

NOTES

to the Financial Statements

For the year ended 31st December, 2000

1. GENERAL AND COMPARATIVE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability with its shares listed on The Stock Exchange of Hong Kong Limited.

The Company's ultimate holding company is China Strategic Holdings Limited ("CSH" and formerly known as China Internet Global Alliance Limited), a company which is incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 40 to the financial statements.

In 1999, a bank balance of HK\$82,280,000 was classified as bank, balances with restricted use, consequently, the comparative figure in the current year's consolidated cash flow statement is restated as cash and cash equivalents to reflect a more proper presentation.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the valuation of investment properties, certain items of property, plant and equipment and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration is credited to reserves.

Any premium or discount arising on the acquisition of an investment in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of investments in subsidiaries or associate, goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary or associate.

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2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Investment in an associate

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

Where a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Recognition of revenue

Income from sale of completed properties is recognised on the execution of a binding sale agreement.

Dividend income from investments in securities is recognised when the shareholders' rights to receive payment have been established.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the period of the respective leases.

Hotel revenue from rooms and other ancillary services are recognised when the services are rendered.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

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For the year ended 31st December, 2000

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

Investment properties are stated at their open market value based on professional valuation at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance of the investment property revaluation reserve attributable to the property disposed of is credited to the income statement.

No depreciation or amortisation is provided on investment properties which are held on leases with an unexpired term of 20 years, including the renewable period.

Property, plant and equipment

Properties under construction and construction in progress

Properties under construction and construction in progress are stated at cost, which includes land cost and the related construction cost and borrowing costs capitalised in accordance with the Group's accounting policies, less provision for impairment in value, if necessary. No depreciation or amortisation is provided on properties under construction and construction in progress until the construction is completed and the properties and assets are ready for use.

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For the year ended 31st December, 2000

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Hotel property

Hotel property includes interests in land and building and its integral fixed plant. Hotel property is stated at the open market value based on professional valuation at the balance sheet date. No depreciation or amortisation is provided on hotel property. No depreciation is provided on hotel property or on its integral fixed plant. It is the Group's policy to maintain this assets in a continual state of sound repair and maintenance and to extend and make improvements thereto from time to time, and accordingly the directors consider that given the estimated lives of these assets and their high residual values, any depreciation would be insignificant.

Any surplus or deficit arising on the revaluation of the hotel property is credited or charged to the asset revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case, the excess of the deficit over the balance on the asset revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

The gain or loss arising on the disposal or retirement of hotel property is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Other property, plant and equipment

Property, plant and equipment, other than properties under construction, construction in progress and hotel property, is stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement 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 asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost of the assets over their estimated useful lives, after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold improvements	20% or the term of the lease or land use rights, if shorter
Furniture, equipment and motor vehicles	12.5% - 20%

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For the year ended 31st December, 2000

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

Properties under/held for development

Properties under/held for development where no decision has yet been taken to re-sell or hold for long term purposes are stated at cost, less impairment in value, if necessary. No depreciation and amortisation is provided on properties under/held for development.

Costs comprise land cost, development costs, borrowing costs capitalised in accordance with the Group's accounting policies and other direct cost attributable to the properties.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is calculated at the actual or estimated selling price less related costs of marketing and selling.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Club debenture

Club debenture is stated at cost less any impairment loss recognised.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, which are 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 that 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.

All other borrowing costs are recognised as expenses in the year in which they are incurred.

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2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories comprising food, beverages and general stores are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Pension

The pension cost charged in the income statement represents the amount of contribution payable in respect of the current year to the Group's defined contribution scheme.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of the subsidiaries that are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the reserves.

Taxation

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

Cash equivalents

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.

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3. TURNOVER

Turnover represents the net amounts received and receivable from outside customers during the year as follows:

	2000 HK\$'000	1999 HK\$'000
Hotel operation	50,018	52,133
Sales of properties held for resale	12,500	–
Property rental income	7,176	7,561
	<u>69,694</u>	<u>59,694</u>

4. IMPAIRMENT AND REVALUATION LOSSES ON PROPERTIES

	2000 HK\$'000	1999 HK\$'000
Impairment and revaluation losses on:		
– construction in progress	272,210	128,182
– properties under/held for development	155,732	–
– properties under construction	53,182	81,504
– investment properties	42,474	21,460
– properties held for sale	26,442	1,272
– hotel property	20,000	6,499
	<u>570,040</u>	<u>238,917</u>

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5. LOSS FROM OPERATIONS

	2000 HK\$'000	1999 HK\$'000
Loss from operations has been arrived at after charging:		
Directors' remuneration (note 7)	2,914	3,800
Pension scheme contributions	1,444	1,342
Other staff costs	21,560	20,908
	<u>25,918</u>	<u>26,050</u>
Total staff costs		
	<u>25,918</u>	<u>26,050</u>
Depreciation of property, plant and equipment	1,665	1,349
Less: amount capitalised in construction in progress	(524)	(552)
	<u>1,141</u>	<u>797</u>
Auditors' remuneration	812	1,042
Cost of inventories recognised	16,842	17,573
Cost of property sold	16,000	–
Loss on disposal of investments in securities	474	4,487
Loss on disposal of property, plant and equipment	789	–
Loss on disposal of projects under development	–	13,500
Impairment loss recognised on investments in securities	–	11,074
Rentals of premises under operating leases	2,474	3,704
and after crediting:		
Dividend income from listed investments	255	–
Gain on disposal of property, plant and equipment	–	419
Interest income	1,864	266
Net rental income in respect of premises after outgoings of HK\$48,000 (1999: HK\$80,000)	<u>7,128</u>	<u>7,481</u>

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6. FINANCE COSTS

	2000	1999
	HK\$'000	HK\$'000
Interest on bank and other borrowings		
– wholly repayable within five years	6,501	10,996
– not wholly repayable within five years	<u>28,201</u>	<u>14,133</u>
	34,702	25,129
Less: Amount capitalised in construction in progress	<u>(28,201)</u>	<u>(14,133)</u>
	<u>6,501</u>	<u>10,996</u>

7. DIRECTORS' REMUNERATION

	2000	1999
	HK\$'000	HK\$'000
Fees		
– Independent non-executive directors	160	160
Other emoluments		
– Executive directors		
Salaries and benefits	<u>2,754</u>	<u>3,640</u>
	<u>2,914</u>	<u>3,800</u>

The number of directors whose remuneration fall within the bands set out below is as follows:

	No. of directors	
	2000	1999
Nil to HK\$1,000,000	15	6
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	<u>–</u>	<u>1</u>

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8. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group included four directors (1999: three directors) of the Company, details of whose remuneration are set out in note 7 above. The remuneration of the remaining highest paid individual(s) who is/are employees of the Group is as follows:

	2000 HK\$'000	1999 HK\$'000
Remuneration, salaries and other benefits	<u>831</u>	<u>1,493</u>

The emoluments of the individual(s) for both years were less than HK\$1,000,000.

9. TAXATION

	2000 HK\$'000	1999 HK\$'000
The taxation credit represents:		
Overprovision for Hong Kong Profits Tax	–	858
Tax in other jurisdictions		
– provision for the year	–	(185)
– overprovision for previous year	<u>1,213</u>	<u>–</u>
	<u>1,213</u>	<u>673</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries had no assessable profit for both years.

Tax in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No provision for tax in other jurisdictions for the current year has been made in the financial statements as neither the Company nor any of its subsidiaries had any assessable profits subject to tax in other jurisdictions.

Details of deferred taxation are set out in note 28.

10. NET LOSS FOR THE YEAR

Of the Group's net loss for the year of HK\$582,836,000 (1999: HK\$226,068,000), a loss of HK\$2,383,887,000 (1999: HK\$1,045,000) has been dealt with in the financial statements of the Company.

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11. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK\$582,836,000 (1999: HK\$226,068,000) and on the weighted average number of 1,135,203,448 (1999: 921,144,500) ordinary shares in issue during the year.

No diluted loss per share is presented for either year as there are no dilutive ordinary shares in issue.

12. INVESTMENT PROPERTIES

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
VALUATION		
At 1st January	114,292	135,752
Deficit on revaluation for the year	(42,474)	(21,460)
At 31st December	<u>71,818</u>	<u>114,292</u>

The valuation of the Group's investment properties at 31st December, 2000 was carried out by CB Richard Ellis Limited, an independent firm of qualified professional valuers, on an open market value basis. The net deficit arising on revaluation of HK\$42,474,000 has been charged to the income statement for the year ended 31st December, 2000.

All the Group's investment properties are held for rental under operating leases.

The carrying value of the investment properties comprises:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Properties held under medium-term leases in Hong Kong	14,500	18,800
Properties held under medium-term land use rights in the People's Republic of China (the "PRC")	<u>57,318</u>	<u>95,492</u>
	<u>71,818</u>	<u>114,292</u>

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For the year ended 31st December, 2000

13. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK\$'000	Properties under construction HK\$'000	Leasehold improvements HK\$'000	Furniture, equipment and motor vehicles HK\$'000	Hotel property HK\$'000	Total HK\$'000
THE GROUP						
COST OR VALUATION						
At 1st January, 2000	1,384,405	511,025	1,609	16,633	245,000	2,158,672
Additions	155,483	23,182	2,965	794	–	182,424
Disposals	–	–	(998)	(1,675)	–	(2,673)
Deficit on revaluation	–	–	–	–	(20,000)	(20,000)
At 31st December, 2000	<u>1,539,888</u>	<u>534,207</u>	<u>3,576</u>	<u>15,752</u>	<u>225,000</u>	<u>2,318,423</u>
Comprising:						
At cost	1,539,888	534,207	3,576	15,752	–	2,093,423
At valuation – 2000	–	–	–	–	225,000	225,000
	<u>1,539,888</u>	<u>534,207</u>	<u>3,576</u>	<u>15,752</u>	<u>225,000</u>	<u>2,318,423</u>
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2000	370,405	96,025	1,331	12,602	–	480,363
Charge for the year	–	–	648	1,017	–	1,665
Impairment in value for the year	272,210	53,182	–	–	–	325,392
Eliminated on disposals	–	–	(532)	(1,344)	–	(1,876)
At 31st December, 2000	<u>642,615</u>	<u>149,207</u>	<u>1,447</u>	<u>12,275</u>	<u>–</u>	<u>805,544</u>
NET BOOK VALUES						
At 31st December, 2000	<u>897,273</u>	<u>385,000</u>	<u>2,129</u>	<u>3,477</u>	<u>225,000</u>	<u>1,512,879</u>
At 31st December, 1999	<u>1,014,000</u>	<u>415,000</u>	<u>278</u>	<u>4,031</u>	<u>245,000</u>	<u>1,678,309</u>

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13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

- (a) The construction in progress is situated outside Hong Kong and represents the Group's interest in a toll highway under construction in Shenzhen ("Shenzhen Highway"). With reference to the valuation made by American Appraisal Hongkong Limited, an independent firm of professional property valuers, on an open market basis under a discounted cash flow method, taking into consideration of the expected future cost to complete Shenzhen Highway and of the traffic projections and studies conducted by Scott Wilson (Hong Kong) Limited, an independent traffic consultant, Shenzhen Highway was stated at cost less impairment in value at 31st December, 2000. A subsidiary of the Group has been granted the right to operate and manage the Shenzhen Highway for a period of 20 years following the commencement of its operations.
- (b) The properties under construction are situated in the PRC and are held under medium-term land use rights. With reference to the valuation made by CB Richard Ellis Limited, an independent firm of professional property valuers, on an open market basis, the Group's properties under construction are stated at cost less impairment in value at 31st December, 2000.
- (c) The valuation of the Group's hotel property at 31st December, 2000 was carried out by CB Richard Ellis Limited, on an open market value basis.

The hotel property is situated in the PRC and is held under medium-term land use right. A subsidiary of the Group has been granted the right to operate and manage the hotel for a period from January 1987 to January 2017, and subject to certain conditions to be fulfilled, the operating period may be extended for a further 20 years.

- (d) At 31st December, 2000, included in net book value of construction in progress is interest capitalised of HK\$43,240,000 (1999: HK\$15,039,000).

14. PROPERTIES UNDER/HELD FOR DEVELOPMENT

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
AT COST LESS IMPAIRMENT		
At 1st January	329,601	329,382
Development costs incurred during the year	540	219
Acquired on acquisition of a subsidiary	26,000	—
Transfer to properties held for sale	(43,008)	—
Impairment in value for the year	(155,732)	—
	<u>157,401</u>	<u>329,601</u>
At 31st December	<u>157,401</u>	<u>329,601</u>

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14. PROPERTIES UNDER/HELD FOR DEVELOPMENT *(Continued)*

All the properties under/held for development are situated in the PRC under the following term:

	2000 HK\$'000	1999 HK\$'000
Medium-term land use rights	131,086	286,723
Long-term land use rights	26,315	42,878
	<u>157,401</u>	<u>329,601</u>

15. INTERESTS IN SUBSIDIARIES

	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	3,219,175	3,219,175
Amounts due from subsidiaries	133,171	87,027
	<u>3,352,346</u>	3,306,202
Less: Impairment loss	<u>(2,379,727)</u>	—
	<u>972,619</u>	<u>3,306,202</u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts are unlikely to be repaid within one year and are therefore shown as non-current.

Details of the Company's principal subsidiaries as at 31st December, 2000 are set out in note 40.

16. INVESTMENT IN AN ASSOCIATE

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Share of net assets	<u>19,093</u>	<u>—</u>

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16. INVESTMENT IN AN ASSOCIATE *(Continued)*

Details of the associate which is held indirectly by the Company at 31st December, 2000 are as follows:

Name of associate	Place of incorporation	Proportional of nominal value of issued capital held by the Company indirectly	Principal activity
Wintime Property Developments Limited ("Wintime")	British Virgin Islands ("BVI")	35%	Property investment in Hong Kong

Pursuant to an agreement dated 5th May, 2000 entered between, inter alia, Wintime, Lead Victory Investments Limited ("Lead Victory"), a wholly-owned subsidiary of the Company, and Continental Property Limited ("Continental"), a shareholder of Wintime, had assigned individual units of properties ("assigned properties") to Lead Victory and Continental respectively and Wintime shall distribute the sales proceeds, rents, profits and monies in respect of the assigned properties, which are held by a wholly-owned subsidiary of Wintime and are situated in Hong Kong, to Lead Victory and Continental respectively.

17. INVESTMENTS IN SECURITIES

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Other investments outside of Hong Kong		
Listed equity security	10,807	12,596
Unlisted debt security	603	603
Total and reported as non-current	<u>11,410</u>	<u>13,199</u>
Market value of listed security	<u>10,807</u>	<u>12,596</u>

The carrying value of the listed equity security at 31st December, 2000 represents a 16.8% interest in Austindo Resources Corporation N. L. ("ARX"), a company incorporated in Australia and listed on the Australian Stock Exchange. The Group's interest in ARX was subsequently diluted to 9.0% on 3rd January, 2001 as a result of a rights issue.

The carrying value of the unlisted debt security at 31st December, 2000 represents a convertible note issued by ARX ("Austindo Convertible Note"). The Austindo Convertible Note is unsecured, interest-free and entitles the holder at any time after 27th February, 1998 up to and including 28th February, 2003 to convert the principal amount of the Austindo Convertible Note into shares of ARX at A\$0.11 per share. If the Austindo Convertible Note is not converted by 28th February, 2003, it will be redeemed by the note issuer in cash on the following business day after the expiry date.

18. LOANS FROM/TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The Group

The amounts are unsecured, interest-free and will not be repaid within one year and are therefore shown as non-current.

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19. PROPERTIES HELD FOR SALE

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
AT COST LESS IMPAIRMENT		
At 1st January	30,515	31,787
Transfer from properties under/held for development	43,008	–
Disposed during the year	(16,000)	–
Impairment in value for the year	(26,442)	(1,272)
	<u>31,081</u>	<u>30,515</u>
At 31st December, at net realisable value	<u>31,081</u>	<u>30,515</u>

The carrying value of properties held for sale, all situated in the PRC, comprises:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Properties held under long-term land use rights	22,800	–
Properties held under medium-term land use rights	8,281	30,515
	<u>31,081</u>	<u>30,515</u>

20. TRADE AND OTHER RECEIVABLES

The Group has a policy of agreeing credit terms with each of its trade customers in light of individual customer's merit.

Included in trade and other receivables are trade receivables of HK\$2,821,000 (1999: HK\$3,261,000) and their aging analysis is as follows:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
0 to 90 days	2,122	2,385
91 to 180 days	81	249
Over 180 days	618	627
	<u>2,821</u>	<u>3,261</u>

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21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$2,062,000 (1999: HK\$6,789,000), all of which are aged within 90 days.

22. SECURED BANK AND OTHER BORROWINGS

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Bank loans	586,896	460,765
Other borrowings	–	3,000
	<u>586,896</u>	<u>463,765</u>

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Repayable as follows:		
Within one year	71,915	69,898
Between one to two years	–	33,380
Over five years	514,981	360,487
	<u>586,896</u>	<u>463,765</u>
Less: Amount due within one year included under current liabilities	<u>(71,915)</u>	<u>(69,898)</u>
Amount due after one year	<u>514,981</u>	<u>393,867</u>

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23. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised		
Ordinary shares of US\$0.02 each		
Balance at 31st December, 1999 and 31st December, 2000	<u>1,900,000,000</u>	<u>296,400</u>
Issued and fully paid		
Ordinary shares of US\$0.02 each		
At 1st January, 1999	789,519,295	123,165
Issue of new shares	<u>257,900,000</u>	<u>40,232</u>
At 31st December, 1999	1,047,419,295	163,397
Issue of new shares	189,000,000	29,484
Repurchase of shares	<u>(100,000,000)</u>	<u>(15,600)</u>
At 31st December, 2000	<u>1,136,419,295</u>	<u>177,281</u>

The movements in the ordinary share capital for the year ended 31st December, 2000 are as follows:

- (i) 89,000,000 ordinary shares of US\$0.02 each were issued and allotted to institutional and/or professional investors at a price of HK\$0.198 per share, representing a discount of approximately 7.04% on the closing price of HK\$0.213 per share on 2nd December, 1999, under a private share placement. These shares were issued under the general mandate granted to the directors of the Company on 25th June, 1999. The placing was completed on 6th January, 2000. The net proceeds of approximately HK\$17 million were used for repayment of loans from financial institutions and settlement of liabilities and other creditors.
- (ii) Pursuant to a resolution passed at a special general meeting on 27th June, 2000, the Company issued and allotted 100,000,000 ordinary shares of US\$0.02 each to PKU Cyberport Limited on 7th July, 2000 at a price of HK\$0.90 per share (the "Consideration Shares"), as partial consideration for the acquisition of the entire issued share capital of Osgood Investment Limited (the "Acquisition") at an aggregate consideration of HK\$300,000,000. The balance of the consideration for the Acquisition was settled by the issue of a convertible note at an aggregate principal amount of HK\$210,000,000, convertible into the shares of the Company at an initial conversion price of HK\$0.90 each.

As detailed in the announcement dated 24th November, 2000, the Company and PKU Cyberport Limited entered into a termination agreement to unwind the Acquisition. Accordingly, the Consideration Shares were cancelled by way of a repurchase by the Company from PKU Cyberport Limited on 28th December, 2000 and the convertible note was cancelled by way of a deed of release on 23rd November, 2000.

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23. SHARE CAPITAL *(Continued)*

Details of the repurchase of the shares of the Company through a private arrangement are as follows:

Month of Repurchase	Number of ordinary shares of US\$0.02	Price per share	Aggregate consideration paid
December, 2000	100,000,000	HK\$0.90	HK\$90,000,000

The above shares were cancelled upon repurchase.

All the shares issued during the year rank pari passu in all respects with the then existing ordinary shares.

The movements in the ordinary share capital for the year ended 31st December, 1999 were as follows:

- (i) 157,900,000 ordinary shares of US\$0.02 each were issued and allotted to institutional and/or professional investors at a price of HK\$0.246 per share, representing a discount of approximately 8.9% on the closing price of HK\$0.27 per share on 7th May, 1999, under a private share placement. These shares were issued under the general mandate granted to the directors of the Company on 23rd June, 1998. The placing was completed on 7th June, 1999. The net proceeds of approximately HK\$38 million were used for the repayment of unsecured loans of the Group.
- (ii) 100,000,000 ordinary shares of US\$0.02 each were issued and allotted to institutional and/or professional investors at a price of HK\$0.255 per share, representing a discount of approximately 7.27% on the closing price of HK\$0.275 per share on 30th June, 1999, under a private share placement. These shares were issued under the general mandate granted to the directors of the Company on 25th June, 1999. The placing was completed on 2nd August, 1999. The net proceeds of approximately HK\$25 million were used for the Group's working capital.

24. SHARE OPTION SCHEME

The Company

Pursuant to the share option scheme of the Company adopted on 27th June, 2000 (the "Scheme"), the Company may grant options to executive directors and full time employees of the Company or any of its subsidiaries to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time.

No option under the Scheme was granted or exercised during the year and no option was outstanding as at 31st December, 2000.

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24. SHARE OPTION SCHEME (Continued)

CSH

In accordance with the terms of the CSH's Executive Share Option Scheme adopted on 20th July, 1992, (the "CSH Scheme") CSH may grant options to executive directors and employees of CSH and its subsidiaries to subscribe for its ordinary shares. The subscription price, subject to adjustment, is based on 80% of the average of the last dealt prices of the shares of CSH on the five trading days immediately before the options were offered. Options granted are exercisable not earlier than one year and not later than ten years after the date the options are granted.

No options under the CSH Scheme were granted to the executive directors or full time employees of the Company or any of its subsidiaries during the year or at 31st December, 2000.

25. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000 (Note a)	Contributed surplus HK\$'000 (Note b)	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	(Deficit) retained profits HK\$'000	Total HK\$'000
THE GROUP							
At 1st January, 1999	-	35,350	1,843,324	18,317	998	(335,025)	1,562,964
Exchange adjustment arising from translation of financial statements of foreign subsidiaries	-	-	-	-	(69)	-	(69)
Premium arising on new issues of shares	24,111	-	-	-	-	-	24,111
Share issue expenses	(1,609)	-	-	-	-	-	(1,609)
Deficit arising on revaluation of hotel property	-	-	-	(18,317)	-	-	(18,317)
Net loss for the year	-	-	-	-	-	(226,068)	(226,068)
At 31st December, 1999	22,502	35,350	1,843,324	-	929	(561,093)	1,341,012
Exchange adjustment arising from translation of financial statements of foreign subsidiaries	-	-	-	-	605	-	605
Premium arising on new issue of shares	78,138	-	-	-	-	-	78,138
Share issue expenses	(440)	-	-	-	-	-	(440)
Repurchase of ordinary shares	(74,400)	-	-	-	-	-	(74,400)
Capital reserve arising on acquisition of subsidiaries	-	88	-	-	-	-	88
Net loss for the year	-	-	-	-	-	(582,836)	(582,836)
At 31st December, 2000	25,800	35,438	1,843,324	-	1,534	(1,143,929)	762,167

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25. RESERVES (Continued)

	Share premium HK\$'000	Capital reserve HK\$'000 (Note a)	Contributed surplus HK\$'000 (Note b)	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	(Deficit) retained profits HK\$'000	Total HK\$'000
THE COMPANY							
At 1st January, 1999	-	945	3,088,504	-	-	30,046	3,119,495
Premium arising on new issues of shares	24,111	-	-	-	-	-	24,111
Share issue expenses	(1,609)	-	-	-	-	-	(1,609)
Net loss for the year	-	-	-	-	-	(1,045)	(1,045)
At 31st December, 1999	22,502	945	3,088,504	-	-	29,001	3,140,952
Premium arising on new issue of shares	78,138	-	-	-	-	-	78,138
Share issue expenses	(440)	-	-	-	-	-	(440)
Repurchase of ordinary shares	(74,400)	-	-	-	-	-	(74,400)
Net loss for the year	-	-	-	-	-	(2,383,887)	(2,383,887)
At 31st December, 2000	25,800	945	3,088,504	-	-	(2,354,886)	760,363

Notes:

- (a) Capital reserve included HK\$945,000 (1999: HK\$945,000) in respect of capital redemption reserve fund. The remaining balance of capital reserve mainly represented reserve arising from the repurchase of shares of the subsidiary during the group reorganisation in 1995.
- (b) The contributed surplus of the Group represents the difference between the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries which were acquired by the Company and the nominal amount of the share capital issued by the Company under a group reorganisation in 1995. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (i) it is, or would the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

At 31st December, 2000, the reserve available for distribution to shareholders is HK\$733,618,000 (1999: HK\$3,117,505,000) which represented the aggregate of contributed surplus of HK\$3,088,504,000 (1999: HK\$3,088,504,000) and deficit of HK\$2,354,886,000 (1999: retained profits of HK\$29,001,000).

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26. DEPOSIT RECEIVED

The Group

According to two pre-sale agreements dated 7th September, 1994, certain properties of the Group were pre-sold at an aggregate consideration of RMB818,491,770 and 10% of the sale proceeds were received and classified as deposit received in the financial statements. The amounts will be taken up in the income statement on completion of the sale and purchase agreements.

In the opinion of the directors, the completion is unlikely to be taken place within one year and the amounts are therefore shown in the balance sheet as non-current.

27. AMOUNT DUE TO A FELLOW SUBSIDIARY

The Group and the Company

The amount is unsecured, bears interest at Hong Kong Prime Rate and is repayable on 13th December, 2002. Accordingly, the amount is classified as non-current.

28. DEFERRED TAXATION

At the balance sheet date, the major components of deferred taxation asset not recognised in the financial statements are as follows:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences attributable to:		
Shortfall (excess) of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	88	(192)
Unutilised tax losses	18,603	15,884
General provision on impairment and revaluation losses on properties	10,857	1,607
	<u>29,548</u>	<u>17,299</u>

The deferred taxation asset is not recognised because it is uncertain whether the tax benefit will be realised in the foreseeable future.

The major components of the deferred taxation credit not recognised for the year are as follows:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences attributable to:		
Differences between depreciation allowances claimed for tax purposes and depreciation charged in the financial statements	280	30
Tax losses arising	2,719	990
Timing difference on impairment and revaluation losses on properties	9,250	397
	<u>12,249</u>	<u>1,417</u>

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

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

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Loss before taxation	(703,470)	(282,337)
Interest expenses	6,501	10,996
Interest income	(1,864)	(266)
Dividend income	(225)	–
Depreciation	1,141	797
Deficit arising on revaluation of hotel property	20,000	6,499
Deficit arising on revaluation of investment properties	42,474	21,460
Impairment in value of properties held for sale	26,442	1,272
Impairment in value of construction in progress	272,210	128,182
Impairment in value of properties under construction	53,182	81,504
Impairment in value of properties under/held for development	155,732	–
Provision for advances to contractors	106,222	–
Loss (gain) on disposal of property, plant and equipment	789	(419)
Loss on disposal of projects under development	–	13,500
Loss on disposal of investments in securities	474	4,487
Exchange loss	1,772	–
Impairment loss recognised on investments in securities	–	11,074
Decrease in properties held for sale	16,000	–
Decrease in inventories	201	168
Increase in trade and other receivables	(70,241)	(107,249)
(Decrease) increase in trade and other payables	(36,527)	2,411
Increase in deposits received	2,057	49
Net cash outflow from operating activities	(107,130)	(107,872)

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For the year ended 31st December, 2000

30. PURCHASE OF SUBSIDIARIES

Net assets acquired:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Property under development	26,000	—
Investment in an associate	19,093	—
Trade and other payables	(5)	—
	<u>45,088</u>	<u>—</u>
Reserve arising on acquisition, net of goodwill	(88)	—
	<u>45,000</u>	<u>—</u>
Satisfied by:		
Cash consideration paid	<u>45,000</u>	<u>—</u>
Analysis of net outflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Consideration paid	<u>45,000</u>	<u>—</u>

The subsidiaries acquired during the year had no significant impact on the cash flows, turnover and results of the Group.

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For the year ended 31st December, 2000

31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium HK\$'000	Amount due to a fellow subsidiary HK\$'000	Bank and other borrowings HK\$'000	Minority interests HK\$'000	Loans from minority shareholders HK\$'000
Balance at 1st January, 1999	123,165	–	240,175	436,615	39,085
Proceeds from issue of shares, net of expenses	62,734	–	–	–	–
New loans raised	–	–	278,534	–	–
Repayment of loans	–	–	(54,944)	–	–
Loss attributable to minority shareholders of subsidiaries	–	–	–	(55,596)	–
Reserve attributable to minority shareholders of subsidiaries	–	–	–	(185)	–
Repayment to minority shareholder of a subsidiary	–	–	–	–	(16,122)
Balance at 1st January, 2000	185,899	–	463,765	380,834	22,963
Proceed from issue of shares, net of expenses	17,182	–	–	–	–
New loans raised	–	35,000	154,494	–	–
Repayment of loans	–	–	(31,363)	–	–
Loss attributable to minority shareholders of subsidiaries	–	–	–	(119,421)	–
Contribution from minority shareholder of a subsidiary	–	–	–	–	3,518
Balance at 31st December, 2000	<u>203,081</u>	<u>35,000</u>	<u>586,896</u>	<u>261,413</u>	<u>26,481</u>

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For the year ended 31st December, 2000

32. CAPITAL COMMITMENTS

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Capital expenditure contracted for but not provided in the financial statements relating to:		
– properties under/held for development	23,640	1,205,429
– properties under construction	227,150	250,332
– construction in progress	173,849	253,789
	<u>424,639</u>	<u>1,709,550</u>

33. OPERATING LEASE COMMITMENTS

At 31st December, 2000, the Group and the Company had no significant operating lease commitment.

At 31st December, 1999, the Group had commitments to make payments of approximately HK\$2,189,000 in the following year under non-cancellable operating leases which will expire within one year in respect of land and buildings.

34. CONTINGENT LIABILITIES

Guarantees

The Company has given guarantees to banks in respect of credit facilities granted to subsidiaries amounting to HK\$48,700,000 (1999: HK\$68,700,000). The extent of such facilities utilised by subsidiaries at 31st December, 2000 amounted to approximately HK\$29,780,000 (1999: HK\$51,780,000).

Litigations

- (a) In February, 1999, a contractor of a property development project in Guangzhou (the "Contractor"), Jiangnan Centre (formerly named as Hongkong Macau Centre), initiated legal proceedings against the Company and Guang Zhou Jiang Nan Property Co., Ltd. ("JNP") in respect of claim for payment of certain site management fee of RMB7.7 million.

In January, 2000, the Contractor amended the legal claim against the Company, JNP and also Eventic Limited ("Eventic"), a wholly-owned subsidiary of the Company, to increase the claim for site management fee to RMB17.5 million and also claimed for payments of construction costs of RMB65.1 million together with accrued interest thereon. The Group strongly opposed the claims. Subsequent to the balance sheet date, the Contractor made a settlement offer to limit the total claim for payments to RMB65 million. After consultation with legal counsel, the Group decided to accept the settlement offer. A provision of RMB40 million for construction costs has already been included in properties under construction in prior years and a further provision of RMB25 million (equivalent to approximately HK\$23 million) for construction costs has been included in properties under construction for the year ended 31st December, 2000. The legal proceedings are still ongoing, and their outcome depends on the finalisation of a formal settlement agreement.

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34. CONTINGENT LIABILITIES *(Continued)*

Litigations *(Continued)*

- (b) In August, 1999, the architect of Jiangnan Centre initiated legal proceedings against Eventic in respect of claim for payment of service fees and other expenses of HK\$0.6 million and HK\$6.6 million respectively.

Eventic vigorously defense the claims and made a counterclaim for loss and damages suffered due to insufficient supervision services provided.

In view of the counterclaim made by Eventic, the architect amended its total claims to HK\$7.7 million. At the date of this report, the proceedings are still ongoing. After taking into consideration the advice of the Group legal counsel, the directors consider the outcome of the proceedings will not have material adverse financial effect in the Group.

35. PLEDGE OF ASSETS

At 31st December, 2000 and 1999, the bank and other borrowings of the Group were secured by the following assets:

- (a) Investment properties with a carrying value of HK\$32,130,000 (1999: HK\$77,930,000).
- (b) Properties held for sale with a carrying value of HK\$Nil (1999: HK\$27,956,000).
- (c) Certain part of a hotel property with a carrying value of HK\$40,529,000 (1999: HK\$44,132,000).
- (d) Bank deposits of HK\$8,427,000 (1999: HK\$8,427,000).
- (e) Listed equity securities outside Hong Kong with a carrying value of HK\$Nil (1999: HK\$12,596,000).

During the year, Fameluxe Investment Limited, a wholly-owned subsidiary of the Company has issued two debentures in favour of a bank by way of creating a first floating charge on its entire interest in Shenzhen Longchen Xinyuan Industrial Co., Ltd., a subsidiary of the Company, which also has pledged its right to receive toll fee income to another bank to secure the credit facilities.

36. RETIREMENT BENEFITS SCHEME

The Company and Ming Hung (Holdings) Limited, a wholly-owned subsidiary in Hong Kong, participate in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. During the year under review, the total amount contributed by the Group to the scheme and charged to the income statement was insignificant and no contributions were forfeited.

The employees in the subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

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37. SEGMENTAL INFORMATION

The Group carries out its activities in the PRC including Hong Kong. An analysis of the Group's turnover and contribution to loss from operations by principal activity and geographical markets, respectively, is as follows:

2000

	Turnover HK\$'000	Contribution to profit (loss) from operations before impairment and revaluation losses HK\$'000	Impairment and revaluation losses on properties HK\$'000	Contribution to loss from operations HK\$'000
By principal activity:				
Property sales and development	12,500	(111,459)	(501,333)	(612,792)
Property rental	7,176	2,194	(48,707)	(46,513)
Hotel operation	50,018	1,064	(20,000)	(18,936)
Others	–	(18,728)	–	(18,728)
	<u>69,694</u>	<u>(126,929)</u>	<u>(570,040)</u>	<u>(696,969)</u>
Finance costs				<u>(6,501)</u>
Loss before taxation				<u>(703,470)</u>
By geographical market:				
Hong Kong	1,882	(15,449)	(4,300)	(19,749)
The PRC, other than Hong Kong	67,812	(109,710)	(565,740)	(675,450)
Others	–	(1,770)	–	(1,770)
	<u>69,694</u>	<u>(126,929)</u>	<u>(570,040)</u>	<u>(696,969)</u>
Finance costs				<u>(6,501)</u>
Loss before taxation				<u>(703,470)</u>

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37. SEGMENTAL INFORMATION (Continued)

1999

	Turnover HK\$'000	Contribution to profit (loss) from operations before impairment and revaluation losses HK\$'000	Impairment and revaluation losses on properties HK\$'000	Contribution to profit (loss) from operations HK\$'000
By principal activity:				
Property sales and development	–	(10,956)	(209,686)	(220,642)
Property rental	7,561	1,173	(22,732)	(21,559)
Hotel operation	52,133	7,592	(6,499)	1,093
Others	–	(30,233)	–	(30,233)
	<u>59,694</u>	<u>(32,424)</u>	<u>(238,917)</u>	<u>(271,341)</u>
Finance costs				<u>(10,996)</u>
Loss before taxation				<u>(282,337)</u>
By geographical market:				
Hong Kong	1,748	(17,956)	–	(17,956)
The PRC, other than Hong Kong	57,946	(3,527)	(238,917)	(242,444)
Others	–	(10,941)	–	(10,941)
	<u>59,694</u>	<u>(32,424)</u>	<u>(238,917)</u>	<u>(271,341)</u>
Finance costs				<u>(10,996)</u>
Loss before taxation				<u>(282,337)</u>

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38. POST BALANCE SHEET EVENTS

The following events have occurred subsequent to the balance sheet date:

- (a) On 17th April, 2001, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to dispose of certain of its investment properties situated in Hong Kong with an aggregate carrying value of approximately HK\$14 million at a consideration of HK\$14 million.
- (b) During the year, certain subsidiaries of the Company entered into sale and purchase agreements to dispose of properties held for sale, which are situated in the PRC, at a consideration which approximates the carrying value of the properties of HK\$23 million at 31st December, 2000. The sale of these properties was completed on 30th March, 2001.
- (c) On 18th January, 2001, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital of Silvercomb Property Limited ("Silvercomb"), for a consideration of HK\$106 million. Silvercomb is an investment holding company with its principal subsidiaries mainly engaged in property investment and trading in Hong Kong and elsewhere in the PRC. On 15th March, 2001, a wholly-owned subsidiary of Silvercomb entered into a sale and purchase agreement with an independent third party to dispose of certain leasehold properties in Hong Kong at a consideration of HK\$36 million.
- (d) On 19th January, 2001 and 2nd March, 2001, the Company entered into agreements with two wholly-owned subsidiaries of CSH to obtain loans amounted to HK\$120 million and RMB17.5 million for the acquisitions of property investments and the general working capital of the Group. The loans are unsecured, bear interest at Hong Kong Prime Rate and at 6% per annum respectively, and are repayable in two years from the draw-down dates.

39. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement for the acquisition of 37.25% interest in the capital of each of Berich Holdings Limited and Trade One Limited for the aggregate consideration of HK\$45,000,000 (the "Transaction"). Mr. Chung Chi Wah, a former director of the Company, held 40% of the then issued share capital of both Berich Holdings Limited and Trade One Limited. A cancellation agreement was entered into on 31st March, 2000 to cancel the Transaction.

Details of the balances with related companies at the balance sheet date are disclosed in notes 15 and 27 to the financial statements.

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For the year ended 31st December, 2000

40. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31st December, 2000 are as follows:

Name of subsidiary	Issued and fully paid ordinary share capital/ registered capital	Place of incorporation/ registration	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities and place of operation
			Directly %	Indirectly %	
A-One Worldwide Limited	US\$1	BVI	–	100	Investment holding, Hong Kong
Allied Glory Investment Limited	HK\$2	Hong Kong	–	82	Investment holding, Hong Kong
Best Glory Limited	HK\$2	Hong Kong	–	100	Investment holding, Hong Kong
Chang Jiang Resources Co. Ltd.	US\$1	BVI	–	100	Investment holding, Hong Kong
China Industrial Investment Corporation Limited	HK\$20	Hong Kong	–	100	Investment holding, Hong Kong
China-HK International Finance Limited	HK\$2	Hong Kong	–	100	Financial services, Hong Kong
China-HK International Securities Limited	HK\$26,800,000	Hong Kong	–	100	Investment holding, Hong Kong
Dearing Limited	HK\$2	Hong Kong	–	100	Property holding, Hong Kong
Eastar Limited	HK\$2	Hong Kong	–	100	Investment holding, Hong Kong
Eventic Limited	HK\$2	Hong Kong	–	100	Investment holding, Hong Kong

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40. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Issued and fully paid ordinary share capital/ registered capital	Place of incorporation/ registration	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities and place of operation
			Directly %	Indirectly %	
Fairmost Limited	HK\$2	Hong Kong	–	100	Investment holding, Hong Kong
Fameluxe Investment Limited	HK\$10,000	Hong Kong	–	100	Investment holding, Hong Kong
Fast-Gain Worldwide Limited	US\$100	BVI	–	91	Investment holding, Hong Kong
Finescene Limited	HK\$2	Hong Kong	–	100	Investment holding, Hong Kong
Get Shing Limited	HK\$2	Hong Kong	–	100	Investment holding, Hong Kong
Get Sun Limited	HK\$2	Hong Kong	–	100	Investment holding, Hong Kong
Gladly Development Limited	HK\$2	Hong Kong	–	100	Investment holding, Hong Kong
Guangzhou Jiang Nan Hotel Co., Ltd.	HK\$89,700,000	PRC	–	*66	Hotel operation, PRC
Guang Zhou Jiang Nan Property Co., Ltd.	HK\$68,000,000	PRC	–	75	Property development, PRC
Guilin Huei-Shan Real Estate Company Limited	HK\$4,702,848	PRC	–	97	Property development, PRC
Guilin Yi-Del Real Estate Company Limited	HK\$3,578,380	PRC	–	97	Property development, PRC

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40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Issued and fully paid ordinary share capital/ registered capital	Place of incorporation/ registration	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities and place of operation
			Directly %	Indirectly %	
Guilin You-Chen Real Estate Company Limited	HK\$7,831,666	PRC	–	97	Property development, PRC
Guilin You-Xin Real Estate Company Limited	HK\$10,873,532	PRC	–	97	Property development, PRC
Guilin Zhi-Xian Real Estate Company Limited	HK\$5,277,181	PRC	–	97	Property development, PRC
HMH China Investments Limited	CAD\$1,152,913	Bermuda	–	82	Investment holding, Canada
Holroyd Assets Limited	US\$1	BVI	–	100	Property trading, PRC
Hongkong Macau (China) Limited	HK\$200,000,000	Hong Kong	–	100	China investment, Hong Kong
Hongkong Macau (International) BVI Limited	US\$10	BVI	100	–	Investment holding, Hong Kong
Hongkong Macau (Nominees) Limited	HK\$2	Hong Kong	–	100	Nominee services, Hong Kong

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40. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Issued and fully paid ordinary share capital/ registered capital	Place of incorporation/ registration	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities and place of operation
			Directly	Indirectly	
			%	%	
Huizhou Best Glory Property Ltd.	HK\$31,878,000	PRC	–	*90	Property development, PRC
Huizhou Gladly Property Ltd.	HK\$11,020,000	PRC	–	*90	Property development, PRC
Huizhou World Express Property Ltd.	HK\$109,200,000	PRC	–	*90	Property development, PRC
Lead Victory Investments Limited	US\$1	BVI	–	100	Investment holding, Hong Kong
Lucky Million Investments Limited	US\$1	BVI	–	100	Investment holding, Hong Kong
Meiner Investment Limited	HK\$1,000	Hong Kong	–	95	Investment holding, Hong Kong
Ming Hung (Holdings) Limited	HK\$1,591,158,590	Hong Kong	–	100	Investment holding, Hong Kong
Multi-Million Assets Limited	US\$1	BVI	–	82	Investment holding, Hong Kong
Shenzhen Longchen Xinyuan Industrial Co., Ltd.	RMB100,000,000	PRC	–	60	Construction and operation of a toll highway, PRC

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40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Issued and fully paid ordinary share capital/ registered capital	Place of incorporation/ registration	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities and place of operation
			Directly	Indirectly	
			%	%	
Shenzhen SEZ Development Centre Co., Ltd.	HK\$290,000,000	PRC	–	86	Development, holding and trading of properties, PRC
World Express Limited	HK\$2	Hong Kong	–	100	Investment holding, Hong Kong
Yetwide Investments Limited	HK\$2	Hong Kong	–	100	Property development, PRC

* The figures presented represent the Group's percentage of profit sharing. The Group is entitled to recover in full the capital together with interest before the joint venture parties can share profit.

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries 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 subsidiaries would, in the opinion of the directors, result in particulars of excessive length.