network Beijing Information Technology Co., Ltd.	PRC	Provision of on-line services	RMB30,000,000	70% ⁽¹⁾
北京科力系统技术有限公司 (Beijing Keli Power System Technology Co., Ltd.)	PRC	Provision of gas installation services	RMB20,000,000	30.27% ⁽¹⁾

Directly held subsidiary

(1) Represents the percentage of interest in equity joint venture.

(2) Represents the asset sharing percentage in accordance with the co-operative joint venture contract.

29 ULTIMATE HOLDING COMPANY

The directors of the Company regard Winsan International Holdings Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

30 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 23rd April 2001.