

# Notes to Financial Statements

31st July, 2000

## 8. FINANCE COSTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other borrowings:		
Wholly repayable within five years	568,908	609,679
Not wholly repayable within five years	—	255
	<u>568,908</u>	<u>609,934</u>
Interest on bonds payable	44,773	102,670
Interest on convertible bonds and convertible note	126,607	107,887
Less: Amounts capitalised in properties under development	(95,719)	(589,481)
Amounts capitalised in associates engaged in property development	(6,132)	(33,837)
Amounts capitalised in jointly controlled entities engaged in property development	—	(1,825)
	<u>638,437</u>	<u>195,348</u>
Provision for premium on bonds redemption	104,527	113,639
Provision for premium on convertible note redemption	20,000	1,667
Bank charges and refinancing charges	148,113	60,724
	<u>911,077</u>	<u>371,378</u>

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

	Group	
	2000	1999
	HK\$'000	HK\$'000
Fees	260	260
Basic salaries, housing and other allowances and benefits in kind	30,128	34,183
	<u>30,388</u>	<u>34,443</u>

Directors' emoluments paid to independent non-executive directors during the year were HK\$260,000 (1999: HK\$260,000).

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## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

### (a) Directors' emoluments (continued)

The emoluments of the directors fell within the following bands:

	Group	
	2000	1999
	Number of directors	Number of directors
HK\$Nil – HK\$1,000,000	7	6
HK\$2,000,001 – HK\$2,500,000	1	2
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$3,500,001 – HK\$4,000,000	1	—
HK\$4,000,001 – HK\$4,500,000	—	1
HK\$4,500,001 – HK\$5,000,000	1	—
HK\$5,500,001 – HK\$6,000,000	—	1
HK\$15,500,001 – HK\$16,000,000	1	1
	<u>12</u>	<u>12</u>

There were no arrangements under which a director waived or agreed to waive any emoluments during the year.

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

### (b) Employees' emoluments

The five highest paid employees during the year included 4 (1999:2) directors, details of whose emoluments are set out above. The details of the emoluments of the remaining 1 (1999:3) non-director, highest paid employee are set out below.

	Group	
	2000	1999
	HK\$'000	HK\$'000
Basic salaries, housing and other allowances and benefits in kind	<u>3,413</u>	<u>27,755</u>

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## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

### (b) Employees' emoluments (continued)

The emoluments of the non-director, highest paid employees fell within the following bands:

	Group	
	2000	1999
	Number of individuals	Number of individuals
HK\$3,000,001 – HK\$3,500,000	1	—
HK\$5,000,001 – HK\$5,500,000	—	1
HK\$6,000,001 – HK\$6,500,000	—	1
HK\$16,000,001 – HK\$16,500,000	—	1
	<u>1</u>	<u>3</u>

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## 10. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2000	1999
	HK\$'000	HK\$'000
Provision for tax for the year:		
Hong Kong	50,300	33,062
Outside Hong Kong	9,015	11,196
Deferred (note 23)	(500)	(5,403)
	<u>58,815</u>	<u>38,855</u>
Prior year overprovision:		
Hong Kong	(14,842)	(2,315)
Outside Hong Kong	(54,087)	—
	<u>(10,114)</u>	<u>36,540</u>
Rebate received relating to prior year provision in Hong Kong	<u>—</u>	<u>(9,983)</u>
	<u>(10,114)</u>	<u>26,557</u>
Associates:		
Hong Kong	(5,986)	16,563
Outside Hong Kong	92	2,494
	<u>(5,894)</u>	<u>19,057</u>
Tax charge/(credit) for the year	<u>(16,008)</u>	<u>45,614</u>

## 11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$1,200,981,000 (1999: HK\$5,626,044,000).

# Notes to Financial Statements

31st July, 2000

## 12. LOSS PER SHARE

The calculations of basic loss per share are based on:

	2000 HK\$'000	1999 HK\$'000
Loss used in basic loss per share calculation	<u>2,757,982</u>	<u>6,832,423</u>
	'000	'000
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	<u>3,588,502</u>	<u>3,016,739</u>

The weighted average number of ordinary shares of the Company in issue during 1999 was arrived at by adjusting the number of ordinary shares in issue prior to the rights issue on 3rd February, 1999 with a factor of 1.2063.

The diluted loss per share for the current and prior years has not been presented because any potential ordinary shares of the Group outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

# Notes to Financial Statements

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## 13. FIXED ASSETS

### Group

	1st August, 1999 HK\$'000	Additions HK\$'000	Disposals HK\$'000	Arising on acquisition of subsidiaries HK\$'000	Arising on disposal of subsidiaries HK\$'000	Transferred from properties under development HK\$'000	Provisions for diminutions in values HK\$'000	Exchange realignments HK\$'000	31st July, 2000 HK\$'000
Cost:									
Hotel properties	1,727,840	2,065	—	—	—	—	(612,165)	6,085	1,123,825
Freehold land and buildings	5,546	—	—	—	—	—	—	—	5,546
Leasehold land and buildings	63,586	128	(957)	—	(3,497)	—	(14,049)	(954)	44,257
Leasehold improvements	40,700	1,960	(3,409)	—	—	1,141	—	140	40,532
Furniture, fixtures and equipment	359,205	7,483	(2,919)	311	(2,539)	15,932	(11,956)	115	365,632
Motor vehicles	32,501	748	(1,136)	—	(806)	—	—	(80)	31,227
Computers	13,047	10,634	(730)	593	(85)	727	—	61	24,247
Motor vessels	34,201	3	—	—	—	—	—	—	34,204
	<u>2,276,626</u>	<u>23,021</u>	<u>(9,151)</u>	<u>904</u>	<u>(6,927)</u>	<u>17,800</u>	<u>(638,170)</u>	<u>5,367</u>	<u>1,669,470</u>
Accumulated depreciation:									
Freehold buildings	2,440	222	—	—	—	—	—	—	2,662
Leasehold land and buildings	10,493	1,366	(112)	—	(248)	—	—	(294)	11,205
Leasehold improvements	32,155	2,198	(2,257)	—	—	—	—	167	32,263
Furniture, fixtures and equipment	161,830	24,730	(1,083)	237	(1,118)	—	—	(98)	184,498
Motor vehicles	22,087	3,948	(800)	—	(676)	—	—	(94)	24,465
Computers	6,570	2,376	(638)	381	(57)	—	—	3	8,635
Motor vessels	26,062	8,113	—	—	—	—	—	—	34,175
	<u>261,637</u>	<u>42,953</u>	<u>(4,890)</u>	<u>618</u>	<u>(2,099)</u>	<u>—</u>	<u>—</u>	<u>(316)</u>	<u>297,903</u>
Net book value	<u>2,014,989</u>								<u>1,371,567</u>

# Notes to Financial Statements

31st July, 2000

## 13. FIXED ASSETS (continued)

There were no assets held under finance leases as at 31st July, 2000. The net book value of assets held under finance leases included in the total amount of fixed assets as at 31st July, 1999 amounted to HK\$238,000. The depreciation charge for last year in respect of such assets amounted to HK\$92,000.

Certain land and buildings and hotel properties of the Group with carrying value amounting to HK\$916,906,000 were pledged to banks to secure banking facilities granted to the Group.

The Group's land and buildings and hotel properties as stated above are held under the following lease terms:

	Hong Kong HK\$'000	Outside Hong Kong HK\$'000	Total HK\$'000
Freehold	—	5,546	5,546
Medium term	898,558	238,771	1,137,329
Long term	30,753	—	30,753
	<u>929,311</u>	<u>244,317</u>	<u>1,173,628</u>

### Company

	1st August, 1999 HK\$'000	Additions HK\$'000	Disposals HK\$'000	31st July, 2000 HK\$'000
Cost:				
Freehold land and buildings	5,546	—	—	5,546
Leasehold land and buildings	10,532	—	—	10,532
Leasehold improvements	12,965	—	—	12,965
Furniture, fixtures and equipment	43,471	1,547	(25)	44,993
Motor vehicles	20,974	—	—	20,974
Computers	3,308	289	(175)	3,422
	<u>96,796</u>	<u>1,836</u>	<u>(200)</u>	<u>98,432</u>
Accumulated depreciation:				
Freehold buildings	2,440	222	—	2,662
Leasehold land and buildings	3,751	422	—	4,173
Leasehold improvements	12,904	20	—	12,924
Furniture, fixtures and equipment	32,047	5,049	(20)	37,076
Motor vehicles	15,333	2,807	—	18,140
Computers	2,782	355	(171)	2,966
	<u>69,257</u>	<u>8,875</u>	<u>(191)</u>	<u>77,941</u>
Net book value	<u>27,539</u>			<u>20,491</u>

# Notes to Financial Statements

31st July, 2000

## 13. FIXED ASSETS (continued)

The Company's freehold land and buildings are situated outside Hong Kong. The Company's leasehold land and buildings are situated in Hong Kong and are held under medium term leases.

Certain land and buildings of the Company with carrying value amounting to HK\$1,660,000 were pledged to banks to secure banking facilities to the Group.

## 14. INVESTMENT PROPERTIES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
At beginning of year, at valuation	9,954,900	13,259,000	3,297,200	4,447,200
Additions, at cost	14,426	2,979	1,562	2,979
Adjustment for prior years' over accrual of cost	(66,653)	—	—	—
Disposals	(219,145)	(190,430)	(36,800)	(2,000)
Transfer to completed properties for sale	(266,660)	(244,961)	—	(10,361)
Surplus/(deficits) on revaluation	61,262	(2,871,688)	(125,762)	(1,140,618)
At end of year, at valuation	9,478,130	9,954,900	3,136,200	3,297,200

An analysis by lease term of the carrying values of the investment properties is as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Long term, situated in Hong Kong	1,717,000	2,113,300	—	—
Medium term:				
Situated in Hong Kong	4,789,070	4,885,600	3,136,200	3,297,200
Situated outside Hong Kong	2,972,060	2,956,000	—	—
	9,478,130	9,954,900	3,136,200	3,297,200

At 31st July, 2000, the investment properties were revalued by Chesterton Petty Limited and Knight Frank, independent chartered surveyors, on an open market value basis.

Certain investment properties of the Group and the Company with carrying value amounting to HK\$7,790,443,000 and HK\$3,136,200,000 respectively were pledged to banks to secure banking facilities granted to the Group.



# Notes to Financial Statements

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## 15. PROPERTIES UNDER DEVELOPMENT

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Properties under development held for their investment potential:				
At beginning of year, at valuation	2,921,454	2,855,400	—	—
Interest capitalised, net	23,647	21,025	—	—
Other additions, at cost	46,510	94,445	—	—
Reclassified to properties under development held for other purposes	(309,524)	—	—	—
Deficits on revaluation	(110,836)	(55,340)	—	—
Exchange realignments	5,629	5,924	—	—
At end of year, at valuation	<u>2,576,880</u>	<u>2,921,454</u>	<u>—</u>	<u>—</u>
Properties under development held for other purposes:				
At beginning of year, at cost less provision	4,964,893	8,138,666	16,063	10,558
Interest capitalised, net	72,072	568,456	1,650	1,204
Other additions, at cost	9,262	196,072	56	4,301
Revenue generated from holding a property under development	(133,896)	(107,368)	—	—
Arising on acquisition of subsidiaries	—	236,590	—	—
Reclassified from properties under development held for investment potential	131,449	—	—	—
Transferred to completed properties for sale	(128,411)	(160,059)	—	—
Transferred to fixed assets	(17,800)	—	—	—
Disposals	(3,455,836)	(275,091)	—	—
Arising on disposal of subsidiaries	(93,523)	(697,377)	—	—
Provisions for diminutions in values	(338,515)	(2,946,654)	—	—
Exchange realignments	(15,568)	11,658	—	—
At end of year, at cost less provision	<u>994,127</u>	<u>4,964,893</u>	<u>17,769</u>	<u>16,063</u>
Total balance at end of year	<u>3,571,007</u>	<u>7,886,347</u>	<u>17,769</u>	<u>16,063</u>

# Notes to Financial Statements

31st July, 2000

## 15. PROPERTIES UNDER DEVELOPMENT (continued)

An analysis by lease term of the carrying values of the properties under development held for their investment potential and held for other purposes is as follows:

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Properties under development held for their investment potential, at valuation:				
Situated outside Hong Kong:				
Long term lease	544,000	1,729,827	—	—
Medium term lease	2,032,880	1,191,627	—	—
	<u>2,576,880</u>	<u>2,921,454</u>	<u>—</u>	<u>—</u>
Properties under development held for other purposes, at cost less provision:				
Situated in Hong Kong:				
Long term lease	69,709	3,620,791	—	—
Medium term lease	213,517	527,381	17,769	16,063
Situated outside Hong Kong:				
Long term lease	603,719	703,810	—	—
Medium term:	107,182	112,911	—	—
	<u>994,127</u>	<u>4,964,893</u>	<u>17,769</u>	<u>16,063</u>
	<u>3,571,007</u>	<u>7,886,347</u>	<u>17,769</u>	<u>16,063</u>

At 31st July, 2000, the properties under development held for their investment potential were revalued by Chesterton Petty Limited, independent chartered surveyors, on an open market value basis.

Properties under development held for other purposes which are carried at net realisable value and included in the above balance amounted to HK\$579,542,000 (1999: HK\$703,810,000).

Certain properties under development of the Group with a carrying value amounting to HK\$522,000,000 were pledged to banks to secure banking facilities granted to the Group.

# Notes to Financial Statements

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## 16. GOODWILL ON CONSOLIDATION OF SUBSIDIARIES

	Group	
	2000 HK\$'000	1999 HK\$'000
Cost:		
At beginning of year	9,988	101,799
Written off during the year	(9,988)	(54,182)
Release on disposal of a subsidiary	—	(37,629)
	—	9,988
Accumulated amortisation:		
At beginning of year	9,988	11,787
Charge for the year	—	1,419
Written back during the year	(9,988)	—
Release on disposal of a subsidiary	—	(3,218)
	—	9,988
Net book value	—	—

## 17. DEFERRED PRE-OPERATING EXPENSES

	Group	
	2000 HK\$'000	1999 HK\$'000
Cost:		
At beginning of year	51,743	67,578
Additions during the year	—	3,090
Written off during the year	(51,743)	(18,974)
Exchange realignments	—	49
	—	51,743
Accumulated amortisation:		
At beginning of year	41,025	35,322
Charge for the year	—	5,690
Written back during the year	(41,025)	—
Exchange realignments	—	13
	—	41,025
Net book value	—	10,718

The Group's policy with respect to these costs was changed during the year the details of which are further explained in note 4 to the financial statements.

# Notes to Financial Statements

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## 18. INTERESTS IN SUBSIDIARIES

	Company	
	2000 HK\$'000	1999 HK\$'000
Shares listed in Hong Kong, at cost	3,519,386	3,519,386
Unlisted shares, at cost	1,174,064	1,174,064
	<b>4,693,450</b>	4,693,450
Amounts due from subsidiaries	15,158,579	12,077,329
Amounts due to subsidiaries	(8,870,570)	(5,921,963)
	<b>10,981,459</b>	10,848,816
Provisions for diminutions in values	(7,075,717)	(5,840,055)
	<b>3,905,742</b>	5,008,761
Market value of listed shares at the balance sheet date	650,959	1,342,307

Details of the principal subsidiaries are as follows:

Name of company	Place of incorporation or registration/ place of operations	Issued/ registered capital	Class of shares held	Equity interest attributable to the Company		Principal activities
				Direct (%)	Indirect (%)	
Britol Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	Ordinary	—	50.48	Investment holding
Chains Caravelle Hotel Joint Venture Company Limited	Vietnam	US\$16,326,000	*	—	26.01	Hotel investment