

Notes to the Financial Statements

For the year ended 31 December 2001

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.

The principal activity of the Company is investment holding and those of its subsidiaries are the property development and investment in the People's Republic of China ("PRC").

Particulars of the subsidiaries are as follows:

Name	Legal form	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable		Principal activities
				to the Company Directly	Indirectly	
Beijing New Rank Real Estate Development Co., Limited ("BJNR")	Sino-foreign equity joint venture	PRC	US\$9,200,000 Registered	-	99%	Property development and investment
Beijing Zhong Zheng Real Estate Development Co., Limited ("Beijing Zhong Zheng")	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\$47,001 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 (Note 1)	-	100%	Investment holding

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1. GENERAL (continued)

Name	Legal form	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable		Principal activities
				to the Company Directly	Indirectly	
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
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

Notes:

- (1) 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 subsidiary or to participate in any distribution on winding up.
- (2) Other than the two PRC subsidiaries, whose place of operations are in the PRC, the place of operation of other subsidiaries are basically in Hong Kong.

2. BASIS OF PRESENTATION

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\$81 million and deficit of HK\$2 million.

The Group's principal project is the development of a site in Beijing, the PRC, on which an office complex will be developed. Accordingly, included in the balance sheet at 31 December 2001 is property under development for sale of HK\$623,088,000 (2000: HK\$352,034,000). The directors propose that the development will be financed from the existing loan facilities from the Group's bankers and from the anticipated monies from pre-sales of office units, the marketing of which commenced in March 2002. As at the date of approval of these financial statements, sales contracts amounting to approximately RMB65.6 million have been entered into, against which deposits amounting to approximately RMB6.8 million have been received.

However, the Group is dependent upon the continued support of its bankers and creditors. In particular, as mentioned under note 25, the Group has defaulted in respect of the repayment of certain bank loans totalling approximately HK\$64,034,000 (2000: HK\$38,000,000). The remaining bank borrowings of HK\$379 million are due for repayment between August 2002 and December 2004.

Provided 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.

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3. ADOPTION OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 4. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in an decrease in the Group's accumulated losses at 1 January 2000 of HK\$37,951,000.

4. 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 prepared 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.

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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Investments in subsidiaries

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

Revenue recognition

Revenue is recognised on the following bases:

(i) *Sale 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 Group are recorded as instalment contract receivables. 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.

(iii) *Interest income*

Interest income from deposits placed with banks and other financial institutions is recognised on the accrual 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 accrual basis.

(iv) *Investment income*

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

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4. PRINCIPAL ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation and accumulated impairment loss.

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.

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 less any subsequent accumulated depreciation and any subsequent impairment loss. 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%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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 any identified impairment loss.

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.

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4. PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Assets held under finance leases

Assets held under finance leases 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 so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases

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

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 they are incurred.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

Taxation

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

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5. TURNOVER

Turnover represents the aggregate of sales of property, net of applicable business tax and land appreciation tax, and rental income.

	2001 HK\$'000	2000 HK\$'000
Sales of properties	33,392	17,439
Rental income	3,835	–
	37,227	17,439

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.

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6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions - property development and property investment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

2001

	Property development HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Revenue	33,392	3,835	37,227
Result			
Segment result	(19,072)	261	(18,811)
Other revenue			47
Unallocated corporate expenses			(39,967)
Loss from operations			(58,731)
Finance costs			(16,433)
Loss before taxation			(75,164)
Taxation			—
Loss after taxation			(75,164)
ASSETS			
Segment assets	854,803	278,891	1,133,694
Unallocated corporate assets			113,062
Consolidated total assets			1,246,756
LIABILITIES			
Segment liabilities	835,077	402,558	1,237,635
Unallocated corporate liabilities			10,287
Consolidated total liabilities			1,247,922
OTHER INFORMATION			
Capital additions	289	4,780	
Depreciation	167	—	

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6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

2000

	Property development HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Revenue	17,439	–	17,439
Result			
Segment result	(2,943)	–	(2,943)
Other revenue			21,561
Unallocated corporate expenses			(22,580)
Listing expenses written off			(23,926)
Loss from operations			(27,888)
Finance costs			(47,053)
Loss before taxation			(74,941)
Taxation			–
Loss after taxation			(74,941)
ASSETS			
Segment assets	610,110	273,695	883,805
Unallocated corporate assets			97,745
Consolidated total assets			981,550
LIABILITIES			
Segment liabilities	609,421	392,186	1,001,607
Unallocated corporate liabilities			7,667
Consolidated total liabilities			1,009,274
OTHER INFORMATION			
Capital additions	295	–	
Depreciation	142	–	

No geographical segments information of the Group is shown as the operating business of the Group is solely carried out in Beijing, the PRC and the Group's assets were substantially located in the PRC.

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7. OTHER REVENUE

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Interest income	47	12,942
Rental income, net of outgoings	–	5,378
Waiver of amounts due to a director (see note 37)	–	8,506
Other income	–	113
	47	26,939

As the Group decided to hold certain completed properties for sale for investment purposes as at 31 December 2000, the rental income in 2000 arising from those properties was not classified under turnover.

8. LOSS ON OTHER INVESTMENT WRITTEN OFF

During the year, the directors resolved to terminate the sale and purchase agreement entered into in October 2000 for acquisition of 17.6% in Beijing Huaxia Information Technology Limited due to the fact that the latter company did not comply with the terms under the agreement. The Group claimed for the repayment of the deposit of Rmb3,200,000 paid. The directors consider that it is appropriate to write off the remaining amount outstanding of HK\$1,774,000.

9. LOSS FROM OPERATIONS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Loss from operations has been arrived at after charging the following:		
Auditors' remuneration	1,000	1,000
Bad debts written off	–	552
Depreciation of property, plant and equipment		
Owned assets	2,561	1,235
Leased assets	136	11
Exchange loss	10	767
Loss on disposal of property, plant and equipment	4,015	–
Operating lease rental of premises	3,437	1,724
Staff costs including directors' emoluments (note 11 below)	17,251	10,148
and crediting:		
Net rental income	3,835	5,378

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10. FINANCE COSTS

	2001	2000
	HK\$'000	HK\$'000
Interest on:		
– Bank loans and overdrafts wholly repayable within five years	17,301	18,613
– Late delivery of properties	5,267	33,622
– Finance leases	32	24
Total borrowing costs	22,600	52,259
Less: Amounts capitalised	(6,167)	(5,206)
	16,433	47,053

11. DIRECTORS' EMOLUMENTS

	2001	2000
	HK\$'000	HK\$'000
Directors' fees:		
Executive	–	–
Non-executive	217	–
Independent Non-executive	120	234
	337	234
Other emoluments (Executive Directors):		
Salaries and other benefits	6,775	3,662
Performance related incentive payments	–	–
Retirement benefits contributions	21	–
	6,796	3,662
Total emoluments	7,133	3,896

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11. DIRECTORS' EMOLUMENTS (continued)

Emoluments of directors were within the following bands:

	2001 No. of Directors	2000 No. of Directors
Nil to HK\$1,000,000	4	7
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	–
	7	8

No director waived any emoluments in the year ended 31 December 2001 (2000: Nil).

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2000: three) were directors of the Company whose emoluments are set out in note 11 above. The emoluments of the remaining one (2000: two) employees were as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	3,930	1,237
Retirement benefits contributions	10	–
	3,940	1,237

Their emoluments were within the following bands:

	THE GROUP	
	2001 No. of employees	2000 No. of employees
Nil to HK\$1,000,000	–	2
HK\$3,500,001 to HK\$4,000,000	1	–
	1	2

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13. TAXATION

Income tax

The group companies operating in Hong Kong are subject to profits tax at the rate of 16% (2000: 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 2001 and 2000.

The group companies operating in the PRC are subject to enterprise income tax at a rate of 33% (2000: 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 2001 and 2000.

Details of deferred taxation are set out in note 30.

14. NET LOSS FOR THE YEAR

Of the Group's loss for the year of HK\$74,589,000 (2000: HK\$73,635,000), a loss of HK\$7,346,000 (2000: HK\$79,710,000) has been dealt with in the financial statements of the Company.

15. DIVIDENDS

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Dividends paid	–	37,951

The dividends for the year ended 31 December 2000 represented the dividends declared in January 2000 by the subsidiaries comprising the Group to the then shareholders before the listing of the Company's shares on the SEHK. The figure has been restated following the adoption of the SSAP 9 (Revised).

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16. LOSS PER SHARE

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

	2001 HK\$'000	2000 HK\$'000
Loss for the year	(74,589)	(73,635)
Number of shares		
	2001	2000
Weighted average number of shares for the purposes of basic loss per share	265,017,000	250,063,000

No diluted loss per share figure for 2001 and 2000 has been presented as the exercise of the Company's outstanding options would result in a decrease in loss per share.

17. PROPERTY UNDER DEVELOPMENT

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Property under development		
For long term investment	–	203,519
For sale	623,088	352,034
	623,088	555,553

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18. INVESTMENT PROPERTIES

	2001 HK\$'000
At 1 January 2001	262,986
Additions	4,780
Transfer to completed properties for sale	(43,597)
Revaluation increase	36,393
At 31 December 2001	260,562

Investment properties were revalued at their open market value at 31 December 2001 by Messrs. Vigers Hong Kong Limited, an independent valuer, on an open market value basis. This valuation gave rise to a revaluation increase of HK\$36,393,000 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.

Investment properties are located outside Hong Kong held under medium term lease.

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19. 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				
As at 1 January 2001	68,014	4,896	5,016	77,926
Additions	–	203	210	413
Disposals	(5,947)	–	(188)	(6,135)
Surplus on revaluation	43,371	–	–	43,371
As at 31 December 2001	105,438	5,099	5,038	115,575
Comprising:				
At cost	–	5,099	5,038	10,137
At valuation – 2001	105,438	–	–	105,438
	105,438	5,099	5,038	115,575
DEPRECIATION				
As at 1 January 2001	–	1,620	4,139	5,759
Provided for the year	1,675	804	218	2,697
Eliminated on disposals	(146)	–	(143)	(289)
Eliminated on revaluation	(1,529)	–	–	(1,529)
As at 31 December 2001	–	2,424	4,214	6,638
NET BOOK VALUES				
As at 31 December 2001	105,438	2,675	824	108,937
As at 31 December 2000	68,014	3,276	877	72,167

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

The Group's land and buildings have been revalued by Messrs. Vigers Hong Kong Limited, an independent valuer, on an open market value basis as at 31 December 2001 at a total value of HK\$105,438,000. The directors resolved to adopt the valuation in the financial statements for the year ended 31 December 2001.

The net book value of property, plant and equipment included an amount of HK\$398,000 (2000: HK\$534,000) in respect of assets held under finance leases.

Had the land and buildings not been revalued, they would have been included in the financial statements at historical cost less accumulated depreciation at HK\$42,072,000 (2000: HK\$47,076,000).

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20. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	306,695	306,695
Impairment losses recognised	(53,000)	(53,000)
	253,695	253,695

Details of the subsidiaries are set out in note 1.

21. RESTRICTED CASH

As at 31 December 2001, pursuant to the terms of certain guarantee agreements, cash of approximately HK\$518,000 (2000: HK\$599,000) were designated as guarantee against mortgage facilities provided by the bank to the buyers of the Group's properties (see note 33 below). Accordingly, the use of the cash balances is restricted.

22. PREPAYMENTS AND OTHER RECEIVABLES

Included in prepayments and other receivables as at the balance sheet date is an amount of Rmb6,700,000 due from an investment company established in the PRC. The Group deposited a total of approximately Rmb64,134,000 in December 2001 to that investment company. According to the asset management agreement with the investment company, the Group is entitled to a guaranteed return of 10% per annum of the deposits placed. No income for the advances made during the year has been accounted for in the financial statements as the directors consider that the amount involved is immaterial.

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23. 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 receivables as at the balance sheet date is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within 3 months	105	2,256
4 – 6 months	–	1
7 – 9 months	4,080	–
10 – 12 months	13,537	612
Over 1 year	21,607	34,925
	39,329	37,794

24. ACCOUNTS PAYABLE

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

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within 3 months	–	7,920
4 – 6 months	106	2,203
7 – 9 months	9,995	–
10 – 12 months	–	–
Over 1 year	161,574	155,142
	171,675	165,265

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25. BANK BORROWINGS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Bank loans	443,224	231,000
Secured	394,715	146,869
Unsecured	48,509	84,131
	443,224	231,000
The maturity of the above loans is as follows:		
On demand or within one year	200,311	231,000
More than one year, but not exceeding two years	242,762	–
More than two years, but not exceeding five years	151	–
	443,224	231,000
<i>Less:</i> Amounts due within one year shown under current liabilities	(200,311)	(231,000)
Amounts due after one year	242,913	–

Note:

The repayment term of certain bank loans amounting to HK\$64,034,000 (2000: HK\$38,000,000) have 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 from the bankers to renew those loans for a further period of time.

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26. LAND DEMOLITION PAYABLE

Land demolition payable is analysed as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Amounts repayable		
Within one year	263,679	123,624
Between one to two years	–	140,055
	263,679	263,679
Less: Amounts due within one year included in current liabilities	(263,679)	(123,624)
Amounts due after one year	–	140,055

The land demolition payable of approximately HK\$228,811,000 (2000: HK\$228,811,000) was jointly guaranteed by a joint venture partner of a subsidiary and BJNR.

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments THE GROUP		Present value of minimum lease payments THE GROUP	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Amounts payable under finance leases				
Within one year	131	132	100	100
In the second to fifth year inclusive	350	481	292	392
	481	613	392	492
Less: Future finance charges	(89)	(121)	–	–
	392	492	392	492
Less: Amounts due within one year shown under current liabilities			(100)	(100)
Amounts due after one year			292	392

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28. SHARE CAPITAL

	No. of shares	US\$
<i>Authorised:</i>		
Shares of US\$1 each		
Balance as at 1 January 2000	50,000	50,000
		HK\$'000
Redenomination		
Shares of HK\$7.80 each	50,000	390
Subdivision	390,000,000	390
Increase of share capital	110,000,000	110
Balance as at 31 December 2000 and 31 December 2001	500,000,000	500

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28. SHARE CAPITAL (continued)

	No. of shares	US\$
Issued and fully paid:		
Share of US\$1	1	1
		HK\$'000
Shown in the financial statements		
Balance as at 1 January 2000	1	1
Redenomination		
Shares of HK\$7.80 each	1	1
Subdivision		
	7,800	1
Issue of shares on 17 May 2000 of the Company in preparation for listing of the Company's shares on the SEHK ("Reorganisation")		
	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
Exercise of share options		
	11,958,000	12
Issue of new shares (Note 2 below)		
	7,500,000	8
Balance as at 31 December 2001		
	271,758,000	272

Notes:

1. None of the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.
2. On 13 March 2001, arrangement was made for a private placement to an independent investor of 7,500,000 shares of HK\$0.001 each in the Company, at a price at HK\$1.30 per share representing a discount of approximately 2.9% to the closing price of the Company's shares on 13 March 2001. The proceeds were used to reduce borrowings and to provide additional working capital for the Company. These new shares rank pari passu with other shares in issue in all respects.

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28. SHARE CAPITAL (continued)

At 31 December 2001 the following options to subscribe for shares were outstanding under the Company's share option scheme:

	Exercise period	Exercise price per share	No. of options
2000 options	27 July 2000 to 26 July 2003	1.04	1,450,000
2001 A options	13 February 2001 to 12 February 2004	0.64	2,792,000
2001 B options	15 February 2001 to 14 February 2004	0.69	5,000,000
2001 C options	21 February 2001 to 20 February 2004	0.96	1,000,000
			10,242,000

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29. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Investment		Translation reserve HK\$'000	Retained profit (deficit) HK\$'000	Total HK\$'000
			Property revaluation reserve HK\$'000	property revaluation reserve HK\$'000			
THE GROUP							
At 1 January 2000							
– as originally stated	–	–	–	–	2,406	(4,855)	(2,449)
– derecognition of liability of 1999 dividend	–	–	–	–	–	37,951	37,951
– as restated	–	–	–	–	2,406	33,096	35,502
1999 dividend paid	–	–	–	–	–	(37,951)	(37,951)
Net 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)
Net loss for the year	–	–	–	–	–	(74,589)	(74,589)
Premium on placing of shares	9,743	–	–	–	–	–	9,743
Premium on issue of shares on exercise of share options	8,640	–	–	–	–	–	8,640
Realised on disposals of land and buildings	–	–	(1,812)	–	–	1,812	–
Realised on disposals of investment properties	–	–	–	2,006	–	–	2,006
Net surplus on revaluation	–	–	44,451	36,029	–	–	80,480
At 31 December 2001	20,773	4,755	63,367	58,093	1,664	(151,267)	(2,615)

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29. RESERVES (continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
THE COMPANY				
As at 1 January 1999	–	–	–	–
Net 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
As at 31 December 2000	2,390	306,450	(79,710)	229,130
Net loss for the year	–	–	(7,346)	(7,346)
Premium on placing of shares	9,743	–	–	9,743
Premium on issue of shares on exercise of share options	8,640	–	–	8,640
As at 31 December 2001	20,773	306,450	(87,056)	240,167

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 shares issued by the Company at the time of the Reorganisation.

The contribution 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.

30. 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\$28,925,000 (2000: HK\$17,886,000). No deferred asset has been recognised in the financial statements as it is not certain that the asset will crystallise in the foreseeable future.

The amount of unprovided deferred taxation for the year in respect of estimated taxation loss amounted to HK\$11,039,000 (2000: HK\$17,886,000).

Deferred taxation has not been provided on the revaluation surplus arising on the revaluation of land and buildings and investment properties, as the directors consider 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.

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31. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Loss before taxation	(75,164)	(74,941)
Depreciation of property, plant and equipment	2,697	1,246
Loss on disposal of property, plant and equipment	4,015	–
Loss on other investment written off	1,774	–
Interest income	(47)	(12,942)
Interest expenses	16,433	47,053
Decrease (increase) in completed property for sale	45,623	(55,240)
Increase in property under development for sale	(67,535)	(23,653)
Decrease (increase) in prepayments and other receivables	21,398	(26,697)
Decrease in current portion of instalment contract receivables	5,257	4,168
Decrease of instalment contract receivables	–	7,957
(Increase) decrease in accounts receivable	(1,535)	33,396
Increase in taxes payable	1,877	1,014
Increase in accruals and other payables	15,152	1,428
Increase (decrease) in advance from customers	2,578	(5,952)
Decrease in land demolition payable	–	(18,913)
Increase in accounts payable	6,410	8,945
Decrease in other short-term loans	–	(1,878)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(21,067)	(115,009)

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32. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Bank loans HK\$'000	Obligations under finance leases HK\$'000	Minority interests HK\$'000	Amount due to a related party HK\$'000	Amount due from related parties HK\$'000
Balance at 1 January 2000	5,000	235,752	-	35,524	-	222,224
Net cash inflow (outflow) from financing						
Issue of new shares	2,392	-	-	-	-	-
Drawdown of bank loans	-	153,692	-	-	-	-
Repayment of bank loans	-	(158,014)	-	-	-	-
Repayment of obligations under finance leases	-	-	(54)	-	-	-
Advance from a related party	-	-	-	-	2,444	-
Repayment from related parties	-	-	-	-	-	(137,024)
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)	-	-	-	-	(85,200)
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	-
Net cash inflow (outflow) from financing						
Issue of new shares	18,403	-	-	-	-	-
Drawdown of bank loans	-	242,762	-	-	-	-
Repayment of bank loans	-	(30,538)	-	-	-	-
Repayment of obligations under finance leases	-	-	(100)	-	-	-
Increase in amount due from a related party	-	-	-	-	507	-
Other movements not involving cash flows:						
Share of loss for the year	-	-	-	(575)	-	-
Share of reserve movement for the year	-	-	-	833	-	-
Balance at 31 December 2001	21,045	443,224	392	1,177	2,951	-

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33. CONTINGENT LIABILITIES

The Group had provided guarantees for mortgage facilities provided by a bank to the buyers of properties developed by the Group. In addition, bank balances of approximately HK\$518,000 (2000: HK\$599,000) as at 31 December 2001 were restricted as guarantee for these mortgages (see note 21 above). As at 31 December 2001, the outstanding amount of the above mentioned mortgage facilities for which the Group had provided guarantees amounted to approximately HK\$8,509,000 (2000: HK\$26,300,000).

34. LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises, which fall due as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within one year	4,245	4,230
In the second to fifth year inclusive	2,750	6,995
	6,995	11,225

Operating lease payments represent rentals payable by the Group for certain of office properties. Leases are negotiated for an average term of 2 years.

At 31 December 2001, the Company had no commitments under non-cancellable leases (2000: Nil).

The Group as lessor

Property rental income earned during the year was HK\$3,835,000 (2000: HK\$5,378,000). The investments properties are expected to generate rental yields of 1.5% on an ongoing basis. Most of the properties leased have no contracted commitments.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within one year	782	2,830
In the second to fifth year inclusive	476	819
	1,258	3,649

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35. CAPITAL AND CONSTRUCTION COMMITMENTS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
At the balance sheet date, the Group had the following capital and construction commitments:		
Capital expenditure in relation to properties contracted but not provided for	2,390	–
Capital expenditure in relation to the property under development contracted but not provided for	45,043	20,666
Capital expenditure in relation to the property under development authorised but not contracted for	560,220	600,810
Acquisition of investments	–	5,042
	607,653	626,518

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

36. RETIREMENT AND PENSION PLANS

The group companies operating in the PRC have participated in defined contribution retirement schemes organised 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% (2000: 19%) 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 2001 amounted to approximately HK\$827,000 (2000: HK\$74,000).

The Group joined a Mandatory Provident Fund scheme ("MPF Scheme") for all its non-PRC employees in 2000. 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.

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36. RETIREMENT AND PENSION PLANS (continued)

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 retirement benefits scheme contributions arising from the MPF Scheme amounting to HK\$155,000 (2000: Nil).

37. 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	
	2001 HK\$'000	2000 HK\$'000
Estate management service fee to a company controlled by a director	–	286
Rental income from a company controlled by a director	325	325

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) In 2000, 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 that year (note 7 above).

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37. RELATED PARTY TRANSACTIONS (continued)

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

	Balance as at		Maximum debit	
	31 December		balance during the year	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Leadwell International Limited	–	–	–	207,071
Beijing Tian Sha Building Decoration Engineering Co Ltd	179	–	–	2,000
Beijing Profit Mark Property Management Company Limited	2,772	2,444	–	–
	2,951	2,444	–	209,071

Beijing Profit Mark Property Management Company Limited provides building management services to the properties of the Group.

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

- (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 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 Company. Accordingly, the amount due to Guozheng of HK\$2,442,000 (2000: HK\$3,583,000) was included in accounts payable and the previous capital investment of HK\$46,642,000 (2000: HK\$46,642,000) made by Guozheng was classified 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 31 December 2001 (2000: HK\$228,811,000).

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

38. PLEDGE OF ASSETS

At 31 December 2001, the Group had pledged its properties with an aggregate net book value of HK\$989,088,000 (2000: HK\$145,842,000) to secure bank loans granted to its subsidiaries.

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39. SUBSEQUENT EVENT

Subsequent to the balance sheet date, the shareholders of the Company approved the transaction to acquire 49% interest in an associate holding a piece of land in Beijing, PRC from a director, Mr. Leung Kwo, by the issuance of a convertible note of HK\$68 million. The convertible note is interest free and convertible to shares of the Company at a conversion price of HK\$0.992 per share, subject to adjustment.