

Notes to Financial Statements

31st July, 2000

30. BONDS PAYABLE (continued)

- (b) a negative pledge granted by the Company, pursuant to which the Company agrees not to create additional security over certain major properties of the Group without the prior consent of the Parties;
- (5) In addition to the option to exchange the Exchangeable Bonds for the Exchange Property, up to 15% of the outstanding principal amount at 4th August, 2000 may be converted at the option of the Exchangeable Bondholders into ordinary shares of HK\$0.50 each in the share capital of the Company at the conversion price of HK\$0.50 per share at any time during the period from 1st September, 2000 to 31st December, 2002 (the "EB Conversion Right");
- (6) The right of Conditional Redemption will be cancelled and revoked;
- (7) The Exchange Property will be amended to the effect that it shall be reduced by certain repayments of principal made pursuant to the Extraordinary Resolutions and any EB Conversion Right exercised; and
- (8) The Exchangeable Bondholders will also receive, subject to adjustment, an improved additional premium of the principal value of the Exchangeable Bonds as follows:
- (a) the Maturity Redemption Price will be amended to 152.1844% of the principal amount; and
- (b) upon the Unconditional Redemption on 31st December, 2002 (which has been amended from 28th February, 2002), the redemption price will be amended from 125.4520% to 139.7488%.

31. SHARE CAPITAL

	Number of shares 2000 '000	Nominal value 2000 HK\$'000	Number of shares 1999 '000	Nominal value 1999 HK\$'000
Authorised:				
Ordinary shares of HK\$0.50 each	<u>10,000,000</u>	<u>5,000,000</u>	<u>10,000,000</u>	<u>5,000,000</u>
Preference shares of HK\$1 each	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>
		<u>6,200,000</u>		<u>6,200,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.50 each	<u>3,746,002</u>	<u>1,873,001</u>	<u>3,536,002</u>	<u>1,768,001</u>

On 2nd May, 2000, 210,000,000 ordinary shares of HK\$0.50 each were allotted and issued to ATV at a subscription price of approximately HK\$0.71 per share as consideration for the acquisition of a 50% equity interest in HKATV.com, as further detailed in note 18(2).

Notes to Financial Statements

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32. RESERVES

Group

	Share premium account HK\$'000	Warrant subscription reserve HK\$'000	Investment property revaluation reserve HK\$'000	Revaluation reserve for properties under development held for investment potential HK\$'000	Capital redemption reserve 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	5,766,933	44,627	5,225,871	1,458,651	1,200,000	102,566	322	(6,072)	2,593,948	16,386,846
Arising on exercise of warrants	17	—	—	—	—	—	—	—	—	17
Arising on private placement of shares	72,450	—	—	—	—	—	—	—	—	72,450
Share issue expenses	(25,870)	—	—	—	—	—	—	—	—	(25,870)
Release upon disposal of investment properties	—	—	86,948	—	—	—	—	—	—	86,948
Release upon transfer of investment properties to completed properties for sale	—	—	52,688	—	—	—	—	—	—	52,688
Deficits on revaluation of investment properties	—	—	(2,716,631)	—	—	—	—	—	—	(2,716,631)
Deficits on revaluation of properties under development held for investment potential	—	—	—	(41,140)	—	—	—	—	—	(41,140)
Share of revaluation deficits of an associate	—	—	(14,493)	(26,162)	—	—	—	—	—	(40,655)
Share of reserve in associates	—	—	—	—	—	—	(322)	—	—	(322)
Exchange realignments:										
Subsidiaries	—	—	—	—	—	—	—	6,145	—	6,145
Associates	—	—	—	—	—	—	—	2,470	—	2,470
Jointly controlled entities	—	—	—	—	—	—	—	285	—	285
Elimination of goodwill arising on acquisition of associates	—	—	—	—	—	(28,000)	—	—	—	(28,000)
Elimination of goodwill arising on acquisition of additional interests in subsidiaries	—	—	—	—	—	(39,284)	—	—	—	(39,284)
Release upon disposal of fixed assets	—	—	—	—	—	—	—	50,651	—	50,651
Release upon expiry of warrants	—	(44,627)	—	—	—	—	—	—	44,627	—
Release upon disposal of subsidiaries	—	—	—	—	—	9,756	—	14,152	—	23,908
Release upon cancellation of Lai Fung Convertible Bonds	—	—	—	—	—	(17,084)	—	—	—	(17,084)
Net loss for the year	—	—	—	—	—	—	—	—	(6,832,423)	(6,832,423)
At 31st July, 1999 and 1st August, 1999 — page 97	5,813,530	—	2,634,383	1,391,349	1,200,000	27,954	—	67,631	(4,193,848)	6,940,999

Notes to Financial Statements

31st July, 2000

32. RESERVES (continued)

Group

	Share premium account HK\$'000	Warrant subscription reserve HK\$'000	Investment property revaluation reserve HK\$'000	Revaluation reserve for properties under development held for investment potential HK\$'000	Capital redemption reserve 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 96	5,813,530	—	2,634,383	1,391,349	1,200,000	27,954	—	67,631	(4,193,848)	6,940,999
Arising on issue of shares	45,000	—	—	—	—	—	—	—	—	45,000
Share issue expenses	(366)	—	—	—	—	—	—	—	—	(366)
Release upon disposal of investment properties	—	—	93,829	—	—	—	—	—	—	93,829
Release upon transfer of investment properties to completed properties for sale	—	—	332,322	—	—	—	—	—	—	332,322
Release upon transfer of properties under development held for investment potential to properties under development held for other purposes	—	—	—	(132,648)	—	—	—	—	—	(132,648)
Surplus on revaluation of investment properties	—	—	43,887	—	—	—	—	—	—	43,887
Deficits on revaluation of properties under development for investment potential	—	—	—	(82,565)	—	—	—	—	—	(82,565)
Share of revaluation deficits of an associate	—	—	(12,964)	(1,338)	—	—	—	—	—	(14,302)
Exchange realignments:										
Subsidiaries	—	—	—	—	—	—	—	(3,017)	—	(3,017)
Associates	—	—	—	—	—	—	—	(538)	—	(538)
Jointly controlled entities	—	—	—	—	—	—	—	387	—	387
Elimination of goodwill arising on acquisition of subsidiaries	—	—	—	—	—	(2,743)	—	—	—	(2,743)
Capital reserve arising on acquisition of additional interests in subsidiaries	—	—	—	—	—	69,119	—	—	—	69,119
Release upon disposal of associates	—	—	(23,807)	—	—	—	—	—	—	(23,807)
Release upon deemed disposal of subsidiaries	—	—	(866)	(3,369)	—	(30)	—	(394)	—	(4,659)
Release upon disposal of subsidiaries	—	—	—	—	—	(1,686)	—	8,197	—	6,511
Net loss for the year	—	—	—	—	—	—	—	—	(2,757,982)	(2,757,982)
At 31st July, 2000	5,858,164	—	3,066,784	1,171,429	1,200,000	92,614	—	72,266	(6,951,830)	4,509,427

Notes to Financial Statements

31st July, 2000

32. RESERVES (continued)

Group

	Share premium account HK\$'000	Investment property revaluation reserve HK\$'000	Revaluation reserve for properties under development held for investment potential HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Reserves retained by:									
Company and subsidiaries	5,858,164	2,989,224	1,171,429	1,200,000	92,614	—	72,910	(6,203,458)	5,180,883
Associates	—	77,560	—	—	—	—	698	(720,439)	(642,181)
Jointly controlled entities	—	—	—	—	—	—	(1,342)	(27,933)	(29,275)
At 31st July, 2000	5,858,164	3,066,784	1,171,429	1,200,000	92,614	—	72,266	(6,951,830)	4,509,427

	Share premium account HK\$'000	Investment property revaluation reserve HK\$'000	Revaluation reserve for properties under development held for investment potential HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Reserves retained by:									
Company and subsidiaries	5,813,530	2,520,052	1,390,011	1,200,000	27,954	—	68,124	(3,769,365)	7,250,306
Associates	—	114,331	1,338	—	—	—	1,236	(423,955)	(307,050)
Jointly controlled entities	—	—	—	—	—	—	(1,729)	(528)	(2,257)
At 31st July, 1999	5,813,530	2,634,383	1,391,349	1,200,000	27,954	—	67,631	(4,193,848)	6,940,999

Company

	Share premium account HK\$'000	Warrant subscription reserve HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1st August, 1998	5,766,933	44,627	3,541,281	1,200,000	1,183,615	11,736,456
Arising on exercise of warrants	17	—	—	—	—	17
Arising on private placement of shares	72,450	—	—	—	—	72,450
Share issue expenses	(25,870)	—	—	—	—	(25,870)
Release upon transfer of investment properties to completed properties for sale	—	—	(4,749)	—	—	(4,749)
Release upon expiry of warrants	—	(44,627)	—	—	44,627	—
Release upon disposal of investment properties	—	—	(1,770)	—	—	(1,770)
Deficits on revaluation of investment properties	—	—	(1,140,618)	—	—	(1,140,618)
Net loss for the year	—	—	—	—	(5,626,044)	(5,626,044)
At 31st July, 1999 and 1st August, 1999 — page 99	5,813,530	—	2,394,144	1,200,000	(4,397,802)	5,009,872

Notes to Financial Statements

31st July, 2000

32. RESERVES (continued)

Company

	Share premium account HK\$'000	Warrant subscription reserve HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 31st July, 1999 and 1st August, 1999						
— page 98	5,813,530	—	2,394,144	1,200,000	(4,397,802)	5,009,872
Arising on issue of shares	45,000	—	—	—	—	45,000
Share issue expenses	(366)	—	—	—	—	(366)
Release upon disposal of investment properties	—	—	(28,709)	—	—	(28,709)
Deficits on revaluation of investment properties	—	—	(125,762)	—	—	(125,762)
Net loss for the year	—	—	—	—	(1,200,981)	(1,200,981)
At 31st July, 2000	5,858,164	—	2,239,673	1,200,000	(5,598,783)	3,699,054

33. CONVERTIBLE BONDS

	Notes	Group 2000 HK\$'000	1999 HK\$'000
Lai Fung Convertible Bonds:	(1)		
At the beginning of year		937,206	941,382
Converted during the year		(7,761)	—
Repurchased during the year		—	(4,176)
		929,445	937,206
Convertible Bonds 2002:	(2)		
At beginning and end of year		1,161,375	1,161,375
At end of year		2,090,820	2,098,581
Portion due within one year classified as current liabilities		(202,496)	—
Long term portion		1,888,324	2,098,581

Notes to Financial Statements

31st July, 2000

33. CONVERTIBLE BONDS (continued)

(1) Lai Fung Convertible Bonds

On 5th January, 1994, a subsidiary of the Group, Lai Fung Overseas Finance Limited (“LFO”), issued US\$150,000,000 (HK\$1,158,465,000) of convertible guaranteed bonds (the “Lai Fung Convertible Bonds”). The Lai Fung Convertible Bonds were unconditionally guaranteed by the Company up to 28th November, 1997, the date of the Listing, and thereafter by Lai Fung.

The Lai Fung Convertible Bonds bear interest at the rate of 5.25% per annum payable in arrears on 5th January, 1995, 5.5% per annum payable in arrears on 5th January, 1996 and 5.75% per annum payable in arrears on 5th January, 1997, and on each 5th January thereafter.

Unless previously redeemed or purchased and cancelled, the Lai Fung Convertible Bonds are convertible into fully paid ordinary shares in Lai Fung at the option of the holders on or after the date falling three calendar months after the date of the Listing up to the close of business on the date seven days prior to the third anniversary of the date of the Listing. Upon conversion, the Lai Fung Convertible Bonds will be convertible into a number of shares determined by dividing the principal amount of such bonds by HK\$2.94, being 105% of the initial public offer price of the shares in Lai Fung.

On the third anniversary of the date of the Listing, LFO may elect to redeem the outstanding Lai Fung Convertible Bonds in cash at their principal amount, or to mandatorily convert the outstanding Lai Fung Convertible Bonds into shares of Lai Fung at a conversion price that is equal to the average closing price of the shares over a period of 30 consecutive dealing days prior to such date.

Subsequent to the date of the Listing, the Lai Fung Convertible Bonds may also be redeemed at their principal amount at any time upon the occurrence of any of the events of default as defined in the related bond document. LFO may also elect to redeem the outstanding Lai Fung Convertible Bonds at any time in whole, but not in part, in the event of certain changes relating to the Cayman Islands or Hong Kong tax at their principal amount multiplied by 103%.

During the year, 2,639,795 ordinary shares of HK\$0.10 each in the share capital of Lai Fung were allotted and issued at a subscription price of HK\$2.94 per share upon the conversion of the Lai Fung Convertible Bonds with a principal amount of US\$1,000,000 (approximately HK\$7,761,000) by certain bondholders.

(2) Convertible Bonds 2002

US\$150,000,000 4% convertible guaranteed bonds due in 2002 (the “Convertible Bonds 2002”) were issued on 4th August, 1997 by Lai Sun International Finance (1997) Limited (“LSIF 1997”), a wholly-owned subsidiary of the Company. The Convertible Bonds 2002 are unconditionally and irrevocably guaranteed by the Company.

The Convertible Bonds 2002 were issued at 100% of their principal amount and bear interest at a rate of 4% per annum payable annually in arrears on 4th August of each year.

Notes to Financial Statements

31st July, 2000

33. CONVERTIBLE BONDS (continued)

(2) Convertible Bonds 2002 (continued)

Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds 2002 are convertible into fully paid ordinary shares of HK\$0.50 each in the Company at the option of the holders (the "Convertible Bondholders") at a conversion price of, initially HK\$11.50 per share at a fixed rate of exchange of HK\$7.751=US\$1.00 on conversion, at any time from 4th September, 1997 to 24th June, 2002 (the "Maturity Date"), both dates inclusive (the "CB Conversion Right"). The conversion price is subject to adjustment upon the occurrence of certain events as defined in the related bond document (the "CB Document").

Unless previously redeemed, purchased and cancelled or converted, LSIF 1997, under certain conditions as defined in the CB Document, may redeem all or some of the Convertible Bonds 2002 on or at any time after 4th August, 1999 at their Early Redemption Price together with accrued interest, with the calculation based on the formula defined in the CB Document.

Unless previously redeemed, purchased and cancelled or converted, the Convertible Bonds 2002 may be redeemed at the option of the Convertible Bondholders on 4th August, 2000 at 115.2249% of their principal amount plus accrued interest.

Unless previously redeemed, purchase and cancelled or converted, the Convertible Bonds 2002 will be redeemed at their principal amount plus accrued interest on 4th August, 2002.

The Convertible Bonds 2002 may also be redeemed at any time upon the occurrence of any of the events as defined in the CB Document at their Early Redemption Price plus accrued interest.

The CB Document was subsequently modified by extraordinary resolutions passed by the Convertible Bondholders on 4th August, 2000. The major modifications to the terms and conditions included in the CB Document are as follows:

- (1) 15 % of the outstanding principal amount of the Convertible Bonds at 4th August, 2000 will be repayable on or before 31st August, 2000;
- (2) a further payment as detailed in note 30(2);
- (3) all right of early redemption at the option of the Convertible Bondholders on 4th August, 2000 be cancelled, revoked and extinguished;
- (4) the Convertible Bondholders share, on a pari passu and pro rata basis, with the Exchangeable Bondholders the security as described in note 30(3) and share with the Exchangeable Bondholders and eSun, on a pari passu and pro rata basis, the security as described in note 30(4);

Notes to Financial Statements

31st July, 2000

33. CONVERTIBLE BONDS (continued)

(2) Convertible Bonds 2002 (continued)

- (5) in addition to the CB Conversion Right, up to 15% of the outstanding principal amount at 4th August, 2000 may be converted at the option of the Exchangeable Bondholders into ordinary shares of HK\$0.50 each in the share capital of the Company at the conversion price of HK\$0.50 per share at any time during the period from 1st September, 2000 to 31st December, 2002;
- (6) the conversion price applicable upon the exercise of the CB Conversion Right be amended to HK\$1.10 per share. The period for exercising the CB Conversion Right be extended to 31st December, 2002 and the fixed rate of exchange applicable upon exercise of such Conversion Right be amended to HK\$7.80=US\$1.00; and
- (7) the Convertible Bondholders will also receive improved premium of the principal upon maturity on 31st December, 2002 (which has been amended from 4th August, 2002), from 100% to 137.172%, subject to adjustments, of the outstanding principal amount plus interest accrued.

34. CONVERTIBLE NOTE

On 11th May, 1999, Lai Fung entered into a conditional subscription agreement (the "Note Agreement") with Sunny Group Investment Limited ("Sunny Group"), a wholly-owned subsidiary of Sun Chung which, in turn, is wholly owned by the BOC, whereby Lai Fung would issue a HK\$600 million convertible note (the "Convertible Note") to the Sunny Group.

The Convertible Note was issued at 100% of its principal amount and bears interest at the rate of 5% per annum payable quarterly in arrears on 2nd January, 2nd April, 2nd July and 2nd October of each year.

Pursuant to the Note Agreement, unless previous redeemed, the Convertible Note is convertible at 105% of the principal amount, in whole or in part, into fully paid ordinary shares of HK\$0.10 each of Lai Fung at a conversion price of HK\$0.65 per share (the "Conversion Price"), at any time from 1st December, 2000 to 2nd July, 2002, being the third anniversary of the date of the issue of the Convertible Note. In the event that the actual conversion price upon the exercise of the conversion rights under the Lai Fung Convertible Bonds ("Lai Fung Convertible Bonds Exercise Price"), is lower than the Conversion Price of HK\$0.65, then the Conversion Price shall be adjusted to an amount equivalent to the Lai Fung Convertible Bonds Exercise Price. The Conversion Price is subject to certain other adjustments as defined in the Note Agreement.

Unless previously redeemed or converted, the Convertible Note will be redeemed at 110% of the principal amount plus accrued interest on 2nd July, 2002. The Convertible Note may also be redeemed at any time upon the occurrence of any of the events as defined in the Note Agreement at 110% of the principal amount plus accrued interest up to and including the date of repayment.

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	(2,386,771)	(6,320,695)
Interest income	(146,804)	(154,775)
Dividend income from listed investments	(823)	(4,256)
Dividend income from unlisted investments	(9,155)	(200)
Depreciation	42,953	63,639
Amortisation of goodwill on acquisition of subsidiaries and associates	1,181	2,815
Amortisation of deferred pre-operating expenses	—	5,690
Gain on cancellation of convertible bonds	—	(17,718)
Loss on disposal of long term listed investments	3,500	302,382
Loss on disposal of long term unlisted investments	—	431
Loss on dissolution of associates	—	1,808
Loss on disposal of fixed assets	318	155,336
Gain on disposal of subsidiaries	(81,006)	(13,923)
Loss on disposal of properties under development	475,321	158,153
Loss on disposal of investment properties	138,805	153,940
Loss on deemed disposal of subsidiaries	16,686	—
Gain on disposal of associates	(22,708)	(15,138)
Gain on disposal of a jointly controlled entity	(6,610)	—
Provisions for diminutions in values of properties under development	338,515	2,946,654
Provisions for diminutions in values of completed properties for sale to net realisable value	383,353	128,931
Provisions for impairment in value of long term unlisted investments	158,587	426,982
Provisions for contingent losses in respect of profit guarantees	11,480	178,200
Provisions for potential loss arising from exercise of Put Option (<i>note 36(f)</i>)	245,000	855,000
Provisions for contingent loss in respect of a guarantee given to a bank	—	228,000

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
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
Provisions for doubtful debts	49,151	14,302
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	25,300	42,487
Provision for diminutions in values of fixed assets	638,170	—
Write off of deferred pre-operating expenses	10,718	18,974
Write off of goodwill	407,822	54,182
Write back of contingent loss in respect of guarantee given to a bank	(78,139)	—
Decrease/(increase) in short term investments	31,703	(9,281)
Decrease in inventories	1,286	16,565
Decrease in completed properties for sale	173,557	206,279
Decrease in debtors and deposits	165,082	3,626
Decrease in creditors, deposits received and accruals	(242,668)	(465,229)
Net cash inflow/(outflow) from operating activities	<u>368,804</u>	<u>(384,249)</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	6,570,433	7,102,940	2,102,757	—	1,814,985	4,682,432
Net cash inflow/(outflow) from financing	1,011,098	(619,367)	(3,542)	600,000	(923,735)	(19,252)
Share of net loss for the year	—	—	—	—	—	(211,370)
Share of deficits on revaluation of investment properties	—	—	—	—	—	(155,057)
Share of deficits on revaluation of properties under development held for investment	—	—	—	—	—	(23,230)
potential Share of general reserve	—	—	—	—	—	(276)
Arising on acquisition of additional interest in a subsidiary	—	—	—	—	—	(86,421)
Disposal of subsidiaries	—	(258,007)	—	—	—	(72,530)
Share of goodwill arising on acquisition of associates	—	—	—	—	—	(32,846)
Share of goodwill arising on acquisition of additional interests in subsidiaries	—	—	—	—	—	(43,399)
Share of exchange fluctuation reserve on disposal of fixed assets	—	—	—	—	—	46,437
Share of goodwill released from disposal of subsidiaries	—	—	—	—	—	8,944
Share of exchange fluctuation reserve released from disposal of subsidiaries	—	—	—	—	—	12,974
Discount on purchase of convertible bonds	—	—	(634)	—	—	—
Exchange realignments	—	4,350	—	—	—	(633)
Balance at 31st July, 1999 — page 106	7,581,531	6,229,916	2,098,581	600,000	891,250	4,105,773

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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 and other borrowings HK\$'000	Convertible bonds HK\$'000	Convertible note HK\$'000	Bonds payable HK\$'000	Minority interests HK\$'000
Balance at 1st August, 1999 — page 105	7,581,531	6,229,916	2,098,581	600,000	891,250	4,105,773
Net cash inflow/(outflow) from financing	(366)	(1,788,121)	—	—	—	76,503
Share of net loss for the year	—	—	—	—	—	(750,209)
Share of surplus on revaluation of investment properties	—	—	—	—	—	17,375
Share of deficits on properties under development held for investment potential purpose	—	—	—	—	—	(28,733)
Arising on acquisition of an associate	150,000	—	—	—	—	—
Arising on acquisition of a subsidiary	—	—	—	—	—	1,640
Arising on acquisition of additional interests in subsidiaries	—	—	—	—	—	(154,334)
Disposal of subsidiaries	—	(142)	—	—	—	(39,884)
Conversion of convertible bonds	—	—	(7,761)	—	—	7,761
Deemed disposal of a subsidiary	—	—	—	—	—	21,345
Share of goodwill arising on acquisition of subsidiaries	—	—	—	—	—	(187)
Share of goodwill arising on acquisition of additional interests in subsidiaries	—	—	—	—	—	23,671
Share of goodwill released from disposal of subsidiaries	—	—	—	—	—	(1,586)
Share of release of revaluation reserve for property under development held for investment potential upon reclassification	—	—	—	—	—	(45,427)
Exchange realignments	—	936	—	—	—	263
Balance at 31st July, 2000	7,731,165	4,442,589	2,090,820	600,000	891,250	3,233,971

(c) Major non-cash transaction

Part of the consideration for the disposal of a property under development during the year, with an amount of HK\$1,050,000,000, was satisfied by the receipt of a 35% interest in an associate.

Part of the consideration for the acquisition of an associate during the year, with an amount of HK\$150,000,000, was satisfied by the issue of ordinary shares of the Company.

Part of the consideration for the disposal of subsidiaries in last year, with an amount of HK\$165,208,000, was satisfied by acquiring a receivable balance.