

NOTES TO THE ACCOUNTS

21 ACCOUNTS PAYABLE AND ACCRUED CHARGES

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

	2000 HK\$'000	1999 HK\$'000
Less than 30 days	128,894	61,499
31-90 days	124,431	62,364
Over 90 days	34,528	73,341
	<u>287,853</u>	<u>197,204</u>

22 SHARE CAPITAL

	2000 HK\$'000	1999 HK\$'000
Authorised: 5,000,000,000 (1999: 5,000,000,000) ordinary shares of HK\$0.10 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid: 3,937,627,400 (1999: 3,936,503,400) ordinary shares of HK\$0.10 each	<u>393,762</u>	<u>393,650</u>
	No. of shares	HK\$'000
At 31st December 1998	3,618,980,614	361,898
Issue of shares	<u>317,522,786</u>	<u>31,752</u>
At 31st December 1999	<u>3,936,503,400</u>	<u>393,650</u>
At 31st December 2000	3,936,503,400	393,650
Exercise of options	<u>1,124,000</u>	<u>112</u>
At 31st December 2000	<u>3,937,627,400</u>	<u>393,762</u>

During the year, 1,124,000 ordinary shares of HK\$0.1 each were issued upon the exercise of 1,124,000 share options at an exercise price of HK\$0.5008 each.

NOTES TO THE ACCOUNTS

23 SHARE OPTIONS

Pursuant to share option schemes adopted on 21st November 1992 and 23rd June 1998 respectively, the Directors may, at their discretion, grant directors and employees of the Group options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. Particulars and movements of share options during the year are as follows:

Date of grant	Exercise price HK\$	Balance outstanding as at 1st January 2000	Options exercised during the year	Option cancelled during the year	Balance outstanding as at 31st December 2000
6th March 1995	1.0016 (a)	18,848,000	-	-	18,848,000
23rd February 1998	0.7344 (b)	22,600,000	-	-	22,600,000
4th September 1998	0.3936 (c)	70,000,000	-	-	70,000,000
14th December 1999	0.5008 (c)	67,850,000	(1,124,000)	(2,700,000)	64,026,000
		<u>179,298,000</u>	<u>(1,124,000)</u>	<u>(2,700,000)</u>	<u>175,474,000</u>

- (a) The share options were expired on 5th March 2001.
- (b) The share options are exercisable at any time between the date of grant and the business day preceding 21st November 2002.
- (c) The share options are exercisable at any time between the first anniversary of the date of grant and the business day preceding the sixth anniversary of the date of grant of which a maximum of 30 per cent and 100 per cent thereof are exercisable from the first and second anniversaries of the date of grant respectively.
- (d) No option had been granted during the year.
- (e) Exercise in full of all outstanding share options would result in the issue of 175,474,000 ordinary shares at an aggregate cash consideration of approximately HK\$95,092,000.

NOTES TO THE ACCOUNTS

24 RESERVES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share premium account				
At 1st January	4,854,300	4,666,962	4,854,300	4,666,962
Net proceeds from issue of ordinary shares	423	187,338	423	187,338
At 31st December	4,854,723	4,854,300	4,854,723	4,854,300
Capital redemption reserve				
At 1st January and 31st December	1,815	1,815	1,815	1,815
Capital reserve				
At 1st January	120,594	278,112	-	-
Goodwill written off arising from the acquisition of subsidiaries, associated companies and jointly controlled entities	(103,152)	(154,343)	-	-
Release of reserve upon the disposal of properties under development and properties held for sales	(22,899)	(11,748)	-	-
Release of goodwill upon disposal/ wound up of a subsidiary/ associated companies/ jointly controlled entities	5,457	8,573	-	-
At 31st December	-	120,594	-	-
Statutory reserves - enterprise expansion and general reserve funds				
At 1st January	73,698	61,625	-	-
Transfer from retained profits	6,459	12,073	-	-
At 31st December	80,157	73,698	-	-
Exchange fluctuation reserve				
At 1st January	(58,399)	(63,226)	-	-
Exchange gain on translation of accounts of overseas subsidiaries, associated companies and jointly controlled entities	290	4,179	-	-
Release of reserve upon disposal/ written off of a subsidiary/ associated company/ jointly controlled entities	1,285	648	-	-
At 31st December	(56,824)	(58,399)	-	-

NOTES TO THE ACCOUNTS

24 RESERVES (cont'd)

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retained profits				
At 1st January	1,243,437	1,236,684	48,551	38,514
Profit for the year	111,554	18,826	17,354	10,037
Goodwill written off arising from the acquisition of subsidiaries, associated companies and jointly controlled entities not covered by capital reserves	(136,619)	-	-	-
Transfer to statutory reserves	(6,459)	(12,073)	-	-
At 31st December	1,211,913	1,243,437	65,905	48,551
	6,091,784	6,235,445	4,922,443	4,904,666

- (a) Included in the Group's retained profits are profits amounting to HK\$236,964,000 (1999: HK\$289,157,000) and losses of HK\$51,798,000 (1999: losses of HK\$35,125,000) which are attributable to associated companies and jointly controlled entities respectively.
- (b) Enterprise expansion and general reserve funds represent funds set up by the operating subsidiaries, jointly controlled entities and associated companies in China. According to the Foreign Investment Enterprises Accounting Standards in China, upon approval, the general reserve fund may be used for making up losses and increasing capital while the enterprise expansion fund may be used for increasing capital. At 31st December 2000, the amount of enterprise expansion and general reserve funds attributable to subsidiaries and an associated company was HK\$76,933,000 (1999: HK\$73,132,000) and HK\$3,224,000 (1999: HK\$566,000) respectively.
- (c) Distributable reserves of the Company at 31st December 2000, calculated under Section 79B of the Companies Ordinance, amounted to HK\$65,905,000 (1999: HK\$48,551,000).

NOTES TO THE ACCOUNTS

25 LONG-TERM LIABILITIES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans				
– Secured (note 35)	1,048,294	965,214	117,000	–
– Unsecured	939,831	820,802	312,000	390,000
Obligations under finance leases	1,017	4,301	1,017	1,788
Loans from a shareholder	–	27,200	8,710	26,837
Loans from a related company	94,297	22,743	–	–
Loans from minority shareholders of subsidiaries	1,961,141	1,819,136	–	–
Other loans	50,219	46,069	–	–
Convertible bonds (note 27)	581,473	344,450	486,473	249,450
	<u>4,676,272</u>	<u>4,049,915</u>	<u>925,200</u>	<u>668,075</u>
Less: Amount repayable within one year classified under current liabilities	<u>(1,302,360)</u>	<u>(603,419)</u>	<u>(321,142)</u>	<u>(105,399)</u>
	<u><u>3,373,912</u></u>	<u><u>3,446,496</u></u>	<u><u>604,058</u></u>	<u><u>562,676</u></u>

NOTES TO THE ACCOUNTS

25 LONG-TERM LIABILITIES (cont'd)

Long-term loans are repayable over the following periods:

(a) Group

	2000							1999							
	Obligations under		Loans from		Other loans	Convertible bonds	Total	Obligations under		Loans from		Other loans	Convertible bonds	Total	
	Bank finance leases	a related company	minority of shareholders	Bank finance leases				Loans from a shareholder	Loan from a related company	minority of shareholders					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000				HK\$'000	HK\$'000	HK\$'000	HK\$'000				HK\$'000
On demand or within a period not exceeding one year	1,056,674	432	94,297	55,957	-	95,000	1,302,360	483,591	2,593	27,200	22,743	67,292	-	-	603,419
Within a period of more than one year but not exceeding two years	600,001	585	-	-	-	249,450	850,036	677,656	984	-	-	-	-	-	678,640
Within a period of more than two years but not exceeding five years	329,693	-	-	-	-	237,023	566,716	622,811	724	-	-	-	-	344,450	967,985
Within a period of not less than five years	1,757	-	-	-	-	-	1,757	1,958	-	-	-	-	-	-	1,958
With no fixed repayment terms	-	-	-	1,905,184	50,219	-	1,955,403	-	-	-	-	1,751,844	46,069	-	1,797,913
	<u>1,988,125</u>	<u>1,017</u>	<u>94,297</u>	<u>1,961,141</u>	<u>50,219</u>	<u>581,473</u>	<u>4,676,272</u>	<u>1,786,016</u>	<u>4,301</u>	<u>27,200</u>	<u>22,743</u>	<u>1,819,136</u>	<u>46,069</u>	<u>344,450</u>	<u>4,049,915</u>
Interest bearing															
Repayable within one year	1,056,674	432	94,297	55,957	-	95,000	1,302,360	483,591	2,593	27,200	22,743	67,292	-	-	603,419
Repayable over one year	931,451	585	-	750,976	-	486,473	2,169,486	1,302,425	1,708	-	-	547,171	-	344,450	2,195,754
	<u>1,988,125</u>	<u>1,017</u>	<u>94,297</u>	<u>806,933</u>	<u>-</u>	<u>581,473</u>	<u>3,471,846</u>	<u>1,786,016</u>	<u>4,301</u>	<u>27,200</u>	<u>22,743</u>	<u>614,463</u>	<u>-</u>	<u>344,450</u>	<u>2,799,173</u>
Non-interest bearing															
repayable over one year	-	-	-	1,154,208	50,219	-	1,204,427	-	-	-	-	1,204,673	46,069	-	1,250,742
	<u>1,988,125</u>	<u>1,017</u>	<u>94,297</u>	<u>1,961,141</u>	<u>50,219</u>	<u>581,473</u>	<u>4,676,272</u>	<u>1,786,016</u>	<u>4,301</u>	<u>27,200</u>	<u>22,743</u>	<u>1,819,136</u>	<u>46,069</u>	<u>344,450</u>	<u>4,049,915</u>

Loans from a shareholder, a related company, minority shareholders of subsidiaries and other loans are unsecured, interest bearing at 3.5 per cent to 9.25 per cent per annum except for an aggregate amount of approximately HK\$1,205 million (1999: approximately HK\$1,250 million) which is interest free. Those portion of loans classified as with no fixed repayment terms would not be demanded for repayment within twelve months from the balance sheet date.

NOTES TO THE ACCOUNTS

25 LONG-TERM LIABILITIES (cont'd)

(b) Company

	2000					1999				
	Convertible bonds HK\$'000	Bank loans HK\$'000	Obligations under finance lease HK\$'000	Loan from a shareholder HK\$'000	Total HK\$'000	Convertible bonds HK\$'000	Bank loans HK\$'000	Obligations under finance lease HK\$'000	Loan from a shareholder HK\$'000	Total HK\$'000
On demand or within a period not exceeding one year	-	312,000	432	8,710	321,142	-	78,000	562	26,837	105,399
Within a period of more than one year but not exceeding two years	249,450	117,000	585	-	367,035	-	312,000	502	-	312,502
Within a period of more than two years but not exceeding five years	237,023	-	-	-	237,023	249,450	-	724	-	250,174
	<u>486,473</u>	<u>429,000</u>	<u>1,017</u>	<u>8,710</u>	<u>925,200</u>	<u>249,450</u>	<u>390,000</u>	<u>1,788</u>	<u>26,837</u>	<u>668,075</u>
Interest bearing										
Repayable within one year	-	312,000	432	8,710	321,142	-	78,000	562	26,837	105,399
Repayable over one year	<u>486,473</u>	<u>117,000</u>	<u>585</u>	<u>-</u>	<u>604,058</u>	<u>249,450</u>	<u>312,000</u>	<u>1,226</u>	<u>-</u>	<u>562,676</u>
	<u>486,473</u>	<u>429,000</u>	<u>1,017</u>	<u>8,710</u>	<u>925,200</u>	<u>249,450</u>	<u>390,000</u>	<u>1,788</u>	<u>26,837</u>	<u>668,075</u>

26 DEFERRED TAXATION

(a) Movements of deferred taxation account are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Balance brought forward	11,037	7,606
Transferred from profit and loss account (note 5)	<u>2,440</u>	<u>3,431</u>
Balance carried forward	<u>13,477</u>	<u>11,037</u>
Provided for in respect of:		
Accelerated depreciation allowances	<u>13,477</u>	<u>11,037</u>

NOTES TO THE ACCOUNTS

26 DEFERRED TAXATION (cont'd)

(b) As at 31st December 2000, the Group has the following unprovided deferred tax assets/(liabilities):

	Group	
	2000 HK\$'000	1999 HK\$'000
Accelerated depreciation allowances	(5,146)	(5,568)
Tax losses	15,727	18,804
Other timing differences	-	(2,260)
	<u>10,581</u>	<u>10,976</u>

No provision for deferred taxation asset has been provided in the accounts as it is uncertain whether the asset will crystallise in the foreseeable future.

(c) The surplus and deficit arising on revaluation of investment properties does not constitute a timing difference and accordingly there are no deferred tax implications.

27 CONVERTIBLE BONDS

		Group		Company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bonds to be converted into shares of:					
The Company	(a)	486,473	249,450	486,473	249,450
GZI Transport	(b)	95,000	95,000	-	-
		<u>581,473</u>	<u>344,450</u>	<u>486,473</u>	<u>249,450</u>

NOTES TO THE ACCOUNTS

27 CONVERTIBLE BONDS (cont'd)

- (a) As at 31st December 2000, the Company has outstanding convertible bonds detailed as follows:-

Issue date	Total amount of issued convertible bonds ("CB") HK\$'000	Interest rate per annum	Conversion price per share	Exercise period	Redeemable date	Redeemable amount as % to the principal amount
1st August 2000	237,023	3%	0.6168	1st February 2001- 31st July 2003	31st July 2003	105%
30th December 1999	249,450	3%	0.76	30th December 2000- 29th December 2002	29th December 2002	105%

Each CB of HK\$100,000 can convert into the number of shares as determined by dividing the principal amount of the CB by the above conversion prices per share.

- (b) On 14th December 1998, convertible bonds ("Bonds") of HK\$95,000,000 was issued by GZI Transport. The Bonds bear interest at a rate of 7 per cent per annum payable semi-annually in arrear in June and December of each year. Each Bond will, at the option of the holder, be convertible on or before the business day immediately preceding 14th December 2001 into fully-paid ordinary shares of GZI Transport of HK\$0.1 each at a price of HK\$2.0424 per share (subject to adjustment). Shares issued on conversion will rank pari passu in all respects with shares in issue at the time of conversion.

Unless previously repaid, redeemed, purchased or converted, the Bonds will be repaid on 14th December 2001 at their principal amount with accrued interest up to 13th December 2001. Each holder of the Bonds are entitled to require GZI Transport to redeem all or part of their Bonds at their principal amount together with accrued interest on 14th December 1999 and 2000, the first and second anniversaries of the date of issue.

During the year, no CB and Bonds were repaid, redeemed, purchased or converted.

NOTES TO THE ACCOUNTS

28 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Operating profit	766,837	520,136
Bad debts written off/provision for doubtful debts	37,391	74,578
Interest income	(41,464)	(47,574)
Deficit on revaluation of investment properties of the Group	-	50,128
Reversal of deficit on revaluation of investment properties charged to profit and loss in previous years	(62,314)	-
Amount due from a joint venture partner written off	-	9,299
Loss on wound up of subsidiaries and associated companies	-	8,307
Gain on disposal of a subsidiary	(8,602)	-
Release of exchange fluctuation reserve upon disposal of a subsidiary	1,285	-
Transfer of goodwill previously written off upon disposal of a subsidiary	5,457	-
Dividend income	(55,528)	(65,251)
Amortisation of other investments in joint ventures	8,818	12,143
Depreciation charges	263,112	205,789
Loss on disposals of fixed assets	21,086	17,344
(Increase)/decrease in inventories	(34,023)	59,292
(Increase)/decrease in accounts receivable, prepayments and deposits including amounts due from a shareholder related companies and minority shareholders of subsidiaries	(180,797)	355,296
Increase in accounts payable and accrued charges, including amounts due to a related company	(25,208)	127,403
Net increase in properties under development and held for sale	(142,762)	(581,683)
Decrease/(increase) in interests in property development projects	75,990	(37,446)
Net cash inflow from operating activities	<u>629,278</u>	<u>707,761</u>