

Notes to Financial Statements

31st July, 2000

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank overdrafts:				
Secured	—	2,502	—	—
Unsecured	<u>5,037</u>	<u>4,856</u>	<u>3,037</u>	<u>—</u>
	<u>5,037</u>	<u>7,358</u>	<u>3,037</u>	<u>—</u>
Bank loans:				
Secured	<u>89,981</u>	<u>6,380,128</u>	<u>50,000</u>	<u>100,000</u>
Unsecured	<u>—</u>	<u>4,688</u>	<u>—</u>	<u>—</u>
	<u>89,981</u>	<u>6,384,816</u>	<u>50,000</u>	<u>100,000</u>
Other borrowing, unsecured	—	1,875	—	—
Trust receipt loans	<u>28,507</u>	<u>19,737</u>	<u>—</u>	<u>—</u>
Obligations under finance leases	<u>475</u>	<u>851</u>	<u>243</u>	<u>353</u>
	<u>124,000</u>	<u>6,414,637</u>	<u>53,280</u>	<u>100,353</u>
Portion due within one year or on demand classified as current liabilities	<u>(116,142)</u>	<u>(3,218,701)</u>	<u>(53,111)</u>	<u>(35,353)</u>
Long term portion	<u>7,858</u>	<u>3,195,936</u>	<u>169</u>	<u>65,000</u>
The long term portion of bank and other borrowings is repayable within periods of:				
More than one year but not exceeding two years	<u>5,257</u>	<u>1,168,651</u>	<u>—</u>	<u>65,000</u>
More than two years but not exceeding five years	<u>2,601</u>	<u>1,996,185</u>	<u>169</u>	<u>—</u>
More than five years	<u>—</u>	<u>31,100</u>	<u>—</u>	<u>—</u>
	<u>7,858</u>	<u>3,195,936</u>	<u>169</u>	<u>65,000</u>

Notes to Financial Statements

31st July, 2000

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The secured bank loans are secured by fixed charges on certain properties and floating charges over certain assets held by the Group.

In prior year, the unsecured other borrowing was interest-bearing with interest charged at 7.67% per annum and was repayable within one year.

Obligations under finance leases are repayable in various installments up to 2003. Interest is charged on the outstanding balances at rates ranging from 6.25% to 7.7% per annum.

29. CONVERTIBLE BONDS

	Group	
	2000	1999
	HK\$'000	HK\$'000
<hr/>		
Lai Fung Convertible Bonds:		
At beginning of year	—	941,382
Repurchased during the year	—	(4,176)
	<hr/>	<hr/>
	—	937,206
	<hr/>	<hr/>
Convertible Bonds 2002:		
At beginning and end of year	—	1,161,375
	<hr/>	<hr/>
At end of year	—	2,098,581
	<hr/>	<hr/>

The Lai Fung Convertible Bonds as at 31st July, 1999 represented bonds issued by Lai Fung Overseas Limited, a subsidiary of Lai Fung, on 5th January, 1994. The Convertible Bonds 2002 as at 31st July, 1999 represented bonds issued by Lai Sun International Finance (1997) Limited, a subsidiary of LSD, on 4th August, 1997.

30. CONVERTIBLE NOTE

The convertible note as at 31st July, 1999 represented a note issued by Lai Fung to the Sunny Group on 2nd July, 1999.

Notes to Financial Statements

31st July, 2000

31. BONDS PAYABLE

	Group	
	2000 HK\$'000	1999 HK\$'000
Exchangeable Bonds	—	891,250
Portion due within one year classified as current liabilities	—	—
Long term portion	—	891,250

Bonds payable as at 31st July, 1999 represented bonds issued by Lai Sun International Finance (Cayman Islands) Limited, a subsidiary of LSD, on 28th February, 1997.

32. DEFERRED TAX

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
At beginning of year	188	1,534	1,063	1,063
Arising on disposal of subsidiaries	—	4,096	—	—
Arising on deemed disposal of a subsidiary — note 1	1,426	—	—	—
Tax — note 9	(500)	(5,403)	—	—
Exchange realignments	(51)	(39)	—	—
At end of year	1,063	188	1,063	1,063

Notes to Financial Statements

31st July, 2000

32. DEFERRED TAX (continued)

The principal components of the deferred tax assets/(liabilities) are as follows:

Group

	Provided		Not provided	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accelerated capital allowances on fixed assets	(1,063)	(1,534)	(439)	(7,300)
Tax losses	—	1,346	31,183	83,764
Revaluation of investment properties in the PRC	—	—	—	(255,410)
Revaluation of properties under development in the PRC	—	—	—	(592,942)
Other timing differences	—	—	—	(952)
	<u>(1,063)</u>	<u>(188)</u>	<u>30,744</u>	<u>(772,840)</u>

Company

	Provided		Not provided	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accelerated capital allowances on fixed assets	(1,063)	(1,063)	—	906
Tax losses	—	—	—	188
	<u>(1,063)</u>	<u>(1,063)</u>	<u>—</u>	<u>1,094</u>

The revaluation of the Group's investment properties in Hong Kong does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

33. SHARE CAPITAL

	2000	1999
	HK\$'000	HK\$'000
Authorised:		
4,000,000,000 ordinary shares of HK\$0.50 each	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
1,437,709,710 ordinary shares of HK\$0.50 each	<u>718,855</u>	<u>718,855</u>

Notes to Financial Statements

31st July, 2000

34. RESERVES

Group

	Share premium account HK\$'000	Fixed asset revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Revaluation reserve for properties under development held for investment potential HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1st August, 1998	1,103,373	136,677	997,935	718,386	4,013,887	201	(473)	2,010,995	8,980,981
Arising on issue of shares	23,625	—	—	—	—	—	—	—	23,625
Share issue expenses	(7,260)	—	—	—	—	—	—	—	(7,260)
Share issue expenses incurred by a subsidiary	—	—	—	—	(10,964)	—	—	—	(10,964)
Deficits on revaluation	—	—	(909,541)	(18,414)	—	—	—	—	(927,955)
Share of revaluation deficits of associates	—	—	(6,487)	(11,710)	—	—	—	—	(18,197)
Share of reserve in associates	—	—	—	—	—	(144)	—	—	(144)
Release upon disposal of investment properties	—	—	38,918	—	—	—	—	—	38,918
Release upon transfer of investment properties to completed properties for sale	—	—	23,583	—	—	—	—	—	23,583
Release upon disposal of fixed assets	—	(49,380)	—	—	—	—	22,671	49,380	22,671
Release upon expiry of warrants issued by a subsidiary	—	—	—	—	(11,375)	—	—	19,975	8,600
Release upon deemed disposal of interests in subsidiaries	—	—	(100,846)	(65,493)	(534,653)	—	434	—	(700,558)
Release upon disposal of subsidiaries	—	—	—	—	4,367	—	6,334	—	10,701
Release upon cancellation of Lai Fung Convertible Bonds	—	—	—	—	(7,647)	—	—	—	(7,647)
Exchange realignments:									
Subsidiaries	—	—	—	—	—	—	2,673	—	2,673
Associates	—	—	—	—	—	—	1,104	—	1,104
Jointly controlled entities	—	—	—	—	—	—	128	—	128
Goodwill arising on acquisition of associates	—	—	—	—	(12,533)	—	—	—	(12,533)
Goodwill arising on acquisition of additional interests in subsidiaries	—	—	—	—	(17,584)	—	—	—	(17,584)
Net loss for the year	—	—	—	—	—	—	—	(3,634,656)	(3,634,656)
At 31st July, 1999 and 1st August, 1999 — page 83	1,119,738	87,297	43,562	622,769	3,423,498	57	32,871	(1,554,306)	3,775,486

Notes to Financial Statements

31st July, 2000

34. RESERVES (continued)

Group

	Share premium account HK\$'000	Fixed asset revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Revaluation reserve for properties under development held for investment potential HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 31st July, 1999 and 1st August, 1999 — page 82	1,119,738	87,297	43,562	622,769	3,423,498	57	32,871	(1,554,306)	3,775,486
Surplus/(deficits) on revaluation	—	—	1,534	(38,321)	—	—	—	—	(36,787)
Share of revaluation surplus of an associate	—	—	2,234	702	—	—	—	—	2,936
Share of reserves in associates	—	—	—	—	29,222	—	5,997	—	35,219
Release upon disposal of investment properties	—	—	28,654	—	—	—	—	—	28,654
Release upon transfer of investment properties to completed properties for sale	—	—	159,629	—	—	—	—	—	159,629
Release upon transfer of properties under development held for investment potential to properties under development held for other purposes	—	—	—	(59,386)	—	—	—	—	(59,386)
Release upon deemed disposal of interest in subsidiaries	—	—	(388)	(36,431)	(66,531)	—	(1,619)	—	(104,969)
Release upon disposal of subsidiaries	—	—	—	—	(775)	—	(38)	—	(813)
Write back of revaluation deficits previously written off, arising from disposal of investment properties	—	—	(197,466)	—	—	—	—	—	(197,466)
Exchange realignments:									
Subsidiaries	—	—	—	—	—	—	(3,887)	—	(3,887)
Associates	—	—	—	—	—	—	26	—	26
Jointly controlled entities	—	—	—	—	—	—	95	—	95
Goodwill arising on acquisition of subsidiaries	—	—	—	—	(1,228)	—	—	—	(1,228)
Net loss for the year	—	—	—	—	—	—	—	(1,055,830)	(1,055,830)
At 31st July, 2000	1,119,738	87,297	37,759	489,333	3,384,186	57	33,445	(2,610,136)	2,541,679

Notes to Financial Statements

31st July, 2000

34. RESERVES (continued)

Reserves retained by:

	Company and subsidiaries HK\$'000	Associates HK\$'000	Total HK\$'000
Share premium account	1,119,738	—	1,119,738
Fixed asset revaluation reserve	87,297	—	87,297
Investment property revaluation reserve	—	37,759	37,759
Revaluation reserve for properties under development held for investment potential	—	489,333	489,333
Capital reserve	2,838,057	546,129	3,384,186
General reserve	57	—	57
Exchange fluctuation reserve	4,675	28,770	33,445
Retained profits/(accumulated losses)	792,199	(3,402,335)	(2,610,136)
	<u>4,842,023</u>	<u>(2,300,344)</u>	<u>2,541,679</u>

Company

	Share premium account HK\$'000	Fixed asset revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st August, 1998	1,103,373	32,145	13,335	920,638	2,069,491
Arising on issue of shares	23,625	—	—	—	23,625
Share issue expenses	(7,260)	—	—	—	(7,260)
Deficits on revaluation of investment properties	—	—	(1,800)	—	(1,800)
Net profit for the year	—	—	—	32,187	32,187
At 31st July, 1999 and 1st August, 1999	1,119,738	32,145	11,535	952,825	2,116,243
Deficits on revaluation of investment properties	—	—	(1,400)	—	(1,400)
Net profit for the year	—	—	—	78,414	78,414
At 31st July, 2000	<u>1,119,738</u>	<u>32,145</u>	<u>10,135</u>	<u>1,031,239</u>	<u>2,193,257</u>

Notes to Financial Statements

31st July, 2000

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operating activities to net cash inflow/(outflow) from operating activities

	2000 HK\$'000	1999 HK\$'000
Loss from operating activities	(1,852,978)	(6,951,023)
Interest income	(107,265)	(158,010)
Dividend income from listed investments	(623)	(4,256)
Dividend income from unlisted investments	(9,080)	(200)
Depreciation	49,754	93,894
Amortisation of goodwill on acquisition of subsidiaries and associates	6,070	11,555
Amortisation of deferred pre-operating expenses	—	5,690
Gain on cancellation of convertible bonds	—	(17,718)
Loss on disposal of a long term listed investment	3,500	302,813
Loss on dissolution of associates	—	1,808
Loss on disposal of fixed assets	5,442	162,113
Gain on disposal of subsidiaries	(68,643)	(13,923)
Loss on disposal of properties under development	96	158,153
Loss on disposal of investment properties	104,010	153,940
Loss on deemed disposal of subsidiaries	2,692	—
Gain on disposal of associates	—	(15,138)
Realised gain on disposal of a subsidiary — note 6	(55,343)	—
Write back of revaluation deficits previously written off, arising from disposal of investment properties	(197,466)	—
Provisions for diminutions in values of properties under development	858,454	2,968,665
Provisions for diminutions in values of completed properties for sale	402,184	128,931
Provisions for contingent losses in respect of profit guarantees	11,480	178,200
Provision for contingent loss in respect of the put options relating to the disposal of a subsidiary in prior year	145,000	855,000
Provision for contingent loss in respect of a guarantee given to a bank	—	228,000
Provisions for deposits paid for acquisition of properties	—	452,500
Provisions for diminutions in values of associates holding properties under development	25,000	311,000
Write back of diminution in value of an associate holding completed properties for sale	—	(110,910)
Provisions for diminutions in values of, and advances to, associates and investee companies engaged in hotel operations	22,500	42,487

Notes to Financial Statements

31st July, 2000

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(a) Reconciliation of loss from operating activities to net cash inflow/(outflow) from operating activities (continued)

	2000 HK\$'000	1999 HK\$'000
Write off of deferred pre-operating expenses	10,718	18,974
Deficits on revaluation of investment properties	—	309,226
Provisions for diminutions in values of long term unlisted investments	158,587	426,982
Adjustment for impairment in value of goodwill in consolidation of subsidiaries	125,000	216,200
Adjustments for impairment in values of goodwill in an associate	24,167	—
Increase in amounts due to associates	194	—
Write back of contingent loss in respect of a guarantee given to a bank	(58,604)	—
Provisions for diminutions in values of fixed assets	638,170	—
Decrease/(increase) in short term investments	27,080	(9,281)
Decrease in inventories	84,549	160,337
Decrease in completed properties for sale	154,975	206,279
Decrease in debtors, bills receivable and deposits	362,662	14,092
Decrease in creditors, deposits received, bills payable and accruals	(255,053)	(400,449)
Increase/(decrease) in trust receipt loans with maturity of more than three months at acquisition date	8,461	(6,853)
Net cash inflow/(outflow) from operating activities	<u>625,690</u>	<u>(280,922)</u>

Notes to Financial Statements

31st July, 2000

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)
 (b) Analysis of changes in financing during the year

	Share capital and share premium HK\$'000	Bank loans, other borrowings and deposits pledged HK\$'000	Convertible bonds HK\$'000	Convertible note HK\$'000	Bonds payable HK\$'000	Minority interests HK\$'000
Balance at 1st August, 1998	1,231,394	7,607,305	2,102,757	—	1,814,985	13,713,106
Net cash inflow/(outflow) from financing	607,199	(966,510)	(3,542)	600,000	(923,735)	(18,503)
Share of net loss for the year	—	—	—	—	—	(4,074,093)
Share of deficits on revaluation of investment properties	—	—	—	—	—	(1,663,727)
Share of deficits on revaluation of properties under development held for investment potential	—	—	—	—	—	(60,408)
Share of reserves in associates	—	—	—	—	—	(454)
Arising on acquisition of additional interests in subsidiaries	—	—	—	—	—	(151,520)
Disposal of subsidiaries	—	(258,007)	—	—	—	(37,405)
Share of capital reserve arising on acquisition of associates	—	—	—	—	—	(48,313)
Share of exchange fluctuation reserve on disposal of fixed assets	—	—	—	—	—	74,417
Discount on purchase of convertible bonds	—	—	(634)	—	—	—
Release of investment property revaluation reserve upon disposal of investment properties	—	—	—	—	—	48,030
Inception of finance lease contracts	—	404	—	—	—	—
Arising on issue of rights shares of a subsidiary	—	—	—	—	—	474,737
Release of investment properties reserve upon transfer of investment properties to completed properties for sale	—	—	—	—	—	29,105
Share of exchange fluctuation reserve	—	—	—	—	—	4,917
Release upon cancellation of convertible bonds	—	—	—	—	—	(9,437)
Release upon expiry of warrants issued by a subsidiary	—	—	—	—	—	(8,600)
Arising on deemed disposal of a subsidiary	—	—	—	—	—	852,150
Exchange realignments	—	4,350	—	—	—	(633)
Balance at 31st July, 1999 and 1st August, 1999 — page 88	1,838,593	6,387,542	2,098,581	600,000	891,250	9,123,369

Notes to Financial Statements

31st July, 2000

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year (continued)

	Share capital and share premium HK\$'000	Bank loans, other borrowings and deposits pledged HK\$'000	Convertible bonds HK\$'000	Convertible note HK\$'000	Bonds payable HK\$'000	Minority interests HK\$'000
Balance at 31st July, 1999 and 1st August, 1999 — page 87	1,838,593	6,387,542	2,098,581	600,000	891,250	9,123,369
Net cash inflow/(outflow) from financing	—	(187,886)	—	—	—	48,311
Share of net loss for the year	—	—	—	—	—	(2,008,849)
Share of surplus on revaluation of investment properties	—	—	—	—	—	226,248
Share of deficits on revaluation of properties under development held for investment potential	—	—	—	—	—	(198,402)
Share of capital reserve	—	—	—	—	—	(2,489)
Inception of finance lease	—	308	—	—	—	—
Share of exchange fluctuation reserve	—	—	—	—	—	(5,279)
Share of capital reserve released from disposal of subsidiaries	—	—	—	—	—	(1,585)
Share of capital reserve upon acquisition of subsidiary	—	—	—	—	—	(187)
Arising on acquisition of interests in subsidiaries	—	—	—	—	—	1,640
Arising on disposal of a subsidiary	—	(142)	—	—	—	(19,701)
Arising on deemed disposal of subsidiaries	—	(6,108,625)	(2,098,581)	(600,000)	(891,250)	(6,962,438)
Exchange realignments	—	(741)	—	—	—	(1,758)
Balance at 31st July, 2000	1,838,593	90,456	—	—	—	198,880

(c) Major non-cash transactions

- (i) During the year, the Group recognised forfeited deposits of HK\$12,004,000 in respect of a property sale transaction as an income, which did not involve any cash inflow to the Group because the forfeited deposits were received in prior years.
- (ii) In the prior year, part of the consideration for the disposal of subsidiaries with an amount of HK\$165,208,000 was satisfied by acquiring a receivable balance.

Notes to Financial Statements

31st July, 2000

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Acquisition of subsidiaries

	2000	1999
	HK\$'000	HK\$'000
Net assets acquired:		
Fixed assets	64	—
Properties under development	—	236,590
Cash and bank balances	4,108	272
Debtors and deposits	—	105
Creditors, deposits received and accruals	(72)	(123,787)
Minority interests	(1,640)	—
	<u>2,460</u>	<u>113,180</u>
Goodwill	<u>2,930</u>	<u>—</u>
	5,390	113,180
Carrying values of interests in subsidiaries acquired originally held by the Group as interests in associates	<u>—</u>	<u>(113,180)</u>
Satisfied by:		
Cash	<u>5,390</u>	<u>—</u>

The subsidiaries acquired during the year made no significant contribution to the Group in respect of the cash flows for the year.

The subsidiaries acquired in the prior year utilised HK\$1,223,000 of the Group's net operating cash flows, paid HK\$5,825,000 in respect of the net returns on investments and servicing of finance, made no payment on taxes, contributed HK\$88,700,000 for investing activities and utilised HK\$81,926,000 for financing activities.

Notes to Financial Statements

31st July, 2000

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Acquisition of subsidiaries (continued)

Analysis of net outflow/(inflow) of cash and cash equivalents in respect of the acquisition of subsidiaries:

	2000 HK\$'000	1999 HK\$'000
Cash consideration	5,390	—
Cash and bank balances acquired	<u>(4,108)</u>	<u>(272)</u>
Net outflow/(inflow) of cash and cash equivalents in respect of acquisition of subsidiaries	<u>1,282</u>	<u>(272)</u>

(e) Disposal of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net assets disposed of:		
Fixed assets	1,350	43,667
Properties under development	—	697,377
Goodwill	—	34,411
Interests in associates	118,163	311,735
Cash and bank balances/(bank overdrafts)	(185)	9,349
Debtors and deposits	4,240	27,055
Inventories	76	5,702
Bank loans and other borrowings	(142)	(258,007)
Creditors, deposits received and accruals	(7,717)	(157,356)
Tax	(38)	(10,838)
Deferred tax	—	4,096
Minority interests	(19,701)	(72,530)
Release of exchange reserve	(160)	27,126
Release of capital reserve	<u>(3,318)</u>	<u>18,700</u>
	92,568	680,487
Profit on disposal	<u>68,643</u>	<u>13,923</u>
	<u>161,211</u>	<u>694,410</u>

Notes to Financial Statements

31st July, 2000

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(e) Disposal of subsidiaries (continued)

	2000 HK\$'000	1999 HK\$'000
Satisfied by:		
Cash	161,211	529,202
Receivables	—	165,208
	<u>161,211</u>	<u>694,410</u>

The subsidiaries disposed of during the year utilised HK\$2,874,000 (1999: HK\$13,346,000) of the Group's net operating cash flows, paid HK\$240,000 (1999: HK\$1,537,000) in respect of returns on investments and servicing of finance, made no payment on taxes (1999: HK\$13,640,000), utilised HK\$10,091,000 (1999: HK\$28,924,000) for investing activities and utilised HK\$7,456,000 (1999: HK\$9,207,000) for financing activities.

Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2000 HK\$'000	1999 HK\$'000
Cash consideration received	161,211	529,202
Bank overdrafts/(cash and bank balances) disposed of	<u>185</u>	<u>(9,349)</u>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>161,396</u>	<u>519,853</u>

Notes to Financial Statements

31st July, 2000

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(f) Disposal of interest in subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net assets excluded from consolidation:		
Fixed assets	1,361,043	—
Investment properties	9,480,861	—
Properties under development	6,401,773	—
Interests in jointly-controlled entities	151,772	—
Interests in associates	901,741	—
Long term investments	1,002,653	—
Deferred tax	1,426	—
Cash	813,663	—
Short term investments	16,507	—
Completed properties for sale	435,326	—
Short term note receivable	100,000	—
Debtors and deposits	709,208	—
Stocks	18,077	—
Creditors, deposits received and accruals	(1,182,994)	—
Tax payable	(207,801)	—
Bank loans and other borrowings	(6,108,625)	—
Long term rental deposits received	(90,684)	—
Provision for premium on bonds redemption	(334,784)	—
Provision for premium on convertible note redemption	(16,667)	—
Bonds payable	(1,093,747)	—
Convertible note	(600,000)	—
Convertible bonds	(1,888,323)	—
Minority interests	(7,080,231)	—
Realised gain on disposal of a subsidiary	55,343	—
	<u>2,845,537</u>	<u>—</u>
Satisfied by:		
Reclassification to interests in associates	<u>2,845,537</u>	<u>—</u>

The subsidiaries of which the Group's interest was disposed during the year contributed HK\$452,913,000 (1999: utilised HK\$384,249,000) of the Group's net operating cash flows, paid HK\$430,617,000 (1999: HK\$477,948,000) in respect of returns on investments and servicing of finance, paid HK\$30,930,000 (1999: HK\$94,845,000) in respect of tax, contributed HK\$150,974,000 (1999: HK\$1,124,705,000) for investing activities and utilised HK\$129,240,000 (1999: contributed HK\$9,079,000) for financing activities.

Analysis of net outflow of cash and cash equivalents in respect of the exclusion of the subsidiary from consolidation

<u>813,663</u>	<u>—</u>
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Notes to Financial Statements

31st July, 2000

36. COMMITMENTS

Other than disclosed elsewhere in the financial statements, the Group and the Company had the following commitments not provided for in the financial statements at the balance sheet date:

(a)

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Authorised capital expenditure:				
Contracted, but not provided for:				
Subsidiaries	156,384	852,605	—	—
Jointly controlled entities	—	141,816	—	—
	<u>156,384</u>	<u>994,421</u>	<u>—</u>	<u>—</u>
Authorised, but not contracted for subsidiaries	94,470	234,920	—	—
	<u>94,470</u>	<u>234,920</u>	<u>—</u>	<u>—</u>
	<u>250,854</u>	<u>1,229,341</u>	<u>—</u>	<u>—</u>
Annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:				
Within one year	32,871	40,013	627	648
Within the second to the fifth years, inclusive	68,834	64,133	—	—
After five years	—	1,587	—	—
	<u>101,705</u>	<u>105,733</u>	<u>627</u>	<u>648</u>

Notes to Financial Statements

31st July, 2000

36. COMMITMENTS (continued)

(b) Pension commitments

As at 31st July, 2000, the Group operates a defined benefits retirement scheme for the eligible employees of Crocodile, which is non-contributory. The assets of the schemes are held separately from those of the Group in independently administered fund.

Contributions to the scheme are determined with the advice of independent, qualified actuaries on the basis of triennial valuations, being the minimum requirement under the Occupational Retirement Schemes Ordinance, using the aggregate method. Based on the most recent valuation carried out on 1st August, 1998 by The Prudential Assurance Company Limited, qualified consulting actuary, the level of funding for the Crocodile scheme is 7% of employee costs with no material surplus or deficiency.

The principal assumption used by the actuary of Crocodile was that the long-term average return on investments would be equal to the average increase in salary. The differences between the market value of the schemes' assets and the present value of the past service liabilities on an ongoing basis at the date of the actuarial valuation, are taken into consideration when determining future funding rates in order to ensure that the schemes will be able to meet these liabilities as they become due. The current funding rates are those recommended by the actuary to ensure that the scheme will be able to meet its future liabilities.

The total retirement benefit costs charged to the profit and loss account for the year ended 31st July, 2000 were HK\$2,207,000 (1999: HK\$2,832,000), which exclude fees and charges levied by the auditors, actuary and administrator.

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37. CONTINGENT LIABILITIES

Contingent liabilities not provided for in the financial statements at the balance sheet date were as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Guarantees given to banks in connection with facilities granted to:				
Subsidiary	—	—	20,000	—
Associates	—	297,935	—	2,000
Investee companies	—	278,613	—	—
	—	576,548	20,000	2,000
Bills discounted with recourse	4,990	—	4,990	—
	4,990	576,548	24,990	2,000

Notes to Financial Statements

31st July, 2000

37. CONTINGENT LIABILITIES (continued)

Apart from the above, Crocodile is involved in legal disputes where a supplier alleges that Crocodile has infringed its trademark in the PRC and is seeking orders from the court in Hong Kong to prohibit Crocodile from registering certain trademarks in the PRC and orders from the court in the PRC for a compensation of RMB3,500,000.

The High Court and the Court of Appeal were ruled in favour of the supplier and Crocodile is considering to appeal against the judgements to the Court of Final Appeal. The Court in the PRC has not delivered the judgement as at the date of this report. In the opinion of the directors, having taken legal advice, the claim for compensation against Crocodile is unlikely to be successful and, therefore, no provision has been made in these financial statements.

38. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of new SSAPs during the current year, the presentation of the profit and loss account, the balance sheets and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 20th November, 2000.