

**28. Notes to the Consolidated Cash Flow Statement** (cont'd)

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

	Share Capital (including premium) HK\$'000	Bank Loans, Bonds and Finance Leases HK\$'000	Affiliated Companies HK\$'000	Minority Interests HK\$'000
At 1 January, 1999	5,492,046	6,011,117	7,567	4,496,299
Cash flow from financing	8,249	3,847,923	(5,292)	3,172,928
Scrip dividend issued	43,363	–	–	–
Others	–	(68,148)	–	195,933
At 31 December, 1999	5,543,658	9,790,892	2,275	7,865,160
At 1 January, 2000	5,543,658	9,790,892	2,275	7,865,160
Cash flow from financing	70,399	–	(5,995)	38,974
Capital reduction of shares	(7,279,385)	–	–	–
Shares issued				
– scrip dividend	39,384	–	–	–
– bonus issue capitalised from other reserves	2,009,538	–	–	–
Share buyback	(468)	–	–	–
Disposal of subsidiaries	–	(9,790,892)	–	(7,863,639)
Others	–	–	–	(10,859)
At 31 December, 2000	383,126	–	(3,720)	29,636



**28. Notes to the Consolidated Cash Flow Statement** (cont'd)

(c) Purchase of subsidiaries – net assets acquired:

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Non-current assets	–	6,564,572
Current assets	<b>7,129</b>	740,573
Current liabilities	<b>(5,810)</b>	(419,952)
Non-current liabilities	–	(138,307)
Minority interests	–	(1,257)
	<b>1,319</b>	6,745,629
Goodwill on consolidation	<b>36,618</b>	–
Satisfied by: cash paid	<b>37,937</b>	6,745,629

Subsidiaries acquired during the year contributed HK\$Nil (1999: HK\$12,939,000) to the Group's net operating cash flows, paid HK\$Nil (1999: HK\$19,591,000) in respect of the net returns on investments and servicing of finance, paid HK\$Nil in respect of taxation and utilised HK\$Nil (1999: HK\$14,437,000) for investing activities.

(d) Analysis of net outflow of cash and cash equivalents in respect of the purchase of subsidiaries:

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Cash consideration	<b>37,937</b>	6,745,629
Cash and cash equivalents acquired	–	(481,561)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	<b>37,937</b>	6,264,068

**28. Notes to the Consolidated Cash Flow Statement (cont'd)**

(e) Disposal of subsidiaries – net assets disposed:

	<b>The Group</b>	
	2000 HK\$'000	1999 HK\$'000
Non-current assets	23,728,810	–
Current assets	2,721,314	–
Current liabilities	(3,525,698)	–
Non-current liabilities	(8,949,090)	–
Minority interests	(7,863,639)	–
Goodwill and other reserves	(11,652)	–
	<b>6,100,045</b>	–
Satisfied by: cash received	<b>6,100,045</b>	–

Subsidiaries disposed during the year contributed HK\$7,301,000 (1999: HK\$Nil) to the Group's net operating cash flows, paid HK\$4,783,000 (1999: HK\$Nil) in respect of the net returns on investments and servicing of finance, paid HK\$Nil (1999: HK\$Nil) in respect of taxation and utilised HK\$464,000 (1999: HK\$Nil) for investing activities.

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

	<b>The Group</b>	
	2000 HK\$'000	1999 HK\$'000
Cash consideration	6,100,045	–
Cash and cash equivalents disposed	(1,664,597)	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<b>4,435,448</b>	–



## 29. Material Related Parties Transactions

During the year, in addition to transaction set out in note 7, there were the following material related party transactions:

	The Group		The Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pricing determined on agreed terms :				
- rental expenses paid/payable to affiliated companies	256	2,529	256	2,529
- management fees paid/payable to affiliated companies	-	23,650	-	23,650
- sale of fixed assets to affiliated company	2,128	-	2,128	-
- income received/receivable from affiliated companies for rental of equipment	504	-	504	-
- purchase of a subsidiary from an affiliated company	37,937	-	-	-

## 30. Commitments

(a) Commitments outstanding at 31 December, 2000 not provided for in the accounts were as follows:

	The Group		The Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commitments for capital expenditure authorised and contracted for	-	203,766	-	-
Commitments for development expenditure authorised and contracted for	-	204,433	-	-

In addition, the Group is committed to purchase foreign currencies totalling HK\$267,556,700 (1999: HK\$Nil) and sell foreign currencies totalling HK\$255,288,554 (1999:HK\$Nil) under certain forward foreign exchange contracts entered into in the normal course of business.

**30. Commitments** (cont'd)

- (b) At 31 December, 2000, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Within one year	-	25
Between one and five years	-	8,672
Over five years	-	127,843
	-	136,540

**31. Directors Remuneration**

- (i) The aggregate amount of the Directors' and five highest paid individuals' emoluments for the year are as follows:

	<b>Directors</b>		<b>Employees</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Fees	<b>4,926</b>	7,190	-	-
Other emoluments:				
- Basic salaries, allowances and other benefits in kind	<b>8,680</b>	2,686	-	-
- Pension contributions	<b>74</b>	80	-	-
- Discretionary bonus	<b>15,944</b>	16,809	-	-
	<b>29,624</b>	26,765	-	-

The five (1999: five) highest paid individuals are Directors of the Company and the details of their remuneration are disclosed in the Directors' emoluments.

Included in the fees of HK\$4,926,000 (1999: HK\$7,190,000) above, are fees of HK\$772,000 (1999: HK\$1,044,000) paid to independent non-executive Directors during the year.

In addition to the above emoluments, certain directors were granted share options under the Company's share option schemes. The details of these benefits in kind are disclosed under the paragraph "Directors' Interests" in the Directors' Report.

In the absence of a ready market for the options granted on the shares of the Company, the Directors are unable to arrive at an accurate assessment of the value of the options granted to the respective Directors.



**31. Directors Remuneration** (cont'd)

- (ii) The number of Directors and the employees included in the five highest paid individuals whose emoluments fall within the following bands are as follows:

	Number of Directors		Employees	
	2000	1999	2000	1999
HK\$Nil – HK\$1,000,000	7	7	–	–
HK\$1,000,001 – HK\$1,500,000	–	–	–	–
HK\$1,500,001 – HK\$2,000,000	–	–	–	–
HK\$2,000,001 – HK\$2,500,000	2	2	–	–
HK\$2,500,001 – HK\$3,000,000	1	–	–	–
HK\$3,000,001 – HK\$3,500,000	1	1	–	–
HK\$3,500,001 – HK\$4,000,000	–	–	–	–
HK\$4,000,001 – HK\$4,500,000	1	2	–	–
HK\$4,500,001 – HK\$5,000,000	–	–	–	–
HK\$5,000,001 – HK\$5,500,000	–	–	–	–
HK\$5,500,001 – HK\$6,000,000	1	–	–	–
HK\$6,000,001 – HK\$6,500,000	–	–	–	–
HK\$6,500,001 – HK\$7,000,000	–	–	–	–
HK\$7,000,001 – HK\$7,500,000	1	–	–	–
HK\$7,500,001 – HK\$8,000,000	–	–	–	–
HK\$8,000,001 – HK\$8,500,000	–	1	–	–
	<b>14</b>	<b>13</b>	<b>–</b>	<b>–</b>

No Directors have waived emoluments in respect of the years ended 31 December, 2000 and 31 December, 1999.

**32. Pension Schemes**

In United States, the Group operates a defined contribution scheme in which the Group matches a portion of each participating employee's contribution, subject to certain limits. Forfeited contributions are not able to be used by the employer to reduce the existing level of contributions.

The pension schemes operated by the Group in 1999 were as follows:

- (i) In United Kingdom, the Group operated a pension scheme which offered the option to employees to participate in either the funded defined benefit section or the defined contribution section. The assets of the scheme were held separately from those of the Company.

For the defined benefit section, the contributions required were determined by Andrew Jackson from Barnes & Sherwood Limited, a fellow of the Institute of Actuaries, on the basis of a triennial valuation using the project unit method. The most recent valuation was carried out on 6 April, 1999. At valuation date, the value of the scheme's assets was HK\$168,483,000, giving a funding level of 105%. The contributions of the Group were set at 14.6% of earnings and those of employees at 5% of pensionable earnings. The assumptions which had the most significant effect on the results of the valuation were those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that investment returns would be 9% per annum, that salary increases would average 7.5% per annum and that pensions will increase at the rate of between 0% and 5% per annum for pensionable service to 6 April, 1997 and at the annual rate of Limited Price Indexation thereafter (1999: 4.5%) or 5% per annum depending on the membership category for service after 6 April, 1997, in compliance with the local statutory requirements. The expected average working lifetime of the members of the final salary section was calculated to be 14 years.

### 32. Pension Schemes (cont'd)

- (ii) In United States, the Group operated a defined contribution scheme in which the Group matched a portion of each participating employee's contribution, subject to certain limits.
- (iii) In Taiwan, the Group operated an unfunded defined benefit pension plan for its employees. The contributions required were determined by a qualified actuary, Eric Tsao of KPMG Ltd., Taipei, an associate of the Society of Actuary, using the projected benefit method. The most recent valuation was carried out on 5 November, 1998. The contribution of the company was set at 5% of the employees' earnings. The assumptions which have the most significant effect on the results of the valuation were those relating to discount rate and rate of increase in salaries. It was assumed that the discount rate would be 6.5% per annum and that salary increases would average 4% per annum.

For both the defined section of the portion of the pension scheme in the United Kingdom and the defined contribution scheme in the United States, forfeited contributions were not able to be used by the employer to reduce the existing level of contributions.

The total pension cost charged to the profit and loss account of the Group was HK\$Nil (1999: HK\$33,029,000).

### 33. Interests in Subsidiaries

As at 31 December, 2000, the Company had the following principal subsidiaries which are significant with respect to the results or assets of the Group:

Company Name/Principal Activity	Place of Incorporation and Operation	Particulars of Issued and Paid Up Capital	Group's Effective Holding %	Percentage of Equity Held by Company %	Percentage of Equity Held by Subsidiary %
<b>Principal Subsidiary</b>					
SWAN Holdings Limited (Investment holding)	Bermuda	33,345,333 shares of US\$1.00 each	85	85	–
SWAN Inc. (Investment holding and provision of hospitality related services)	United States of America	10,000,000 common stocks of US\$0.01 each	85	–	100
Sceptre Hospitality Resources Inc. (Provision of reservation system services)	United States of America	100 common stocks of US\$0.01 each	85	–	100

