

**29. INTEREST BEARING BANK AND OTHER BORROWINGS**

	GROUP		COMPANY	
	2000 HK\$' million	1999 HK\$' million	2000 HK\$' million	1999 HK\$' million
Bank loans and overdrafts:				
Secured	6,044.5	7,226.0	55.0	58.1
Unsecured	223.7	275.9	-	-
Other loans wholly repayable within five years:				
Secured	1,464.7	65.1	-	-
Unsecured	107.0	194.3	-	-
	<u>7,839.9</u>	<u>7,761.3</u>	<u>55.0</u>	<u>58.1</u>
Portion of borrowings due within one year included under current liabilities:				
Bank loans and overdrafts	(1,519.9)	(1,961.7)	(55.0)	(58.1)
Other loans	(362.2)	(259.4)	-	-
	<u>(1,882.1)</u>	<u>(2,221.1)</u>	<u>(55.0)</u>	<u>(58.1)</u>
Long term borrowings	<u>5,957.8</u>	<u>5,540.2</u>	<u>-</u>	<u>-</u>
The bank loans and overdrafts and other loans are repayable in varying instalments within a period of:				
On demand or not exceeding 1 year	1,882.1	2,221.1	55.0	58.1
More than 1 year but not exceeding 2 years	496.3	431.2	-	-
More than 2 years but not exceeding 5 years	5,069.5	4,614.0	-	-
More than 5 years	392.0	495.0	-	-
	<u>7,839.9</u>	<u>7,761.3</u>	<u>55.0</u>	<u>58.1</u>

The other loans carried fixed interest rates ranging from 8.78% to 13.5% (1999 - 8.25% to 18%) per annum at the balance sheet date.

At the balance sheet date, RHIHL had not complied with certain loan covenants in respect of a syndicated loan amounting to HK\$3,822.1 million and a construction loan amounting to HK\$1,072.0 million (collectively referred to as the "Regal Loans"). As more fully explained in note 2 to the financial statements, the terms of the loan agreements stipulate that with any non-compliance with these loan covenants, the agents for the Regal Loans (the "Agents"), acting on the instructions of the specified majority of the lenders of the Regal Loans, may serve a notice to the RHIHL Group to declare the Regal Loans immediately due and repayable if the cause of non-compliance is not remedied within a specified period of time. Unless and until such a notice is given by the Agents, the Regal Loans remain repayable in accordance with their original stated maturity dates. To date, as confirmed by the respective Agents of the Regal Loans, no such notice has been served to the RHIHL Group. For the reasons set out in note 2 to the financial statements, the directors of RHIHL consider that it is appropriate to continue to classify the Regal Loans as current or non-current liabilities in accordance with their original maturity terms, as adjusted for the prepayment of certain loan portion, under the loan agreements as at 31st December, 2000.

30. EXCHANGEABLE BONDS

In February 1996, the PHL Group issued US\$140 million 3½% exchangeable guaranteed bonds (the "Exchangeable Bonds") which fall due in 2001. The Exchangeable Bonds are listed on the Luxembourg Stock Exchange. The issue price of the Exchangeable Bonds was 100% of their principal amount and they bear interest at the rate of 3½% per annum.

As at 1st January, 2000, the outstanding Exchangeable Bonds in the amount of US\$139.8 million were exchangeable, at the option of the bondholders, into an aggregate of 536.7 million fully paid ordinary shares in RHIHL ("Regal Shares") owned by the PHL Group at an effective exchange price of HK\$2.0144 per Regal Share, subject to adjustments, based on an exchange rate of HK\$7.735 to US\$1.00. The exchange period for the Exchangeable Bonds was from 6th April, 1996 to 23rd January, 2001, both dates inclusive (which period was extended by 90 days to 23rd April, 2001 pursuant to a second supplemental trust deed dated 23rd January, 2001).

The PHL Group had the right to redeem on or after 13th February, 1999 all or part of the Exchangeable Bonds, subject to certain conditions, at a redemption price of not less than their principal amount and to be determined by reference to the specified percentage as applicable to the year in which the redemption takes place, together with interest accrued to the date of redemption.

The Exchangeable Bonds were redeemable on maturity on 6th February, 2001 at 121.85% of their principal amount, if not previously exchanged or redeemed. Accordingly, the Exchangeable Bonds have been reclassified as current liabilities at the balance sheet date. On 6th February, 2001, PHL announced that the Exchangeable Bonds had matured on 6th February, 2001 and remained unpaid. Further details are set out in note 2 to the financial statements.

During the year, none of the Exchangeable Bonds was exchanged for Regal Shares. The full exchange of the remaining Exchangeable Bonds as at 31st December, 2000 for Regal Shares would, with the capital structure of RHIHL as at 31st December, 2000 and based on the issued ordinary share capital of RHIHL and the PHL Group's 73.8% interest therein as at that date, dilute the PHL Group's shareholding in RHIHL to 60.2%.



31. CONVERTIBLE BONDS

On 12th March, 1997, the PHL Group issued US\$210 million of zero coupon guaranteed convertible bonds (the "Convertible Bonds") which mature in 2002. The Convertible Bonds are listed on the Luxembourg Stock Exchange. The issue price of the Convertible Bonds was 100% of their principal amount.

As at 1st January, 2000, the Convertible Bonds were convertible, at the option of the bondholders, into an aggregate of 193.7 million fully paid shares of HK\$1.00 each in PHL at a conversion price of HK\$8.40 per share, subject to adjustments, based on an exchange rate of HK\$7.749 to US\$1.00. The conversion period for the Convertible Bonds is from 21st April, 1997 to 5th March, 2002, both dates inclusive.

The PHL Group has the right to redeem the Convertible Bonds, in whole or in part, on or after 12th March, 2000, subject to certain conditions, at a redemption price based on the principal amount plus a time pro-rated portion of the final redemption premium calculated by reference to the number of days elapsed since the date of issue to the date of the redemption.

The Convertible Bonds are redeemable on maturity on 12th March, 2002 at 145.875% of their principal amount, if not previously redeemed, purchased and cancelled or converted.

Up to 31st December, 2000, none of the Convertible Bonds had been converted into shares of PHL. The full conversion of the Convertible Bonds would, with the capital structure of PHL as at 31st December, 2000 and based on the issued share capital of PHL and the Group's 60.4% interest therein as at that date, dilute the Group's shareholding in PHL to 55.7%.

As more fully explained in note 2 to the financial statements, as a result of the maturity default of the Exchangeable Bonds (note 30), on 15th March, 2001, the trustee of the Convertible Bonds served a notice to declare the Convertible Bonds to be immediately due and payable by virtue of the cross default provisions contained in the trust deeds governing the issue of the Convertible Bonds. Accordingly, the Convertible Bonds have been reclassified as current liabilities at the balance sheet date.

32. PROVISION FOR PREMIUM ON REDEMPTION OF EXCHANGEABLE BONDS AND CONVERTIBLE BONDS

	GROUP	
	2000 HK\$ million	1999 HK\$ million
Balance at beginning of year	563.9	365.5
Exchange adjustments	2.2	-
Provision during the year	213.1	198.4
Balance at end of year	<u>779.2</u>	<u>563.9</u>

The above provision for premium has been reclassified as a current liability on the same basis as the related Exchangeable Bonds and Convertible Bonds, as explained in notes 30 and 31 to the financial statements, respectively.

33. DEFERRED TAX

	GROUP	
	2000 HK\$ million	1999 HK\$ million
Balance at beginning of year	0.8	4.0
Release to profit and loss account (note 10)	(0.8)	(3.2)
Balance at end of year	<u>-</u>	<u>0.8</u>

At the balance sheet date, the Group had no material unprovided deferred tax liabilities.

**34. ADVANCES FROM MINORITY SHAREHOLDERS OF SUBSIDIARY COMPANIES**

All advances from minority shareholders of subsidiary companies are unsecured and have no fixed terms of repayment. Apart from an amount of HK\$28.4 million (1999 - HK\$25.8 million) which bears interest at 1% above Hong Kong prime rate per annum, the remaining amount is interest free.

35. SHARE CAPITAL

	COMPANY	
	Number of shares of HK\$0.10 each 'million	HK\$'million
Authorised:		
Balance at beginning of year	4,000.0	400.0
Increase during the year	16,000.0	1,600.0
Balance at end of year	20,000.0	2,000.0
Issued and fully paid:		
Balance at beginning of year	3,068.8	306.9
Issue of new shares	258.0	25.8
Balance at end of year	3,326.8	332.7

During the year, the following movements in the authorised and issued share capital of the Company were recorded:

- (a) pursuant to an ordinary resolution passed at the Special General Meeting held on 22nd September, 2000, the authorised share capital of the Company was increased from HK\$400,000,000 divided into 4,000,000,000 shares of HK\$0.10 each to HK\$2,000,000,000 divided into 20,000,000,000 shares of HK\$0.10 each by the creation of an additional 16,000,000,000 shares of HK\$0.10 each;
- (b) on 27th January, 2000, a total of 138 million new shares of HK\$0.10 each of the Company were issued to Mr. Lo Yuk Sui ("Mr. Lo"), the Chairman and controlling shareholder of the Company, at HK\$0.37 per share for a total consideration of HK\$51 million, following a placing of the same number of shares at the same price by Mr. Lo to independent investors on 19th January, 2000.
- (c) on 24th March, 2000, a total of 120 million new shares of HK\$0.10 each were issued to YSL International Holdings Limited ("YSL Int'l"), a company controlled by Mr. Lo, at HK\$1.00 per share for a total consideration of HK\$120 million, following a placing of the same number of shares at the same price by YSL Int'l to independent investors on 15th March, 2000.

36. RESERVES

	Notes	GROUP		COMPANY	
		2000 HK\$'million	1999 HK\$'million	2000 HK\$'million	1999 HK\$'million
Share premium	37	888.4	747.0	888.4	747.0
Capital redemption reserve	38	4.4	4.4	4.4	4.4
Capital reserve	39	3,226.9	3,239.4	-	-
Revaluation reserves	40	64.7	223.3	-	-
Exchange equalisation reserve	41	(3.2)	2.0	-	-
Contributed surplus	43	-	-	1,893.5	1,893.5
Accumulated losses		(2,958.7)	(2,844.6)	(1,563.8)	(1,267.9)
		<u>1,222.5</u>	<u>1,371.5</u>	<u>1,222.5</u>	<u>1,377.0</u>

37. SHARE PREMIUM

	COMPANY	
	2000 HK\$'million	1999 HK\$'million
Balance at beginning of year	747.0	747.0
Premium on issue of new shares	145.3	-
Share issue expenses	(3.9)	-
Balance at end of year	<u>888.4</u>	<u>747.0</u>

**38. CAPITAL REDEMPTION RESERVE**

	GROUP AND COMPANY	
	2000 HK\$' million	1999 HK\$' million
Balance at beginning and at end of year	<u>4.4</u>	<u>4.4</u>

39. CAPITAL RESERVE

	GROUP	
	2000 HK\$' million	1999 HK\$' million
Balance at beginning of year	3,239.4	2,680.8
Capital reserve arising on increase in shareholding in subsidiary companies	--	88.2
Release on disposal of ordinary shares in the listed subsidiary companies	--	(3.9)
Release as a result of the deemed disposal of the Group's interest in a listed subsidiary company	(2.5)	-
Goodwill eliminated against capital reserve released on disposal of subsidiary companies/partnerships	--	473.4
Goodwill eliminated against capital reserve released on disposal of an associate	--	0.9
Share of goodwill of an associate eliminated directly against reserves	(10.0)	-
Balance at end of year	<u>3,226.9</u>	<u>3,239.4</u>

40. REVALUATION RESERVES

GROUP						
	Associates*	Investment	Hotel	Leasehold	Long term	Total
	HK\$'million	properties	properties	properties	investments	HK\$'million
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
At 1st January, 1999	29.5	788.9	-	157.6	(60.3)	915.7
Movement in fair value	-	-	-	-	21.7	21.7
Release on disposal of ordinary shares in listed subsidiary companies	(0.2)	(1.2)	-	(0.2)	0.3	(1.3)
Release on disposal of subsidiary companies/partnerships	(25.0)	(30.0)	-	-	-	(55.0)
Release on disposal	-	(0.6)	-	-	(3.8)	(4.4)
Transfer to retained profits (note 12)	-	-	-	(5.9)	-	(5.9)
Surplus/(Deficit) on revaluation	0.6	(648.1)	187.0	-	-	(460.5)
Write back of deficit previously charged to profit and loss account	-	-	(187.0)	-	-	(187.0)
	<u>-</u>	<u>-</u>	<u>(187.0)</u>	<u>-</u>	<u>-</u>	<u>(187.0)</u>
At 31st December, 1999 and at 1st January, 2000	4.9	109.0	-	151.5	(42.1)	223.3
Movement in fair value	-	-	-	-	(26.0)	(26.0)
Reclassification of leasehold properties as investment properties	-	16.3	-	(16.3)	-	-
Release on deemed disposal of the Group's interest in a listed subsidiary company	(0.1)	-	-	-	0.1	-
Release on disposal	(4.8)	-	-	-	0.4	(4.4)
Transfer to retained profits (note 12)	-	-	-	(5.0)	-	(5.0)
Surplus/(Deficit) on revaluation	-	(123.2)	65.8	-	-	(57.4)
Write back of deficit previously charged to profit and loss account	-	-	(65.8)	-	-	(65.8)
	<u>-</u>	<u>-</u>	<u>(65.8)</u>	<u>-</u>	<u>-</u>	<u>(65.8)</u>
Balance at end of year	<u>-</u>	<u>2.1</u>	<u>-</u>	<u>130.2</u>	<u>(67.6)</u>	<u>64.7</u>

* This represents the Group's share of revaluation reserve of associates in relation to hotel properties.

The revaluations of the Group's hotel properties and investment properties in Hong Kong do not constitute timing differences because the realisation of the revaluation surplus would not be subject to Hong Kong profits tax.