

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. REORGANISATION AND BASIS OF PRESENTATION

45

Trans-Ocean Investment and Technology Limited (formerly known as Trans-Ocean (International) Limited) ("the Company") was incorporated in Bermuda with limited liability on 11th August, 1999 as an exempted company under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation (the "Reorganisation") in connection with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the ultimate holding company of the other companies comprising the Group on 12th November, 1999. Further details of the Reorganisation are set out in the Company's prospectus dated 30th November, 1999. The shares of the Company were listed on the Stock Exchange on 10th December, 1999.

The Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 31st December, 1999 rather than from the date on which the Reorganisation was completed.

During the year ended 31st December, 2000, the Group acquired equity interests in the following subsidiaries and associates:

Company	Equity interests acquired	Consideration	Net attributable tangible assets
Shanghai Trans-Ocean Housing Technology Co., Ltd. ("Housing Technology")	5%	716,854	716,854
Super-power.com Limited	100%	8	8
Shanghai Telecom Broadband Networking Co., Ltd.	38%	11,314,350	11,314,350
Shanghai Hardware Chain Store Co., Ltd.	48.25%	4,714,313	4,714,313
Shanghai Orda Opto-electronics Science and Technology Co., Ltd.	23.52%	9,051,480	2,489,157
		<u>25,797,005</u>	<u>19,234,682</u>

There were no other additions or disposals of equity interests in subsidiaries or associates during the financial year.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. REORGANISATION AND BASIS OF PRESENTATION (Continued)

As of 31st December, 2000, the consolidated financial statements of the Group include the financial statements of the Company and the following subsidiaries and associates:

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group		Issued and paid-up capital	Authorised share capital	Principal activities
		2000	1999			
Subsidiaries:						
Shanghai Xin Dong Industry Co., Ltd. ("Xin Dong")	People's Republic of China ("PRC") 28th May, 1993	98%	98% (Note)	United States Dollars ("US\$") 3,457,729	US\$3,457,729	Property leasing and real estate agency
Shanghai Xin Shi Industry Co., Ltd. ("Xin Shi")	PRC 10th January, 1995	49%	49% (Note)	Renminbi ("RMB") 10,000,000	RMB10,000,000	Property leasing
Shanghai Cosco-Xin Dong Real Estate Development Co., Ltd. ("Cosco-Xin Dong")	PRC 16th September, 1996	49%	49% (Note)	RMB50,000,000	RMB50,000,000	Property development
Shanghai Well Real Estate Co., Ltd. ("Well Real Estate")	PRC 6th May, 1997	98%	98%	US\$10,000,000	US\$10,000,000	Property development
Trans Ocean (Shanghai) Real Estate & Construction Co., Ltd. ("Trans Ocean Construction")	PRC 24th December, 1997	97.5%	97.5%	US\$9,800,000	US\$9,800,000	Property development
Tranceocean (Shanghai) Real Estate Development Co., Ltd. ("Tranceocean Development")	PRC 29th September, 1998	95%	95%	US\$4,900,000	US\$4,900,000	Property development

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. REORGANISATION AND BASIS OF PRESENTATION (Continued)

47

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group		Issued and paid-up capital	Authorised share capital	Principal activities
		2000	1999			
Subsidiaries: (Continued)						
Sinopower Investment Limited	British Virgin Islands ("BVI") 1st October, 1998	100%	100%	US\$52	US\$50,000	Investment holding
Powerland Investment Limited	BVI 31st May, 1999	100%	100%	US\$11	US\$50,000	Investment holding
Dragon Time Investment Limited	BVI 2nd July, 1999	100%	100%	US\$11	US\$50,000	Investment holding
Eastin Resources Limited	BVI 21st July, 1999	100%	100%	US\$11	US\$50,000	Investment holding
Wellwide Limited	BVI 21st July, 1999	100%	100%	US\$21	US\$50,000	Investment holding
Wingo Investment Limited	BVI 21st July, 1999	100%	100%	US\$1	US\$50,000	Investment holding
Shanghai Trans-Ocean Housing Technology Co., Ltd. ("Housing Technology")	PRC, 4th August, 1999	95%	90%	US\$4,163,981	US\$10,000,000	Development of technology for housing
Super-power.com Limited	BVI 4th January, 2000	100%	–	US\$1	US\$50,000	Investment holding

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. REORGANISATION AND BASIS OF PRESENTATION (Continued)

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group		Issued and paid-up capital	Authorised share capital	Principal activities
		2000	1999			
Associates:						
Shanghai Trans-Ocean Property Management Co., Ltd. ("Trans-Ocean Property Management")	PRC 1st September, 1995	47%	47% (Note)	RMB500,000	RMB500,000	Properties management
Shanghai Telecom Broadband Networking Co., Ltd.	PRC 24th October, 2000	38%	–	RMB30,000,000	RMB30,000,000	Development and sales of network and construction of wide fibre project
Shanghai Hardware Chain Store Co., Ltd.	PRC 1st February, 2000	48.25%	–	RMB10,000,000	RMB10,000,000	Sales of hardware and communication equipment
Shanghai Orda Opto-electronics Science and Technology Co., Ltd.	PRC 23rd March, 2000	23.52%	–	RMB11,000,000	RMB11,000,000	Development and sales of photo electron products, computer hardware and software

Note: The Group acquired an additional 8.48% equity interest in Xin Dong, the holding company of Xin Shi, Cosco-Xin Dong and Trans-Ocean Property Management for RMB 3,000,000 in August 1999. The Group's equity interests in Xin Dong, Xin Shi, Cosco-Xin Dong and Trans-Ocean Property Management were 89.52%, 44.76%, 44.76% and 42.97% respectively prior to the acquisition. These percentages were used as the basis for the accounting of the Group's investments in these companies during the period prior to the acquisition.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES

49

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong, the disclosure requirements of the Companies Ordinance and The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Principal accounting policies are summarised below:

(a) Consolidation

The consolidated financial statements included the accounts of the Company and its consolidated subsidiaries. As described in Note 1, the consolidated financial statements have been prepared using the merger basis of accounting. Accordingly, the consolidated results of the Group for the years ended 31st December, 2000 and 1999 include the results of the Company and its subsidiaries as listed in Note 1 with effect from 1st January, 1999 or since their respective dates of incorporation, where this is a shorter period. In the opinion of the directors, the above basis of presentation reflects more fairly the results and states of affairs of the Group as a whole.

Significant intra-group transactions and balances have been eliminated on consolidation.

(b) Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, turnover and other revenue are recognised on the following bases:

(i) *Pre-sale of properties under development for sale*

Pre-sale of properties under development for sale is recognised based on the percentage of completion method. The attributable profit on the pre-sold portion of the properties under development for sale is recognised over the course of the development after taking into account further construction cost which are required to be incurred in order to complete the project and after making suitable allowances for contingencies. The attributable profit on the pre-sold portion of a particular project is calculated by reference, to the lower of the percentage which results from: (i) the proportion of the total construction costs incurred to the total estimated construction costs to complete the projects; or (ii) the proportion of cash received over the total sale consideration.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Revenue recognition (Continued)

(ii) *Sale of properties held for sale*

Sale of properties held for sale is recognised upon the signing of the sale agreement and the title of the property has been transferred to the buyer.

(iii) *Sale of goods*

Sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to customers.

(iv) *Rental income*

Rental income is recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the earning process contained in the lease.

(v) *Interest income*

Interest income is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

(vi) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(c) Property, plant and equipment and depreciation

Property, plant and equipment, other than investment properties, are stated at cost 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 the property, plant and equipment have been put into operation, such as repairs and maintenance 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 property, plant and equipment, the expenditure is capitalised as an additional cost of the property, plant and equipment.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

51

(c) Property, plant and equipment and depreciation (Continued)

Depreciation is provided to write off the cost net of estimated residual value, using the straight-line method over the estimated useful lives of the property, plant and equipment. The estimated useful lives are as follows:

Building	30 years
Leasehold improvements	over the remaining period of lease
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposals is included in the income statement.

Construction-in-progress represents buildings under construction and machinery under installation and testing and is stated at cost. Construction-in-progress is transferred to property, plant and equipment upon the completion of construction or installation.

(d) Investment properties

Investment properties are interests in buildings in respect of which construction work and development have been completed and which are held for their investment potential and for the long-term.

Investment properties are included in the balance sheet at their open market value, on the basis of an annual valuation by professionally qualified executives of the Company and by independent valuers at intervals of not more than three years. Changes in the value of investment properties are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a reduction in the open market value on a portfolio basis, the excess is charged to the income statement.

Upon disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the property revaluation reserve to the income statement as part of the profit or loss on disposal of the investment property.

No depreciation is provided on investment properties unless the unexpired term is 20 years or less, in which case depreciation is provided on their carrying value over the unexpired lease term.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Subsidiaries

A subsidiary is a company in which the Company (i) holds, directly or indirectly, more than 50% of its issued voting share capital or equity interest as a long-term investment, or (ii) has the power to cast the majority of votes at meetings of the management committee or the board of directors.

In the Company's financial statements, investments in subsidiaries are carried at cost less provision for impairment diminution in value where considered necessary by the directors. The results of the subsidiaries are included in the income statements to the extent of dividends declared by the subsidiaries.

(f) Associates

An associate is an enterprise in which the Group has significant influence, but not control or joint control, and thereby has the ability to participate in its financial and operating policy decisions.

In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting, whereby the investment is initially recorded at cost and the carrying amount is adjusted to recognise the Group's share of the post-acquisition profits or losses of the associates, distributions received from the associates and other necessary alterations in the Group's proportionate interest in the associates arising from changes in the equity of the associates that have not been included in the income statements.

Goodwill arising on the acquisition of an associate, being the excess of the cost over the fair value of the Group's share of the separable net assets acquired, is amortised on a straight line basis to the consolidated income statement over twenty years. Where, in the opinion of the directors, there is an impairment in value of an associate, or the market value has fallen below the carrying value over a sustained period, a provision is made for such impairment in value.

(g) Trading securities

Securities that are held for the purpose of generating a profit from short-term fluctuations in price or dealer's margin are classified as trading securities and are included in the balance sheet at their fair values. Any changes in the fair values of trading securities are recognised in the income statement when they arise.

Upon disposal of the trading securities, any profit and loss is accounted for in the income statement.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

53

(h) Properties held or under development for sale

Properties held or under development for sale, the pre-sale of which has not commenced, are included in current assets at the lower of cost and net realisable value. Properties held or under development for sale, the pre-sale of which has commenced, are included in current assets or current liabilities at cost plus attributable profits less sale installments and deposits received and receivable and any foreseeable losses.

Cost of properties in the course of development comprises land cost, fees for land use rights and other direct costs attributable to such properties.

Net realisable value is determined by reference to sales proceeds of properties sold in the ordinary course of business less all estimated marketing and selling expenses after the balance sheet date, or by management estimates based on prevailing market condition.

No depreciation is provided on properties held or under development for sale.

(i) Cash and cash equivalents

Cash represents cash in hand and deposits with any banks or other financial institutions which are repayable on demand.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks repayable within three months from dates of the advances.

(j) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Taxation

The Company and its subsidiaries provide for taxation on the basis of their profits for financial reporting purposes, adjusted for income and expenses items which are not assessable or deductible for income tax purpose.

Deferred taxation is provided under the liability method, at the current tax rate, in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except where it is considered that no liability will arise in the foreseeable future. Deferred tax assets are not recognised unless the related benefits are expected to crystallise in the foreseeable future.

(l) Foreign currency translation

- (i) The Company and its subsidiaries maintain their books and records either in Hong Kong dollars or in Renminbi ("respective functional currencies").
- (ii) Foreign currency transactions are translated into the respective functional currencies at exchange rates in effect at the time of the transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet dates are translated into the respective functional currencies at rates of exchange in effect at the balance sheet dates. Non-monetary assets and liabilities denominated in other currencies are translated at historical rates. Exchange differences are dealt with in the income statement.
- (iii) The financial statements of overseas subsidiaries are translated into Hong Kong dollars using the closing rate method. Under this method, all amounts other than equity have been translated at the exchange rate prevailing at the balance sheet dates. Exchange differences resulting from translating the financial statements into Hong Kong dollars are recorded in the exchange translation reserve account and taken directly to equity.

(m) Borrowing costs

Interest is expensed as incurred, except for interest directly attributable to the construction of property under development, which is capitalised as part of the cost of that property. Interest is capitalised at the weighted average cost of the related borrowing up to the date of completion of the property.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Related parties

Related parties are those parties, which have 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.

3. TURNOVER

	2000	1999
Sale and pre-sale of properties held or under development	409,692,288	398,065,647
Sale in relation to supply and installation of broadband optical fibre	70,198,982	—
Rental income from investment properties	1,620,074	2,987,174
	<u>481,511,344</u>	<u>401,052,821</u>
Less: Business tax and surtaxes (Note (i))	(21,928,448)	(20,662,320)
Add: Financial refund (Note (ii))	2,771,713	8,253,209
	<u>462,354,609</u>	<u>388,643,710</u>
Net		

Note (i) The Group is subject to business tax ("BT") at 5% on the revenue from the sale/pre-sale of properties and rental income.

In addition to BT, some subsidiaries are subject to the following surtaxes:

- City development tax, a tax levied at 7% of BT or Value-Added Tax ("VAT");
- Education supplementary tax, a tax levied at 3% of BT or VAT.

Note (ii) Based on documents issued by the local authorities, Cosco-Xin Dong, Trans Ocean Construction and Well Real Estate are entitled to a tax refund equal to 30%, 30% and 35% of BT paid respectively. Cosco-Xin Dong enjoyed such financial subsidy till August 2000 while no specific expiry date has been mentioned for the financial subsidy being enjoyed by Trans Ocean Construction and Well Real Estate. Based on Circular Guofa (2000)2 issued in January 2000, the above financial subsidy would require approval from the State authority. Otherwise, it may cease to be available to the companies effective January 1, 2000. As these companies have not received relevant approvals for such refunds, they are recognized on a cash basis.

Approximately 17% (1999: 4%) of the turnover for the year was made to the Group's five largest customers. Sales to the largest customer amounted to 14.8% (1999: 1.63%) of the Group's turnover for the year.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

4. PROFIT BEFORE TAXATION

The consolidated profit before taxation was determined after crediting or charging the following items:

	2000	1999
Crediting:		
Interest income on		
– Bank deposits	2,768,572	1,264,048
– Amounts due from related parties (Note 27)	–	1,665,981
Realised gain on disposal of trading securities	23,776	–
	2000	1999
Charging:		
Depreciation on property, plant and equipment	4,356,665	1,470,160
Deficit on revaluation of properties	–	1,344,383
Cost of inventories	56,280,561	–
Staff costs	6,241,311	2,955,109
Pension	512,779	670,051
Interest expense		
– bank loans	1,246,623	1,424,280
– amounts due to related parties (Note 27)	–	212,822
Operating lease expenses for offices	1,101,034	1,606,223
Unrealised loss on trading securities	15,400	–
Exchange loss, net	67,888	17,076
Auditors' remuneration	939,800	900,000

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

5. EMOLUMENTS OF DIRECTORS AND SENIOR EXECUTIVES

57

- (a) Details of emoluments paid to the directors are as follows:

	2000	1999
Fees for executive directors	—	—
Fees for non-executive directors and supervisors	—	178,166
Other emoluments for executive directors		
– Basic salaries and allowances	6,166,840	945,518
– Discretionary bonuses	—	2,000,000
Other emoluments for non-executive directors	263,144	—
	6,429,984	3,123,684

One of the non-executive directors waived his entitlement to emoluments during the year.

- (b) Details of emoluments paid to the five highest paid individuals (including directors and employees) in the Group were as follows:

	2000	1999
Basic salaries and allowances	4,300,080	673,117
Discretionary bonuses	—	1,250,000
	4,300,080	1,923,117
Number of directors	5	5
Number of employees	—	—
	5	5

The annual emoluments paid during the year to each of the five highest paid individuals (including directors and employees) were less than HK\$ 1,000,000.

During the year, no emoluments were paid to the five highest paid individuals (including directors and employees) as an inducement to join; or upon joining the Group, as compensation for loss of office.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

6. CONTRIBUTIONS TO STATUTORY PENSION SCHEME AND HOUSING POLICY

Pursuant to PRC laws and regulations, contributions to the basic old age insurance for the Group's local staff have been made monthly to a government agency based on 31% of the standard salary set by the provincial government, of which 25.5% is borne by the Group and the remainder is borne by the staff. The government agency is responsible for the pension liabilities relating to such staff on their retirement. In addition, the Company participates in the Mandatory Provident Fund Scheme, under which contributions of 5% of the Hong Kong employee's monthly salary are made by each of the employer and the Hong Kong employee. The provision and contributions have been included in the accompanying consolidated income statement. The Group has no obligation for the payment of pension benefits beyond the contributions described above.

The Group does not hold any staff dormitories. Hence, the Group had no sale of dormitories to its staff during the year.

7. TAXATION

	2000	1999
Current	11,580,260	26,424,154
Deferred taxation (Note 14)	17,106,045	(1,628,848)
	28,686,305	24,795,306

The Group conducts a significant portion of its business in the PRC and the applicable enterprise income tax ("EIT") rate of its subsidiaries operating in the PRC is generally 33% other than Housing Technology, a sino-foreign equity joint venture, which is engaged in manufacturing and thus entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years commencing from the first profitable year of operation after offsetting all tax losses carried from previous years (at most five years). 2000 was the first profitable year of operation for Housing Technology and it was thus not subject to EIT.

Based on a document issued by the local authority, Cosco-Xin Dong is entitled to financial refund equivalent to the amount of EIT paid for the period from September 1, 1997 to August 31, 2000. Based on Circular Guofa (2000)2 issued in January 2000, the financial refund would require approval from the State authority. Otherwise, it may cease to be available effective from January 1, 2000. Cosco-Xin Dong received such refunds amounting to HK\$ 5,305,205 in 2000, which is recognised as subsidy income on a cash basis.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

7. TAXATION (Continued)

The Company is exempted from taxation in Bermuda until 2016. There were also no Hong Kong profits tax liabilities as the Group did not earn any profit assessable to Hong Kong profits tax.

The reconciliation of the effective tax rate to the applicable tax rate is as follows:

	2000		1999	
Accounting profit	90,633,664		82,639,394	
Add: Net loss incurred by the Company before accounting for the dividend income from subsidiaries which was eliminated on consolidation	8,776,244		364,189	
Accounting profit derived from PRC	99,409,908	100%	83,003,583	100%
Tax at the applicable tax rate of 33% (1999: 33%)	32,805,269	33%	27,391,182	33%
Tax effect of tax losses of subsidiaries not accounted for	653,470	1%	533,954	1%
Tax effect resulting from the utilisation of prior years' tax losses carried forward	–	–	(3,219,556)	(4%)
Tax effect of different tax rate of a subsidiary	(3,365,679)	(3%)	–	–
Tax effect of expenses and income that are not deductible or assessable for tax purpose	(1,406,755)	(2%)	89,726	–
Tax expense	28,686,305	29%	24,795,306	30%

8. NET PROFIT FOR THE YEAR

The consolidated profit attributable to shareholders included net profit of HK\$ 12,367,448 dealt with in the financial statements of the Company (1999: HK\$ 17,117,738).

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

9. DIVIDENDS

The Directors proposed a dividend of HK\$ 0.012 per share, totalling HK\$ 12,000,000, for the year ended 31st December, 2000.

The Directors proposed a dividend of HK\$ 0.017 per share, totalling HK\$ 17 million, for the period from 11th August, 1999 (date of incorporation) to 31st December, 1999. In addition, dividends amounting to approximately HK\$ 30 million were declared by certain companies within the Group, prior to the incorporation of the Company. The rates of dividend and number of share ranking for dividends are not presented as such information is not meaningful.

10. EARNINGS PER SHARE

The calculation of earnings per share was based on the consolidated net profit of HK\$ 57,777,715 (1999: HK\$ 56,744,501) and the weighted average number of 1,000,000,000 shares (1999: 771,232,877 shares) in issue during the year.

The calculation of diluted earnings per share was based on the consolidated net profit of HK\$ 57,777,715 (1999: HK\$ 56,744,501) and the diluted weighted average number of approximately 1,010,925,353 shares (1999: approximately 775,832,877 shares) in issue during the year. Earnings per share was calculated after taking into account the outstanding share options as of 31st December, 2000. The effect the dilutive potential ordinary shares resulting from the outstanding share options on the weighted average number of shares in issue during the year was approximately 10,925,353 shares (1999: 4,600,000 shares), which were deemed to be issued at no consideration as if all outstanding share options have been exercised on the date the options were granted.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT

61

GROUP

	2000						1999
	Investment properties	Building	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction-in-progress	Total
Cost							
Beginning of year	60,998,968	–	8,363,027	5,678,331	2,653,441	11,759,372	89,453,139
Additions	–	26,395,767	415,090	7,917,231	1,130,219	17,001,039	52,859,346
Revaluations	(2,790,873)	–	–	–	–	–	(2,790,873)
Disposals	–	–	–	–	–	–	–
Translation difference	258,811	–	97,968	(39,253)	11,258	49,894	378,678
Reclassification	–	9,766,063	–	–	–	(9,766,063)	–
End of year	58,466,906	36,161,830	8,876,085	13,556,309	3,794,918	19,044,242	139,900,290
Accumulated depreciation							
Beginning of year	–	–	1,530,006	1,543,155	515,310	–	3,588,471
Charge for the year	–	337,961	2,560,244	887,151	571,309	–	4,356,665
Disposals	–	–	–	–	–	–	–
Translation difference	–	–	25,236	(12,305)	2,187	–	15,118
End of year	–	337,961	4,115,486	2,418,001	1,088,806	–	7,960,254
Net book value							
Balance, end of year	58,466,906	35,823,869	4,760,599	11,138,308	2,706,112	19,044,242	131,940,036
Balance, beginning of year	60,998,968	–	6,833,021	4,135,176	2,138,131	11,759,372	85,864,668
The analysis of cost or valuation is as follows:							
At cost	–	36,161,830	8,876,085	13,556,309	3,794,918	19,044,242	81,433,384
At professional valuation							
– 2000	58,466,906	–	–	–	–	–	58,466,906
– 1999	60,998,968	–	–	–	–	–	60,998,968

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY

	2000	1999
	Furniture, fixtures and office equipment	
Cost		
Beginning of year	202,870	—
Additions	1,016,160	202,870
End of year	1,219,030	202,870
Accumulated depreciation		
Beginning of year	25,598	—
Additions	214,688	25,598
End of year	240,286	25,598
Net book value		
Balance, end of year	978,744	177,272
Balance, beginning of year	177,272	—

All investment properties are located in the PRC and the land use period of the related land use rights are for 48 to 70 years expiring in 2043 through 2068.

Investment properties of the Group are stated at their open market values as described in Note 2(d). Open market values were as determined by Vigers Hong Kong Limited, independent qualified valuers, in a recent valuation of all investment properties other than a carpark as of 31st December, 2000. The carpark was stated at directors' valuation of HK\$ 5,417,332.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

12. INVESTMENTS IN SUBSIDIARIES

In the balance sheet of the Company, investments in subsidiaries comprised:

	2000	1999
Unlisted equity interests, at cost	243,619,413	185,591,198
Amounts due from subsidiaries	69,028,710	86,286,771
	312,648,123	271,877,969

Details of the subsidiaries as of 31st December, 2000 are set out in Note 1. The amounts due from subsidiaries were unsecured, non-interest bearing and will not be repayable within one year.

The directors are of the opinion that the underlying value of the subsidiaries is not less than the carrying value as of 31st December, 2000.

13. INVESTMENTS IN ASSOCIATES

GROUP

	2000	1999
Investments (unlisted), at cost		
– Share of net identifiable assets of associates	18,744,107	225,331
– Goodwill on acquisition	6,562,323	–
	25,306,430	225,331
Accumulated amortization of goodwill	(164,058)	–
Share of post acquisition reserves less losses	3,295,014	3,926,176
	28,437,386	4,151,507

Details of the associates as of 31st December, 2000 are set out in Note 1.

The directors are of the opinion that the underlying values of the associates are not less than the carrying values as of 31st December, 2000.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

13. INVESTMENTS IN ASSOCIATES (Continued)

The Group's share of results of associates during the years ended 31st December, 2000 is as follows:

	2000	1999
Share of loss before taxation	647,820	271,897
Share of taxation	—	—
Share of net loss	647,820	271,897
Amortisation of goodwill	164,058	—
	811,878	271,897

14. DEFERRED TAXATION

GROUP

	2000	1999
Balance, beginning of year	(15,259,835)	(16,845,980)
Current year's timing differences (Note 7)	(17,106,045)	1,628,848
Translation differences	(64,746)	(42,703)
Balance, end of year	(32,430,626)	(15,259,835)
Representing:		
Deferred tax assets	208,750	123,616
Deferred tax liabilities	(32,639,376)	(15,383,451)
	(32,430,626)	(15,259,835)

Deferred taxation represents the tax effect of timing differences arising from the use of different bases of recognition of revenues and expenses for financial reporting and tax purposes. There was no material unprovided deferred tax as of 31st December, 2000.

As of 31st December, 2000

15. PROPERTIES HELD OR UNDER DEVELOPMENT FOR SALE

GROUP

	1999		
	Included in current assets	Included in current liabilities	Total
At cost	550,216,179	82,345,156	632,561,335
Add: attributable profits on pre-sold properties	35,367,811	43,477,067	78,844,878
	585,583,990	125,822,223	711,406,213
Less: sale installments and deposits received and receivable	(155,706,853)	(142,267,914)	(297,974,767)
	429,877,137	(16,445,691)	413,431,446

All properties held or under development for sale are situated in Shanghai, the PRC.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

16. PREPAYMENTS AND OTHER CURRENT ASSETS

GROUP

	2000	1999
Prepayment to suppliers	6,000,000	—
Tender deposit	40,543,089	—
Others	3,883,743	2,036,097
	50,426,832	2,036,097

Tender deposit arose from a sizable project, in which a subsidiary, Housing Technology, is a contractor. Housing Technology will be responsible for the construction of a wide-frequency network located in Hainan province, PRC. In accordance with the related contract of the project, Housing Technology paid an amount of RMB 43,000,000 (equivalent to HK\$ 40,543,089) to the counter party of the contract when the tender was submitted. This amount will be fully repaid to Housing Technology when the project commences.

17. ACCOUNTS RECEIVABLE

GROUP

	2000	1999
Accounts receivable	49,830,091	53,519,047
Less: provision for bad and doubtful debts	(15,139)	(15,075)
	49,814,952	53,503,972

Accounts receivable mainly relate to billings in accordance with payment terms as stated in pre-sale contracts, which have not been settled. The general credit term offered is between one and two months.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

17. ACCOUNTS RECEIVABLE (Continued)

Ageing analyses of accounts receivable as of 31st December, 2000 and 1999 are as follows:

	2000	1999
Ageing		
– not exceeding one year	48,253,548	42,993,157
– more than one year but not exceeding two years	1,576,543	10,525,890
	<u>49,830,091</u>	<u>53,519,047</u>

Provision is made for long ageing and doubtful debts based on reviews of the status of individual accounts receivable outstanding.

18. TRADING SECURITIES

GROUP AND COMPANY

	2000	1999
Cost of equity securities	611,032	–
Unrealized loss	(15,400)	–
	<u>595,632</u>	<u>–</u>
Listed in Hong Kong, equity securities at carrying value	595,632	–
	<u>595,632</u>	<u>–</u>
Quoted market value of listed investments	595,632	–
	<u>595,632</u>	<u>–</u>

19. CASH AND CASH EQUIVALENTS

GROUP

	2000	1999
Cash on hand	88,948	66,516
Demand deposits	131,855,994	121,655,270
Deposit with financial institution	37,714,501	–
Time deposit with a term of less than three months	14,336,735	100,000,000
Restricted deposits	13,683,886	6,089,180
	<u>197,680,064</u>	<u>227,810,966</u>

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

19. CASH AND CASH EQUIVALENTS (Continued)

COMPANY

	2000	1999
Cash on hand	10,288	3,726
Demand deposits	7,201,017	4,571,189
Time deposit with a term of less than three months	14,336,735	100,000,000
	21,548,040	104,574,915

Restricted deposits arose in the course of assisting buyers obtain mortgage loans from banks (see Note 31).

20. SHORT-TERM BANK LOANS

As of 31st December, 2000, all short-term bank loans were denominated in RMB, were unsecured and bore interest at rates ranging from 5.85% to 7.02% per annum (1999: 6.44% to 7.72% per annum). Short-term bank loans of approximately HK\$ 10,371,000 were guaranteed by a third party.

21. ACCOUNTS PAYABLE

The age of the Group's accounts payable are all less than one year.

22. OTHER PAYABLES AND ACCRUALS

GROUP

	2000	1999
Proceeds from sale of properties on behalf of beneficial owners	11,891,129	18,772,063
Accrued maintenance fund	10,302,105	7,144,756
Share issuance cost payable	—	6,092,961
Payable to a minority investor resulting from excess contribution	4,714,313	4,694,395
Others	33,478,718	17,786,405
	60,386,265	54,490,580

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

22. OTHER PAYABLES AND ACCRUALS (Continued)

COMPANY

	2000	1999
Share issuance cost payable	–	6,092,961
Others	1,774,547	4,749,537
	1,774,547	10,842,498

23. PROVISION FOR TAXATION

GROUP

	2000	1999
EIT payable	25,408,477	19,196,327
BT payable	9,630,754	714,250
Other taxes payable	659,544	314,621
	35,698,775	20,225,198

24. LONG-TERM PAYABLES

GROUP

Long-term payables comprised mainly land premium, compensation fee and other related land costs, which are not due for payment within the next twelve months.

25. SHARE CAPITAL

GROUP AND COMPANY

	2000		1999	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Authorised:				
– Ordinary shares of HK\$0.10 each	2,000,000,000	200,000,000	2,000,000,000	200,000,000
Issued and fully paid:				
– Ordinary shares of HK\$0.10 each	1,000,000,000	100,000,000	1,000,000,000	100,000,000

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

25. SHARE CAPITAL (Continued)

Upon incorporation of the Company on 11th August, 1999, the Company issued 1,000,000 shares of HK\$ 0.10 each to Good Time Resources Limited, a company incorporated in the British Virgin Island, with nil consideration. On 12th November, 1999, pursuant to the re-organisation described in Note 1 to the financial statements, 749,000,000 shares of HK\$ 0.01 each were issued to Good Time Resources Limited for acquisition of equity interests in other companies comprising the Group. As of 31st December, 2000, 750,000,000 of the Company's shares were held by Good Time Resources Limited. The directors consider Good Time Resources Limited to be the ultimate holding company of the Group.

On 8th December, 1999, the Company issued 25,000,000 ordinary shares of HK\$ 0.10 each to the public and 225,000,000 shares of HK\$ 0.10 each were issued under private placement, all of which were issued at HK\$ 0.798 each for a total cash consideration of HK\$ 199,500,000 before the related share issuance expenses.

The shares of the Company were listed on the Stock Exchange on 10th December, 1999.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

26. RESERVES

GROUP

	2000							1999
	Share premium	Property revaluation reserve	Statutory surplus reserve (Note(a))	Statutory public welfare fund (Note(a))	Retained earnings (Note(b))	Exchange translation reserve	Total	Total
Beginning of year	266,627,780	9,817,523	9,960,737	4,973,908	61,055,282	(1,169,473)	351,265,757	125,774,206
Capital injections to subsidiaries prior to the reorganisation	-	-	-	-	-	-	-	49,357,858
Premium arising from issue of shares	-	-	-	-	-	-	-	174,500,000
Expenditures on issue of shares	-	-	-	-	-	-	-	(18,463,418)
(Deficit) surplus arising on revaluation of properties	-	(2,255,035)	-	-	-	-	(2,255,035)	9,817,523
Net profit for the year	-	-	-	-	57,777,715	-	57,777,715	56,744,501
Appropriation of profit to statutory surplus reserve	-	-	3,420,862	-	(3,420,862)	-	-	-
Appropriation of profit to statutory welfare fund	-	-	-	1,197,746	(1,197,746)	-	-	-
Dividends for the year (Note 9)	-	-	-	-	(12,000,000)	-	(12,000,000)	(47,042,249)
Translation differences	-	-	-	-	-	1,403,247	1,403,247	577,336
End of year	266,627,780	7,562,488	13,381,599	6,171,654	102,214,389	233,774	396,191,684	351,265,757

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

26. RESERVES (Continued)

COMPANY

	2000		1999	
	Share premium	Retained earnings	Total	Total
Beginning of year	266,627,780	117,738	266,745,518	–
Net assets in excess of par value of 750,000,000 deemed shares arising from the Reorganisation	–	–	–	110,591,198
Premium arising from issue of shares	–	–	–	174,500,000
Expenditures on issue of shares	–	–	–	(18,463,418)
Net profit for the year/the period from 11th August, 1999 (date of incorporation) to 31st December, 1999	–	12,367,448	12,367,448	17,117,738
Dividends (Note 9)	–	(12,000,000)	(12,000,000)	(17,000,000)
End of year	266,627,780	485,186	267,112,966	266,745,518

- (a) The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit as reported in their respective statutory accounts. All statutory reserves are created for specific purposes.

Companies within the Group that are registered in the PRC are required to appropriate 10% of its net profits as reported in the statutory accounts to the statutory surplus reserve; such appropriation is optional when the statutory surplus reserve has reached 50% of its share capital. The statutory surplus reserve can only be used, upon approval by the relevant authority, to offset a deficit or increase share capital. However, such statutory surplus reserve shall be maintained at a minimum of 25% of share capital after such issuance.

Companies within the Group that are registered in the PRC are also required to appropriate 5% to 10% of its net profits to the statutory public welfare fund, which can only be used on capital expenditures for the collective welfare of the employees.

- (b) Retained earnings may be carried forward for future distribution.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

27. RELATED PARTY TRANSACTIONS

73

GROUP

Prior to the Reorganisation, the Group funded the operations of related companies and some costs were also paid by related companies on behalf of the Group. The resulting amounts due from and to related companies bore interest at prevailing market rates of 6.39% per annum for the year of 1999. The above related party transactions which were carried out on normal commercial terms were discontinued after the Reorganisation and amounts due from and to related companies were fully settled.

Interest income from related companies and interest expense to a related company recognised during the year ended 31st December, 1999 amounted to 1,665,981 and 212,822 respectively.

As of 31st December, 2000, the amount due from a related company arose from expenses paid by the Group on behalf of an associate, and the amount due to a related company arose as funds were placed by an associate with the Group for the purchase of inventory. The amounts due from and to associates are unsecured, interest-free and will be settled shortly.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

28. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before taxation to net cash flows from operating activities:

	2000	1999
Profit before taxation	90,633,664	82,639,394
Adjustments for:		
Interest income	(2,768,572)	(2,930,029)
Interest expense	1,246,623	1,637,102
Subsidy	(5,305,205)	—
Gain on disposal of trading securities	(23,776)	—
Unrealised loss on trading securities	15,400	—
Share of loss from associates	811,878	271,897
Net loss on disposals of property, plant and equipment	—	18,212
Depreciation of property, plant and equipment	4,356,665	1,470,160
Deficit on revaluation of properties	—	1,344,383
Decrease in accounts receivable	3,689,020	48,153,035
(Increase) decrease in other receivables	(4,576,478)	12,321,221
(Increase) decrease in prepayments and other current assets	(48,390,735)	5,065,725
(Increase) decrease in amounts due from related companies	(1,508,580)	55,290,714
Decrease (increase) in properties held or under development for sale	60,975,861	(55,277,948)
Decrease in accounts payable	(94,193,695)	(122,524,205)
Increase in other payables and accruals	5,895,685	17,964,439
Increase (decrease) in taxes payable	9,261,427	(23,909,763)
Increase (decrease) in amounts due to related companies	3,960,023	(16,393,872)
Decrease in long-term payables	(6,116,613)	(1,708,760)
Net cash inflow from operating activities	17,962,592	3,431,705

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

29. SEGMENT INFORMATION

The group conducts the majority of its business activities in the PRC. Its operations are classified under three principal business segments: property development, property leasing and the development and sale of hi-tech products. There are no significant inter-segment transactions and an analysis of revenue, results, assets and liabilities by business segments is as follows:

	2000				
	Property development	Property leasing	High-tech	Unallocated	Total
Revenue					
To external customers	391,400,429	1,523,302	69,430,878	–	462,354,609
Results					
Segment result	87,512,003	(1,598,258)	10,251,139	–	96,164,884
Corporate expense	–	–	–	(11,554,872)	(11,554,872)
Operating profit (loss)	87,512,003	(1,598,258)	10,251,139	(11,554,872)	84,610,012
Interest expense	–	–	–	(1,246,623)	(1,246,623)
Interest income	–	–	–	2,768,572	2,768,572
Share of net loss of associates	(164,058)	(647,820)	–	–	(811,878)
Gain on trading securities	–	–	–	8,376	8,376
Subsidy	5,305,205	–	–	–	5,305,205
Income tax expense	(28,686,305)	–	–	–	(28,686,305)
Minority interest	(4,350,415)	694,953	(514,182)	–	(4,169,644)
Net profit (loss)	59,616,430	(1,551,125)	9,736,957	(10,024,547)	57,777,715
Assets					
Segment assets	639,776,376	77,367,062	145,661,954	–	862,805,392
Investments in associates	11,244,579	3,521,301	13,671,506	–	28,437,386
Deferred EIT assets	208,750	–	–	–	208,750
Unallocated assets	–	–	–	29,613,771	29,613,771
Consolidated total assets	651,229,705	80,888,363	159,333,460	29,613,771	921,065,299

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

29. SEGMENT INFORMATION

	2000				Total
	Property development	Property leasing	High-tech	Unallocated	
Liabilities					
Segment liabilities	262,068,479	18,171,017	56,094,588	–	336,334,084
Deferred EIT liabilities	32,639,376	–	–	–	32,639,376
Unallocated liabilities	–	–	–	11,609,307	11,609,307
Consolidated total liabilities	294,707,855	18,171,017	56,094,588	11,609,307	380,582,767
Other information					
Capital expenditure	43,984,512	3,555	8,871,279	–	52,859,346
Depreciation	959,108	2,835,301	562,256	–	4,356,665
	1999				Total
	Property development	Property leasing	High-tech	Unallocated	
Revenue					
To external customers	385,827,166	2,816,544	–	–	388,643,710
Results					
Segment result	85,090,221	(1,036,279)	(374,592)	–	83,679,350
Corporate expense	–	–	–	(2,060,986)	(2,060,986)
Operating profit (loss)	85,090,221	(1,036,279)	(374,592)	(2,060,986)	81,618,364
Interest expense	–	–	–	(1,637,102)	(1,637,102)
Interest income	–	–	–	2,930,029	2,930,029
Share of net loss of associates	(271,897)	–	–	–	(271,897)
Gain on trading securities	–	–	–	–	–
Subsidy	–	–	–	–	–
Income tax expense	(24,795,306)	–	–	–	(24,795,306)
Minority interest	(1,630,794)	506,110	25,097	–	(1,099,587)
Net profit (loss)	58,392,224	(530,169)	(349,495)	(768,059)	56,744,501

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

29. SEGMENT INFORMATION

77

	1999				
	Property development	Property leasing	High-tech	Unallocated	Total
Assets					
Segment assets	606,288,928	70,056,018	38,459,525	–	714,804,471
Investments in associates	–	4,151,507	–	–	4,151,507
Deferred EIT assets	123,616	–	–	–	123,616
Unallocated assets	–	–	–	112,314,286	112,314,286
Consolidated total assets	606,412,544	74,207,525	38,459,525	112,314,286	831,393,880
Liabilities					
Segment liabilities	303,021,163	12,092,488	114,962	–	315,228,613
Deferred EIT liabilities	15,383,451	–	–	–	15,383,451
Unallocated liabilities	–	–	–	11,159,967	11,159,967
Consolidated total liabilities	318,404,614	12,092,488	114,962	11,159,967	341,772,031
Other information					
Capital expenditure	28,017,470	30,323	9,785,171	–	37,832,964
Depreciation	565,605	904,555	–	–	1,470,160

30. COMMITMENTS

(a) Capital commitments in respect of properties under development

The Group had outstanding capital commitments in respect of construction costs for properties under development as follows:

	2000	1999
Authorised and contracted for	54,285,000	98,382,000
Authorised but not contracted for	1,547,308,000	2,517,200,000
	1,601,593,000	2,615,582,000

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

30. COMMITMENTS

(b) Operating lease commitments

As of 31st December, 2000, operating lease payments in respect of buildings which the Group is committed to make within the next year amounted to approximately HK\$ 2,022,000 (1999: approximately HK\$ 1,216,000). The expiry of these commitments is analysed as follows:

	2000	1999
Lease commitments		
– in the next year	144,000	97,000
– in the second to fifth years inclusive, and	–	180,000
– in more than five years	1,878,000	939,000
	2,022,000	1,216,000

31. CONTINGENT LIABILITIES

In respect of certain of the Group's properties for sale, Cosco-Xin Dong, Well Real Estate, Trans Ocean Construction and Tranceocean Development assisted buyers in obtaining mortgage loans from banks. These companies are obliged to assist buyers complete mortgage procedures, and will stand as guarantor prior to the submission of property title by the buyer to the lender banks for mortgage purpose. As of 31st December, 2000, the outstanding guarantees amounted to approximately HK\$ 230 million; in addition, part of the Group's bank deposits amounting to HK\$ 13,683,886 have been restricted in the process (see Note 19).

32. SHARE OPTION SCHEME

The Company adopted a share option scheme under which the directors may, at their discretion, invite any executive and/or employee of the Company and/or its subsidiaries to take up options to subscribe for shares. The subscription price is determined by the directors and will not be less than 80 per cent of the average closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option or the nominal value of the shares, whichever is higher.

On 24th December, 1999, the directors granted share options for 23,000,000 shares to 22 directors and employees at a subscription price of HK\$ 0.44 per share. These share options can only be exercised from 24th June, 2000 to 23rd June, 2003.

Notes to the Financial Statements

As of 31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

32. SHARE OPTION SCHEME (Continued)

On 7th April, 2000, the directors granted share options for 3,000,000 shares to 6 senior managers and employees at a subscription price of HK\$ 0.56 per share. These share options can only be exercised from 7th October, 2000 to 6th October, 2003.

On 14th July, 2000, the directors granted share options for 4,900,000 shares to 18 employees at a subscription price of HK\$ 0.71 per share. These share options can only be exercised from 14th January, 2001 to 13th January, 2004.

As of 31st December, 2000, share options for 30,900,000 shares have been granted. No share options were exercised by the directors, senior managers and employees since they were granted.

33. DATE OF APPROVAL

The financial statements were approved by the Board of Directors on 18 April, 2001.