1. GENERAL

The Company was incorporated in the Cayman Islands on 10 August 1998 with limited liability. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "SEHK") by way of introduction on 24 May 2000. Details of the transactions have been set out in the circular to the shareholders of Rhine Holdings Limited dated 13 April 2000.

Pursuant to the completion of a corporate reorganisation (the "Reorganisation") on 17 May 2000 in preparation for the listing of the Company's shares on the SEHK, the Company became the holding company of the group (the "Group"), which comprise the Company and its subsidiaries as follows:

Name	Legal form	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				Directly	Indirectly	
Beijing New Rank Real Estate Development Co., Limited ("BJNR")	Sino-foreign equity joint venture	People's Republic of China ("PRC")	US$9,200,000 Registered	–	99%	Property development
Beijing Zhong Zheng Real Estate Development Co., Limited ("BJCSB")	Sino-foreign co-operative joint venture	PRC	US$25,000,000 Registered	–	100%	Property development and investment
NR (BVI) Holdings Limited	Limited liability company	British Virgin Islands	US$47,000 Ordinary	100%	–	Investment holding
New Rank (BVI 1) Limited	Limited liability company	British Virgin Islands	US$11,000 Ordinary	–	100%	Investment holding
New Rank (BVI 2) Limited	Limited liability company	British Virgin Islands	US$36,000 Ordinary	–	100%	Investment holding
New Rank International Limited	Limited liability company	Hong Kong	HK$2 Ordinary HK$5,000,000 Non-voting deferred (Remark)	–	100%	Investment holding
New Rank Project Management Limited	Limited liability company	Hong Kong	HK$2 Ordinary	–	100%	Project management
Precise Assets Limited	Limited liability company	British Virgin Islands	US$1 Ordinary	–	100%	Inactive

1. GENERAL (Continued)

Name	Legal form	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company Directly	Indirectly	Principal activities
Sherford Company Limited ("Sherford")	Limited liability company	Cayman Islands	US$3 Ordinary	–	100%	Investment holding
Team Success Management Limited	Limited liability company	British Virgin Islands	US$1 Ordinary	–	100%	Investment holding
Tong Sun Limited ("Tong Sun ")	Limited liability company	Western Samoa	US$1 Ordinary	–	100%	Investment holding
Very Best Investments Limited	Limited liability company	British Virgin Islands	US$1 Ordinary	–	100%	Inactive

Remark:

The non-voting deferred shares, which are not held by the Group, carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding up.

The principal activity of the Company is investment holding and those of its subsidiaries are the property development and investment in the PRC.

2. BASIS OF PRESENTATION

(i) The consolidated statements of income and cash flows include the results of operation and cash flows of the companies comprising the Group, as if the proposed structure as set out above had been in existence throughout the years ended 31 December 2000 and 1999 or since their respective dates of incorporation or acquisition where this is a shorter period. The consolidated balance sheet as at 31 December 1999 has been prepared to present the assets and liabilities of the companies comprising the Group as at 31 December 1999 on a merger basis in accordance with Statement of Standard Accounting Practice No. 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants as if the group structure had been in existence as at 31 December 1999.

The consolidated financial statements for the year ended 31 December 1999 do not include the 100% interest in Sherford which was acquired during the year. The net assets of Sherford mainly include a 19% equity interest in a subsidiary, BJNR. The purchase consideration of HK$48 million was applied to offset against a portion of the receivables from a related party (see note 39). The transaction has been accounted for as an acquisition.

2. BASIS OF PRESENTATION (Continued)

(ii) In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in the light of its net current liabilities of approximately HK$380 million.

The Group's principal project is the development of a site in Beijing, the PRC. Accordingly, included in the balance sheet at 31 December 2000 is property under development for long-term investment of HK$203,519,000 representing the cost of land on which a hotel will be developed. Similarly, property under development for sale of HK$352,034,000 represents the cost of land on which an office complex will be developed. The directors propose that these developments will be financed from loan facilities which the directors are currently in the process of arranging with the Group's bankers and from the anticipated monies from pre-sales of office units, the marketing of which is anticipated to commence in July 2001.

However, the Group is currently experiencing cash flow difficulties and is dependent upon the continued support of its bankers and creditors. In particular, as mentioned under note 23 to the financial statements, the Group has defaulted in respect of the repayment of certain bank loans totalling approximately HK$38,000,000. The remaining bank borrowings of HK$193 million are due for repayment between April and October 2001.

Provided that the Group can obtain sufficient funding for its property developments, and provided that the bankers and creditors continue to support the Group until such time as the anticipated future cash inflows from the Group's development activities can be achieved, the directors consider that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year on the basis explained above.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Investments in subsidiaries

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

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss.

Revenue recognition

Revenue is recognised on the following bases:

(i) Sales of properties

Revenue and income arising from sale of completed properties held for sale is recognised upon completion of sale when title passes to the purchaser.

Revenue arising from pre-sale of completed properties under development is based on percentage of completion method. Income arising from the pre-sale of properties under development is recognised when legally binding unconditional sales contracts are signed, provided that the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined and on the basis that the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the properties pre-sold during the accounting year is calculated by reference to the proportion of construction costs incurred up to the end of the period to the estimated total construction costs to completion, limited to the amount of sales deposits received with due allowances for contingencies. Receivables for sales transactions financed by the Company are recorded as instalment contract receivables (see note 19). The instalment contract receivables are received over a period of up to five years from the date of financing.

(ii) Rental income

Rental income under operating leases is recognised on the accrual basis over the term of the respective leases. All rental income is included as other revenue in the income statement.

(iii) Interest income

Interest income from deposits placed with banks and other financial institutions is recognised on the accruals basis by reference to the principal outstanding and at the interest rate applicable.

Interest income from instalment contract receivables is recognised in the income statement as above, on an accruals basis.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

(iv) Investment income

Dividend income from investments is recognized when the Group's rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment is stated at cost or valuation less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

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

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation. Any revaluation increase arising on revaluation of land and buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is charged to the income statement to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives after taking into consideration a residual value of up to 10%, using the straight line method at the following rates per annum:

Land and buildings	2.5%
Furniture, fixtures and equipment	20% to 33.3%
Motor vehicles	20%

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

Assets held under hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets.

Investment properties

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

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

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

Assets held under finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the date of acquisition. The principal portion of the corresponding commitments is shown as obligations of the Group. Finance costs, which represent the difference between the total commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases or contracts so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease terms.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property under development

Property under development for sale, the pre-sale of which has not commenced, is included in current assets at the lower of cost or net realisable value. Property under development for long-term investment is stated at cost less diminution in value.

Cost of property under development comprises land costs, fees for land use rights and development costs including interest charges and other costs directly attributable to such properties. Net realisable value is based on estimated selling prices in the ordinary course of business as determined by management with reference to prevailing market conditions, less further costs expected to be incurred to completion and direct selling expenses.

No depreciation is provided on property under development.

Completed property for sale

Completed property for sale is stated at the lower of cost or net realisable value. Net realisable value is based on the estimated selling prices in the ordinary course of business as determined by management with reference to the prevailing market conditions, less direct selling expenses.

Borrowing costs

Interest is expensed as incurred, except for the interest directly attributable to the construction or acquisition of the property under development which is capitalised as part of the cost of that property. Interest is capitalised at the actual interest incurred on the related borrowings up to the date of completion of that property.

All other borrowing costs are charged to income in the period in which expenses incur.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation

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

Staff retirement benefits

Cost of staff retirement benefits are charged to the income statement and property under development in the relevant periods 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 are within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

4. TURNOVER

Turnover represents sales of property, net of applicable business tax and land appreciation tax.

5. TURNOVER AND CONTRIBUTION TO OPERATING (LOSS) PROFIT

The Group's turnover and contribution to operating (loss) profit for the year ended 31 December 2000 and 1999, analysed by the principal activity and geographical market, are as follows:

	2000		1999	
	Turnover HK$'000	Contribution to operating loss before taxation HK$'000	Turnover HK$'000	Contribution to operating profit before taxation HK$'000
By principal activity:				
Sales of property, less returns	17,439	7	154,321	56,012
Other revenue		26,939		3,294
Finance costs		(47,053)		(19,340)
Operating expenses		(30,908)		(14,494)
Listing expenses written off		(23,926)		–
(Loss) profit before taxation		(74,941)		25,472

No geographical analysis of the Group's consolidated turnover and contribution is shown as the operating business of the Group is solely carried out in Beijing, the PRC.

6. OTHER REVENUE

	THE GROUP	
	2000	1999
	HK$'000	HK$'000
Interest income	12,942	–
Rental income, net of outgoings	5,378	3,294
Waiver of amounts due to a director (see note 39)	8,506	–
Other income	113	–
	26,939	3,294

7. (LOSS) PROFIT FROM OPERATION

	THE GROUP	
	2000	1999
	HK$'000	HK$'000
(Loss) profit from operation has been arrived at after charging (crediting) the following:		
Auditors' remuneration	1,000	579
Bad debts written off	552	–
Depreciation of property, plant and equipment		
Owned assets	1,235	835
Leased assets	11	361
Exchange loss(gain)	767	(56)
Loss on disposal of property, plant and equipment	–	444
Operating lease rental of premises	1,724	4,938
Staff costs including directors' emoluments (Note 9 below)	10,148	4,907

8. FINANCE COSTS

	THE GROUP	
	2000	**1999**
	HK$'000	**HK$'000**
Interest on:		
– Bank loans and overdrafts wholly repayable within five years	18,613	16,752
– Late delivery of properties	33,622	–
– Other short term loans	–	1,971
– Short-term loans from related parties	–	602
– Finance leases	24	80
Total borrowing costs	52,259	19,405
Less: Amounts capitalised	(5,206)	–
	47,053	19,405
Bank charges	–	66
Interest income from bank deposits	–	(131)
	47,053	19,340

9. DIRECTORS' EMOLUMENTS

	THE GROUP	
	2000	**1999**
	HK$'000	**HK$'000**
Directors' fees:		
Executive	–	–
Independent Non-executive	234	–
	234	–
Other emoluments (Executive Directors):		
Salaries and other benefits	3,662	3,711
Performance related incentive payments	–	–
	3,662	3,711
Total emoluments	3,896	3,711

9. DIRECTORS' EMOLUMENTS (Continued)

Emoluments of Executive Directors were within the following bands:

	THE GROUP	
	2000	**1999**
	No. of Directors	**No. of Directors**
HK$Nil to HK$1,000,000	3	3
HK$1,000,001 to HK$1,500,000	–	1
HK$1,500,001 to HK$2,000,000	1	–
	4	4

No director waived any emoluments in the year ended 31 December 2000 (1999: Nil).

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (1999: three) were directors of the Company whose emoluments are set out in note 9 above. The emoluments of the remaining two (1999: two) employees were as follows:

	THE GROUP	
	2000	**1999**
	HK$'000	**HK$'000**
Salaries and other benefits	1,237	1,196

Their emoluments were within the following bands:

	THE GROUP	
	2000	**1999**
	No. of employees	**No. of employees**
HK$ Nil to HK$1,000,000	2	2

11. TAXATION

Income tax

The group companies operating in Hong Kong are subject to profits tax at the rate of 16% (1999: 16%) on estimated assessable profit arising in or derived from Hong Kong. No provision for Hong Kong Profits Tax has been made as the Group has no assessable income for Hong Kong Profits Tax for the years ended 31 December 2000 and 1999.

The group companies operating in the PRC are subject to enterprise income tax at a rate of 33%. No provision for PRC enterprise income tax has been made as the Group has no assessable income for PRC tax for the year ended 31 December 2000.

Details of deferred taxation are set out in note 29.

Land appreciation tax

Land appreciation tax is levied at progressive rates ranging from 30% to 60% on the balance of the proceeds received on transfer of real properties after deducting certain items including consideration paid for acquisition of land use rights, land development costs incurred, construction costs and taxes paid in relation to the transfer of real properties.

Business tax

The Group is subject to business tax at 5% on its turnover and other revenue.

12. NET (LOSS) PROFIT FOR THE YEAR

Of the Group's loss for the year of HK$73,635,000 (1999: a profit of HK$8,683,000), a loss of HK$79,710,000 (1999: HK$Nil) has been dealt with in the financial statements of the Company.

13. DIVIDENDS

The directors did not recommend the payment of any interim or final dividend in respect of the year ended 31 December 2000. The dividends for the year ended 31 December 1999 represented the interim dividends payable by the subsidiaries comprising the Group to the then shareholders before the listing of the Company's shares on the SEHK.

14. (LOSS) EARNINGS PER SHARE

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

	2000 HK$'000	1999 HK$'000
(Loss) earnings for the year	(73,635)	8,683

Number of shares

	2000	1999
Weighted average number of shares for the purposes of basic earnings per share	250,063,000	250,000,000

No diluted loss per share figure for 2000 has been presented as the exercise of the potential shares is anti-dilutive.

The calculation of earnings per share for the year ended 31 December 1999 is based on the net profit for the year and 250,000,000 shares (see note 26) assumed to be in issue as if the Reorganisation had taken place during the year ended 31 December 1999.

15. PROPERTY UNDER DEVELOPMENT

	THE GROUP	
	2000 HK$'000	1999 HK$'000
Property under development		
For long term investment	203,519	199,886
For sale	352,034	307,495
	555,553	507,381

16. INVESTMENT PROPERTIES

	THE GROUP	
	2000	**1999**
	HK$'000	**HK$'000**
Transfer from completed property for sale	242,726	–
Revaluation surplus	20,260	–
At 31 December 2000	262,986	–

Investment properties were revalued at their open market value at 31 December 2000 by Messrs. Greater China Appraisal Limited, an independent valuer, on an open market value basis. This valuation gave rise to a revaluation increase of HK$20,260,000 which has been credited to the investment property revaluation reserve and minority interests.

The Group's investment properties have been pledged to secure banking facilities granted to the Group.

The investment properties are held outside Hong Kong under medium term lease.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP				
AT COST OR VALUATION				
At 1 January 2000	20,591	3,012	3,833	27,436
Currency realignment	(116)	(12)	(5)	(133)
Additions	–	2,798	544	3,342
Transfer from completed property for sale	27,658	–	–	27,658
Disposals	–	(258)	–	(258)
Reclassification	–	(644)	644	–
Net surplus on revaluation	19,881	–	–	19,881
At 31 December 2000	68,014	4,896	5,016	77,926
Comprising:				
At cost	–	4,896	5,016	9,912
At valutaion – 2000	68,014	–	–	68,014
	68,014	4,896	5,016	77,926
DEPRECIATION				
At 1 January 2000	601	1,639	3,604	5,844
Currency realignment	(5)	(7)	(4)	(16)
Provided for the year	461	530	255	1,246
Eliminated on disposals	–	(258)	–	(258)
Reclassification	–	(284)	284	–
Elimination on revaluation	(1,057)	–	–	(1,057)
At 31 December 2000	–	1,620	4,139	5,759
NET BOOK VALUES				
At 31 December 2000	68,014	3,276	877	72,167
At 31 December 1999	19,990	1,373	229	21,592

The land and buildings are held outside Hong Kong under medium term lease.

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's land and buildings have been revalued by Messrs. Greater China Appraisal Limited, an independent valuer, on an open market value basis as at 31 December 2000 at a total value of HK$68,014,000. The directors resolved to adopt the valuation in the financial statements for the year ended 31 December 2000.

The net book value of property, plant and equipment included amount of HK$534,000 (1999: HK$Nil) in respect of assets held under finance leases and hire purchase contracts.

Had the land and buildings not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation at HK$47,076,000 (1999: HK$19,990,000).

18. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2000	1999
	HK$'000	HK$'000
Unlisted shares, at cost	306,695	–
Provision for impairment	(53,000)	–
	253,695	–

Details of the subsidiaries are set out in note 1.

19. INSTALMENT CONTRACT RECEIVABLES

	THE GROUP	
	2000	1999
	HK$'000	HK$'000
Amounts receivable		
Within one year	9,143	13,311
Between one to two years	–	7,957
	9,143	21,268
Less: Amounts due within one year included under current assets	(9,143)	(13,311)
Amounts due after one year	–	7,957

20. RESTRICTED CASH

As at 31 December 2000, pursuant to the terms of certain guarantee agreements, cash of approximately $599,000 (1999: HK$110,000) were designated as guarantee against mortgage facilities provided by the bank to the buyers of the Group's properties (see note 35 below). Accordingly, the use of the cash balances is restricted.

21. ACCOUNTS RECEIVABLE

The terms of payment in respect of the Group's sales of properties are in accordance with the terms of respective sales contracts.

The aged analysis of accounts receivable as at the balance sheet date is as follows:

	THE GROUP	
	2000	**1999**
	HK$'000	**HK$'000**
Within 3 months	2,256	397
4–6 months	1	–
7–9 months	–	–
10–12 months	612	36,237
Over 1 year	34,925	34,156
	37,794	70,790

22. ACCOUNTS PAYABLE

The aged analysis of accounts payable as at the balance sheet date is as follows:

	THE GROUP	
	2000	**1999**
	HK$'000	**HK$'000**
Within 3 months	7,920	595
4–6 months	2,203	–
7–9 months	–	–
10–12 months	–	46,973
Over 1 year	155,142	107,882
	165,265	155,450

23. BANK BORROWINGS

	THE GROUP	
	2000	1999
	HK$'000	HK$'000
Bank loans	231,000	235,752
Secured	146,869	124,920
Unsecured	84,131	110,832
	231,000	235,752

Bank loans are repayable within one year.

The repayment term of the above bank loans amounting to HK$38,000,000 have been matured before the year end date. No demands of the repayment of those loans have been made by the banks and the directors are of the opinion that the Group can obtain the support of the bankers to renew those loans for a further period of time.

24. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	THE GROUP	
	2000	1999
	HK$'000	HK$'000
Obligations under finance leases and hire purchase contracts are repayable as follows:		
Within one year	100	–
More than one year, but not exceeding two years	392	–
	492	–
Less: Amounts due within one year	(100)	–
Amounts due after one year	392	–

25. LAND DEMOLITION PAYABLE

Land demolition payable is analysed as follows:

	THE GROUP	
	2000	1999
	HK$'000	HK$'000
Amounts repayable		
Within one year	123,624	166,235
Between one to two years	140,055	116,357
	263,679	282,592
Less: Amounts due within one year included in current liabilities	(123,624)	(166,235)
Amounts due after one year	140,055	116,357

The land demolition payable of approximately HK$228,811,000 was jointly guaranteed by a joint venture partner of a subsidiary and BJNR.

26. SHARE CAPITAL

	2000		1999	
	No. of shares	US$	No. of shares	US$
Authorised:				
Shares of US$1 each				
Balance as at 1 January	50,000	50,000	50,000	50,000
		HK$'000		US$
Redenomination (Note below)				
Shares of HK$7.8 each	50,000	390		
Subdivision (Note below)	390,000,000	390		
Increase of share capital (Note below)	110,000,000	110		
Balance as at 31 December	500,000,000	500	50,000	50,000

26. SHARE CAPITAL (Continued)

Note:

Pursuant to the sole shareholder's resolutions of the Company passed on 8 January 2000, the Company's share capital were changed as follows:

1. The authorised share capital of the Company of US$50,000 divided into 50,000 shares of US$1.00 each was redenominated into HK$390,000 divided into 50,000 shares of HK$7.80 each and the issued share capital of the Company was redenominated accordingly into one share of HK$7.80.

2. Immediately after the redenomination of the authorised and issued share capital of the Company, each of the existing issued and unissued share of HK$7.80 of the Company resulting from the redenomination was sub-divided into 7,800 shares of HK$0.001 each.

3. The authorised share capital of the Company was then increased from HK$390,000 to HK$500,000 by the creation of 110,000,000 additional shares of HK$0.001 each.

	2000		1999	
	No. of shares	**US$**	**No. of shares**	**US$**
Issued and fully paid:				
Share of US$1	1	1	1	1
		HK$'000		**HK$'000**
Shown in the financial statements				
Balance as at 1 January	1	1	1	1
Redenomination				
Shares of HK$7.80 each	1	1	1	1
Subdivision	7,800	1	–	–
Issue of shares in accordance with the Reorganisation on 17 May 2000	244,996,497	244	–	–
Issue of shares to shareholders of Rhine Holdings Limited on 22 May 2000	4,995,703	5	–	–
Exercise of share options	2,300,000	2	–	–
Balance as at 31 December 2000	252,300,000	252	1	1

26. SHARE CAPITAL (Continued)

None of the Company's nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

The share capital shown on the consolidated balance sheet as at 31 December 1999 represented the aggregate share capital of the companies comprising the Group before Reorganisation.

27. SHARE OPTION SCHEME

During the year, the Company adopted a share option scheme pursuant to the sole shareholder's resolution of the Company. Under the terms of the share option scheme, the Board of Directors of the Company may offer to any director and employee of the Company, or any of its subsidiaries, options at nominal consideration to subscribe for shares in the Company at a price not less than 80% of the average of the closing prices of the shares on the SEHK on the five trading days immediately preceding the date of the grant of the options and of the nominal value of the shares subject to a maximum of 10% of the issued share capital of the Company from time to time.

Details of the movements during the year and the balances of unexercised options at 31 December 2000 are as follows:

Exercisable period	Exercise price	Options granted and accepted during the year	Options exercised during the year	Unexercised options at 31 December 2000
27 July 2000 to 26 July 2003	HK$1.04 per share	6,250,000	(2,300,000)	3,950,000

28. RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Property revaluation reserve HK$'000	Investment property revaluation reserve HK$'000	Translation reserve HK$'000	Retained profit (deficit) HK$'000	Total HK$'000
THE GROUP							
At 31 December 1998	–	–	—		1,963	24,413	26,376
Dividends	–	–	–	–	–	(37,951)	(37,951)
Profit for the year	–	–	–	–	–	8,683	8,683
Translation of foreign subsidiaries	–	–	–	–	443	–	443
At 31 December 1999	–	–	–	–	2,406	(4,855)	(2,449)
Loss for the year	–	–	–	–	–	(73,635)	(73,635)
Amount arising on Reorganisation	–	4,755	–	–	–	–	4,755
Translation of foreign subsidiaries	–	–	–	–	(742)	–	(742)
Premium on issue of shares on exercise of share options	2,390	–	–	–	–	–	2,390
Net surplus on revaluation	–	–	20,728	20,058	–	–	40,786
At 31 December 2000	2,390	4,755	20,728	20,058	1,664	(78,490)	(28,895)

	Share premium HK$'000	Contributed surplus HK$'000	Deficit HK$'000	Total HK$'000
THE COMPANY				
At 1 January 1999 and at 31 December 1999	–	–	–	–
Loss for the year	–	–	(79,710)	(79,710)
Amount arising on Reorganisation	–	306,450	–	306,450
Premium on issue of shares on exercise of share options	2,390	–	–	2,390
At 31 December 2000	2,390	306,450	(79,710)	229,130

28. RESERVES (Continued)

The contributed surplus of the Company represents the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the share capital issued by the Company at the time of the Reorganisation prior to the listing of the Company's shares in 2000.

The contributed surplus of the Group represents the difference between the nominal value of shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of the Reorganisation.

29. DEFERRED TAXATION

At the balance sheet date, the Group had deferred taxation asset not provided for in the financial statements in respect of estimated taxation losses amounting to HK$17,886,000 (1999: Nil). No deferred asset has been recognised in the financial statements as it is not certain that the asset will crystallise in the foreseeable future.

Deferred taxation has not been provided on the revaluation surplus arising on the revaluation of land and buildings and investment properties as the directors are of the opinion that those properties will not be disposed of in the foreseeable future and, accordingly, the deferred taxation arising therefrom will not be crystallised in the foreseeable future.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

30. RECONCILIATION OF (LOSS) PROFIT BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	THE GROUP	
	2000	1999
	HK$'000	HK$'000
(Loss) profit before taxation	(74,941)	25,472
Depreciation of property, plant and equipment	1,246	1,196
Loss on disposal of property, plant and equipment	–	444
Interest income	(12,942)	(131)
Interest expenses	47,053	19,405
(Increase) decrease in completed property for sale	(55,240)	122,303
Increase in property under development for sale	(23,653)	(139,978)
(Increase) decrease in prepayments and other receivables	(26,697)	894
Decrease (increase) in current portion of instalment contract receivables	4,168	(12,458)
Decrease of instalment contract receivables	7,957	15,457
Decrease (increase) in accounts receivable	33,396	(5,976)
Increase in taxes payable	1,014	31,529
Increase (decrease) in accruals and other payables	1,428	(11,955)
Decrease in advance from customers	(5,952)	(125,880)
Decrease in land demolition payable	(18,913)	(11,031)
Increase in accounts payable	8,945	88,908
Increase in dividends payable	–	37,951
Decrease in other short-term loans	(1,878)	–
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	(115,009)	36,150

31. ACQUISITION OF A SUBSIDIARY

During the year, the Group acquired the entire issued share capital of Sherford for a consideration of HK$48 million.

	2000
	HK$'000
ASSETS ACQUIRED	
19% equity interest in BJNR	48,000
SATISFIED BY:	
Offsetting of amount due from a company controlled by a director (Note 33)	48,000

32. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK$'000	Bank loans HK$'000	Obligations under finance leases and hire purchase contracts HK$'000	Minority interests HK$'000	Amount due to a related party HK$'000
Balance at 1 January 1999	5,000	187,218	–	77,241	7,809
Net cash inflow (outflow) from financing	–	48,534	–	–	(7,809)
Other movements not involving cash flows:					
Share of profit for the year	–	–	–	4,849	–
Transfer to long-term payable	–	–	–	(46,642)	–
Exchange difference	–	–	–	76	–
Balance at 31 December 1999	5,000	235,752	–	35,524	–
Net cash inflow (outflow) from financing	2,392	(4,322)	(54)	–	2,444
Other movements not involving cash flows:					
Exchange difference	–	(430)	–	(661)	–
Inception of finance leases obligations	–	–	546	–	–
Other non-cash transactions	5	–	–	(751)	–
Purchase of additional interest in a subsidiary	–	–	–	(32,320)	–
Adjustment on Reorganisation	(4,755)	–	–	–	–
Share of loss for the year	–	–	–	(1,306)	–
Share of reserve movement for the year	–	–	–	433	–
Balance at 31 December 2000	2,642	231,000	492	919	2,444

33. MAJOR NON-CASH TRANSACTIONS

(1) On 23 May 2000, the Company issued 244,996,497 shares and 4,995,703 shares of HK$0.001 each for the exchange of certain investments held by its immediate holding company and to shareholders of Rhine Holdings Limited respectively for the purpose of listing of its shares on the SEHK.

(2) During the year ended 31 December 2000, amount due from a related company amounting to HK$85,200,000 were set off from the consideration payable for acquisition of interest in Sherford of HK$48,000,000 and dividend payable to the immediate holding company of the Company of HK$37,200,000.

(3) In 1999, the Group acquired certain land use right and land demolition liabilities which are to be settled in subsequent years amounting to HK$327,857,000.

34. ACQUISITION OF INVESTMENTS

During the year and subsequent to the balance sheet date, the Group entered into following documents/agreements in respect of the potential acquisition and acquisition of asset/investments:

1. In October 2000, the Group announced that the Company, through its wholly-owned subsidiary, entered into an agreement with an independent third party to acquire, among other things, effectively 17.67% interest in Beijing Huaxia Information Technology Limited, a multi-media information technology company at a consideration of RMB6 million. As at the date of the balance sheet, the Group paid RMB600,000 in accordance with the agreement and the amount is shown as other receivable in the balance sheet. As at the date of this report, the acquisition has not been completed.

2. In November 2000, the Group entered into a non-legally binding letter of intent with independent third party to acquire 83.13% interest in a property company by way of asset swap under which the Group will transfer office areas in its property under development named as "China Securities Building" upon completion valued at not less than US$2,000 per square metre. The consideration will be determined by reference to the valuation of the properties held by the acquired company. The Group has undertaken under the aforesaid letter of intent that should the selling price of the completed property be less than US$2,000 per square metre the Group would buy back from the independent third party at a price of US$2,000 per square metre for office areas swapped together with annual return of 10% on the consideration transacted. Up to the date of approval of these financial statements, no agreement has been executed.

3. On 28 February 2001, the Group also entered into a non-binding memorandum of understanding with a director, Mr. Leung Kwo, under which Mr. Leung Kwo will assign to the Group his 90% interest in a company incorporated in the British Virgin Islands, which is effectively holding a piece of land in Beijing, the PRC, at a consideration of HK$64,300,000 to be satisfied by the issue of 64,818,000 shares of the Company. Up to the date of approval of these financial statements, no agreement has been entered into with Mr. Leung Kwo.

35. CONTINGENT LIABILITIES

The Company had provided guarantees for mortgage facilities provided by a bank to the buyers of its properties developed by the Group. In addition, bank balances of approximately HK$599,000 (1999: HK$110,000) as at 31 December 2000 were restricted as guarantee for these mortgages (see note 20 above). As at 31 December 2000, the outstanding amount of the above mentioned mortgage facilities for which the Group had provided guarantees amounted to approximately HK$26,300,000 (1999: HK$9,113,000).

36. LEASE COMMITMENTS

	THE GROUP	
	2000	1999
	HK$'000	HK$'000
At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases payable in the forthcoming year in respect of premises as follows:		
Operating leases which expire:		
– Within one year	106	1,610
– In the second to fifth year inclusive	4,124	–
	4,230	1,610

At the balance sheet date, the Company did not have any lease commitments.

37. CAPITAL AND CONSTRUCTION COMMITMENTS

	THE GROUP	
	2000	1999
	HK$'000	HK$'000
At the balance sheet date, the Group had the following capital and construction commitments:		
Capital expenditure in relation to the property under development contracted but not provided for	20,666	9,283
Capital expenditure in relation to the property under development authorised but not contracted for	600,810	678,781
Acquisition of investments	5,042	–
	626,518	688,064

At the balance sheet date, the Company did not have any capital commitments.

38. RETIREMENT AND PENSION PLANS

The group companies operating in the PRC have participated in defined contribution retirement schemes organized by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. These group companies are required to make specific contributions to the retirement schemes at a rate of 19% (1999: 20%) of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions paid for the year ended 31 December 2000 amounted to approximately HK$74,000 (1999: HK$536,000).

No retirement benefit is provided to employees of other non-PRC group companies prior to 1 December 2000.

With effective from 1 December 2000, the Group has joined a Mandatory Provident Fund scheme ("MPF Scheme") for all its non-PRC employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

During the year, the Group made no retirement benefits scheme contribution (1999: Nil).

39. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related parties conducted on terms arrived at by reference to market prices during the year:

	THE GROUP	
	2000	1999
	HK$'000	HK$'000
Interest expenses to companies controlled by a director	–	602
Estate management service fee to a company controlled by a director	286	824
Rental income from a company controlled by a director	325	325

39. RELATED PARTY TRANSACTIONS (Continued)

In addition:

(1) In May 2000, the Company issued 244,996,497 shares in exchange of certain investments held by its immediate holding company for the purpose of listing of its shares on the SEHK.

(2) During the year, a director waived the amount due to him resulting from the realisation of certain investments which were borne by the director before listing of the Company's shares on the SEHK. The amount was classified under other revenue in the consolidated income statement for the year (Note 6 above).

(3) Amounts due from (to) related parties as at the balance sheet date with maximum debit balance during the year are as follows:

	Balance as at 31 December		Maximum debit balance during the year	
	2000	1999	2000	1999
	HK$'000	HK$'000	HK$'000	HK$'000
Leadwell International Limited	–	206,870	207,071	220,470
Sherford	–	13,354	13,354	13,354
Beijing Tian Sha Building Decoration Engineering Co Ltd	–	2,000	2,000	2,000
Beijing Profit Mark Property Management Company Limited	(2,444)	–	–	–

The above amounts are unsecured and non-interest bearing and the related parties are companies controlled by a director of the Company during the year.

(4) In October 1999, the joint venture partners of BJCSB entered into an agreement, pursuant to which Guozheng Economics Development Company Limited ("Guozheng") will give up all its interest in the BJCSB in exchange for a fixed return as defined in the agreement. After completion of the transaction, BJCSB became a wholly-owned subsidiary of the Group. Accordingly, the amount due to Guozheng of HK$3,583,000 (1999: HK$7,809,000) was included in accounts payable and the previous capital investment of HK$46,642,000 (1999: HK$46,642,000) made by Guozheng was reclassified as a long-term payable.

(5) Guozheng has jointly guaranteed the land demolition payable by the Group totalling approximately HK$228,811,000 as at the balance sheet dates.

(6) During the year ended 31 December 1999, the Group paid for certain general and administrative expenses on behalf of and loan interest expenses on behalf of companies controlled by a director totalling approximately HK$3,166,000. These expenses were reimbursed by the related parties at cost.

Note: The director interested in the above transactions is Mr. Leung Kwo, the chairman of the Company.

40. PLEDGE OF ASSETS

At 31 December 2000, the Group had pledged its properties with an aggregate net book value of HK$145,842,000 (1999: HK$7,863,000) to secure bank loans.

41. SUBSEQUENT EVENT

Subsequent to the balance sheet date, the Company placed 7,500,000 new shares of the Company at a price of HK$1.30 per share to an independent third party to provide additional working capital to the Group.