

Year ended 31 December 2000

## **1. CORPORATE INFORMATION**

Dong Jian Tech.Com Holdings Limited was incorporated in Bermuda on 16 April 1998 as an exempted company with limited liability under the Company Act 1981 of Bermuda.

During the year, the Group was principally engaged in property development, investment and management.

In the opinion of the directors, the ultimate holding company is Jian Min Associates Limited ("Jian Min"), which is incorporated in the British Virgin Islands ("BVI").

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of preparation**

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

### **Basis of presentation and consolidation**

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

### **Revenue recognition**

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

- (a) sale of properties under development/properties for sale, when legally binding unconditional sales contracts are signed and effected, provided that the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined and on the basis set out below under "Properties for sale";
- (b) rental income, in the period in which the properties are let, on the straight-line basis over the lease terms;

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Revenue recognition** *(continued)*

- (c) property management income, when the related management services have been rendered; and
- (d) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

**Leased assets**

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

**Retirement benefits scheme**

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

**Subsidiaries**

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

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

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Fixed assets and depreciation**

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On the disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset, less any estimated residual value, over the following estimated useful lives:

Leasehold land and buildings	The shorter of the lease terms and 50 years
Leasehold improvements	The shorter of the lease terms and 5 years
Machinery	10 years
Furniture, office equipment and motor vehicles	5 years

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

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Investment properties**

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

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

**Properties for sale and under development**

Properties for sale, which comprise completed properties and properties under development, are stated at the lower of cost and net realisable value. Cost includes all development expenditure, interest charges and other direct costs attributable to the development of the properties and is determined by an apportionment of the total development costs attributable to unsold properties. Net realisable value is estimated by the directors based on prevailing market prices, on an individual property basis.

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

Properties under development which have either been pre-sold, are intended for sale, or are expected to be completed within twelve months, are classified as current assets.

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

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, ie, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. The capitalisation rate is based on the actual cost of the related borrowings.

All other borrowing costs are recognised or charged in the period in which they are incurred.

### **Deferred tax**

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

### **Foreign currencies**

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences on borrowings relating to the development of properties are capitalised during the development period. All other exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

### **Related parties**

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

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

### **Cash equivalents**

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and bank balances represent assets which are not restricted as to use.

## **3. TURNOVER**

Turnover represents the aggregate of gross amounts of proceeds from the sale of properties, gross rental income and gross management income, after elimination of all significant intra-group transactions.

An analysis of turnover is set out below:

	<b>2000</b> <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Sale of properties	<b>31,260</b>	113,305
Rental income	<b>467</b>	322
Management income	<b>836</b>	1,050
	<b>32,563</b>	114,677

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#### 4. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

The Group's (loss)/profit from operating activities is arrived at after charging/(crediting):

	2000 HK\$'000	1999 HK\$'000
Cost of properties sold	27,898	72,001
Depreciation	2,014	2,124
Auditors' remuneration	950	1,100
Staff costs* (excluding directors' remuneration – note 5)		
Wages and salaries	2,570	2,004
Retirement scheme contributions	4	–
Deficit on revaluation of leasehold land and buildings – note 12	2,076	855
Deficit on revaluation of investment properties – note 13	370	260
Provisions for diminutions in values of properties under development	22,528	–
Provision for doubtful debts	17,706	–
Compensation for delay in completion of properties	1,655	–
Gross rental income	(467)	(322)
Less: Outgoings	62	23
Net rental income	(405)	(299)
Interest income	(86)	(37)
Gain on disposal of fixed assets	–	(617)
Gain on disposal of investment properties	–	(1,229)

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**4. (LOSS)/PROFIT FROM OPERATING ACTIVITIES (continued)**

\* In addition to the above staff costs, share options to subscribe for 2,900,000 ordinary shares in the Company were granted to certain employees for a nominal cash consideration of HK\$10 per grantee during the year. In the absence of a readily available market value for options on the ordinary shares in the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted. Accordingly, no value was included in the staff costs as disclosed above.

**5. DIRECTORS' REMUNERATION**

	Group	
	2000 HK\$'000	1999 HK\$'000
Fees:		
Executive directors	–	–
Non-executive directors	120	60
Basic salaries, housing benefits, other allowances and benefits in kind:		
Executive directors	1,435	2,352
Non-executive directors	440	260
	<b>1,995</b>	<b>2,672</b>

The number of directors whose remuneration fell within the following band is set out below:

	Number of directors	
	2000	1999
Nil – HK\$1,000,000	6	7

In addition to the above remuneration, share options to subscribe for 18,100,000 ordinary shares in the Company were granted to certain directors for a cash consideration of HK\$10 per grantee during the year. In the absence of a readily available market value for options on the ordinary shares in the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted. Accordingly, no value was included in the remuneration paid to the directors as disclosed above.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.



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## **6. SIX HIGHEST PAID EMPLOYEES**

The six highest paid employees during the year included four (1999: four) directors, details of whose remuneration are disclosed above. The details of the remuneration of the remaining two (1999: two) non-director, highest paid employees, are as follows:

	<b>2000</b> <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Basic salaries, housing benefits, other allowances and benefits in kind	<b>760</b>	494

In addition to the above remuneration, share options to subscribe for 600,000 ordinary shares in the Company were granted to the above employees for a cash consideration of HK\$10 per grantee during the year. In the absence of a readily available market value for options on the ordinary shares in the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted. Accordingly, no value was included in the remuneration paid to the employees, disclosed above, in respect thereof.

## **7. FINANCE COSTS**

	<b>2000</b> <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Interest on bank loans	<b>10,759</b>	9,989
Interest on other loans wholly repayable within five years	<b>2,131</b>	4,689
Total finance costs	<b>12,890</b>	14,678
Less: Interest capitalised in properties under development	<b>(9,003)</b>	(14,445)
	<b>3,887</b>	233

Interest capitalised during the year was calculated at a rate of approximately 7% (1999: 9%) per annum.

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### **8. TAX**

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (1999: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax in respect of the year (1999: Nil).

The revaluations of the Group's leasehold land and buildings and investment properties do not constitute timing differences and, consequently, there is no deferred tax thereon.

### **9. NET (LOSS)/PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS**

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$40,225,000 (1999: net profit of HK\$5,382,000).

### **10. DIVIDEND**

The directors do not recommend the payment of any final dividend (1999: Nil) in respect of the year ended 31 December 2000.

### **11. (LOSS)/EARNINGS PER SHARE**

The calculation of basic (loss)/earnings per share is based on the net loss attributable to shareholders for the year of approximately HK\$64,453,000 (1999: net profit of HK\$16,142,000) and the weighted average of 250,660,777 (1999: 201,424,658) ordinary shares in issue during the year.

The diluted loss per share for the year ended 31 December 2000 has not been shown as the options and warrants outstanding during the year had an anti-dilutive effect on the basic loss per share.

The calculation of diluted earnings per share for the year ended 31 December 1999 was based on the net profit attributable to shareholders of approximately HK\$16,142,000 and on 202,238,357 ordinary shares, being the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive potential ordinary shares outstanding during the year.

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## 12. FIXED ASSETS

### Group

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Furniture, office equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:					
At beginning of year	48,209	5,371	445	3,747	57,772
Additions	4	–	–	204	208
Deficit on revaluation	(2,679)	–	–	–	(2,679)
At end of year	45,534	5,371	445	3,951	55,301
Analysis of cost or valuation:					
At cost	–	5,371	445	3,951	9,767
At valuation	45,534	–	–	–	45,534
	45,534	5,371	445	3,951	55,301
Accumulated depreciation:					
At beginning of year	–	1,209	223	3,220	4,652
Provided during the year	925	966	36	87	2,014
Written back on revaluation	(925)	–	–	–	(925)
At end of year	–	2,175	259	3,307	5,741
Net book value:					
<b>At 31 December 2000</b>	<b>45,534</b>	<b>3,196</b>	<b>186</b>	<b>644</b>	<b>49,560</b>
At 31 December 1999	48,209	4,162	222	527	53,120

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**12. FIXED ASSETS** *(continued)*

The Group's leasehold land and buildings included above are held under the following terms:

	<b>Group</b>	
	<b>2000</b> <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Long term leases in Hong Kong	<b>4,000</b>	6,200
Long term land use rights in the PRC	<b>41,034</b>	41,504
Medium term land use rights in the PRC	<b>500</b>	505
	<b>45,534</b>	48,209

At 31 December 2000, the leasehold land and buildings in Hong Kong and the People's Republic of China (the "PRC") were revalued on an open market, existing use basis by Castores Magi Surveyors Limited, a firm of independent professional valuers, at HK\$4,000,000 and HK\$41,534,000, respectively. A deficit on revaluation of approximately HK\$2,076,000 and a surplus on revaluation of approximately HK\$322,000 arising from the above valuations have been charged to the profit and loss account (note 4) and credited to fixed asset revaluation reserve (note 21), respectively.

Had the Group's leasehold land and buildings held in Hong Kong been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK\$8,320,000 (1999: HK\$8,496,000).

Had the Group's leasehold land and buildings held in the PRC been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK\$29,062,000 (1999: HK\$29,558,000).

At 31 December 2000, certain of the Group's leasehold land and buildings in Hong Kong and the PRC with carrying values of approximately HK\$4,000,000 (1999: HK\$6,200,000) and HK\$26,312,000 (1999: HK\$27,480,000), respectively, were pledged to secure certain banking facilities granted to the Group (note 19).

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**13. INVESTMENT PROPERTIES**

	Group	
	2000 HK\$'000	1999 HK\$'000
Valuation:		
At beginning of year	8,547	3,475
Additions	–	8,755
Disposals	–	(3,388)
Deficit on revaluation – <i>note 4</i>	(370)	(295)
At end of year	<b>8,177</b>	8,547

The Group's investment properties included above are held under the following terms:

	Group	
	2000 HK\$'000	1999 HK\$'000
Long term leases in Hong Kong	8,090	8,460
Long term land use rights in the PRC	87	87
	<b>8,177</b>	8,547

At 31 December 2000, the investment properties in Hong Kong and the PRC were revalued on an open market, existing use basis by Castores Magi Surveyors Limited, an independent firm of professional valuers, at HK\$8,090,000 and HK\$87,000, respectively. Deficits of approximately HK\$370,000 arising therefrom were charged to the profit and loss account (note 4).

At 31 December 2000, the Group's investment properties in Hong Kong were pledged to secure certain banking facilities granted to the Group (note 19).

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**14. PROPERTIES UNDER DEVELOPMENT/PROPERTIES FOR SALE**

The Group's properties under development/properties for sale are situated in the PRC and are held under medium and long term land use rights.

At 31 December 2000, certain properties under development/properties for sale of the Group with an aggregate carrying value of approximately HK\$106,368,000 were pledged to secure banking facilities granted to the Group (note 19).

**15. INTERESTS IN SUBSIDIARIES**

	Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	152,720	152,229
Due from subsidiaries	58,421	44,420
Due to subsidiaries	-	(8,840)
	<b>211,141</b>	<b>187,809</b>
Less: Provision for diminution in value	<b>(27,720)</b>	-
	<b>183,421</b>	<b>187,809</b>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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## 15. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
<b>Directly held</b>				
Dong Jian Group Limited	BVI	Ordinary US\$1,500	100%	Investment holding
Dong Jian Technology Group Limited	BVI	Ordinary US\$1	100%	Investment holding
<b>Indirectly held</b>				
China Fortunes Network Company Limited	Hong Kong	Ordinary HK\$2	100%	Provision of finance and corporate information
Fujian Dongjian Real Estate Co., Ltd.	PRC	RMB80,000,000	100%	Property development and investment
Fujian Tung On Property Manage Co., Ltd.	PRC	US\$600,000	100%	Property management
Prime Link Holdings Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
Profit Triumph Limited	Hong Kong	Ordinary HK\$2	100%	Property investment
World Billion Holdings Limited	Hong Kong	Ordinary HK\$2	100%	Property holding

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## 16. TRADE RECEIVABLES

The Group's trade receivables mainly comprise receivables from the sale of properties. Credit policies for each project are determined based on normal commercial terms with reference to the prevailing market conditions. At the balance sheet date, most of the Group's trade receivables were current within their respective terms of credit and there were no significant overdue amounts.

## 17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	Group		Company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans, secured and repayable:	19				
Within one year		132,708	123,806	111	99
In the second year		4,674	13,316	123	108
In the third to fifth years, inclusive		2,211	2,371	442	392
Beyond five years		4,171	4,619	2,139	2,313
		143,764	144,112	2,815	2,912
Other loans, unsecured and repayable:	19				
Within one year		5,741	–	–	–
In the second year		21,809	–	–	–
In the third to fifth years, inclusive		–	20,370	–	–
		27,550	20,370	–	–
		171,314	164,482	2,815	2,912
Portion classified as current liabilities		(138,449)	(123,806)	(111)	(99)
Long term portion		32,865	40,676	2,704	2,813



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## **18. TRADE PAYABLES**

The Group's trade payables mainly comprise costs payable for property development projects which are payable upon completion of work certified by the architects. At the balance sheet date, most of the Group's trade payables were current within their respective terms of credit and there were no significant overdue amounts.

## **19. BORROWINGS FACILITIES**

At 31 December 2000, the Group's banking facilities were secured by the following:

- (i) Certain of the Group's leasehold land and buildings situated in Hong Kong and the PRC with carrying values of approximately HK\$4,000,000 and HK\$26,312,000, respectively (note 12);
- (ii) Certain of the Group's investment properties with a carrying value of approximately HK\$8,090,000 (note 13);
- (iii) certain of the Group's properties under development/properties for sale with an aggregate carrying amount of approximately HK\$106,368,000 (note 14);
- (iv) certain leasehold land and buildings in Hong Kong owned by certain directors and a related company;
- (v) joint and several personal guarantees given by certain directors of the Company; and
- (vi) a corporate guarantee given by the Company.

At 31 December 2000, the Group's other loans were unsecured and represented approximately HK\$27,550,000 loans from five independent third parties, which bear interest at market rates ranging from 6.435% to 18% per annum.

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## 20. SHARE CAPITAL

	2000 HK\$'000	1999 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
258,688,400 ordinary shares of HK\$0.10 each (1999: 220,000,000 ordinary shares of HK\$0.10 each)	25,869	22,000

During the year, the following movements in share capital were recorded:

- (a) On 11 January 2000, the Company entered into a service agreement with Fuzhou Straits Tech Town Construction and Development Co., Ltd. (the "Development Company") for certain services to be provided by the Development Company in respect of the project named Cangshan Hightech Industrial Park, Fuzhou. The service fee payable to the Development Company was approximately HK\$1,390,000 and was satisfied by the issue and allotment of 2,000,000 new shares of HK\$0.695 each in the Company to the Development Company.

The excess of the consideration received for the share issue over the nominal value of the shares issued, amounting to approximately HK\$1,190,000, was credited to the share premium account (note 21).

- (b) On 14 February 2000, the Company entered into a subscription agreement for the subscription by independent investors for 23,000,000 new ordinary shares of HK\$0.10 each in the Company at a cash subscription price of HK\$0.75 per share.

The subscription was completed on 25 February 2000 and proceeds of approximately HK\$17,250,000, before expenses, were raised by the Company for the purpose of providing general working capital to the Group.

The excess of the share issue proceeds over the nominal value of the shares issued, amounting to approximately HK\$14,950,000, was credited to the share premium account (note 21).

- (c) During the year, 5,600,000 share options were exercised at a subscription price of HK\$0.46, resulting in the issue of 5,600,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$2,576,000.

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**20. SHARE CAPITAL** *(continued)*

- (d) During the year, 8,558,400 shares of HK\$0.10 each were issued for cash at a subscription price of HK\$0.35 per share pursuant to the exercise of the Company's warrants for a total consideration, before expenses, of approximately HK\$2,995,000.
- (e) During the year, the Company repurchased 470,000 ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	Number of shares	Price per share		Aggregate price HK\$
		Highest HK\$	Lowest HK\$	
April 2000	470,000	0.52	0.47	228,845

The repurchased shares were cancelled after the repurchase and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK\$181,845 was deducted from the share premium account of the Company (note 21).

The repurchases of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share of the Group.

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**20. SHARE CAPITAL** *(continued)*

A summary of the movements in the issued share capital of the Company since 1 January 1999 is as follows:

	Number of shares issued '000	Par value HK\$'000
Share capital as at 1 January 1999	200,000	20,000
Issue of shares for cash consideration	20,000	2,000
Share capital as at 31 December 1999 and 1 January 2000	220,000	22,000
Issue of shares	25,000	2,500
Share options exercised	5,600	560
Warrants exercised	8,558	856
Repurchase of shares	(470)	(47)
Share capital as at 31 December 2000	258,688	25,869

Subsequent to the balance sheet date, on 26 March 2001, the Company entered into placing and subscription agreements with independent investors for the placement and subscription for 31,000,000 and 10,000,000 ordinary shares of the Company at a price of HK\$0.40 per share, payable in cash, respectively.

The placing and subscription of the new shares were completed on 12 April 2001. The net proceeds from the new issue of approximately HK\$15,950,000 will be used to provide general working capital to the Group.

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**20. SHARE CAPITAL** *(continued)***Share options**

Under the terms of the Company's share option scheme approved by the Stock Exchange on 14 July 1998, the directors of the Company may, at their discretion, grant options to employees of the Group, including executive directors of the Company to subscribe for shares. Options may be granted without any initial payment and will entitle the holders to subscribe for shares during such periods as may be determined by the directors at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing price of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the share capital of the Company in issue from time to time, and the maximum number of shares in respect of which options may be granted to any employee may not exceed 25% of the maximum number of shares in respect of which options may be granted under the share option scheme. Any shares allotted on the exercise of options will rank pari passu with the other shares in issue at the date of exercise of the relevant options.

On 4 January 2000, the board of directors granted 5,500,000, 5,300,000, 5,300,000, 1,000,000, 1,000,000 and 2,900,000 share options at a cash consideration of HK\$10 for each grantee to subscribe for 5,500,000, 5,300,000, 5,300,000, 1,000,000, 1,000,000 and 2,900,000 ordinary shares of the Company to two executive directors, Mr. Ngai Hor Ying and Mr. Ngai Man Sang, and to three non-executive directors, Mr. Ngai Man Hing, Mr. Lam Ming Sum and Mr. Cheung Hing Sau and to certain employees, respectively. The share options are exercisable at a price of HK\$0.46 per share between 4 January 2000 and 4 January 2003, inclusive.

A total of 5,600,000 share options were exercised during the year and the Company had 15,400,000 outstanding shares options at the balance sheet date. The exercise in full of the remaining share options would under the present capital structure of the Company, result in the issue of 15,400,000 additional shares of HK\$0.1 each.

Year ended 31 December 2000

**20. SHARE CAPITAL** *(continued)***Warrants**

Pursuant to an ordinary resolution passed on 10 December 1999, a bonus issue of warrants was made in the proportion of one warrant for every five shares held by members on the register of members on 10 December 1999, and 44,000,000 warrants were issued pursuant to the bonus issue. Each warrant entitles the holders thereof to subscribe for one ordinary share of HK\$0.10 at a subscription price of HK\$0.35 per share, payable in cash and subject to adjustment, from 14 December 1999 (date of issue) to 31 December 2002.

During the year, warrants with aggregate gross issue proceeds of approximately HK\$2,995,400 were exercised by the warrant holders to subscribe for 8,558,400 ordinary shares in the Company at a subscription price of HK\$0.35 per share.

The exercise in full of the outstanding warrants at the subscription price of HK\$0.35 per share at the balance sheet date would, based on the present capital structure of the Company, result in the issue of 35,441,600 new shares and the receipt by the Company of approximately HK\$12,405,000 before any related issue expenses.

Year ended 31 December 2000

## 21. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Fixed asset revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Statutory reserve fund HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Group</b>							
At 1 January 1999	5,133	47,654	17,737	2,880	11,337	92,069	176,810
Issue of shares	7,200	-	-	-	-	-	7,200
Share issue expenses	(223)	-	-	-	-	-	(223)
Deficit on revaluation	-	-	(3,497)	(35)	-	-	(3,532)
Transfer to retained profits	-	-	(3,144)	-	-	3,144	-
Transfer to statutory reserve fund	-	-	-	-	1,900	(1,900)	-
Disposals	-	-	-	(2,845)	-	-	(2,845)
Retained profit for the year	-	-	-	-	-	16,142	16,142
At 31 December 1999 and 1 January 2000	12,110	47,654	11,096	-	13,237	109,455	193,552
Issue of shares	16,140	-	-	-	-	-	16,140
Arising on exercise of share options	2,016	-	-	-	-	-	2,016
Arising on exercise of warrants	2,139	-	-	-	-	-	2,139
Share issue expenses	(363)	-	-	-	-	-	(363)
Premium on repurchase of own shares	(182)	-	-	-	-	-	(182)
Surplus on revaluation - note 12	-	-	322	-	-	-	322
Net loss for the year	-	-	-	-	-	(64,453)	(64,453)
<b>At 31 December 2000</b>	<b>31,860</b>	<b>47,654</b>	<b>11,418</b>	<b>-</b>	<b>13,237</b>	<b>45,002</b>	<b>149,171</b>

Year ended 31 December 2000

**21. RESERVES** *(continued)*

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Company</b>				
At 1 January 1999	5,133	152,029	125	157,287
Issue of shares to public	7,200	–	–	7,200
Share issue expenses	(223)	–	–	(223)
Net profit for the year – <i>note 9</i>	–	–	5,382	5,382
At 31 December 1999 and 1 January 2000	12,110	152,029	5,507	169,646
Issue of shares	16,140	–	–	16,140
Arising on exercise of share options	2,016	–	–	2,016
Arising on exercise of warrants	2,139	–	–	2,139
Share issue expenses	(363)	–	–	(363)
Premium on repurchase of own shares	(182)	–	–	(182)
Net loss for the year – <i>note 9</i>	–	–	(40,225)	(40,225)
<b>At 31 December 2000</b>	<b>31,860</b>	<b>152,029</b>	<b>(34,718)</b>	<b>149,171</b>

In accordance with the Law of the PRC on Sole Foreign Investment Enterprises, the Company's PRC subsidiaries are required to transfer an amount of not less than 10% of their profit after tax to the statutory reserve fund until the accumulated total reaches 50% of their registered capital.

The contributed surplus of the Group arose as a result of the Group reorganisation carried out on 22 June 1998, and represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.



Year ended 31 December 2000

## 21. RESERVES *(continued)*

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

## 22. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2000 HK\$'000	1999 HK\$'000
(Loss)/profit from operating activities	(60,566)	26,834
Interest income	(86)	(37)
Depreciation	2,014	2,124
Deficit on revaluation of fixed assets	2,076	855
Deficit on revaluation of investment properties	370	260
Provisions for diminutions in values of properties under development	22,528	–
Provisions for doubtful debts	17,706	–
Gain on disposal of fixed assets	–	(617)
Gain on disposal of investment properties	–	(1,229)
(Increase)/decrease in properties under development	(44,743)	5,770
Decrease in properties for sale	19,464	30,827
Decrease/(increase) in prepayments, deposits and other receivables	13,977	(33,795)
Decrease/(increase) in trade receivables	11,009	(31,337)
Decrease in trade payables	(8,953)	(14,305)
Increase/(decrease) in other payables and accruals	11,016	(2,292)
Net cash outflow from operating activities	(14,188)	(16,942)

Year ended 31 December 2000

**22. NOTES TO CONSOLIDATED CASH FLOW STATEMENT** *(continued)*

**(b) Analysis of changes in financing activities during the year**

	<b>Interest- bearing bank and other borrowings</b>	<b>Share capital and premium</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 1999	149,433	25,133
Cash inflow from financing activities, net	15,049	8,977
At 31 December 1999 and 1 January 2000	164,482	34,110
Cash inflow from financing activities, net	6,832	23,619
At 31 December 2000	171,314	57,729

Year ended 31 December 2000

**23. COMMITMENTS**

At the balance sheet date, the Group and the Company had the following outstanding commitments:

	<b>Group</b>	
	<b>2000</b> <i>HK\$'000</i>	<b>1999</b> <i>HK\$'000</i>
Capital commitments in respect of development expenditure for properties under development: Contracted for	<b>45,587</b>	23,864
Capital commitments in respect of resettlement and demolition costs for properties under development: Contracted for	–	71,352
Capital commitments in respect of capital contributions to subsidiaries in the PRC: Contracted for	<b>17,163</b>	–
Capital commitments in respect of land premium for properties under development: Authorised, but not contracted for	–	12,500

The Company did not have any significant commitments at the balance sheet date.

**24. CONTINGENT LIABILITIES**

At 31 December 2000, guarantees to the extent of approximately HK\$3,099,000 (1999: HK\$3,099,000) were given by the Group to a bank in respect of mortgage loans facilities granted to certain purchasers for the purchase of certain properties developed by the Group.

The Company has given a guarantee in favour of a bank to the extent of HK\$34,000,000 in respect of banking facilities granted to a subsidiary of the Company. At 31 December 2000, the banking facilities utilised by the subsidiary amounted to approximately HK\$29,667,000.

Year ended 31 December 2000

### **25. POST BALANCE SHEET EVENTS**

Subsequent to 31 December 2000, pursuant to the placing and subscription agreements dated 26 March 2001, a total number of 41,000,000 ordinary shares of the Company at a price of HK\$0.40 per share were issued.

### **26. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on 26 April 2001.