

Notes to the Accounts

31st July, 2000

30. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2000 HK\$'000	1999 HK\$'000
Loss for the year	(153,573)	(56,376)
Share of losses of		
associated companies	42,042	393
jointly controlled entities	36,790	710
Interest income	(36,965)	(39,881)
Interest expenses	71,675	40,629
Profit on repurchase of convertible guaranteed bonds	—	(40,675)
Loss on trading of unlisted investments	—	17,100
Loss on disposal of fixed assets	916	23
Provision of doubtful debts	449	2,094
Provision for completed properties developed for sale to net realisable value	10,500	4,573
Provision for diminution in value of properties under development held for other investment potential	127	9,527
Provision for premium on convertible note redemption	20,000	1,667
Gain on disposal of a jointly controlled entity	(6,610)	—
Depreciation	2,961	1,872
Amortisation of deferred pre-operating expenses	—	514
Amortisation of goodwill arising on acquisition of an associated company	1,156	1,156
Increase in completed properties developed for sale	(210)	(10,477)
(Decrease)/increase in debtors, deposits and prepayments	(19,184)	120,867
Decrease in amounts due from fellow subsidiaries	—	293,000
Increase/(decrease) in creditors, accruals and provisions	16,116	(140,732)
Decrease in long-term deposits received	(7,878)	(3,392)
Net cash (outflow)/inflow from operating activities	<u>(21,688)</u>	<u>202,592</u>

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30. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Share capital and premium HK\$'000	Convertible guaranteed bonds and convertible note HK\$'000	Bank loans, secured HK\$'000	Restricted bank balances pledged HK\$'000	Minority interests HK\$'000
At 1st August, 1998	2,589,150	1,027,881	—	(45,256)	725,689
Net cash inflow/(outflow) from financing	—	550,000	222,556	37,201	(2,786)
Interest on current accounts with minority shareholders	—	—	—	—	(5,015)
Arising on acquisition of additional interest in a subsidiary	—	(40,675)	—	—	(111,206)
Share of loss for the year	—	—	—	—	(67,927)
Share of exchange reserve	—	—	—	—	(362)
Share of revaluation deficits of investment properties	—	—	—	—	(109,200)
At 31st July, 1999	2,589,150	1,537,206	222,556	(8,055)	429,193
Net cash inflow from financing	—	—	44,159	—	—
Conversion of convertible guaranteed bonds	7,761	(7,761)	—	—	—
Interest on current accounts with minority shareholders	—	—	—	—	(5,038)
Arising on acquisition of additional interests in subsidiaries	—	—	—	—	(226,384)
Share of loss for the year	—	—	—	—	(44,373)
Share of exchange reserve	—	—	—	—	291
Release of restricted bank deposits pledged	—	—	—	8,055	—
Share of revaluation deficits of investment properties	—	—	—	—	(1,800)
At 31st July, 2000	2,596,911	1,529,445	266,715	—	151,889

(c) Major non-cash transactions

Part of the consideration for acquisition of additional interest in subsidiaries during the year are offset by current accounts with minority shareholders amounting to approximately HK\$107,921,000.

Notes to the Accounts

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31. CONTINGENT LIABILITIES

- (1) Under a mortgage loan facility provided by a bank to the end-buyers of the office and apartment units of Hong Kong Plaza, the Company agreed to guarantee up to 95% of the liabilities of Li Xing for the due performance of its undertaking to buy back the relevant property in case of default by the borrower. It is not practical to determine the outstanding amount of the contingent liabilities of the Company at the balance sheet date.
- (2) Under a mortgage loan facility provided by another bank to the end-buyers of Eastern Place Phase I and Phase II, the Company agreed to provide guarantees to the bank to buy back the relevant property in case of default by the borrowers. It is not practical to determine the outstanding amount of the contingent liabilities of the Company at the balance sheet date.
- (3) Pursuant to a loan agreement, the Company agreed to provide a corporate guarantee to the bank to secure the loan facility of approximately HK\$113 million granted to a wholly-owned subsidiary of the Group. Approximately HK\$28 million of the loan is outstanding as at 31st July, 2000. The loan has been fully settled in cash subsequent to 31st July, 2000.
- (4) Pursuant to a loan agreement, the Company agreed to provide a corporate guarantee to the bank to secure the loan facility of approximately HK\$236 million granted to a wholly-owned subsidiary of the Group. Approximately HK\$47 million of the loan is outstanding as at 31st July, 2000.

32. COMMITMENTS

Commitments not provided for in the accounts at the balance sheet date were as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Capital commitments:		
Contracted but not provided for in respect of		
Subsidiaries	552,044	534,136
Jointly controlled entities	—	115,392
	552,044	649,528
Annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	—	—
In the second to fifth years, inclusive	1,696	—
	1,696	—

Notes to the Accounts

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32. COMMITMENTS (continued)

On 27th August, 1999, the Company and Li Xing entered into the following agreements (collectively the “Rental Agreements”) with the Bank of China (“BOC”):

- (i) BOC leases certain units of Bank of China Tower, a property situated in Hong Kong, to the Company for a term of three years commencing on 1st September, 1999 and expiring on 31st August, 2002. The monthly rental and service charges are approximately HK\$141,000 and HK\$36,000, respectively.
- (ii) BOC leases certain car parking spaces of Bank of China Tower to the Company on a monthly basis commencing from 1st September, 1999. The licence can be terminated upon one month’s written notice by either party. The licence fee is HK\$15,000 per month.
- (iii) Li Xing leases certain units of the North Tower of Hong Kong Plaza, to BOC for a term of ten years commencing on 1st November, 1999 and expiring on 31st October, 2009. The monthly rental and service charges are US\$19,503 and US\$6,999, respectively. The rental income will increase by 10% in the fourth year and again in the seventh year of the tenancy or otherwise agreed between Li Xing and BOC.

The Rental Agreements were entered into based on negotiations between the Company, Li Xing and BOC. These properties are used by the respective parties for office or business uses.

33. COMPARATIVE FIGURES

The Group has adopted the revised Hong Kong Statement of Standard Accounting Practice (“HKSSAP”) 1 “Presentation of accounts” and HKSSAP 2 “Net profit or loss for the period, fundamental errors and changes in accounting policies” which became effective during the year. Accordingly, comparative figures have been reclassified to conform with the current year’s presentation.

34. ULTIMATE HOLDING COMPANY

In the opinion of the directors, the ultimate holding company is Lai Sun Development Company Limited which is incorporated and listed in Hong Kong.

35. APPROVAL OF THE ACCOUNTS

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