

Notes to The Condensed Interim Accounts

1 Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 - Interim financial reporting, issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the Listing Rules”) except that the Group has taken advantage of exemption from disclosing the comparative figures of the condensed consolidated cash flow statement under paragraph 37.3 of Appendix 16 of the Listing Rule as in this first year of implementation of SSAP 25.

These condensed interim accounts should be read in conjunction with the 2000 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December, 2000 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised): Events after the balance sheet date

SSAP 26: Segment reporting

The changes to the Group’s accounting policies and the effect of adopting these new policies is set out below:

a) SSAP 9 (revised): Events after the balance sheet date

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 13, opening retained profits at 1st January, 2000 have increased by Rmb46,675,000 which is the reversal of the provision for the 1999 proposed final dividend previously recorded as a liability as at 31st December, 1999 although not declared until after balance sheet date. Opening retained profits at 1st January, 2001 have increased by Rmb46,675,000 which is the reversal of the provision for 2000 proposed final dividend previously recorded as a liability as at 31st December, 2000 although not declared until after the balance sheet date.

A corresponding decrease in current liabilities by Rmb46,675,000 has been reflected in the comparative 31st December, 2000 balance sheet.

Changes to headings used in the previously reported 31st December, 2000 balance sheet and profit and loss account relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

b) SSAP 26: Segment reporting

In Note 2 to these condensed interim accounts, the Group has disclosed segment information as defined under SSAP 26. In accordance with the Group’s internal financial reporting, the Group has determined that business segments be presented as the reporting format. Comparative information has been given.

2 Turnover and segment information

The Group is principally engaged in property development and sales, land development and sales, investment property operations, shopping centre operations, hotel operations, restaurant and recreation operations, and the provision of property management.

Turnover represents sales and provisions of services, net of sales tax, by the Group to third parties in the People's Republic of China (the "PRC").

An analysis of the Group's turnover and contribution to operating profit/(loss) for the period by principal activities is as follows:

	Turnover and segment revenues		Operating profit/(loss) and segment results	
	Six months ended 30th June,		Six months ended 30th June,	
	2001	2000	2001	2000
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Property sales	99,333	143,833	9,845	6,442
Land sales	42,460	—	12,228	—
Rental income	115,759	119,611	46,189	53,972
Shopping centre operations	641,598	573,053	36,679	25,057
Hotel operations	32,963	31,309	3,717	(386)
Restaurant and recreation operations	13,682	19,880	(2,090)	3,057
Property management income	16,858	14,308	403	122
Other revenues and corporate expenses	6,469	8,845	(9,494)	(7,759)
Total	969,122	910,839	97,477	80,505

There are no material sales or other transactions between the business segments.

Since all the Group's turnover and operating profit/(loss) are derived from activities in the PRC, no geographical analysis is shown.

3 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June,	
	2001	2000
	Rmb '000	Rmb '000
<u>Crediting:</u>		
Write back of provision for diminution in value of property held for sale	1,066	25
<u>Charging:</u>		
Depreciation	19,080	18,454
Loss on disposal of property, plant and equipment	41	242

4 Net interest income

	Six months ended 30th June,	
	2001	2000
	Rmb '000	Rmb '000
Interest income		
- bank deposits	12,693	25,195
- a third party customer	8,138	—
	20,831	25,195
Interest expenses		
- amount due to the holding company	(1,605)	(1,463)
- bank loan	(1,298)	—
	(2,903)	(1,463)
Net interest income	17,928	23,732

5 Taxation

No Hong Kong profits tax has been provided as the Group has no taxable profit in Hong Kong for the period (six months ended 30th June, 2000: Nil). The Group is subject to PRC income tax on its taxable profit.

In accordance with an approval document issued by the Beijing Municipal Finance Bureau on 12th March, 1997, with effect from the date of establishment of the Company, the income tax rate applicable to the Company is 33%. The approval document also provides for the Company to apply for a financial refund, following payment, at a rate of 18% of taxable profits of the Group.

On 11th January, 2000, a circular was issued by the State of Council which requires all local government to cease financial refund effective on 1st January, 2000. On 13th October, 2000, a circular was jointly issued by the Ministry of Finance and State Administration of Taxation which relaxes the requirements announced in previous circular. In particular, it stipulates that "the preferential treatment of tax at 33% with subsequent refund of 18%" (effective tax rate 15%) granted to listed companies by local government will continue until 31st December, 2001. Effective from 1st January, 2002, except in the event when there is a change in law and other administrative regulation, all enterprises should be taxed based on the statutory corporate income tax rate of 33%.

	Six months ended 30th June,	
	2001	2000
	Rmb '000	Rmb '000
PRC income tax		
- current period	32,475	23,137
- financial refund	(17,589)	—
	14,886	23,137
Deferred taxation	505	—
	15,391	23,137

The financial refund of Rmb12,495,000 for the six months ended 30th June, 2000 had not been accounted for, pending the approval of the application for the refund which had subsequently been approved.

6 Dividends

	Six months ended 30th June,	
	2001	2000
	Rmb '000	Rmb '000
2000 Final dividend, paid, of Rmb0.025 (1999 final paid: Rmb0.025) per share (note (i))	46,675	46,675
2001 Interim dividend proposed : nil (2000 interim dividend proposed: nil)	—	—
	46,675	46,675

The Board of Directors has resolved not to declare any interim dividend in respect of the six months ended 30th June, 2001 (six months ended 30th June, 2000: nil).

Note (i): The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st December, 1999 and 2000 were both Rmb46,675,000. Under the Group's new accounting policy as described in Note 1, these have been written back against opening reserves as at 1st January, 2000 and 2001 in Note 13 and are now charged in the period in which they were proposed.

7 Earnings per share

The Company has no dilutive potential ordinary shares for the six months ended 30th June, 2001 and 2000.

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of Rmb103,215,000 (six months ended 30th June, 2000: Rmb80,184,000) and 1,867,020,000 shares (six months ended 30th June, 2000: 1,867,020,000 shares) in issue during the period.

8 Capital expenditure

Six months ended 30th June, 2001	Property, plant and equipment Rmb'000
Opening net book amount	3,377,947
Additions	21,102
Disposals	(764)
Depreciation	(19,080)
Closing net book amount	3,379,205

9 Trade and other receivables

Included in trade and other receivables are trade debtors and their ageing analysis is as follows:

	30th June, 2001	31st December, 2000
	Rmb '000	Rmb '000
Within half year	36,733	64,452
Over half year and within one year	7,567	14,382
Over one year	2,779	12,187
Total	47,079	91,021

The credit terms granted to the customers are set out in the sale and purchase agreements and vary from agreements.

10 Trade and other payables

Included in trade and other payables are trade payables and their ageing analysis is as follows:

	30th June, 2001	31st December, 2000
	Rmb '000	Rmb '000
Within half year	81,369	72,224
Over half year and within one year	44,190	34,116
Over one year	12,012	—
Total	137,571	106,340

11 Bank loan

As at 30th June, 2001 and 31st December, 2000, the Group's revolving unsecured bank loan of Rmb40,000,000 is repayable within one year.

12 Share capital

	30th June, 2001	31st December, 2000
	Rmb '000	Rmb '000
Registered, issued and fully paid:		
1,160,000,000 Domestic shares of Rmb1.00 each	1,160,000	1,160,000
707,020,000 H shares of Rmb1.00 each	707,020	707,020
	1,867,020	1,867,020

The Domestic shares and H shares are ranked pari passu in all respects.

13 Reserves

	Capital reserve	Investment properties revaluation reserve	Hotel properties revaluation reserve	Statutory reserve fund	Statutory public benefit fund	Discretionary reserve fund	Retained profits (note i)	Total
	Rmb '000	Rmb '000	Rmb '000	Rmb '000	Rmb '000	Rmb '000	Rmb '000	Rmb '000
At 1st January, 2000 as previously reported	1,506,849	774,453	74,898	83,651	71,976	60,374	384,625	2,956,826
Effect of adopting SSAP 9 (Revised)	—	—	—	—	—	—	46,675	46,675
At 1st January, 2000 as restated	1,506,849	774,453	74,898	83,651	71,976	60,374	431,300	3,003,501
1999 final dividend paid	—	—	—	—	—	—	(46,675)	(46,675)
Deficit on revaluation	—	(116,800)	(49,000)	—	—	—	—	(165,800)
Profit attributable to shareholders	—	—	—	—	—	—	158,443	158,443
Transfer from retained profits	—	—	—	14,537	14,536	14,455	(43,528)	—
2000 final dividend proposed	—	—	—	—	—	—	(46,675)	(46,675)
At 31st December, 2000	1,506,849	657,653	25,898	98,188	86,512	74,829	452,865	2,902,794
Company and subsidiaries	1,506,849	657,653	25,898	98,188	86,512	74,829	453,596	2,903,525
Jointly controlled entities	—	—	—	—	—	—	(731)	(731)
At 31st December, 2000	1,506,849	657,653	25,898	98,188	86,512	74,829	452,865	2,902,794

13 Reserves (Continued)

Retained profits	Rmb '000
At 1st January, 2001 as previously reported	452,865
Effect of adopting SSAP 9 (revised)	46,675
At 1st January, 2001 as restated	499,540
2000 final dividend paid	(46,675)
Profit attributable to shareholders	103,215
At 30th June, 2001	556,080
Company and subsidiaries	557,525
Jointly controlled entities	(1,445)
At 30th June, 2001	556,080
At 30th June, 2001	Rmb'000
Retained profits	556,080
Other reserves	2,449,929
	3,006,009

Note (i): Movement in retained profits component of reserves has been included to show effect of prior year adjustments.

There is no movement on other reserves for the six months ended 30th June, 2001.

14 Commitments

(a) Capital commitments in respect of investment properties/properties under development, construction in progress and purchase of equipment and machinery:

	30th June, 2001	31st December, 2000
	Rmb '000	Rmb '000
Authorised but not contracted for	275,299	169,985
Contracted but not provided for	8,590	13,181
	283,889	183,166

(b) Capital commitments in respect of development costs attributable to land and properties under development for sale:

	30th June, 2001	31st December, 2000
	Rmb '000	Rmb '000
Authorised but not contracted for	1,759,264	1,783,728
Contracted but not provided for	107,208	154,647
	1,866,472	1,938,375

15 Related party transactions

The following is a summary of significant related party transactions entered into by the Group which were carried out in the normal course of the Group's business during the period:

	Six months ended 30th June,	
	2001 Rmb '000	2000 Rmb '000
Transactions with the Holding Company		
Interest expense (note a)	1,605	1,463
Operating lease payment for land (note b)	7,500	7,500
Sales of properties (note c)	—	1,395
Transactions with fellow subsidiaries		
Heating fees paid to 北辰熱力廠 (note d)	5,450	7,728
Design and installation charge paid to 北辰機電發展中心 (note e)	9,931	—

Notes:

- (a) Interest was charged on a loan from Holding Company at the prevailing market rate.
- (b) The Company has entered into a lease agreement with the Holding Company for certain land, investment properties, hotel property and buildings of the Company. According to the agreement, the rental for the six months ended 30th June, 2001 was Rmb7,500,000 (six months ended 30th June, 2000: Rmb7,500,000).
- (c) The sales of properties to the Holding Company were carried out in the normal course of the business.
- (d) The Company has entered into a miscellaneous services agreement, dated 11th April, 1997, with the Holding Company whereby the Holding Company agreed to provide certain services to the Company. The details of these services and pricing basis are as follows:

	Price basis
Security services	Market Price
Transport services	Cost
Maintenance of roads and open park	Cost
Heating	State Price

These arrangements (other than maintenance of roads and open park which are for a term of approximately 50 years) are valid for a term of ten years from the date of signing of the miscellaneous services agreement.

- (e) The Company has entered into supply contracts for residential area automatic car park garage equipment and technology with a company controlled by the Holding Company. According to the contracts, the design and installation charges paid amounting to Rmb9,931,000.

16 Comparative figures

The operating costs and administrative expenses for the six months ended 30th June, 2000 have been reclassified to conform with the current period presentation with no effect on the operating profit.