

# Notes to Financial Statements

*for the year ended 31 December 2000*

## 1. Corporate Information

The company is a listed limited company incorporated in Hong Kong. Its ultimate holding company is Shum Yip Holdings Company Limited ("Shum Yip Holdings"), a private company incorporated in Hong Kong.

The principal activities of the Group are property development and investment, the provision of transportation services and investment in infrastructure businesses.

## 2. Summary of Significant Accounting Policies

### Basis of preparation

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

### Basis of consolidation

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

### Subsidiaries

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

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

### Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are stated at cost less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

# Notes to Financial Statements

for the year ended 31 December 2000

## 2. Summary of Significant Accounting Policies (Continued)

### Goodwill and capital reserve

Goodwill arising on consolidation of subsidiaries and on the acquisition of associates represents the excess of purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. The capital reserve arising on the consolidation of subsidiaries and on the acquisition of associates represents the excess of fair values ascribed to the net underlying assets acquired over the purchase consideration paid. On disposal of subsidiaries or associates, the relevant portion of the attributable goodwill or capital reserve previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

### Fixed assets and depreciation

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

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

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the shorter of the term of the lease or 20 years
Plant and machinery	10% to 25%
Furniture, fixtures and equipment	10% to 25%
Motor vehicles	9% to 20%

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

Construction in progress represents a building under construction and is stated at cost and is not depreciated. Cost comprises direct costs of construction and interest charges on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

# Notes to Financial Statements

for the year ended 31 December 2000

## 2. Summary of Significant Accounting Policies (Continued)

### Investment properties

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

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

### Properties under development

Properties under development, for which pre-sales have not yet commenced, are stated at cost less provisions for permanent diminutions in values, if any, deemed necessary by the directors. Cost includes all costs attributable to such developments, including financial charges.

Properties under development which have been pre-sold are stated at cost plus attributable profits less sales deposits/instalments received and any foreseeable losses. Properties under development which have been pre-sold are classified under current assets.

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on properties pre-sold during the period is calculated by reference to the proportion of construction costs incurred up to the balance sheet date to the estimated total construction costs to completion, limited to the amount of sales deposits/instalments received under legally binding contracts at the balance sheet date, with due allowances for contingencies.

### Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development cost attributable to the unsold properties. Net realisable value is estimated by the directors based on prevailing market prices, on an individual property basis.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

# Notes to Financial Statements

for the year ended 31 December 2000

## 2. Summary of Significant Accounting Policies (Continued)

### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to operating leases relating to the development of properties are capitalised during the development period. All other rentals are charged to the profit and loss account on the straight-line basis over the lease terms.

### Intangible assets

Vehicle licences acquired by the Group are stated at cost less accumulated amortisation. Amortisation is calculated on the straight-line basis over the term of the respective licences.

### Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Held-to-maturity debt securities are redeemable at fixed dates, intended to be held to maturity and are stated at amortised cost less provisions for diminutions in values, on an individual investment basis. Amortised cost is cost plus or minus the cumulative amortisation of the difference between the purchase price and the maturity amount. Provisions for diminutions in values are made when carrying amounts are not expected to be recovered and are charged to the profit and loss account.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis.

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

### Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

# Notes to Financial Statements

for the year ended 31 December 2000

## 2. Summary of Significant Accounting Policies (Continued)

### Infrastructure project investments

Investments in infrastructure projects which do not fall into the definition of subsidiaries, associates or jointly-controlled entities are classified as infrastructure project investments if the Group's return to be derived therefrom is predetermined in accordance with the provisions of the relevant agreements, and if the Group is not entitled to share in the project assets at the end of the investment period.

The Group's interests in the infrastructure project investments are recorded at cost less amortisation, which is calculated over the respective contract period on a straight line basis from the commencement of the projects' operations, or the Group's entitlement to income. Where the estimated recoverable amounts of these investments fall below their carrying amounts, the carrying amounts are written down to the recoverable amounts. Income from these investments is recognised when the Group's right to receive payment is established.

### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

### Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

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

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

# Notes to Financial Statements

for the year ended 31 December 2000

## 2. Summary of Significant Accounting Policies (Continued)

### Convertible guaranteed bonds

Convertible bonds are regarded as liabilities until conversion actually occurs. The finance costs, including the premium payable upon the final redemption of the convertible bonds, recognised in the profit and loss account in respect of the convertible bonds is calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible bonds for each accounting period.

The costs incurred in connection with the issue of convertible bonds are deferred and amortised on a straight-line basis over the lives of convertible bonds from the date of the issue of the bonds to their final redemption date. If any convertible bonds are purchased and cancelled, redeemed or converted prior to the final redemption date, an appropriate portion of any remaining unamortised costs will be charged immediately to the profit and loss account.

### Revenue recognition

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

- (a) from the sale of properties, when the legally binding unconditional sales contracts are signed and exchanged;
- (b) from the pre-sale of properties under development, when the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined and on the basis set out under the accounting policy headed "Properties under development";
- (c) rental income, in the period in which the properties are let out on the straight-line basis over the lease terms;
- (d) income from transportation services, when transportation services are rendered;
- (e) services income, when services are rendered;
- (f) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (g) dividends, when the shareholder's right to receive payment is established.

### Related parties

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

# Notes to Financial Statements

for the year ended 31 December 2000

## 2. Summary of Significant Accounting Policies (Continued)

### Cash equivalents

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

### Retirement benefits scheme

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

Prior to the Scheme being effective, the Group operated a defined contributions retirement benefits scheme for those employees who were eligible to participate in the scheme. This scheme operated in a similar way to the Mandatory Provident Fund retirement benefit scheme, except that when an employee left the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. With effect from 1 December 2000, this scheme was terminated.

Each of the subsidiaries operating in the PRC mainland participates in the Central Pension Scheme ("CPS") operated by the PRC government for all its staff. These PRC subsidiaries are required to contribute a certain percentage of their covered payroll to the CPS to fund the benefits. The only obligation of the Group with respect to the CPS is to pay the ongoing required contributions under the CPS. Contributions under the CPS are charged to the profit and loss account as they become payable in accordance with the rules of the CPS.

# Notes to Financial Statements

for the year ended 31 December 2000

## 3. Turnover

Turnover represents proceeds from sale of properties and pre-sale of properties under development, rental income, income from transportation services and others.

Included in the Group's turnover is revenue arising from the following activities:

	Group	
	2000 HK\$'000	1999 HK\$'000
Sale of properties and pre-sale of properties under development	736,178	530,908
Rental income	128,398	126,202
Income from transportation services	261,352	256,246
Others	65,842	51,305
	<u>1,191,770</u>	<u>964,661</u>

## 4. Profit from Operating Activities

The Group's profit from operating activities is arrived at after charging:

	Group	
	2000 HK\$'000	1999 HK\$'000
Auditors' remuneration	2,689	2,715
Depreciation of fixed assets	61,187	54,329
Issue costs of convertible bonds written off upon repurchase	1,671	3,608
Loss on disposal of fixed assets	1,067	1,386
Exchange losses, net	1,224	1,974
Provisions for diminutions in values of properties under development	9,736	8,006
Operating lease rentals in respect of premises	2,766	2,478
Amortisation of intangible assets	2,387	2,162
Amortisation of infrastructure project investments	4,372	4,370
Staff costs (excluding director's remuneration – note 7)		
Wages and salaries	87,818	80,005
Net pension contributions	9,035	8,960
	<u>96,853</u>	<u>88,965</u>
and after crediting:		
Gross rental income	128,392	126,202
Less: Outgoing expenses	<u>(30,930)</u>	<u>(30,500)</u>
Net rental income	<u>97,462</u>	<u>95,702</u>
Gain on termination of infrastructure investment	–	935
Bad debts recovery	<u>6,769</u>	<u>3,556</u>



# Notes to Financial Statements

for the year ended 31 December 2000

## 5. Finance Costs

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest on:		
Bank loans wholly repayable within 5 years	28,381	20,109
Bank loans wholly repayable over 5 years	20,717	19,981
Other loans wholly repayable within 5 years	3,190	5,464
Convertible bonds	11,921	12,078
Accretion of convertible bond premium on redemption	37,686	54,103
Amortisation of convertible bond issue expenses	5,381	6,143
	<hr/>	<hr/>
Total finance costs	107,276	117,878
Less: Amounts capitalised under properties development projects	(23,302)	(20,966)
	<hr/>	<hr/>
	83,974	96,912
	<hr/>	<hr/>

## 6. Investment Income

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest earned on bank deposits	43,570	90,711
Dividends received and receivable from investments		
Listed investments	1,608	372
Unlisted investments	13,298	14,512
Net income from infrastructure project investment	–	2,955
Unrealised holding gains on listed securities	401	217
Other interest income	23,738	11,798
	<hr/>	<hr/>
	82,615	120,565
	<hr/>	<hr/>

# Notes to Financial Statements

for the year ended 31 December 2000

## 7. Directors' Remuneration

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Fees:		
Executive directors	55	30
Independent non-executive directors	90	90
	<u>145</u>	<u>120</u>
Other emoluments (executive directors):		
Salaries, allowances and benefits in kind	2,947	2,513
Pension scheme contribution	261	242
	<u>3,208</u>	<u>2,755</u>
	<u><u>3,353</u></u>	<u><u>2,875</u></u>

Fee include HK\$90,000 (1999: HK\$90,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (1999: Nil).

The remuneration of the directors for the year fell within the following band:

	Number of directors	
	2000	1999
Nil – HK\$1,000,000	<u>5</u>	<u>5</u>

No value is included in the remuneration of the directors in respect of share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted.

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

# Notes to Financial Statements

for the year ended 31 December 2000

## 8. Five Highest Paid Employees

The five highest paid employees during the year included five (1999: five) directors, details of whose remuneration are set out in note 7 above.

## 9. Tax

	2000 HK\$'000	1999 HK\$'000
Group:		
Hong Kong, PRC	11,456	7,884
Elsewhere, PRC	11,683	22,296
Under/(over) provision in prior year	(4,333)	4,468
Deferred PRC Enterprise Income Tax – note 27	17,877	(2,452)
	<b>36,683</b>	32,196
Share of tax attributable to:		
Associates	45,799	12,598
Tax charge for the year	<b>82,482</b>	44,794

Hong Kong profits tax is provided at the rate of 16% (1999: 16%) on the estimated assessable profit arising in Hong Kong during the year. Taxes on profits assessable elsewhere in the People's Republic of China (the "PRC") are calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 10. Net Profit from Ordinary Activities Attributable to Shareholders

The net profit from ordinary activities attributable to shareholders had been dealt with in the financial statements of the Company is HK\$124,061,000 (1999: HK\$ 234,946,000).

## 11. Dividends

	2000 HK\$'000	1999 HK\$'000
Interim – HK3.00 cents (1999: HK2.30 cents) per ordinary share	32,385	23,863
Proposed final – HK5.00 cents (1999: HK3.70 cents) per ordinary share	53,975	39,830
	<b>86,360</b>	63,693

# Notes to Financial Statements

*for the year ended 31 December 2000*

## 12. Earnings per Share

The calculation of basic earnings per share was based on the net profit attributable to shareholders for the year of HK\$288,740,000 (1999: HK\$231,491,000) and on the weighted average number of 1,077,897,000 (1999: 1,039,744,000) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2000 was based on the net profit attributable to shareholders for the year of HK\$288,740,000. The weighted average number of ordinary shares used in the calculation is the 1,077,897,000 ordinary shares in issue during the year, as used in basic earnings per share calculation, and the weighted average of 2,197,769 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options granted during the year. The convertible bonds have not been included in the calculation of diluted earnings per share for the year ended 31 December 2000 since their effects are anti-dilutive.

The calculation of diluted earnings per share for the year ended 31 December 1999 was based on the net profit attributable to shareholders for the year of HK\$231,491,000 adjusted for the interest on convertible bonds of approximately HK\$11,234,000, and the diluted weighted average number of 1,147,168,128 shares in issue during that year. The diluted weighted average number of shares deemed to have been in issue during the year ended 31 December 1999 was calculated after taking into consideration the outstanding convertible bonds and share options in existence during the year ended 31 December 1999. 107,424,128 dilutive potential ordinary shares would have resulted from the conversion of the outstanding convertible bonds in issue during that year. Because the exercise prices of the outstanding share options of the Company were greater than the average market price of the Company's shares during that year, the share options did not have an effect on the diluted earnings per share for the year ended 31 December 1999.

# Notes to Financial Statements

for the year ended 31 December 2000

## 13. Fixed Assets

### Group

	Land and buildings in Hong Kong held under medium term leases HK\$'000	Land and buildings in the PRC held under medium term leases HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost or valuation:							
At beginning of year	2,339	208,948	36,576	40,635	284,880	13,718	587,096
Additions	–	67,462	4,292	6,447	28,597	2,581	109,379
Disposals	–	(4,218)	(785)	(681)	(13,176)	–	(18,860)
Reclassifications	–	2,609	7,093	(7,093)	–	(2,609)	–
Exchange realignment	7	512	129	136	991	48	1,823
At 31 December 2000	2,346	275,313	47,305	39,444	301,292	13,738	679,438
Comprising:							
At cost	–	111,011	47,305	39,444	301,292	13,738	512,790
At 1997 valuation	2,346	164,302	–	–	–	–	166,648
	2,346	275,313	47,305	39,444	301,292	13,738	679,438
Accumulated depreciation:							
At beginning of year	42	22,485	9,436	19,685	112,382	–	164,030
Provided during the year	39	7,640	1,513	5,620	46,375	–	61,187
Disposals	–	(393)	(697)	(184)	(7,511)	–	(8,785)
Reclassifications	–	–	1,913	(1,913)	–	–	–
Exchange realignment	–	84	33	66	389	–	572
At 31 December 2000	81	29,816	12,198	23,274	151,635	–	217,004
Net book value:							
At 31 December 2000	2,265	245,497	35,107	16,170	149,657	13,738	462,434
At 31 December 1999	2,297	186,463	27,140	20,950	172,498	13,718	423,066

# Notes to Financial Statements

for the year ended 31 December 2000

## 13. Fixed Assets (Continued)

Certain of the Group's land and buildings were revalued at 31 December 1997 by Francis Lau & Co., (Surveyors) Ltd., an independent firm of professional valuers. The land and buildings were revalued at their open market values based on their existing use. In the opinion of the directors, there has been no material change in value of these land and buildings as at 31 December 2000.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK\$168 million (1999: HK\$179 million).

### Company

	Furniture, fixture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:			
At beginning of year	1,829	1,563	3,392
Additions	294	1,839	2,133
Disposals	(145)	–	(145)
	<hr/>	<hr/>	<hr/>
At 31 December 2000	1,978	3,402	5,380
	<hr/>	<hr/>	<hr/>
Accumulated depreciation:			
At beginning of year	780	581	1,361
Provided during the year	386	487	873
Disposals	(124)	–	(124)
	<hr/>	<hr/>	<hr/>
At 31 December 2000	1,042	1,068	2,110
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 December 2000	936	2,334	3,270
	<hr/>	<hr/>	<hr/>
At 31 December 1999	1,049	982	2,031
	<hr/>	<hr/>	<hr/>

# Notes to Financial Statements

*for the year ended 31 December 2000*

## 14. Intangible Assets

	Group HK\$'000
Vehicle licences:	
Cost:	
At beginning of year	32,281
Additions	1,527
Exchange realignment	113
	<hr/>
At 31 December 2000	33,921
	<hr/>
Accumulated amortisation:	
At beginning of year	6,341
Provided during the year	2,387
Exchange realignment	22
	<hr/>
At 31 December 2000	8,750
	<hr/>
Net book value:	
At 31 December 2000	25,171
	<hr/> <hr/>
At 31 December 1999	25,940
	<hr/> <hr/>

# Notes to Financial Statements

for the year ended 31 December 2000

## 15. Properties Under Development

	Group	
	2000	1999
	HK\$'000	HK\$'000
Land in the PRC held under medium term leases, at cost:		
At beginning of year	44,232	117,282
Exchange realignment	156	–
Transfer from construction in progress	–	52,238
Additions	39,775	–
Transfer to properties under development for sale	–	(117,282)
Provision for diminution in value arising during the year	(9,736)	(8,006)
	<u>74,427</u>	<u>44,232</u>
At 31 December		
Development expenditure, at cost:		
At beginning of year	70,773	108,385
Exchange realignment	248	–
Additions	26,540	50,603
Transfer to properties under development for sale	–	(88,215)
	<u>97,561</u>	<u>70,773</u>
At 31 December		
	<u>171,988</u>	<u>115,005</u>

As at 31 December 2000, no interest was capitalised in properties under development (1999: Nil).



# Notes to Financial Statements

for the year ended 31 December 2000

## 16. Investment Properties

	Group	
	2000 HK\$'000	1999 HK\$'000
At beginning of year	666,839	657,301
Exchange realignment	2,130	1,762
Additions, at cost	37,976	15,871
Revaluation surplus/(deficit) arising during the year	9,047	(6,503)
Disposals	(3,108)	(1,592)
At 31 December	<u>712,884</u>	<u>666,839</u>

At the balance sheet date, all of the investment properties were revalued on the basis of their open market values by Francis Lau & Co., (Surveyors) Ltd. an independent firm of professional property valuers. The net surplus arising on revaluation has been credited to the investment property revaluation reserve.

All of the Group's investment properties are rented out under operating leases.

The investment properties comprise land and buildings in the PRC which are held under medium term leases.

## 17. Interests In Subsidiaries

	Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	1,081,406	963,699
Amounts due from subsidiaries*	278,032	296,752
Provisions for diminutions in values	(7,032)	–
	<u>1,352,406</u>	<u>1,260,451</u>

\* The amounts due from subsidiaries are unsecured, interest-bearing at Hong Kong prime rate per annum and are not repayable within one year.

The loan from a subsidiary is unsecured, interest-bearing at Hong Kong prime rate per annum and is not repayable within one year.

The amounts due from/to subsidiaries classified under current assets/liabilities are unsecured, interest-free and have no fixed terms of repayment.

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give further details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

# Notes to Financial Statements

for the year ended 31 December 2000

## 17. Interests In Subsidiaries (Continued)

Particulars of the principal subsidiaries are as follows:

Name of subsidiaries	Place of establishment/ incorporation and operations	Issued and fully paid up capital/ registered capital	Equity interest attributable to the Group	Principal activities
Ha Er Bin Shum Yip Estate Development Limited	PRC	US\$5,000,000	100%	Property development
Qingdao Shum Yip Properties Development Co., Ltd.	PRC	US\$2,500,000	100%	Property development
Shum Yip Holdings (Shenzhen) Co., Ltd.	PRC	HK\$100,000,000	100%	Property development
Shum Yip Centre Development (Shenzhen) Co., Ltd.	PRC	HK\$40,000,000	100%	Property development
Shenzhen Shumyixihu Transportation Company Ltd. (Note 1)	PRC	HK\$3,000,000	100%	Transportation
Guangdong Shum Yip Transportation Co., Ltd. (Notes 1 & 2)	PRC	HK\$5,000,000	97.82%	Transportation
Shenzhen Yong Sheng Industrial & Trade Co., Ltd. (Notes 1 & 2)	PRC	RMB9,180,000	97.82%	Fuel station and motor vehicle repairing
New Great Properties Limited	Hong Kong	HK\$2	100%	Investment holding
Shenzhen Shengkong Industrial (Group) Co., Ltd.	PRC	RMB95,500,000	80%	Investment holding

# Notes to Financial Statements

for the year ended 31 December 2000

## 17. Interests In Subsidiaries (Continued)

Name of subsidiaries	Place of establishment/ incorporation and operations	Issued and fully paid up capital/ registered capital	Equity interest attributable to the Group	Principal activities
Shenzhen Shengkong Automobile Maintenance Service Co., Ltd. (Note 1)	PRC	RMB14,830,000	79%	Vehicle repairing
Shenzhen Shengkong Taxi Co., Ltd. (Note 1)	PRC	RMB13,780,000	80%	Vehicle rentals
Shenzhen Guangfa Combined Transportation Co., Ltd. (Note 1)	PRC	RMB10,000,000	80%	Transportation
Shenzhen Ganglong Transportation Industrial Co., Ltd. (Note 1)	PRC	RMB10,000,000	80%	Transportation
Shenzhen Shunfa House Removal Co., Ltd. (Note 1)	PRC	RMB1,380,000	80%	Removal services
Shenzhen Shengkong Properties Management Co., Ltd. (Note 1)	PRC	RMB3,000,000	80%	Property management
Shenzhen Terra Industrial Co., Ltd.	PRC	RMB100,000,000	51%	Property development
Shenzhen Tairan Aluminium Alloy Works Company (Note 1)	PRC	RMB6,200,000	51%	Aluminum engineering
Shenzhen Tairan Property Management Service Company (Note 1)	PRC	RMB4,390,000	51%	Property management

# Notes to Financial Statements

for the year ended 31 December 2000

## 17. Interests In Subsidiaries (Continued)

Name of subsidiaries	Place of establishment/ incorporation and operations	Issued and fully paid up capital/ registered capital	Equity interest attributable to the Group	Principal activities
Shenzhen Shengkong Winglee Cross Border Bus Co., Ltd. (Note 1 & 3)	PRC	RMB20,000,000	40%	Provision of cross-border bus services and vehicle repairing
Shenzhen Shengkong Automobile Member Club Co., Ltd. (Note 1)	PRC	RMB15,000,000	70%	Vehicle rentals
Shenzhen Sungang Warehouse Enterprise Company Ltd.	PRC	RMB160,764,662	51%	Operation of warehouses and property development
Shum Yip Capital Limited	British Virgin Islands ("BVI")	US\$1	100%	Investment holding
Coland Limited	BVI	US\$1	100%	Investment holding
Eastart International Investments Limited	BVI	US\$2	100%	Investment holding
Newton Industrial Limited	BVI	US\$34	55.88%	Investment holding
City Capital Limited	BVI	US\$1	100%	Investment holding

None of the subsidiaries had any loan capital outstanding as at 31 December 2000, except Shum Yip Capital Limited. For further details refer to note 25.

# Notes to Financial Statements

for the year ended 31 December 2000

## 17. Interests In Subsidiaries (Continued)

Notes:

1. Indirectly held by the Company.
2. The Group is entitled to all of the profits and losses remaining after paying the annual guaranteed return to the joint venture partners.
3. The Company has control of the board of directors and therefore this entity is regarded as a subsidiary of the Company.

## 18. Interests In Associates

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	–	–	301,133	303,629
Share of net assets	1,711,614	1,289,198	–	–
Loans advanced from associates	(53,516)	–	(132,154)	–
Loans advanced to associates	6,749	116,677	4,239	31,504
	<u>1,664,847</u>	<u>1,405,875</u>	<u>173,218</u>	<u>335,133</u>

The loans bear interest at Hong Kong prime rate and are not repayable within one year.

Set out below is a list of the principal associates of the Group, which in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length. Particulars of principal associates are as follows:

Name of associates	Business structure	Place of establishment/ incorporation and operations	Issued and fully paid up capital/ registered capital	Equity interest attributable to the Group	Principal activities
Shenzhen Longsheng Industrial Co., Ltd.	Corporate	PRC	RMB50,000,000	45%	Operation of godown and property investment
Shenzhen Hua Min Development Co., Ltd.	Corporate	PRC	RMB23,689,890	50%	Property investment and management

# Notes to Financial Statements

for the year ended 31 December 2000

## 18. Interests In Associates (Continued)

Name of associates	Business structure	Place of establishment/ incorporation and operations	Issued and fully paid up capital/ registered capital	Equity interest attributable to the Group	Principal activities
Hui Yang Hui Shen Transportation Industrial Development Company	Corporate	PRC	RMB1,000,000	40%	Transportation
Karbony Investment Limited*	Corporate	Hong Kong	HK\$10,000,000	20%	Property investment and trading
Karbony Real Estate Development (Shenzhen) Co., Ltd*	Corporate	PRC	US\$12,000,000	20%	Property development
Goldfield Industries Inc.+	Corporate	PRC	RMB180,000,000	28%	Property trading, investment and development
Shenzhen Tianan Industrial Development Co., Ltd.	Corporate	PRC	US\$18,000,000	25.5%	Property trading, investment and development
Shenzhen Mawan Power Company Limited	Corporate	PRC	RMB560,000,000	34%	Power generation
Shenzhen Pengji Industrial Company *	Corporate	PRC	RMB231,911,336	40%	Property trading, investment and development
Shenzhen Topway Video Communication Co., Ltd.	Corporate	PRC	RMB200,000,000	21.1%	Provision of cable TV and other communication network technology services
Shenzhen SEG-CNEDC Color Display Device Corp.	Corporate	PRC	RMB300,000,000	26.76%	Investment holding

\* Not audited by Ernst & Young, Certified Public Accountants, Hong Kong

+ Goldfield Industries Inc. was listed on the Shanghai Stock Exchange subsequent to the balance sheet date, on 12 April 2001.

# Notes to Financial Statements

for the year ended 31 December 2000

## 18. Interests In Associates (Continued)

The following is a condensed summary of certain additional financial information of the major associates:–

	Shenzhen Mawan Power Company Limited		Goldfield Industries Inc.		Shenzhen Pengji Industrial Company Ltd.	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Results for year:						
Turnover	<u>1,783,259</u>	<u>1,481,069</u>	<u>997,912</u>	<u>322,272</u>	<u>1,307,874</u>	<u>984,032</u>
Profit from ordinary activities after tax	<u>682,782</u>	<u>290,241</u>	<u>230,654</u>	<u>57,531</u>	<u>43,944</u>	<u>34,516</u>
Profit from ordinary activities after tax attributable to the Group	<u>232,146</u>	<u>98,682</u>	<u>64,583</u>	<u>16,108</u>	<u>17,578</u>	<u>3,489</u>
Financial position:						
Non-current assets	2,788,117	3,008,949	69,751	87,925	819,030	862,413
Current assets	1,028,989	604,664	977,465	546,611	1,314,595	1,501,836
Current liabilities	(1,257,465)	(1,037,036)	(510,238)	(221,056)	(1,286,608)	(1,511,600)
Non-current liabilities	<u>(322,903)</u>	<u>(998,099)</u>	<u>–</u>	<u>–</u>	<u>(249,547)</u>	<u>(289,090)</u>
Net assets	<u>2,236,738</u>	<u>1,578,478</u>	<u>536,978</u>	<u>413,480</u>	<u>597,470</u>	<u>563,559</u>
Share of net assets attributable to the Group	<u>760,491</u>	<u>536,682</u>	<u>150,354</u>	<u>115,774</u>	<u>238,988</u>	<u>225,424</u>

# Notes to Financial Statements

for the year ended 31 December 2000

## 19. Infrastructure Project Investments

	Group	
	2000 HK\$'000	1999 HK\$'000
At beginning of year	100,900	187,026
Additions	2,000	105,270
Disposals	–	(187,026)
Amortisation during the year	(4,372)	(4,370)
At 31 December	98,528	100,900

## 20. Investments

Long term investments	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
At amortised cost:				
Held-to-maturity debt securities in the PRC:				
Listed	18,838	18,772	–	–
Unlisted	1,200	1,207	–	–
	20,038	19,979	–	–
At market value:				
Listed equity investments in the PRC	20,892	19,942	–	–
At fair value:				
Unlisted equity investments in the PRC	9,811	17,224	1,720	1,720
	50,741	57,145	1,720	1,720

The market value of the listed held-to-maturity debt securities at the balance sheet date was HK\$18,838,000 (1999: HK\$18,772,000).

### Short term investments

At market value:				
Listed equity investments in the PRC	1,352	580	–	–



# Notes to Financial Statements

for the year ended 31 December 2000

## 21. Completed Properties For Sale

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Completed properties for sale	<u>530,461</u>	<u>343,264</u>	<u>313,547</u>	<u>153,253</u>

Completed properties for sale at 31 December 2000 include properties received in settlement for an outstanding loan from Karbony Investment Limited, an associate, amounting to HK\$314 million. Up to the date of this report, the Company has not obtained the property ownership certificates in its own name.

## 22. Properties Under Development For Sale

	Group	
	2000	1999
	HK\$'000	HK\$'000
Cost incurred	659,357	559,365
Add: Attributable profits on incomplete projects	<u>144,657</u>	<u>52,969</u>
	804,014	612,334
Less: Sale deposits/instalments received	<u>(384,782)</u>	<u>(128,685)</u>
	<u>419,232</u>	<u>483,649</u>

The properties under development for sale are located in the PRC and are held under medium term leases.

As at 31 December 2000, interest capitalised to properties under development for sale amounted to HK\$23,302,000 (1999: HK\$20,966,000).

# Notes to Financial Statements

for the year ended 31 December 2000

## 23. Accounts receivable

	Group	
	2000	1999
	HK\$'000	HK\$'000
Accounts receivable	<u>62,927</u>	<u>86,881</u>

The aged analysis of accounts receivable as at 31 December 2000 and 1999 was as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Within 1 year	52,676	80,811
1 to 2 years	6,467	3,105
2 to 3 years	508	28,253
Over 3 years	<u>23,104</u>	<u>1,309</u>
Total	82,755	113,478
Less: Provisions for bad and doubtful debts	<u>(19,828)</u>	<u>(26,597)</u>
	<u>62,927</u>	<u>86,881</u>

Under normal circumstances, the Group does not grant credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are regularly reviewed by management.

# Notes to Financial Statements

for the year ended 31 December 2000

## 24. Interest-bearing Bank and Other Loans

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans:				
Secured	137,046	175,518	–	–
Unsecured	1,080,162	383,489	669,493	77,740
	<u>1,217,208</u>	<u>559,007</u>	<u>669,493</u>	<u>77,740</u>
Convertible bonds (note 25)	1,091,725	1,193,568	–	–
	<u>2,308,933</u>	<u>1,752,575</u>	<u>669,493</u>	<u>77,740</u>
Bank loan and other loan repayable:				
Within one year	687,635	516,770	202,393	77,740
In the second year	62,473	42,237	–	–
In the third to fifth years, inclusive	1,558,825	1,193,568	467,100	–
	<u>2,308,933</u>	<u>1,752,575</u>	<u>669,493</u>	<u>77,740</u>
Portion classified as current liabilities	<u>687,635</u>	<u>516,770</u>	<u>202,393</u>	<u>77,740</u>
Long term portion	<u>1,621,298</u>	<u>1,235,805</u>	<u>467,100</u>	<u>–</u>

Bank loans amounting to HK\$137,046,000 (1999: HK\$ 175,518,000) were secured by:

- (i) certain of the Group's land and buildings which have an aggregate net book value of approximately HK\$43,636,052 (1999: HK\$ 21,118,000), and investment properties of the Group with an aggregate value of approximately HK\$293,496,040 (1999: HK\$ 325,694,000); and
- (ii) certain of the vehicle licences of the Group with a net book value of HK\$3,151,400 (1999: HK\$3,178,700).

# Notes to Financial Statements

for the year ended 31 December 2000

## 25. Convertible Bonds

	Group	
	2000	1999
	HK\$'000	HK\$'000
Principal amount:		
At beginning of year	1,032,745	1,227,200
Repurchased during the year	(148,296)	(200,802)
Exchange realignments	1,445	6,347
At 31 December	885,894	1,032,745
Add: Accretion of premium on redemption:		
At beginning of year	175,671	121,568
Provided for the year	37,686	54,103
Exchange realignments	269	–
At 31 December	213,626	175,671
Less: Issue costs:		
At beginning of year	14,847	24,599
Amortised during the year	(5,381)	(6,143)
Written off upon repurchase	(1,671)	(3,608)
At 31 December	7,795	14,848
At 31 December	1,091,725	1,193,568

On 6 August 1997, Shum Yip Capital Limited ("S.Y. Capital"), a wholly owned subsidiary of the Company, issued USD\$230,000,000 of guaranteed redeemable convertible bonds ("the Bonds") at a price of 100% of their principal amount to provide working capital for the Group. The terms of the Bonds are as follows:

- (1) The Bonds bear interest at the rate of 1.2% per annum. Interest on the Bonds is payable annually in arrears on 8 August in each year.
- (2) The Bonds are guaranteed by the Company.

# Notes to Financial Statements

for the year ended 31 December 2000

## 25 Convertible Bonds (Continued)

- (3) The Bonds are convertible at the option of the holders from 13 October 1997 to 24 July 2002, both dates inclusive, into fully-paid shares value of HK\$0.10 each in the Company at an initial conversion price of HK\$10.375 per share ("Conversion Price") with a fixed rate of exchange on conversion of HK\$7.7468=US\$1.00. The Conversion Price is subject to adjustment in certain circumstances.
- (4) Unless previously repurchased, redeemed or converted, the Bonds will be redeemed at the option of the issuer, in whole, but not in part, at any time on or after 8 August 2000 at their principal amount together with interest accrued to the date of redemption, provided, however, that the Bonds may not be so redeemed unless (i) the closing market price of the ordinary shares on the Stock Exchange of Hong Kong Limited ("the Stock Exchange") for a period of 30 consecutive dealing days has been at least 130%, in case of a redemption on or before 7 August 2001 and thereafter 140%, of the Conversion Price then in effect; or (ii) at least 90% in principal amount of Bonds has already been converted, redeemed or repurchased and cancelled. Unless previously redeemed or repurchased and cancelled, the Bonds will be redeemed on 8 August 2002 at 135.52% of their principal amount plus accrued interest.

During the year, the Group repurchased certain of its Bonds as follows:

Month of repurchase	Nominal value of Bonds repurchased US\$'000	Price expressed as a percentage of the principal amount of the Bonds		Aggregate Price US\$'000
		Lowest %	Highest %	
March 2000	1,500	94.25	94.00	1,421
June 2000	1,500	102.00	98.75	1,528
September 2000	7,351	115.25	113.75	8,455
December 2000	8,700	116.50	114.75	10,096
	<u>19,051</u>			<u>21,500</u>

The repurchased Bonds were cancelled upon repurchase and, accordingly, the gain or loss on repurchase was credited or charged to the profit and loss account. The gain or loss represents the difference between the proceeds paid and the nominal value of the Bonds repurchased.

During the year, the aggregate price paid for the repurchases of US\$21,500,000 (1999: US\$21,171,000), amounted to approximately HK\$166,871,000 (1999: HK\$163,700,000).

During the year, no Bonds were converted into shares of the Company (1999: Nil).

# Notes to Financial Statements

for the year ended 31 December 2000

## 26. Accounts payable

	Group	
	2000	1999
	HK\$'000	HK\$'000
Accounts payable	<u>60,719</u>	<u>64,048</u>

The aged analysis of accounts payable as at 31 December 2000 and 1999 was as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Within 1 year	24,556	25,428
1 to 2 years	494	881
2 to 3 years	442	30,941
Over 3 years	<u>35,227</u>	<u>6,798</u>
Total	<u>60,719</u>	<u>64,048</u>

## 27. Deferred Tax

	Group	
	2000	1999
	HK\$'000	HK\$'000
Balance at beginning of year	11,979	14,431
Charge/(credit) for the year (note 9)	<u>17,877</u>	<u>(2,452)</u>
At 31 December	<u>29,856</u>	<u>11,979</u>

# Notes to Financial Statements

for the year ended 31 December 2000

## 27. Deferred Tax (Continued)

The provision for deferred tax represents timing differences in respect of profits on the pre-sales of properties under development for sale.

The Group and the Company had no significant unprovided deferred tax for the year or at the balance sheet date.

The revaluations of the Group's investment properties in Hong Kong and land and buildings do not constitute timing differences and consequently, the amount of potential deferred tax thereon has not been quantified.

## 28. Share Capital

### Shares

	Number of shares		Amount	
	2000	1999	2000 HK\$'000	1999 HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.10 each:				
At beginning of year	1,076,500,000	1,037,500,000	107,650	103,750
Issued in connection with options exercised	3,000,000	–	300	–
Issued in connection with the acquisition of an associate	<u>–</u>	<u>39,000,000</u>	<u>–</u>	<u>3,900</u>
At end of the year	<u>1,079,500,000</u>	<u>1,076,500,000</u>	<u>107,950</u>	<u>107,650</u>

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

On 13 July 2000, 3,000,000 share options were exercised at a price of HK\$1.19 per share, resulting in the issue of 3,000,000 new shares of HK\$0.10 each for a total cash consideration before expenses of HK\$3,570,000.

# Notes to Financial Statements

*for the year ended 31 December 2000*

## 28. Share Capital (Continued)

### Share option scheme

Pursuant to an ordinary resolution passed on 12 February 1997, a share option scheme for employees was approved under which the directors of the Company may at their discretion, invite any employee or director of any member of the Group to take up options to subscribe for ordinary shares in the Company.

The option prices will be determined by the board and notified to each grantee, and will not be less than 80% of the average of the closing prices of the Company's ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the option granted to such grantee or the nominal value of the shares, whichever is the higher.

The maximum number of ordinary shares in respect of which options may be granted (together with the options exercised and options then outstanding) under the share option scheme may not exceed 10% of the issued share capital of the Company, excluding any shares issued on the exercise of options from time to time. The share option scheme will remain in force for a period of 10 years commencing on 12 February 1997.

- (i) No options were exercised in 1999.
- (ii) On 4 January 2000, a total of 3,000,000 share options were granted to certain employees of the Company, which entitle the employees to subscribe for shares in the Company at a price of HK\$1.19 each during the period from 4 July 2000 to 3 July 2003. All of these share options were exercised on 13 July 2000.
- (iii) On 31 May 2000, a total of 900,000 share options were granted to certain employees of the Company, which entitle the employees to subscribe for shares in the Company at a price of HK\$1.29 each during the period from 30 November 2000 to 29 November 2003.
- (iv) On 15 June 2000, a total of 6,900,000 share options were granted to certain employees and a director of the Company, which entitle the employees and the director to subscribe for shares in the Company at a price of HK\$1.36 each during the period from 15 December 2000 to 14 December 2003.
- (v) On 29 September 2000, a total of 15,060,000 share options were granted to certain employees of the Company, which entitle the employees to subscribe for shares in the Company at a price of HK\$1.33 each during the period from 29 March 2001 to 28 March 2004.



# Notes to Financial Statements

for the year ended 31 December 2000

## 28. Share Capital (Continued)

### Share option scheme (Continued)

- (vi) During the year, the following share options were cancelled upon the resignation of the directors or employees to whom they had originally been granted:

Date options granted	Options price	Number of shares options cancelled	Exercise period
10 May 1997	HK\$4.39	21,960,000	10 November 1997 to 9 November 2000

- (vii) During the year, the following share options lapsed upon expiry:

Date options granted	Options price	Number of shares options lapsed	Exercise period
10 May 1997	HK\$4.39	81,790,000	10 November 1997 to 9 November 2000

Particulars of the share options outstanding as at 31 December, 2000 were as follows:

Date granted	Exercise period	Number of share options granted	Exercise price of share options granted
31 May 2000	30 November 2000 to 29 November 2003	900,000	HK\$1.29
15 June 2000	15 December 2000 to 14 December 2003	6,900,000	HK\$1.36
29 September 2000	29 March 2001 to 28 March 2004	15,060,000	HK\$1.33

The exercise in full of the share options outstanding at the balance sheet date would, under the present capital structure of the Company, result in the issue of 22,860,000 additional ordinary shares of HK\$0.10 each and cash proceeds of approximately HK\$30,574,800 before the related issue expenses.

Subsequent to the year end date on 8 January 2001, a total of 30,000,000 share options were granted to certain employees of the Company which entitle the employees to subscribe for shares in the Company at a price of HK\$1.19 each during the period from 8 June 2001 to 7 June 2004.

# Notes to Financial Statements

for the year ended 31 December 2000

## 29. Reserves

Group	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Assets revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Statutory* reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 1999	1,120,236	107,111	53,701	(1,814)	93,862	14,522	70,468	443,923	1,902,009
Share issued at premium	62,478	-	-	-	-	-	-	-	62,478
Share issue expenses	(30)	-	-	-	-	-	-	-	(30)
Exchange realignments	-	-	-	-	-	-	-	-	-
– Subsidiaries	-	-	-	-	-	2,770	-	-	2,770
– Associates	-	-	-	-	-	2,425	-	-	2,425
Discount on acquisition of associates	-	-	-	-	12,533	-	-	-	12,533
Revaluation reserve released on disposal	-	-	(1,784)	-	-	-	-	1,784	-
Deficit on revaluation	-	(6,503)	-	(5,203)	-	-	-	-	(11,706)
Share of deficit on revaluation of investment properties of associates	-	(59,397)	-	-	-	-	-	-	(59,397)
Reserves attributable to minority shareholders	-	(1,161)	-	(70)	-	(1,750)	-	-	(2,981)
Retained profit for the year	-	-	-	-	-	-	-	167,798	167,798
Transfer from retained profits	-	-	-	-	-	-	32,338	(32,338)	-
At 31 December 1999 and beginning of year	1,182,684	40,050	51,917	(7,087)	106,395	17,967	102,806	581,167	2,075,899
Share issued at premium	3,267	-	-	-	-	-	-	-	3,267
Exchange realignments	-	-	-	-	-	-	-	-	-
– Subsidiaries	-	-	-	-	-	1,547	-	-	1,547
– Associates	-	-	-	-	-	1,389	-	-	1,389
Goodwill on acquisition of associates	-	-	-	-	(85,724)	-	-	-	(85,724)
Revaluation reserve released on disposal	-	(2,236)	(545)	-	-	-	-	545	(2,236)
Surplus/(deficit) on revaluation	-	9,047	-	(7,950)	-	-	-	-	1,097
Share of deficit on revaluation of investment properties of associates	-	(5,994)	-	-	-	-	-	-	(5,994)
Reserves attributable to minority shareholders	-	(3,372)	-	(146)	-	(1,105)	-	-	(4,623)
Retained profit for the year	-	-	-	-	-	-	-	202,380	202,380
Transfer from retained profits	-	-	-	-	7,479	-	34,599	(42,078)	-
At 31 December 2000	1,185,951	37,495	51,372	(15,183)	28,150	19,798	137,405	742,014	2,187,002
Reserves retained by:									
Company and subsidiaries	1,185,951	8,362	49,707	(15,183)	93,995	13,597	119,754	304,753	1,760,936
Associates	-	29,133	1,665	-	(65,845)	6,201	17,651	437,261	426,066
At 31 December 2000	1,185,951	37,495	51,372	(15,183)	28,150	19,798	137,405	742,014	2,187,002
Company and subsidiaries	1,182,684	4,923	50,252	(7,087)	93,995	13,155	102,806	305,237	1,745,965
Associates	-	35,127	1,665	-	12,400	4,812	-	275,930	329,934
At 31 December 1999	1,182,684	40,050	51,917	(7,087)	106,395	17,967	102,806	581,167	2,075,899

# Notes to Financial Statements

for the year ended 31 December 2000

## 29. Reserves (Continued)

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Company</b>			
At 1 January 1999	1,120,236	340,859	1,461,095
Share issued at premium	62,478	–	62,478
Share issue expenses	(30)	–	(30)
Profit for the year	–	234,946	234,946
Dividends	–	(63,693)	(63,693)
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2000	1,182,684	512,112	1,694,796
Shares issued at premium	3,267	–	3,267
Profit for the year	–	124,061	124,061
Dividends	–	(86,360)	(86,360)
	<hr/>	<hr/>	<hr/>
At 31 December 2000	<u>1,185,951</u>	<u>549,813</u>	<u>1,735,764</u>

\* Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries and associates in the PRC has been transferred to statutory reserves which are restricted as to use.

The aggregate amount of reserves available for distribution to shareholders of the Company at 31 December 2000 was HK\$549,813,000 (1999: HK\$512,112,000), which represents the retained profits at that date.

# Notes to Financial Statements

for the year ended 31 December 2000

## 30. Notes to Consolidated Cash Flow Statement

### (a) Reconciliation of profit before tax to net cash inflow from operating activities

	2000 HK\$'000	1999 HK\$'000
Profit before tax	554,407	355,555
Interest income	(67,308)	(102,509)
Interest expense	40,907	36,666
Depreciation	61,187	54,329
Dividend income	(14,906)	(14,884)
Share of profits less losses of associates	(397,328)	(144,641)
Amortisation of intangible assets	2,387	2,162
Income from infrastructure project investments	–	(7,325)
(Gain)/loss arising on repurchase of convertible bonds	18,575	(36,043)
Amortisation of convertible bond issue costs	5,381	6,143
Bad debts recovery	(6,769)	(3,556)
Issue costs of convertible bonds written off upon repurchase	1,671	3,608
Accretion of convertible bonds premium on redemption	37,686	54,103
Loss on disposal of fixed assets	1,067	1,386
Unrealised holding gains on listed securities	(401)	(217)
Provisions for diminutions in values of properties under development	9,736	8,006
Gain on termination of infrastructure investment	–	(935)
Amortisation of infrastructure projects investments	4,372	4,370
Decrease in accounts receivables	30,723	93,559
(Increase)/decrease in other receivables	(76,493)	35,806
Decrease in inventories	3,230	1,869
Decrease/(increase) in properties under development for sale	87,719	(213,057)
(Increase)/decrease in completed properties for sale	(26,934)	135,707
Decrease in accounts payable	(3,329)	(24,393)
Increase in other payables and accruals	94,114	91,109
Decrease in amount due to a minority shareholder	(46,592)	(3,032)
Decrease in amount due to an ultimate holding company	(4,148)	(14,335)
Net cash inflow from operating activities	308,954	319,451

# Notes to Financial Statements

for the year ended 31 December 2000

## 30. Notes to Consolidated Cash Flow Statement (Continued)

### (b) Analysis of changes in financing during the year:

	Share capital (including share premium) HK\$'000	Bank loans and other loans HK\$'000	Convertible bonds HK\$'000	Minority interest HK\$'000
Balance at 1 January 1999	1,223,986	438,040	1,324,169	591,578
Net cash inflow/(outflow)				
from financing activities, net	–	120,967	(158,412)	–
Shares issued in connection with the acquisition of an associate	66,378	–	–	–
Share issue expenses	(30)	–	–	–
Amortisation and write off of convertible bonds issue costs	–	–	9,751	–
Gain arising on repurchase of convertible bonds	–	–	(36,043)	–
Provision for premium on redemption of convertible bonds	–	–	54,103	–
Minority shareholders' share of				
– Profit for the year	–	–	–	79,270
– Reserves	–	–	–	2,981
Dividends paid to minority shareholders	–	–	–	(51,469)
Balance at 1 January 2000	1,290,334	559,007	1,193,568	622,360
Net cash inflow/(outflow)				
from financing activities, net	3,567	656,538	(166,871)	–
Amortisation and write off of convertible bonds issue costs	–	–	7,052	–
Loss arising on repurchase of convertible bonds	–	–	18,575	–
Accretion of convertible bonds premium on redemption	–	–	37,686	–
Minority shareholders' share of				
– Profit for the year	–	–	–	183,185
– Reserves	–	–	–	4,623
Dividends paid to minority shareholders	–	–	–	(67,153)
Exchange realignment	–	1,663	1,715	–
Balance at 31 December 2000	1,293,901	1,217,208	1,091,725	743,015

# Notes to Financial Statements

for the year ended 31 December 2000

## 30. Notes to Consolidated Cash Flow Statement (Continued)

### (c) Major non-cash transaction

During the year, Karbony Investment Limited, an associate transferred certain completed properties for sale to the Group amounting to HK\$160 million, in settlement of a shareholder's loan due to the Group.

## 31. Commitments

At the balance sheet date, commitments not provided for in the financial statements were as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
(i) Lease commitments payable in the next twelve months in respect of non-cancelable operating leases expiring :				
– Within one year	1,141	1,501	98	185
– In the second to fifth years, inclusive	1,393	1,429	1,349	1,349
– Over five years	563	–	–	–
	<u>3,097</u>	<u>2,930</u>	<u>1,447</u>	<u>1,534</u>
(ii) Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development:				
– Authorised, but not contracted for	183,978	442,444	–	–
– Contracted, but not provided for	123,695	283,243	–	–
	<u>307,673</u>	<u>725,687</u>	<u>–</u>	<u>–</u>

# Notes to Financial Statements

for the year ended 31 December 2000

## 31. Commitments (Continued)

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
(iii) Commitments in respect of capital injection in a joint venture in the PRC:				
– Contracted, but not provided for	<u>–</u>	<u>17,429</u>	<u>–</u>	<u>–</u>

## 32. Contingent Liabilities

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
(i) Guarantees given to the holders of convertible bonds (note 25)	<u>885,894</u>	<u>1,032,745</u>	<u>885,894</u>	<u>1,032,745</u>
(ii) Guarantees for credit facilities granted to:				
Subsidiaries	<u>–</u>	<u>–</u>	<u>392,772</u>	<u>286,273</u>

- (iii) At 31 December 2000, the Group had given guarantees to the extent of approximately HK\$602,973,000 (1999: HK\$233,820,000) to banks for the housing loans extended by the banks to the purchasers of the Group's properties.

# Notes to Financial Statements

for the year ended 31 December 2000

## 33. Related Party Transactions

The Group had the following material transactions with related parties during the year:

	Notes	2000 HK\$'000	1999 HK\$'000
Shum Yip Holdings			
– Rental expenses paid	(i)	2,351	1,457
– Payments made on behalf of the Group, at cost on reimbursement basis		3,417	4,148
– Acquisition of associates	(ii)	<u>165,000</u>	<u>223,470</u>
Karbony Investment Limited, associate			
– Properties in the PRC received in exchange in settlement of a shareholder's loan	(i)	<u>160,294</u>	<u>232,758</u>

- (i) The rentals were determined by the directors by reference to the market prices of similar transactions.
- (ii) The consideration was determined by reference to the valuation of comparable companies. Goodwill arising from the acquisition, amounting to HK\$85,724,000, was eliminated directly against the capital reserve. (1999: The consideration was determined by reference to the valuation of comparable companies. Discount arising from the acquisition, amounting to HK\$12,533,000 was credited directly to the capital reserve).
- (iii) The exchange price was determined by the directors at a discount of HK\$116,100,000 (1999: HK\$135,000,000) to the market prices of similar properties sold by the associate to third parties.

## 34. Post Balance Sheet Event

Goldfield Industries Inc., an associate of the Group, was listed on the Shanghai Stock Exchange subsequent to the balance sheet date, on 12 April 2001. The gain or loss on deemed disposal arising therefrom cannot be estimated at this stage as the financial statements of Goldfield Industries Inc. at that date have not been prepared.

## 35. Approval of the Financial Statements

The financial statements were approved by the board of directors on 24 April 2001.