



Details of the Group's interest in the jointly controlled entity are as follows:

Name	Business structure	Place of incorporation and operation	Percentage of equity interest attributable to the Group		Principal activity
			2000	1999	
Chest Gain Development Limited ("Chest Gain")	Corporate	Hong Kong	70	70	Property development

The percentage of equity interest represents the aggregate of the 40% and the 30% held by wholly-owned subsidiary companies of PHL and RHIHL, respectively, which was in turn 60.4% and 44.6% (1999 - 60.4% and 44.7%) owned by the Group as at 31st December, 2000, respectively.

The summarised state of affairs and income and losses of Chest Gain are as follows:

	2000 HK\$'million	1999 HK\$'million
<b>State of affairs</b>		
Non-current assets	4,145.0	4,141.2
Current assets	0.2	0.3
Current liabilities	(72.1)	(72.0)
Non-current liabilities	(7,441.7)	(6,894.7)
Net liabilities attributable to venturers	(3,368.6)	(2,825.2)
<b>Income and losses</b>		
Income	-	-
Net loss from ordinary activities attributable to venturers	(543.4)	(491.8)

At the balance sheet date, the Group's share of capital commitments of Chest Gain in respect of a property development project was as follows:

	2000 HK\$' million	1999 HK\$' million
Authorised and contracted for	15.9	58.2
Authorised, but not contracted for	555.8	480.6
	<u>571.7</u>	<u>538.8</u>

## 19. INTERESTS IN ASSOCIATES

	GROUP	
	2000 HK\$' million	1999 HK\$' million
Unlisted companies/partnerships:		
Share of net liabilities	(14.0)	(229.5)
Loans to associates	233.0	150.1
Amounts due from associates	50.4	403.6
	<u>249.4</u>	<u>324.2</u>
Less: Provisions for diminutions in values	(0.4)	(100.2)
	<u>249.0</u>	<u>224.0</u>
At balance sheet date:		
Share of post-acquisition undistributed reserves	<u>(305.6)</u>	<u>(255.6)</u>

The loans to associates are unsecured and not repayable within one year. Except for the amounts of HK\$126.3 million (1999 - HK\$123.2 million) and HK\$2.9 million (1999 - HK\$26.9 million) which bear interest at Hong Kong prime rate (1999 - Hong Kong prime rate) and 10% (1999 - 6% to 10%) per annum, respectively, the remaining balances are interest free.

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment.

The shares of net liabilities and post-acquisition undistributed reserves represent the shares attributable to the Group before the Group's minority interests therein.



Details of the Group's principal associates are as follows:

Name	Business structure	Place of incorporation/ registration and operation	Class of equity interest held	Percentage of equity interest attributable to the Group		Principal activities
				2000	1999	
Talent Faith Investments Ltd. ("Talent Faith")	Corporate	British Virgin Islands	Ordinary shares	50.00 <sup>(1)</sup>	100.00 <sup>(1)</sup>	Investment holding
Beijing Hengfu Plaza Development Co., Ltd. ("Beijing Hengfu")*	Corporate	The People's Republic of China	Equity joint venture interest	22.75 <sup>(1)</sup>	45.50 <sup>(1)</sup>	Property development and investment
Cheerjoy Development Limited*	Corporate	Hong Kong	Ordinary shares	30.00 <sup>(2)</sup>	30.00 <sup>(2)</sup>	Property development
Weifang Futuan Building Materials Co., Ltd.	Corporate	The People's Republic of China	Equity joint venture interest	25.00 <sup>(3)</sup>	25.00 <sup>(3)</sup>	Cement production
8D International (BVI) Limited ("8D-BVI")	Corporate	British Virgin Islands	Ordinary shares	40.00 <sup>(4)</sup>	-	Investment holding
8D Matrix Limited	Corporate	British Virgin Islands	Ordinary shares	40.00 <sup>(4)</sup>	-	Investment holding
8D International Limited ("8D-HK")	Corporate	Hong Kong	Ordinary shares	40.00 <sup>(5)</sup>	100.00 <sup>(5)</sup>	Promotions, communications and information technology
Century King Investment Limited ("Century King")	Corporate	Hong Kong	Ordinary shares	50.00 <sup>(6)</sup>	50.00 <sup>(6)</sup>	Restaurant operations
Bostonian Hotel Limited Partnership ("Bostonian")*	Partnership	U.S.A.	Limited partnership interest	- <sup>(7)</sup>	51.00 <sup>(6)</sup>	Hotel ownership

\* not audited by Ernst and Young.

- (1) The percentage of equity interest in Talent Faith represents the equity interest attributable to a wholly-owned subsidiary company of PHL. Talent Faith, previously a wholly-owned subsidiary company of PHL, holds an effective 45.5% interest in Beijing Hengfu. The sole asset of Beijing Hengfu is the holding of a property development project in the PRC. Following the partial disposal of a 50% interest in Talent Faith by PHL during the year, both Talent Faith and Beijing Hengfu became effective 50% and 22.75% associates, respectively, of PHL.
- (2) The percentage of equity interest represents equity interest attributable to a wholly-owned subsidiary company of PHL.
- (3) The percentage of equity interest represents the equity interest attributable to a 75% owned subsidiary company of PHL.
- (4) The percentages of the equity interests represent the aggregate of the 10% and the 30% equity interests attributable to wholly-owned subsidiary companies of the Company and RHIHL, respectively. RHIHL was in turn 44.6% (1999 - 44.7%) owned by the Group as at 31st December, 2000.
- (5) The percentage of equity interest represents the aggregate of the 10% and the 30% equity interests attributable to wholly-owned subsidiary companies of the Company and RHIHL, respectively. 8D-HK was previously a wholly-owned subsidiary company of the Company. Following the effective partial disposal of a 90% equity interest by the Company during the year, it became an associate of the Group.

(6) The percentage of equity interest represents those attributable to RHIHL.

(7) This associate was disposed of during the year.

All associates are indirectly held by the Company.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

The investment in Bostonian, a limited partnership, is accounted for using the equity method because the Group does not control the appointment of the general partners.

## 20. INVESTMENTS

	<b>GROUP</b>	
	<b>2000</b> <b>HK\$'million</b>	<b>1999</b> <b>HK\$'million</b>
<b>Long term investments</b>		
Listed equity investments, at market value:		
Hong Kong	144.8	197.0
Elsewhere	8.0	14.5
	152.8	211.5
Unlisted equity investments, at fair value:		
Carrying value	392.7	93.8
Provisions for impairments in values	(93.5)	(93.5)
	299.2	0.3
	452.0	211.8

Long term investments with market values amounting to HK\$32.3 million (1999 - HK\$202.8 million) were pledged to secure general credit facilities granted to the Group.

Included in the unlisted long term investments is an amount of HK\$298.9 million which represents the PHL Group's investments of 23% interest each in two sino-foreign joint venture companies, namely Beijing Century City Real Estate Development Co., Ltd. and Beijing Jianye Real Estate Developing Co., Ltd. (collectively, the "Investee Companies") in Beijing, the People's Republic of China (the "PRC"). The PHL Group's investments in the Investee Companies are stated at their carrying values as at the date of the change of their status from subsidiary companies to long term investments following the PHL Group's transfer of 72% interests in each of the Investee Companies to an independent third party in August 2000. In November 2000, a land site beneficially and collectively held by the Investee Companies was resumed by the Land Bureau in Beijing on grounds



of its prolonged idle condition. The joint venture partners to the Investee Companies have the right to make an application to the relevant PRC government authorities for an administrative review. The Group and the other parties concerned have been undergoing negotiations with the relevant PRC government authorities with a view to safeguarding the Investee Companies' interest in the land site. In the opinion of the directors of PHL, it is not possible to determine at this stage with reasonable certainty the ultimate outcome of the negotiations and hence, the provision, if any, required to be made against the PHL Group's investments in the Investee Companies. Accordingly, no provision has been made in the financial statements in respect of these investments.

Despite the PHL Group's holding 23% interests in the Investee Companies, the directors of PHL confirm that the PHL Group is not in a position to exercise significant influence over the financial and operating decision policies of the Investee Companies due to a contractual arrangement made with that independent third party to exchange the PHL Group's entire interests in the Investee Companies for the hotel portion of the land site beneficially held by the Investee Companies in accordance with the agreed terms. Accordingly, the directors of PHL consider it more appropriate to account for the investments therein as long term investments.

	<b>GROUP</b>	
	<b>2000</b> <b>HK\$ million</b>	<b>1999</b> <b>HK\$ million</b>
<b>Short term investments</b>		
Listed equity investments, at market value:		
Hong Kong	27.7	4.6
Elsewhere	—	0.5
	<u>27.7</u>	<u>5.1</u>

Short term investments with market values amounting to HK\$2.0 million (1999 - HK\$2.5 million) were pledged to secure general credit facilities granted to the Group.

**21. LOANS AND OTHER LONG TERM RECEIVABLES**

	Notes	GROUP	
		2000 HK\$'million	1999 HK\$'million
Promissory notes receivable	(a)	180.0	-
Long term mortgage loans	(b)	74.3	123.6
Other loans	(c)	115.7	77.7
Other receivable	(d)	-	349.7
		<u>370.0</u>	<u>551.0</u>

(a) This represents promissory notes receivable in the aggregate amount of HK\$180.0 million (1999 - HK\$180.0 million) which are repayable on demand. Apart from an amount of HK\$50.0 million which is secured and bears interest at 11.5% per annum, the remaining amount of HK\$130.0 million is unsecured and bears interest at 1.5% to 2.5% over Hong Kong prime rate per annum. The notes receivable were classified as current assets in the prior year (note 24). The issuers of the promissory notes are in discussions with the Group to restructure the terms of the notes. Accordingly, the Directors consider it appropriate to reclassify the notes receivable as non-current assets at the balance sheet date.

(b) The long term mortgage loans represent loans granted by the Group to purchasers in connection with the sale of its properties. The loans are secured by the second mortgages over the properties sold and are repayable by installments.

The long term mortgage loans of HK\$74.3 million (1999 - HK\$123.4 million) bear interest at Hong Kong prime rate plus 1.75% to 2% per annum with certain of the loans having interest free periods of up to thirty-six months from the respective drawdown dates of such loans. The prior year balance included an amount of HK\$0.2 million which was interest free.

(c) The other loans include a loan of US\$10.0 million (HK\$78.0 million) (1999 - HK\$77.7 million) advanced to a hotel owner in Shanghai, the PRC, to assist financing the interior decoration and pre-operating expenditure of its hotel, which is managed by a subsidiary company of the Group. The loan is unsecured, interest free and is repayable commencing from the date of the hotel opening, by way of payments equivalent to 28% of the hotel's net operating profit determined in accordance with the PRC accounting standards after appropriation of the statutory reserves, over the tenure of the management contract for the hotel of 15 years, subject to the possible renewal thereof for a further 5 years.

The remaining amount represents a loan of RMB40.0 million (HK\$37.7 million) (1999 - Nil) advanced to an independent third party which is secured, bears interest at Hong Kong prime rate per annum and has no fixed terms of repayment.



- (d) The prior year other receivable represented a deferred consideration of US\$45 million (approximately HK\$349.7 million) in respect of the Group's disposal of its hotel interests in the United States of America (the "Disposal"). The amount is receivable, together with interest accrued thereon at 7% per annum, on the second anniversary of the completion date of the Disposal which was 17th December, 1999. Accordingly, the amount has been reclassified to current assets in the current year (note 26).

## 22. INTANGIBLE ASSETS

	GROUP	
	2000 HK\$' million	1999 HK\$' million
Transfer from other assets	7.5	-
Amortisation provided during the year	(0.5)	-
Balance at end of year	7.0	-

Pursuant to the restructuring of The Stock Exchange of Hong Kong Limited (the "SEHK") and the Hong Kong Futures Exchange Limited (the "HKFE"), which was effective on 6th March, 2000, the Group received two SEHK Trading Rights, a HKFE Trading Right and 3,003,500 ordinary shares of HK\$1.00 each in Hong Kong Exchanges and Clearing Limited (the "HKEx" Shares) in exchange for its two shares previously held in the SEHK and one share previously held in the HKFE.

The prior carrying costs of the previously held shares in the SEHK and the HKFE have been apportioned to the SEHK Trading Rights and the HKFE Trading Right (collectively the "Trading Rights") on the basis of their respective estimated fair values on 6th March, 2000. The Trading Rights have been classified as intangible assets. The HKEx Shares have been classified as short term listed equity investments in Hong Kong (note 20). Subsequent to their classification under these balance sheet categories, the Trading Rights and HKEx Shares have been treated in accordance with the accounting policies applicable to the respective categories.

### 23. OTHER ASSETS

	GROUP	
	2000 HK\$'million	1999 HK\$'million
At cost:		
Shares in SEHK	–	10.0
Share in HKFE	–	5.0
Deposits with the HKFE, SEHK and the SEHK Option Clearing House Limited	1.8	1.8
Others	0.7	0.7
	<u>2.5</u>	<u>17.5</u>

The Group held two shares in the SEHK and one share in the HKFE as at 31st December, 1999. As detailed in note 22 to the financial statements, pursuant to the restructuring of the SEHK and HKFE which was effective on 6th March, 2000, these shares were exchanged for two SEHK Trading Rights, a HKFE Trading Right, and 3,003,500 HKEx Shares.

### 24. SHORT TERM LOANS RECEIVABLE

The short term loans receivable of the Group represents an unsecured and interest free loan to a consortium in the amount of HK\$0.9 million (1999 - HK\$0.9 million).

The prior year amount included promissory notes receivable in the aggregate amount of HK\$180.0 million. The notes receivable were reclassified to non-current assets at the balance sheet date (note 21(a)).



**25. HOTEL AND OTHER INVENTORIES**

	GROUP	
	2000 HK\$' million	1999 HK\$' million
Hotel merchandise and restaurant supplies	24.7	23.3
Raw materials	6.4	6.3
Work in progress	8.2	6.2
Finished goods	1.9	1.1
	<u>41.2</u>	<u>36.9</u>

As at 31st December, 2000, the carrying amount of the inventories of the Group pledged to secure general banking facilities granted to the Group amounted to HK\$9.8 million (1999 - HK\$9.5 million).

**26. DEBTORS, DEPOSITS AND PREPAYMENTS**

Included in the balance is an amount of HK\$199.9 million (1999 - HK\$177.7 million) representing the trade debtors of the Group. The aged analysis of such debtors is as follows:

	GROUP	
	2000 HK\$' million	1999 HK\$' million
Outstanding balances with ages:		
Within 3 months	147.3	128.2
Between 4 to 6 months	5.3	11.6
Between 7 to 12 months	14.0	38.6
Over 1 year	52.1	20.1
	<u>218.7</u>	<u>198.5</u>
Provisions	(18.8)	(20.8)
	<u>199.9</u>	<u>177.7</u>

**Credit Terms**

Trade debtors, which generally have credit terms of 2 to 90 days, are recognised and carried at their original invoiced amount less provisions for doubtful debts which are made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

The debtors, deposits and prepayments in the current year includes a deferred consideration of US\$45 million (approximately HK\$351.0 million) and interest accrued thereon at 7% per annum, further details of which are set out in note 21(d) to the financial statements.

## 27. CREDITORS AND ACCRUALS

Included in the balance of HK\$109.3 million (1999 - HK\$157.7 million) representing the trade creditors of the Group. The aged analysis of such creditors is as follows:

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Outstanding balances with ages:		
Within 3 months	79.4	129.5
Between 4 to 6 months	3.1	6.0
Between 7 to 12 months	1.9	13.7
Over 1 year	24.9	8.5
	<u>109.3</u>	<u>157.7</u>

## 28. CONSTRUCTION CONTRACTS

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Gross amount due from contract customers included in debtors, deposits and prepayments	2.4	10.0
Gross amount due to contract customers included in creditors and accruals	(119.6)	(85.3)
	<u>(117.2)</u>	<u>(75.3)</u>
Contract costs incurred plus recognised profits less recognised losses to date	1,092.9	874.0
Less: Progress billings	(1,210.1)	(949.3)
	<u>(117.2)</u>	<u>(75.3)</u>

At 31st December, 2000, retentions held by customers for contract works, as included in debtors, deposits and prepayments under current assets, amounted to approximately HK\$25.6 million (1999 - HK\$23.6 million).

As 31st December, 2000, advances from customers for contract works, as included in creditors and accruals under current liabilities, amounted to approximately HK\$23.2 million (1999 - HK\$40.0 million).