

NOTES TO THE FINANCIAL STATEMENTS

10 FIXED ASSETS

	Group							Company				
	Investment properties	Properties held for development -Xidan Project	Properties held for development -PRC, others	Leasehold land and buildings	Office equipment	Furniture and fixtures	Motor vehicles	Total	Office equipment	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation												
At 1st January, 2000	614,973	244,606	255,479	92,177	3,232	8,846	6,938	1,226,251	1,012	6,783	2,919	10,714
Additions	400	-	21,187	-	397	669	898	23,551	20	640	899	1,559
Revaluation	13,649	-	-	-	-	-	-	13,649	-	-	-	-
Disposals	-	-	-	-	(792)	(6,662)	(1,290)	(8,744)	(629)	(5,362)	(1,570)	(7,561)
Exchange difference	-	-	-	269	4	4	13	290	-	-	-	-
At 31st December, 2000	629,022	244,606	276,666	92,446	2,841	2,857	6,559	1,254,997	403	2,061	2,248	4,712
Accumulated depreciation												
At 1st January, 2000	-	-	-	67,987	2,290	6,517	5,095	81,889	736	5,523	2,891	9,150
Charge for the year	-	-	-	174	423	1,516	492	2,605	123	673	73	869
Disposals	-	-	-	-	(717)	(6,062)	(1,290)	(8,069)	(560)	(4,772)	(1,570)	(6,902)
Exchange difference	-	-	-	217	3	1	8	229	-	-	-	-
At 31st December, 2000	-	-	-	68,378	1,999	1,972	4,305	76,654	299	1,424	1,394	3,117
Net book value												
At 31st December, 2000	629,022	244,606	276,666	24,068	842	885	2,254	1,178,343	104	637	854	1,595
At 31st December, 1999	614,973	244,606	255,479	24,190	942	2,329	1,843	1,144,362	276	1,260	28	1,564
The analysis of cost or valuation of the above assets at 31st December 2000 is as follows:												
At cost	-	244,606	276,666	92,446	2,841	2,857	6,559	625,975	403	2,061	2,248	4,712
At 2000 professional valuation	629,022	-	-	-	-	-	-	629,022	-	-	-	-
	629,022	244,606	276,666	92,446	2,841	2,857	6,559	1,254,997	403	2,061	2,248	4,712

NOTES TO THE FINANCIAL STATEMENTS

10 FIXED ASSETS (Cont'd)

The Group's interest in investment properties, properties held for development and leasehold land and buildings at their net book values are analysed as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	593,285	577,300
Leases of between 10 to 50 years	34,900	36,800
Leases of less than 10 years	200	250
Outside Hong Kong, held on:		
Leases of over 50 years	3,219	3,258
Leases of between 10 to 50 years	542,758	521,640
	1,174,362	1,139,248

Investment properties and properties held for development were revalued at 31st December, 2000 on the basis of their open market value by independent firms of professional surveyors, Vigers, Hong Kong Limited and DTZ Debenham Tie Leung Limited.

At 31st December, 2000, the net book value of fixed assets pledged as security for the Group's long term loans amounted to HK\$592,800,000 (1999: HK\$576,800,000).

11 INTERESTS IN SUBSIDIARIES

	Company	
	2000	1999
	HK\$'000	HK\$'000
Investments:		
Unlisted shares, at cost	1,914	1,914
Amounts due from subsidiaries, net of provision	1,551,882	1,544,498
Amounts due to subsidiaries	(8,406)	(10,546)
	1,545,390	1,535,866

The details of principal subsidiaries of the Group as at 31st December, 2000 are set out on pages 51 and 52.

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12 INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Share of net assets other than goodwill, after revaluation	800,295	815,878
Amounts due from associated companies, net of provision (note 24(a))	287,130	284,189
Amounts due to associated companies	(6,154)	–
	1,081,271	1,100,067

The interests in associated companies represent unlisted shares in Hong Kong. The details of principal associated companies of the Group as at 31st December, 2000 are set out on page 53.

The properties of the associated companies were valued on an annual basis at 31st December by independent professional surveyors on an open market value basis.

Information on material associated companies

The financial information of a 33 $\frac{1}{3}$ per cent. owned associated company, Zeta Estates Limited ("Zeta"), whose results and financial positions are material in the context of the Group's financial statements, is summarised below.

The financial year end of Zeta is not co-terminous with that of the Company. The information set out below is based on the audited accounts of Zeta covering the two months ended 28th February and the unaudited management accounts for the ten months ended 31st December, adjusted to comply with the Group's accounting policies.

	Zeta Estates Limited	
	2000	1999
	HK\$'000	HK\$'000
Profit and loss account – year ended 31st December		
Turnover	86,538	100,442
Loss after taxation	(1,512)	(12,073)
Loss attributable to the Group	(504)	(4,024)
Balance sheet – as at 31st December		
Investment properties	7,471	7,471
Long term receivables	496	475
Current assets	873,307	878,754
Current liabilities	(22,391)	(20,892)
Long term liabilities	(841,502)	(846,914)
Shareholders' funds	17,381	18,894
Surplus arising from revaluation, based on market value of the underlying assets of the associated company	2,186,029	2,229,675
Adjusted net assets	2,203,410	2,248,569
Net assets attributable to the Group	734,470	749,523

NOTES TO THE FINANCIAL STATEMENTS

13 LONG TERM INVESTMENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted investments, at cost	16,550	17,307	—	—
Provision	(5,000)	(5,000)	—	—
Advances to investee companies	7,482	6,542	—	—
	19,032	18,849	—	—
Club debentures, at cost	2,218	2,212	1,405	1,405
	21,250	21,061	1,405	1,405

14 PROPERTIES HELD UNDER DEVELOPMENT FOR SALE

	Group	
	2000	1999
	HK\$'000	HK\$'000
Development costs incurred plus attributable profits	2,181,955	1,849,763
Less: Provision for diminution in value of properties	(755,073)	(755,073)
	1,426,882	1,094,690

Properties held under development for sale of HK\$1,426,882,000, together with other properties totalling HK\$244,606,000 classified under fixed assets, represent a property development project in the Xidan district of Beijing (the "Xidan Project"), the PRC, undertaken by Beijing Jing Yuan Property Development Co., Ltd. ("Jingyuan"), a 60% owned subsidiary of the Group.

As more fully disclosed in the announcement made by the Company on 30th March, 2000, the Group entered into agreements on 27th March, 2000 (the "Agreements") with an investor in connection with the Xidan Project. The Agreements are conditional upon sufficient bank loans being obtained to finance the Xidan Project. The Group's effective interests in Jingyuan, i.e. the Xidan Project, would be reduced from 60% to 29.4% should the Agreements become effective.

NOTES TO THE FINANCIAL STATEMENTS

14 PROPERTIES HELD UNDER DEVELOPMENT FOR SALE *(Cont'd)*

During the year, sale of the completed phases of the Xidan Project was resumed, and the Group has sold certain of its office units resulting in proceeds of RMB478,775,000 (HK\$450,824,000). In addition, in September 2000, Jingyuan obtained a long term bank loan of RMB720 million (HK\$678 million), with an undertaking by Jingyuan that it would be successful in obtaining the remaining necessary loan facilities from other financial institutions, and that the Agreements would be properly effected. Based on best information currently available, Jingyuan estimates the amount of further funding required for the completion of the Xidan Project to be in the region of RMB1.5 billion (HK\$1.4 billion). The Group is currently negotiating with a bank for a RMB1.5 billion (HK\$1.4 billion) loan and the directors are confident that the loan will be obtained in the foreseeable future. In preparing the accounts, the directors have taken into account all available information, including those possible effects arising from the Agreements, and consider that no further provision for the Xidan Project is necessary.

15 TRADE RECEIVABLES

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

	Group	
	2000	1999
	HK\$'000	HK\$'000
Current	1,699	2,115
31-60 days	213	15,653
61-90 days	131	169
over 90 days	51	2,695
	2,094	20,632

A majority of the Group's trade receivables in the current year are rental charges due from tenants which are due on presentation of invoices.

NOTES TO THE FINANCIAL STATEMENTS

16 TRADE PAYABLES

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

	Group	
	2000	1999
	HK\$'000	HK\$'000
Current	668	86
31-60 days	667	13
61-90 days	1,017	73
over 90 days	320,049	299,408
	322,401	299,580

17 SHARE CAPITAL

	Company	
	2000	1999
	HK\$'000	HK\$'000
Authorised:		
1,600,000,000 ordinary shares of HK\$0.50 each	800,000	800,000
Issued and fully paid:		
1,135,606,000 ordinary shares of HK\$0.50 each	567,803	567,803

18 EXECUTIVE SHARE OPTION SCHEME

Under the executive share option scheme of the Company, the Directors may, at their absolute discretion, invite executives of the Group to take up options to subscribe for shares of the Company pursuant to the terms and conditions stipulated therein.

At 1st January, 2000, the Company had outstanding options granted to certain Directors and employees to subscribe for 23,100,000 shares of the Company at a subscription price of HK\$3.676 per share. No options had been exercised during the year and the outstanding options are exercisable within five years from June 1997 to June, 2002.

NOTES TO THE FINANCIAL STATEMENTS

19 RESERVES

Group

	Share premium account <i>HK\$'000</i>	Investment properties revaluation reserve <i>HK\$'000</i>	Other properties revaluation reserve <i>HK\$'000</i>	Exchange difference reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 1999	694,070	381,422	779,040	9,576	(162,885)	1,701,223
Revaluation reserve realised upon disposal of properties of associated companies	–	–	(2,141)	–	–	(2,141)
Revaluation deficit realised upon disposal of investment properties	–	850	–	–	–	850
Exchange reserve realised upon disposal of a subsidiary	–	–	–	(6,854)	–	(6,854)
Deficit arising from revaluation of the Group's investment in associated companies based on market value of their underlying assets	–	–	(16,895)	–	–	(16,895)
Exchange differences	–	–	–	1,747	–	1,747
Loss for the year attributable to shareholders	–	–	–	–	(65,536)	(65,536)
At 31st December, 1999	<u>694,070</u>	<u>382,272</u>	<u>760,004</u>	<u>4,469</u>	<u>(228,421)</u>	<u>1,612,394</u>
Dealt with by:						
Company and subsidiaries	694,070	382,272	–	4,469	(215,235)	865,576
Associated companies	–	–	760,004	–	(13,186)	746,818
At 31st December, 1999	<u>694,070</u>	<u>382,272</u>	<u>760,004</u>	<u>4,469</u>	<u>(228,421)</u>	<u>1,612,394</u>
At 1st January, 2000	694,070	382,272	760,004	4,469	(228,421)	1,612,394
Revaluation reserve realised upon disposal of properties of associated companies	–	–	(2,277)	–	–	(2,277)
Surplus arising from revaluation of the Group's investment properties	–	13,053	–	–	–	13,053
Deficit arising from revaluation of the Group's investments in associated companies based on market value of their underlying assets	–	–	(13,254)	–	–	(13,254)
Exchange differences	–	–	–	1,311	–	1,311
Loss for the year attributable to shareholders	–	–	–	–	(28,272)	(28,272)
At 31st December, 2000	<u>694,070</u>	<u>395,325</u>	<u>744,473</u>	<u>5,780</u>	<u>(256,693)</u>	<u>1,582,955</u>
Dealt with by:						
Company and subsidiaries	694,070	395,325	–	5,780	(243,455)	851,720
Associated companies	–	–	744,473	–	(13,238)	731,235
At 31st December, 2000	<u>694,070</u>	<u>395,325</u>	<u>744,473</u>	<u>5,780</u>	<u>(256,693)</u>	<u>1,582,955</u>

NOTES TO THE FINANCIAL STATEMENTS

19 RESERVES (Cont'd)

Company

	Share premium account <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 1999	694,070	93,244	787,314
Profit for the year	—	20,672	20,672
At 31st December, 1999	694,070	113,916	807,986
At 1st January, 2000	694,070	113,916	807,986
Profit for the year	—	1,534	1,534
At 31st December, 2000	694,070	115,450	809,520

Distributable reserves of the Company at 31st December, 2000, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$115,450,000 (1999: HK\$113,916,000).

20 BANK LOANS AND OVERDRAFTS

	Group		Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Short term bank loans				
– secured	163,667	—	—	—
– unsecured	564,690	264,228	—	—
Long term bank loans, secured				
– Current portion	—	93,253	—	—
– Non-current portion	839,966	441,758	162,000	162,000
	839,966	535,011	162,000	162,000
	1,568,323	799,239	162,000	162,000

NOTES TO THE FINANCIAL STATEMENTS

20 BANK LOANS AND OVERDRAFTS (Cont'd)

At 31st December, 2000, the Group's bank loans were repayable as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Within one year	728,357	357,481	—	—
In the second year	46,000	124,336	46,000	—
In the third to fifth years	228,994	317,422	116,000	162,000
After the fifth year	564,972	—	—	—
	839,966	441,758	162,000	162,000
	1,568,323	799,239	162,000	162,000

(a) The short term banking facilities comprise:

- (i) Three short term bank loans of RMB350 million (HK\$330 million), RMB80 million (HK\$75 million) and RMB40 million (HK\$38 million) granted to Jingyuan as working capital for the Xidan Project. Jingyuan is owned as to 60% by Keen Safe Investment Limited, a wholly-owned subsidiary of the Company and as to 40% by Beijing Huayuan Property Company Limited ("Huayuan"), a joint stock company established in the PRC. The bank loan of RMB350 million (HK\$330 million) is guaranteed by Huayuan, and the remaining loans are guaranteed by Beijing Huafang Investment and Operation Company.
- (ii) A short term bank loan amounting to RMB109 million (HK\$102 million) (1999: RMB109 million (HK\$102 million)) obtained by Beijing Form Long Property Company Limited ("Form Long"), a company established in the PRC which is owned as to 85% by Turbo Dragon Limited ("Turbo Dragon"), a wholly-owned subsidiary of the Company.
- (iii) Two short term bank loans which in aggregate, amounted to RMB20.7 million (HK\$19.5 million) (1999: RMB21.7 million (HK\$20.4 million)) obtained by Beijing Dan Yao Property Company Limited ("Dan Yao"), a company established in the PRC which is owned as to 85% by Enfort Company Limited, ("Enfort"), a wholly-owned subsidiary of the Company. One of these loans, amounting to RMB19 million (HK\$17.9 million) (1999: RMB20 million (HK\$18.8 million)) is guaranteed by Beijing No. 6 Construction Company.
- (iv) A bank overdraft facility of HK\$100 million, secured by first legal charges over the properties held by a wholly-owned subsidiary of the Company and share charges over the issued shares of certain subsidiaries of the Company. The overdraft facility was utilised to the extent of HK\$7,515,000 as at 31st December, 2000.

NOTES TO THE FINANCIAL STATEMENTS

20 BANK LOANS AND OVERDRAFT (Cont'd)

- (v) A bank loan amounting to US\$21 million (HK\$163.6 million) (1999: US\$48 million (HK\$373 million)) which is secured by a mortgage on the properties of Jingyuan known as Lot Nos. 1 and 9 of the Xidan Project, assignments of the underlying construction contracts, insurance and proceeds and accounts as defined in the relevant loan agreement, the subordination and undertakings provided by Keen Safe, Huayuan and the Company and an irrevocable guarantee provided by the Company. In consideration of the Company providing the irrevocable guarantee, Huayuan has executed a counter-guarantee in favour of the Company to the extent of 40% of the loan. The loan was repaid on 20th February, 2001.
- (b) The long term banking facilities comprise:
- (i) A loan amounting to HK\$162 million (1999: HK\$162 million) which is secured by first legal charges over the properties held by a wholly-owned subsidiary of the Company and share charges over the issued shares of certain subsidiaries of the Company.
- (ii) A bank loan facility granted to Jingyuan on 12th September, 2000 amounting to RMB720 million (HK\$678 million) which is secured by a mortgage on the properties of Jingyuan known as Lot No. 4 of the Xidan Project.

21 DEFERRED TAXATION

	Group	
	2000 HK\$'000	1999 HK\$'000
Revaluation of investment properties		
At 1st January	77,883	77,873
Surplus on revaluation during the year	2,495	—
Exchange difference	10	10
At 31st December	80,388	77,883

Deferred taxation arising from revaluation of investment properties mainly represents the taxation on the revaluation surplus of the Group's properties in Hong Kong and upon reclassification from properties held for sale to investment properties in previous years, which has been allowed to be deferred until the disposal of the properties.