



# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 1. CORPORATE INFORMATION

During the year the Group was involved in the following principal activities:

- hotel operations
- tour operations
- passenger transportation services
- treasury operations
- tourist attraction operations
- power generation
- golf club operations
- freight forwarding and transportation services
- investment holding

In the opinion of the directors, the ultimate holding company is China Travel Service (Holdings) Hong Kong Limited (“CTS (Holdings)”), which is incorporated in Hong Kong.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of hotel properties and certain equity investments, as further explained below.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Goodwill**

Goodwill arising on consolidation represents the excess of purchase consideration paid for subsidiaries, jointly controlled entities, associates or business segments over the fair values ascribed to the underlying net assets acquired at the date of acquisition and is eliminated against reserves in the year of acquisition.

Capital reserve on consolidation represents the excess of the fair values ascribed to the acquired underlying net assets of subsidiaries, jointly controlled entities, associates or business segments at the date of acquisition over the purchase consideration, and is credited to reserves.

Impairment in value of goodwill previously taken to reserves is charged to the profit and loss account when such impairment arises. Upon the disposal of subsidiaries, jointly controlled entities, associates or business segments, the relevant portion of attributable goodwill previously eliminated against reserves or capital reserve credited to reserves is written back and included in the calculation of the gain or loss on disposal of the investment.

#### **Subsidiaries**

Subsidiaries are companies, other than jointly controlled entities or associates, in which the Company, directly or indirectly, controls more than half of their voting power or issued share capital or controls the composition of their boards of directors. Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

#### **Jointly controlled entities**

A jointly controlled entity is a joint venture which involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The jointly controlled entity operates in the same way as other enterprises, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

The Group's share of the post-acquisition results and reserves of jointly controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's investments in jointly controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any provisions for diminutions in values other than those considered to be temporary in nature deemed necessary by the directors.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Associates

An associate is a company, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's investments in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any provisions for diminutions in values other than those considered to be temporary in nature deemed necessary by the directors.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The interests in associates are stated in the Company's balance sheet at cost, less any provisions for diminutions in values other than those considered to be temporary in nature deemed necessary by the directors.

### Joint venture companies

Joint venture companies comprise companies operating, directly or indirectly, in the mainland of the People's Republic of China (the "PRC") as independent business entities. The joint venture agreements between the venturers stipulate the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which assets are to be realised upon its dissolution. The profits and losses from operations and any distribution of surplus assets are shared by the venturers either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreements.

A joint venture company is treated as:

- (i) a subsidiary, if the Group has control over the joint venture company; or
- (ii) a jointly controlled entity, if neither the Group nor its venture partners is in a position to exercise unilateral control over the economic activity of the joint venture company; or
- (iii) an associate, if the Group holds between 20% and 50% of the joint venture company's registered capital for the long term and does not have joint control but is in a position to exercise significant influence over its management; or
- (iv) a long term investment, if the Group holds less than 20% of the joint venture company's registered capital for long term.



## NOTES TO FINANCIAL STATEMENTS

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fixed assets and depreciation

Fixed assets, other than investment properties and hotel properties, are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life, after taking into account its estimated residual value, if any. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the term of the lease
Buildings	4.5%
Scenic spots establishment	3.6% to 19%
Power plants	6%
Other fixed assets:	
Carpet, cutlery and crockery, linen and uniforms	Replacement basis
Leasehold improvements	20%
Furniture, fixtures and equipment	9% to 30%
Motor vehicles	18% to 20%

Land use rights are stated at cost less accumulated amortisation. The cost of land use rights is amortised on a straight-line basis over the period of the lease or the tenure of the relevant joint ventures to which the land use rights were granted, whichever is shorter.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net proceeds on disposal and the carrying amount of the relevant asset.

The carrying amounts of fixed assets are reviewed periodically in order to assess whether their recoverable amounts have declined below their carrying amounts. Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their estimated recoverable amounts. Reductions of recoverable amounts are charged to the profit and loss account.



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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Investment properties**

Investment properties are interests in land and/or buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties with unexpired lease terms of less than 20 years are stated at cost less accumulated depreciation. They are depreciated on the straight-line basis over the remaining term of the lease.

#### **Hotel properties**

Hotel properties are stated at their open market values, based on their existing use, on the basis of annual professional valuations. Movements in the values of the hotel properties are dealt with in the hotel property revaluation reserve, on an individual basis, unless the reserve is exhausted, in which case the decrease is charged to the profit and loss account as incurred. Any surplus arising on revaluation of hotel properties is credited to the hotel property revaluation reserve except to the extent that it reverses a revaluation deficit of the same hotel property previously recognised as an expense in which case this surplus is first credited to the profit and loss account to the extent of the deficit previously charged.

It is the Group's policy to maintain the hotel properties in such condition that their residual values are not currently diminished by the passage of time. The related repairs and maintenance expenditure is charged to the profit and loss account in the year in which it is incurred. The costs of significant improvements are capitalised. Accordingly, the directors consider that depreciation is not necessary due to the Group's ability to maintain or increase the hotel properties' residual values.

Upon the disposal of a hotel property, the relevant portion of the hotel property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

#### **Properties under development**

Properties under development are carried at cost, less any provision considered necessary by the directors. Cost includes all development expenditure, interest charges and other direct costs attributable to such properties.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Leased assets**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

#### **Long term investments**

Long term investments are non-trading investments in unlisted equity and debt securities intended to be held on a long term basis. Unlisted securities are stated at their estimated fair values on an individual investment basis.

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

#### **Short term investments**

Short term investments are investments in listed equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date less provision for any impairment in value other than those considered to be temporary in nature deemed necessary by the directors, on an individual investment basis. The gains or losses arising from changes in the fair values of a security are credited or charged to the profit and loss account for the period in which they arise.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out or weighted average basis, where appropriate and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

The cost of inventories are capitalised into plant and machinery when they are used for replacements or for the improvement of power plants, or are charged to the profit and loss account when they are used for daily operations.

#### **Deferred tax**

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

#### **Foreign currencies**

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, jointly controlled entities and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset which takes a substantial period of time to get ready for its intended use are capitalised until the construction is completed, and are included in the carrying value of the asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. The capitalisation rate for the year is based on the actual cost of the related borrowings.

Direct expenses incurred in respect of the borrowing of long term bank loans are deferred and amortised over the term of the relevant bank loans on a straight-line basis.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Retirement benefits schemes

The Group operates defined contribution retirement benefits schemes for those employees who are eligible and have elected to participate in the scheme. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the Mandatory Provident Fund Exempted ORSO retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. In respect to the Mandatory Provident Fund retirement benefits scheme, the Group's employer contributions vest fully with the employees when contributed into the scheme.

Contributions made by certain PRC joint ventures of the Group, based on a percentage of the employees' basic salaries to the central pension scheme operated by the PRC Government are charged to the profit and loss account as and when incurred.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) on the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) on the rendering of freight forwarding, passenger transportation services and hotel services, when the services are rendered;
- (c) on the rendering of tour services, when the inbound tours arrive at their destinations;
- (d) income related to scenic spots, when the admission tickets are sold;
- (e) on the sale of electricity, based on the consumption by meters read during the year;
- (f) income from the sale of golf club memberships, on a time proportion basis over the membership period;



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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition (continued)

- (g) on the sale of listed investments, on a trade date basis;
- (h) rental income, on a time proportion basis over the lease terms;
- (i) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (j) dividends, when the shareholders' right to receive payment is established.

#### Deferred income

Deferred income represents the proceeds received and receivable on the sale of memberships in the Group's golf club. Such income is deferred and amortised into the profit and loss account over the tenure of the relevant membership periods on a straight-line basis.

#### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

#### Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent cash, short term deposits and bank balances which are not restricted as to use.



## NOTES TO FINANCIAL STATEMENTS

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### 3. TURNOVER AND REVENUE

Turnover primarily represents the net invoiced value of goods sold, after allowance for returns and trade discounts; the value of services rendered; and income from sale of electricity during the year.

Revenue from the following activities has been included in turnover. Revenue arising from other sources is disclosed in note 4 to the financial statements.

	Group	
	2000	1999
	HK\$'000	HK\$'000
Continuing operations:		
Freight income	297,911	268,073
Tour income	243,270	264,011
Hotel income	225,927	204,660
Golf club income	33,926	23,911
Sales of admission tickets	432,733	369,134
Passenger transportation	77,982	56,531
Treasury operations		
— Dividend income	—	3,893
	<u>1,311,749</u>	<u>1,190,213</u>
Operations reclassified to a jointly controlled entity during the year:		
Sales of electricity	1,439,641	1,576,741
Turnover	<u>2,751,390</u>	<u>2,766,954</u>

# NOTES TO FINANCIAL STATEMENTS

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## 4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2000 HK\$'000	1999 HK\$'000
Depreciation:		
Owned fixed assets	450,985	493,561
Leased fixed assets	556	—
	<u>451,541</u>	<u>493,561</u>
Auditors' remuneration:		
Current year	4,522	4,636
Underprovision in the prior year	513	—
	<u>5,035</u>	<u>4,636</u>
Staff costs (including directors' remuneration — note 6):		
Wages and salaries	332,946	347,006
Pension costs	29,945	33,452
Less: Forfeited contributions	(1,433)	(4,688)
	<u>28,512</u>	<u>28,764</u>
	<u>361,458</u>	<u>375,770</u>
Operating lease rentals:		
Land and buildings	15,979	10,548
Plant and machinery	—	16
Loss/(gain) on disposal of short term investments	(502)	8,879
Provisions for slow-moving inventories	1,131	2,253
Loss/(gain) on changes in fair value of short term investments	6,215	(9,627)
Provisions for impairments in values of short term investments	6,174	—
Gain on disposal of long term investment	(10,261)	—
Gain on disposal of fixed assets	(4,098)	(3,159)
Exchange gains, net	(6,667)	(620)
Net rental income	(11,493)	(9,290)
Interest income	(56,121)	(115,703)

\* At 31 December 2000, there was no forfeited contributions (1999: Nil) available to the Group to reduce its contributions to the pension scheme in future years.

# NOTES TO FINANCIAL STATEMENTS

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## 5. FINANCE COSTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest expenses on:		
Bank loans, overdrafts and other loans wholly repayable within five years	165,839	206,038
Finance lease and hire purchase contracts	388	—
Amortisation of deferred borrowing costs	14,075	4,623
Total finance costs	180,302	210,661
Less: Interest capitalised	(28,471)	(25,668)
	<u>151,831</u>	<u>184,993</u>

## 6. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Fees:		
Executive directors	1,050	930
Independent non-executive directors	450	450
	<u>1,500</u>	<u>1,380</u>
Other emoluments payable to executive directors:		
Salaries, allowances and benefits in kind	4,834	1,810
Pension scheme contributions	253	115
	<u>5,087</u>	<u>1,925</u>
Total remuneration	<u>6,587</u>	<u>3,305</u>



# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 6. DIRECTORS' REMUNERATION (continued)

The remuneration of the directors fell within the following bands:

	Number of directors	
	2000	1999
Nil to HK\$1,000,000	15	12
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	1	—
	<u>17</u>	<u>13</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

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

## 7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (1999: two) directors, details of whose remuneration are set out in note 6 above. The details of the remuneration of the remaining three (1999: three) non-director, highest paid employees are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Salaries, allowances and benefits in kind	2,520	3,629
Pension scheme contributions	79	119
	<u>2,599</u>	<u>3,748</u>

# NOTES TO FINANCIAL STATEMENTS

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## 7. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Number of employees	
	2000	1999
Nil to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	1	2
	<u>3</u>	<u>3</u>

## 8. TAX

	2000	1999
	HK\$'000	HK\$'000
Group:		
The People's Republic of China:		
Hong Kong	(14,135)	(15,911)
Elsewhere	(58,843)	(44,006)
Over/(under)provisions in prior years	(19,625)	2,583
Deferred tax — note 29	(9,231)	(13,665)
	<u>(101,834)</u>	<u>(70,999)</u>
Jointly controlled entities	(937)	(5)
Associates	(1,675)	(730)
	<u>(2,612)</u>	<u>(735)</u>
Tax charge for the year	<u>(104,446)</u>	<u>(71,734)</u>

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 countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

# NOTES TO FINANCIAL STATEMENTS

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## 9. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK\$52,897,000 (1999: profit of HK\$30,268,000).

The Group's share of aggregate profits less losses retained by its jointly controlled entities and associates for the year amounted to a loss of HK\$3,111,000 (1999: loss of HK\$602,000) and a loss of HK\$54,910,000 (1999: profit of HK\$12,759,000), respectively.

## 10. DIVIDENDS

	2000 HK\$'000	1999 HK\$'000
Interim — 1 cent (1999: 1 cent) per ordinary share	32,511	32,511
Proposed final — 1 cent (1999: 1 cent) per ordinary share	32,511	32,511
Proposed special dividend — 2 cents (1999: Nil) per ordinary share	65,022	—
	<u>130,044</u>	<u>65,022</u>

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$150,919,000 (1999: HK\$250,132,000), and 3,251,115,027 (1999: 3,251,115,027) ordinary shares in issue during the year.

No diluted earnings per share for the year ended 31 December 2000 has been presented because the conversion of the convertible notes would have an anti-dilutive effect and the Company's share options did not have a dilutive effect.

For the year ended 31 December 1999, the calculation of diluted earnings per share was based on the net profit attributable to shareholders for the year of HK\$273,820,000, after adjustment for the interest saved upon deemed conversion of all convertible notes at beginning of the year. The weighted average number of shares used in the calculation are 3,251,115,027 shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 427,272,727 ordinary shares assumed to have been issued on the deemed conversion of all of the convertible notes at beginning of the year. The Company's share options did not have a dilutive effect and, accordingly, were not included in the calculation of the diluted earnings per share.

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## 12. FIXED ASSETS

### Group

	Investment properties HK\$'000	Hotel properties HK\$'000	Land and buildings HK\$'000	Scenic spots establishment HK\$'000	Power plants HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
<b>Cost or valuation:</b>							
At beginning of year	—	2,380,000	1,954,926	680,594	3,636,915	513,629	9,166,064
Additions	—	—	40,211	3,271	1,599	41,036	86,117
Transfer from properties under development	—	—	2	15,090	—	5,141	20,233
Disposals	—	—	(20,782)	(42,705)	(3,336)	(45,069)	(111,892)
Reclassification to interests in a jointly controlled entity	—	—	(1,387,048)	—	(3,648,192)	(54,099)	(5,089,339)
Other reclassifications	19,473	—	(19,473)	(597)	—	597	—
Exchange realignments	—	—	5,680	2,437	13,014	(313)	20,818
Surplus on revaluation	—	1,472	—	—	—	—	1,472
<b>At 31 December 2000</b>	<b>19,473</b>	<b>2,381,472</b>	<b>573,516</b>	<b>658,090</b>	<b>—</b>	<b>460,922</b>	<b>4,093,473</b>
At cost	19,473	—	573,516	658,090	—	460,922	1,712,001
At 2000 valuation	—	2,381,472	—	—	—	—	2,381,472
	19,473	2,381,472	573,516	658,090	—	460,922	4,093,473
<b>Accumulated depreciation:</b>							
At beginning of year	—	—	246,029	325,390	900,590	322,442	1,794,451
Provided during the year	1,107	—	102,646	16,954	275,321	55,513	451,541
Disposals	—	—	(6,886)	(9,439)	(1,430)	(30,366)	(48,121)
Reclassification to interests in a jointly controlled entity	—	—	(240,655)	—	(1,177,943)	(35,174)	(1,453,772)
Other reclassifications	1,762	—	(1,762)	814	—	(814)	—
Exchange realignments	—	—	1,196	1,165	3,462	(1,206)	4,617
<b>At 31 December 2000</b>	<b>2,869</b>	<b>—</b>	<b>100,568</b>	<b>334,884</b>	<b>—</b>	<b>310,395</b>	<b>748,716</b>
<b>Net book value:</b>							
<b>At 31 December 2000</b>	<b>16,604</b>	<b>2,381,472</b>	<b>472,948</b>	<b>323,206</b>	<b>—</b>	<b>150,527</b>	<b>3,344,757</b>
At 31 December 1999	—	2,380,000	1,708,897	355,204	2,736,325	191,187	7,371,613



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## 12. FIXED ASSETS (continued)

### Company

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:				
At beginning of year	1,588	2,081	1,202	4,871
Additions	42	279	—	321
Write-off	—	(364)	—	(364)
<b>At 31 December 2000</b>	<b>1,630</b>	<b>1,996</b>	<b>1,202</b>	<b>4,828</b>
Accumulated depreciation:				
At beginning of year	1,469	1,682	722	3,873
Provided during the year	76	282	240	598
Write-off	—	(312)	—	(312)
<b>At 31 December 2000</b>	<b>1,545</b>	<b>1,652</b>	<b>962</b>	<b>4,159</b>
Net book value:				
<b>At 31 December 2000</b>	<b>85</b>	<b>344</b>	<b>240</b>	<b>669</b>
At 31 December 1999	119	399	480	998

The Group's land and buildings included above are held under the following lease terms:

	Hong Kong <i>HK\$'000</i>	Elsewhere <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost:			
Long term leases	95,270	8,720	103,990
Medium term leases	778	468,748	469,526
	<b>96,048</b>	<b>477,468</b>	<b>573,516</b>

The Group's investment properties are situated outside Hong Kong and held under short term leases.

The land use right for a piece of the Group's land with a carrying value of HK\$120,155,000 will expire on 17 August 2007. It is the intention of the Group to apply for an extension of the relevant land use right for 30 years up to 17 August 2037.



## NOTES TO FINANCIAL STATEMENTS

31 December 2000

### 12. FIXED ASSETS (continued)

Particulars of the hotel properties held by the Group as at 31 December 2000 are as follows:

Location	Use	Group's interest	Lease term
Hotel Concourse 20-46 Lai Chi Kok Road Mongkok Kowloon Hong Kong	Hotel	100%	Medium
Hotel New Harbour 41-49 Hennessy Road 4 and 6 Fenwick Road Wanchai Hong Kong	Hotel	100%	Long term
The Metropole Hotel 75 Waterloo Road Kowloon Hong Kong	Hotel	100%	Long term

The hotel properties were revalued at 31 December 2000 by Vigers Hong Kong Limited, independent professionally qualified valuers, on an open market value based on their existing use.

All hotel properties held by the Group were pledged to secure certain of the Group's bank borrowings. As at 31 December 2000, such facilities were utilised to the extent of HK\$593,628,000.

The net book value of the fixed assets of the Group held under finance leases included in the above fixed assets at 31 December 2000 amounted to HK\$6,537,000 (1999: Nil). The depreciation charge for the year in respect of such assets amounted to HK\$556,000 (1999: Nil).

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 13. PROPERTIES UNDER DEVELOPMENT

	1999	Additions	Group Transfer to fixed assets	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Building and plant	—	1,010	—	<b>1,010</b>
Scenic spots establishment	9,993	72,209	(18,590)	<b>63,612</b>
Golf course	3,925	—	(1,643)	<b>2,282</b>
Hotel properties	840,684	126,284	—	<b>966,968</b>
	<u>854,602</u>	<u>199,503</u>	<u>(20,233)</u>	<u><b>1,033,872</b></u>

The costs of building and plant, scenic spots establishment, golf course and hotel properties comprises:

	2000 HK\$'000	1999 HK\$'000
Land and buildings in Hong Kong held under long term lease	<b>966,968</b>	840,684
Land and buildings outside Hong Kong held under medium term lease	<b>66,904</b>	13,918
	<u><b>1,033,872</b></u>	<u>854,602</u>

Upon completion, the balances will be transferred to the appropriate category of fixed assets.

The accumulated net interest capitalised included in properties under development was HK\$101,735,000 (1999: HK\$73,264,000).



## NOTES TO FINANCIAL STATEMENTS

31 December 2000

### 14. INTERESTS IN SUBSIDIARIES

	Company	
	2000	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	1,312,290	1,312,284
Due from subsidiaries	3,012,337	3,405,216
Loans to subsidiaries	2,453,932	3,330,986
Due to subsidiaries	(806,076)	(1,431,915)
	<u>5,972,483</u>	<u>6,616,571</u>
Less: Provisions against amounts due from subsidiaries and loans to subsidiaries	<u>(270,000)</u>	<u>—</u>
	<u><b>5,702,483</b></u>	<u><b>6,616,571</b></u>

Except for certain balances due from subsidiaries with an aggregate amount of HK\$378,121,000 (1999: HK\$630,547,000) which bear interest at 4.25% to 6% (1999: 4.25% to 13.5%) per annum, the remaining balances due from/to subsidiaries are interest-free, unsecured and have no fixed terms of repayment.

Except for certain loans to subsidiaries with an aggregate amount of HK\$72,000,000 (1999: HK\$72,000,000) which bear interest at 6% (1999: 6%) per annum, the remaining loans to subsidiaries are interest-free, unsecured and are not repayable within one year.

A balance due from a subsidiary of HK\$256,860,000 and a loan to a subsidiary of HK\$389,283,000 are repayable in 2001 and, accordingly, such balances are included in current assets.

Particulars of the Company's principal subsidiaries are set out in note 33 to the financial statements.





## NOTES TO FINANCIAL STATEMENTS

31 December 2000

### 15. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Share of net assets	925,864	17,762
Due from jointly controlled entities	132,152	20,273
Loan to a jointly controlled entity	561,788	—
Due to jointly controlled entities	(1,362)	—
	<u>1,618,442</u>	<u>38,035</u>
Less: Provisions for diminutions in values	(7,250)	(2,553)
	<u><u>1,611,192</u></u>	<u><u>35,482</u></u>

The balances due from/to jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

The loan to a jointly controlled entity is unsecured, interest bearing at the 3-5 years term bank loan annual interest rate quoted by the People's Bank of China, and is repayable at an annual amount equal to the portion of depreciation expense of the relevant jointly controlled entity established in the PRC attributable to the Group based on its percentage of equity interest for the current year, less any amounts expensed on technical improvements. The loan balance of approximately HK\$202,846,000 is repayable in 2001 and, accordingly, this amount is included in current assets. The remaining balance is repayable after one year.

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 15. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

Particulars of the jointly controlled entities, all of which are held indirectly through subsidiaries, are as follows:

Name	Business structure	Place of registration and operations	Percentage of equity and profit attributable to the Group		Principal activities
			2000	1999	
Chongqing Long Sight International Container Co., Ltd. #	Corporate	PRC	25	25	Provision of cargo transportation services
Guizhou Panda Brass Co., Ltd. #	Corporate	PRC	30	30	Manufacturing of brass products
Sichuan Jeida Freight Transportation Co., Ltd. #	Corporate	PRC	40	40	Provision of cargo transportation services
Shenzhen China Travel Service (Cargo) Hong Kong Ltd. #	Corporate	PRC	49	49	Provision of freight forwarding and transportation services
Gansu Lida International Co., Ltd. #	Corporate	PRC	40	40	Provision of cargo transportation services
Shaanxi Weihe Power Co., Ltd. # (Note)	Corporate	PRC	51	—	Production and sale of electricity

# Not audited by Ernst & Young

Note: Shaanxi Weihe Power Co., Ltd. ("Weihe Power") was accounted for as a subsidiary of the Group up to 30 November 2000, and was reclassified to interests in a jointly controlled entity on 1 December 2000. In the opinion of the directors, the Company can no longer exercise unilateral control over the financing and operating activities of Weihe Power following the changes made to the appointment of directors on the respective boards of the Company and Weihe Power during the latter half of 2000.



## NOTES TO FINANCIAL STATEMENTS

31 December 2000

### 15. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

Extracts of the financial statements for the year ended 31 December 2000 of the Group's material jointly controlled entity are as follow:

	<b>Shaanxi Weihe Power Co., Ltd.</b>
	<b>2000</b>
	<b>HK\$'000</b>
<b><i>Profit and loss account</i></b>	
Turnover	<u><u>1,580,265</u></u>
Profit attributable to shareholders	<u><u>408,030</u></u>
Net profit attributable to the Group	<u><u>205,169</u></u>
Of which included in the share of profits and losses of jointly controlled entities	<u><u>7,740</u></u>
<b><i>Balance sheet</i></b>	
Non-current assets	<b>3,616,778</b>
Current assets	<b>561,364</b>
Current liabilities	<b>(1,187,672)</b>
Non-current liabilities	<b>(1,116,558)</b>
Net assets	<u><u>1,873,912</u></u>
Net assets attributable to the Group	<u><u>908,041</u></u>

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 16. INTERESTS IN ASSOCIATES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	—	—	311	—
Share of net assets	750,423	859,142	—	—
Due from associates	164,642	167,075	77,514	65,200
	<b>915,065</b>	1,026,217	<b>77,825</b>	65,200
Less: Provisions for diminutions in values	(8,434)	—	—	—
	<b>906,631</b>	1,026,217	<b>77,825</b>	65,200

The balances with the associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation or registration/ operations	Percentage of equity interest attributable to the Group		Principal activities
			2000	1999	
China Railway-China Travel Express Co. (HK) Ltd. *	Corporate	Hong Kong	50	50	Dormant
China Travel Roads & Bridges JV Investment Ltd. *	Corporate	British Virgin Islands/ Hong Kong	40	40	Investment holding
Vision Century Corporation Limited (formerly Hing Kong Holdings Limited) * #	Corporate	Bermuda/ Hong Kong	23.34	36.33	Investment holding

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 16. INTERESTS IN ASSOCIATES (continued)

Name	Business structure	Place of incorporation or registration/ operations	Percentage of equity interest attributable to the Group		Principal activities
			2000	1999	
Shun Tak-China Travel Shipping Investments Limited * #	Corporate	British Virgin Islands/ Hong Kong	29	29	Shipping operations
Storman Ltd. *	Corporate	Hong Kong	38	38	Provision of cargo transportation services
China Resort International Limited #	Corporate	Cayman Islands/ Hong Kong	40	—	Dormant

\* Held indirectly through subsidiaries

# Not audited by Ernst & Young



# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 16. INTERESTS IN ASSOCIATES (continued)

Extracts of the financial statements of the Group's material associates are as follows:

	<b>Vision Century Corporation Limited (formerly Hing Kong Holdings Limited)</b>		<b>Shun Tak-China Travel Shipping Investments Limited</b>	
	<b>2000</b>	<b>1999</b>	<b>Year ended 31 December 2000</b>	<b>For the period from 22 October 1998 (date of incorporation) to 31 December 1999</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b><i>Profit and loss accounts</i></b>				
Turnover	<u>565,025</u>	<u>99,829</u>	<u>1,410,716</u>	<u>769,050</u>
Profit/(loss) attributable to shareholders	<u>(355,811)</u>	<u>19,650</u>	<u>54,321</u>	<u>8,827</u>
<b><i>Balance sheets</i></b>				
Non-current assets	<u>1,016,830</u>	1,556,881	<u>1,908,062</u>	2,072,069
Current assets	<u>1,787,263</u>	584,111	<u>341,837</u>	335,258
Current liabilities	<u>(820,058)</u>	(261,772)	<u>(331,669)</u>	(339,917)
Non-current liabilities	<u>(386,141)</u>	(474,722)	<u>(656,997)</u>	(860,498)
Net assets	<u>1,597,894</u>	<u>1,404,498</u>	<u>1,261,233</u>	<u>1,206,912</u>

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 17. INVESTMENTS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
<b>Long term investments</b>				
Unlisted equity investments outside Hong Kong:				
Unlisted shares, at fair value	<u>3,665</u>	<u>—</u>	<u>—</u>	<u>—</u>
Unlisted equity and debt investments in Hong Kong:				
Unlisted shares, at fair value	58,144	30	—	—
Unlisted convertible bonds, at fair value	66,000	—	66,000	—
Amount due from an investee company	—	69,000	—	—
	<u>124,144</u>	<u>69,030</u>	<u>66,000</u>	<u>—</u>
	<u>127,809</u>	<u>69,030</u>	<u>66,000</u>	<u>—</u>
<b>Short term investments</b>				
Listed equity investments in Hong Kong, at market value	<u>1,349</u>	<u>18,761</u>	<u>—</u>	<u>—</u>

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK\$1,888,000.

## 18. INVENTORIES, AT COST

	Group	
	2000 HK\$'000	1999 HK\$'000
Raw materials	12,828	44,115
Spare parts and consumables	68	40,068
General stores	2,995	5,603
General merchandise	132	12,246
	<u>16,023</u>	<u>102,032</u>

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 19. TRADE RECEIVABLES

The Group allows an average credit period ranging from 30 to 180 days to its trade debtors. The aged analysis of trade receivables, net of provisions for doubtful debts, is as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Outstanding balances with ages:		
Less than 1 month	86,950	234,037
Within:		
1-3 months	59,267	62,725
4-6 months	10,270	45,391
7-12 months	2,276	71,911
1-2 years	1,583	60,263
Over 2 years	16,506	125,984
	<b>176,852</b>	<b>600,311</b>

## 20. OTHER RECEIVABLES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Deferred borrowing costs	9,294	15,261	9,294	15,261
Deposits and other debtors	49,505	80,997	4,658	6,420
Amounts due from minority shareholders	3,754	2,837	—	102
	<b>62,553</b>	<b>99,095</b>	<b>13,952</b>	<b>21,783</b>

## 21. PLEDGED TIME DEPOSITS

The Company and the Group have pledged bank deposits of approximately HK\$42,869,000 (1999: HK\$41,011,000) and HK\$43,463,000 (1999: HK\$41,011,000), respectively, mainly to banks to secure against the provision of bank facilities granted to one of the Group's associates.

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Cash and bank balances	291,268	585,392	63,841	5,853
Time deposits	510,378	698,911	152,095	503,222
	<b>801,646</b>	<b>1,284,303</b>	<b>215,936</b>	<b>509,075</b>

## 23. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The amounts due from/to ultimate holding company and fellow subsidiaries mainly represent trade receivables/payables and reimbursement of PRC withholding tax on interest income receivable by the Group from a jointly controlled entity established in the PRC pursuant to an indemnity granted to the Group by the Company's ultimate holding company, as further set out in the Company's circular dated 14 November 1998.

Except for an amount of HK\$53,514,000, representing reimbursement of PRC withholding tax receivable from the ultimate holding company, which is repayable on the third business day after the Company has provided an auditor's certificate on the liability arisen under the indemnity, the remaining balances due from/to ultimate holding company/fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The aged analysis of balances with ultimate holding company and fellow subsidiaries are as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
<b>Amount due from/(to)</b>				
<b>ultimate holding company</b>				
Within 1 year	1,067	48,469	(2,164)	(2,164)
1-2 years	50,440	—	—	—
	<b>51,507</b>	<b>48,469</b>	<b>(2,164)</b>	<b>(2,164)</b>
<b>Amounts due from fellow subsidiaries</b>				
Within 1 year	132,189	24,576	—	—
1-2 years	7,554	—	—	—
Over 2 years	3,781	90,458	3,781	3,930
	<b>143,524</b>	<b>115,034</b>	<b>3,781</b>	<b>3,930</b>
<b>Amounts due to fellow subsidiaries</b>				
Within 1 year	4,421	—	—	—

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 24. TRADE PAYABLES

	Group	
	2000 HK\$'000	1999 HK\$'000
The aged analysis of trade payables is as follows:		
Less than 1 month	175,142	227,085
Within:		
1-3 months	51,931	36,544
4-6 months	4,205	9,353
7-12 months	17,281	4,711
1-2 years	2,922	12,096
Over 2 years	8,913	17,538
	<u>260,394</u>	<u>307,327</u>

## 25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Accruals and other liabilities	241,157	381,606	7,291	14,175
Staff bonus and welfare fund	40,548	55,425	105	59
Receipts in advance from customers	43,427	38,164	—	—
Due to minority shareholders	660	50,574	—	—
Proposed final dividend	32,511	32,511	32,511	32,511
Proposed special dividend	65,022	—	65,022	—
	<u>423,325</u>	<u>558,280</u>	<u>104,929</u>	<u>46,745</u>



# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	Group		Company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank overdrafts — secured	27	—	584	—	—
Current portion of bank and other loans	27	<b>606,290</b>	1,146,258	<b>586,880</b>	329,134
Current portion of lease payables	28	<b>2,110</b>	—	—	—
		<b><u>608,400</u></b>	<b><u>1,146,842</u></b>	<b><u>586,880</u></b>	<b><u>329,134</u></b>

## 27. BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank overdrafts:				
Secured	—	584	—	—
Syndicated bank loans:				
Unsecured	—	400,000	—	400,000
Secured — note (i)	<b>313,628</b>	481,781	<b>313,628</b>	481,781
Other bank loans:				
Unsecured	<b>19,410</b>	431,956	—	—
Secured — note (ii)	<b>280,000</b>	100,000	<b>280,000</b>	100,000
	<b><u>613,038</u></b>	<u>1,413,737</u>	<b><u>593,628</u></b>	<u>981,781</u>
Loans from minority shareholders	<b>9,346</b>	1,157,248	—	—
Convertible notes — note (iii)	<b>470,000</b>	470,000	<b>470,000</b>	470,000
Golf club debentures	<b>4,157</b>	5,312	—	—
	<b><u>483,503</u></b>	<u>1,632,560</u>	<b><u>470,000</u></b>	<u>470,000</u>
	<b><u>1,096,541</u></b>	<b><u>3,046,881</u></b>	<b><u>1,063,628</u></b>	<b><u>1,451,781</u></b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 27. BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS (continued)

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank overdrafts repayable within one year or on demand	—	584	—	—
Bank loans repayable:				
Within one year or on demand	<b>136,290</b>	760,239	<b>116,880</b>	329,134
In the second year	<b>287,320</b>	317,417	<b>287,320</b>	316,566
In the third to fifth years, inclusive	<b>189,428</b>	336,081	<b>189,428</b>	336,081
	<b>613,038</b>	1,413,737	<b>593,628</b>	981,781
Other loans repayable:				
Within one year or on demand	<b>470,000</b>	386,019	<b>470,000</b>	—
In the second year	—	658,413	—	470,000
In the third to fifth years, inclusive	—	565,239	—	—
Over five years	<b>13,503</b>	22,889	—	—
	<b>483,503</b>	1,632,560	<b>470,000</b>	470,000
Total interest-bearing bank and other borrowings	<b>1,096,541</b>	3,046,881	<b>1,063,628</b>	1,451,781
Portion classified as current liabilities	<b>606,290</b>	1,146,842	<b>586,880</b>	329,134
Long term portion	<b>490,251</b>	1,900,039	<b>476,748</b>	1,122,647



## NOTES TO FINANCIAL STATEMENTS

31 December 2000

### 27. BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS (continued)

*Notes:*

- (i) The secured syndicated bank loan was repayable in 16 consecutive quarterly instalments. Interest was charged on the outstanding balance at LIBOR plus 2.25% for the applicable loan period. The loan was secured by certain of the Group's hotel properties and fixed assets with an aggregate carrying value of HK\$1,560,000,000.
- (ii) The secured other bank loan is repayable in 4 semi-annual instalments commencing on 15 June 2002. Interest is charged on the outstanding balance at 0.9% above the Hong Kong Interbank Offered Rate for the applicable loan period. The loan is secured by one of the Group's hotel properties and certain fixed assets with an aggregate carrying value of HK\$850,000,000.
- (iii) The principal terms of the convertible notes ("Notes") are summarised below:

Issuer:	The Company
Principal amount:	10 Notes at a subscription price of HK\$47,000,000 per Note, amounting to an aggregate amount of HK\$470,000,000.
Voting:	Noteholders are not entitled to attend or vote at any general meeting of the Company.
Conversion price:	HK\$1.10 per share, subject to adjustment.
Interest:	6% per annum, payable semi-annually in arrears.
Maturity:	The Company is required to repay the principal monies outstanding under the relevant Notes to the noteholders together with all interest accrued thereon from the date of the last interest payment up to and including the date of repayment falling on the third anniversary of the date of issue of the Notes.
Right of conversion:	CTS (Holdings) have the right to convert the whole or part of the principal amount of the Notes into new ordinary shares of the Company at any time prior to maturity. Upon the full conversion of the Notes at the conversion price, based on the existing capital structure, 427,272,727 new ordinary shares of the Company will be issued to CTS (Holdings).

An ordinary resolution approving the issue of the Notes was passed by the independent shareholders at the Company's Extraordinary General Meeting held on 30 November 1998.

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 28. FINANCE LEASE AND HIRE PURCHASE CONTRACT PAYABLES

There were obligations under finance lease and hire purchase contracts at the balance sheet date as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Amounts repayable:		
Within one year	2,325	—
In the second year	2,137	—
In the third to fifth years, inclusive	82	—
	<hr/>	<hr/>
Total minimum lease payments	4,544	—
Future finance charges	(311)	—
	<hr/>	<hr/>
Total net lease payables	4,233	—
Portion classified as current liabilities — note 26	(2,110)	—
	<hr/>	<hr/>
Long term portion	<u>2,123</u>	<u>—</u>

## 29. DEFERRED TAX

	Group	
	2000 HK\$'000	1999 HK\$'000
Balance at beginning of year	17,245	3,580
Charge for the year — note 8	9,231	13,665
Reclassification to interests in a jointly controlled entity	(19,303)	—
	<hr/>	<hr/>
At 31 December	<u>7,173</u>	<u>17,245</u>

The provision for deferred tax, as shown in the balance sheet, relates principally to timing differences arising from accelerated capital allowances.

There are no significant potential deferred tax liabilities for which provision has not been made.

The revaluations of the Group's hotel properties do not constitute timing differences and, consequently, the amount of potential deferred tax thereon has not been quantified.

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 30. SHARE CAPITAL

### Share

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Authorised:		
4,900,000,000 (1999: 4,900,000,000) ordinary shares of HK\$0.10 each	<u>490,000</u>	<u>490,000</u>
Issued and fully paid:		
3,251,115,027 (1999: 3,251,115,027) ordinary shares of HK\$0.10 each	<u>325,112</u>	<u>325,112</u>

### Share options

On 21 October 1992, a share option scheme was approved by the shareholders under which the Company's directors may grant options to employees of the Group, including directors of any members of the Group, to subscribe for shares of the Company. The subscription price will be determined by the Company's board of directors and may not be less than 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of offer of the options or the nominal value of the shares, whichever is higher. The maximum number of shares in respect of which options may be granted under the scheme may not exceed, in nominal amount, 10% of the issued share capital of the Company. An option may be exercised in accordance with the terms of the share option scheme at any time during a period to be notified by the Company's board of directors to each grantee and, in any event, such period of time shall not exceed a period of three years commencing on the expiry of six months after the date on which the option is accepted and shall expire at the end of the three year period or on 20 October 2002, whichever is earlier. An option may lapse earlier in the event of termination of employment, retirement or death of the employees, or other specified circumstances.

At 31 December 2000, the following share options remained outstanding:

Number of share options outstanding	Exercisable price per share <i>HK\$</i>	Exercisable period
101,900,000 ( <i>note 1</i> )	3.568	14 January 1998 to 13 January 2001
1,100,000 ( <i>note 2</i> )	3.580	9 February 1998 to 8 February 2001
10,000,000	0.709	16 May 2001 to 20 October 2002

Notes: (1) Lapsed on 13 January 2001.

(2) Lapsed on 8 February 2001.

During the year, 10,000,000 share options were granted to two executive directors of the Company at the consideration of HK\$1 each, and 97,850,000 share options were lapsed upon the resignation of employees of the Group. None of the remaining share options granted were exercised since the date of grant to the date of approval of these financial statements.



# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 31. RESERVES

	Share premium account HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Hotel property revaluation reserve HK\$'000	Enterprise expansion reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Group</b>								
At 1 January 1999	4,937,755	(126,823)	(11,334)	261,896	29,815	(8,077)	568,119	5,651,351
Goodwill on acquisition	—	(52,843)	—	—	—	—	—	(52,843)
Goodwill written back	—	39,781	—	—	—	—	—	39,781
Share of movements in reserves of an associate	—	—	380	—	—	—	—	380
Exchange realignments	—	—	—	—	—	5,438	—	5,438
Deficit on revaluation	—	—	—	(10,000)	—	—	—	(10,000)
Retained profit for the year	—	—	—	—	—	—	185,110	185,110
Transfer from retained profits	—	—	—	—	4,951	—	(4,951)	—
Goodwill written back on disposal of interests in an associate	—	217,094	—	—	—	—	—	217,094
<b>At 31 December 1999 and 1 January 2000</b>	<b>4,937,755</b>	<b>77,209</b>	<b>(10,954)</b>	<b>251,896</b>	<b>34,766</b>	<b>(2,639)</b>	<b>748,278</b>	<b>6,036,311</b>
Deemed disposal of an associate	—	27,947	5,540	—	—	(65)	—	33,422
Changes in fair value of long term investments	—	—	(122,000)	—	—	—	—	(122,000)
Deficit on revaluation	—	—	—	(15,166)	—	—	—	(15,166)
Goodwill adjustment	—	5,294	—	—	—	—	—	5,294
Share of movements in reserves of an associate	—	(30,435)	5,414	—	—	234	—	(24,787)
Exchange realignments	—	—	—	—	—	(3,300)	—	(3,300)
Retained profit for the year	—	—	—	—	—	—	20,875	20,875
Transfer from retained profits	—	72,198	—	—	9,914	—	(82,112)	—
Impairment of goodwill previously eliminated directly against reserves at the time of acquisition, charged to profit and loss account	—	34,667	—	—	—	—	—	34,667
Realisation of reserves on impairment of an associate	—	30,435	—	—	—	(169)	—	30,266
<b>At 31 December 2000</b>	<b>4,937,755</b>	<b>217,315</b>	<b>(122,000)</b>	<b>236,730</b>	<b>44,680</b>	<b>(5,939)</b>	<b>687,041</b>	<b>5,995,582</b>
Reserves retained by:								
Company and subsidiaries	4,937,755	209,747	(122,000)	236,730	44,680	(5,939)	965,884	6,266,857
Jointly controlled entities	—	—	—	—	—	—	(5,459)	(5,459)
Associates	—	7,568	—	—	—	—	(273,384)	(265,816)
<b>At 31 December 2000</b>	<b>4,937,755</b>	<b>217,315</b>	<b>(122,000)</b>	<b>236,730</b>	<b>44,680</b>	<b>(5,939)</b>	<b>687,041</b>	<b>5,995,582</b>
Company and subsidiaries	4,937,755	204,453	—	251,896	34,766	(2,639)	896,902	6,323,133
Jointly controlled entities	—	—	—	—	—	—	(2,348)	(2,348)
Associates	—	(127,244)	(10,954)	—	—	—	(146,276)	(284,474)
<b>At 31 December 1999</b>	<b>4,937,755</b>	<b>77,209</b>	<b>(10,954)</b>	<b>251,896</b>	<b>34,766</b>	<b>(2,639)</b>	<b>748,278</b>	<b>6,036,311</b>



## NOTES TO FINANCIAL STATEMENTS

31 December 2000

### 31. RESERVES (continued)

#### Company

	Share premium account <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 1999	4,937,755	529,765	5,467,520
Profit for the year	—	30,268	30,268
Dividends	—	(65,022)	(65,022)
	<hr/>	<hr/>	<hr/>
At 31 December 1999 and 1 January 2000	4,937,755	495,011	5,432,766
Loss for the year	—	(52,897)	(52,897)
Dividends	—	(130,044)	(130,044)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2000</b>	<b><u>4,937,755</u></b>	<b><u>312,070</u></b>	<b><u>5,249,825</u></b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 32. NOTES TO THE CASH FLOW STATEMENT

### (a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Profit from operating activities	866,797	652,054
Interest income	(56,121)	(115,703)
Dividend income from listed investments	—	(3,893)
Depreciation	451,541	493,561
Loss/(gain) on changes in fair value of short term investments	6,215	(9,627)
Provisions for doubtful debts and bad debts written off	37,155	63,055
Revaluation surplus on hotel properties, net	(16,638)	—
Provisions for slow-moving inventories	1,131	2,253
Gain on disposal of fixed assets	(4,098)	(3,159)
Gain on disposal of long term investment	(10,261)	—
Loss/(gain) on disposal of short term investments	(502)	8,879
Provisions for impairments in values of short term investments	6,174	—
Decrease/(increase) in inventories	6,634	(8,986)
Decrease/(increase) in trade receivables and other receivables	(91,811)	256,591
Increase in amount due from ultimate holding company	(3,038)	(8,688)
Increase in amounts due from fellow subsidiaries	(50,079)	(200)
Increase/(decrease) in trade payables, other payables and accruals	97,828	(115,727)
Decrease in amount due to ultimate holding company	—	(1,651)
Increase/(decrease) in amounts due to fellow subsidiaries	4,421	(3,415)
Increase in amounts due from jointly controlled entities, net	(2,392)	—
Increase in deferred income	10,251	34,956
Effect of foreign exchange rate changes	(10,365)	9,556
Net cash inflow from operating activities	<u>1,242,842</u>	<u>1,249,856</u>

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 32. NOTES TO THE CASH FLOW STATEMENT (continued)

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

	Share capital (including share premium) HK\$'000	Convertible notes HK\$'000	Minority interests HK\$'000	Bank loans, amounts due to minority shareholders and lease payables HK\$'000
At 1 January 1999	5,262,867	470,000	1,109,202	2,862,108
Cash outflow from financing, net	—	—	—	(299,296)
Capital contributed by a minority shareholder	—	—	65,506	—
Share of profits for the year	—	—	216,083	—
Share of reserves	—	—	12,133	—
Dividends paid to minority shareholders	—	—	(97,536)	—
Exchange realignments	—	—	—	8,173
<b>At 31 December 1999 and 1 January 2000</b>	<b>5,262,867</b>	<b>470,000</b>	<b>1,305,388</b>	<b>2,570,985</b>
Cash outflow from financing, net	—	—	—	(914,405)
Inception of finance lease and hire purchase contract arrangements	—	—	—	6,365
Reclassification from other payables	—	—	2,733	—
Share of profits for the year	—	—	280,262	—
Share of reserves	—	—	7,528	—
Dividends paid to minority shareholders	—	—	(148,301)	—
Reclassification to interests in a jointly controlled entity	—	—	(1,130,359)	(1,037,859)
Exchange realignments	—	—	—	1,531
<b>At 31 December 2000</b>	<b><u>5,262,867</u></b>	<b><u>470,000</u></b>	<b><u>317,251</u></b>	<b><u>626,617</u></b>



## NOTES TO FINANCIAL STATEMENTS

31 December 2000

### 32. NOTES TO THE CASH FLOW STATEMENT (continued)

#### (c) Major non-cash transactions

- (i) Reclassification from interests in a subsidiary to interests in a jointly controlled entity

	2000 HK\$'000	1999 HK\$'000
Net assets transferred:		
Fixed assets	(3,635,567)	—
Inventories	(78,244)	—
Trade receivables	(335,657)	—
Other receivables, deposits and prepayments	(107,702)	—
Cash and cash equivalents	(157,221)	—
Other payables and accruals	269,416	—
Trade payables	67,298	—
Tax payable	21,942	—
Short term loans	282,673	—
Deferred tax	19,303	—
Loan due to minority shareholder	755,186	—
Due to the Group	687,801	—
Minority interests	1,130,359	—
	<u>(1,080,413)</u>	<u>—</u>

- (ii) During the year, the Group entered into finance lease and hire purchase contract arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK\$6,365,000.



# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 33. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Name	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Chadwick Developments Limited	Hong Kong	1,000 ordinary shares of HK\$1@ 10,000 non-voting deferred shares of HK\$1@	100 —	— —	Investment holding
China Trading Service Co., Ltd.*	PRC	RMB14,000,000	—	76	Freight forwarding
China Travel Express Limited	Hong Kong	10,000 ordinary shares of HK\$1@	—	70	Passenger transportation
China Travel (HK & Macau Tour) Management Hong Kong Limited	Hong Kong	500,000 ordinary shares of HK\$1@	—	100	Tour operations
China Travel Service (Cargo) Hong Kong Limited	Hong Kong	2 ordinary shares of HK\$100@ 10,000 non-voting deferred shares of HK\$100@	100 —	— —	Provision of freight forwarding and transportation services
China Travel Tours Transportation Services Hong Kong Limited	Hong Kong	2 ordinary shares of HK\$100@ 5,000 non-voting deferred shares of HK\$100@	— —	100 —	Passenger transportation
China Travel Wing Dah Hong (H.K.) Limited	Hong Kong	1,000 ordinary shares of HK\$100@	—	96.2	Provision of cargo transportation services
Common Well Limited	Hong Kong	2 ordinary shares of HK\$1@ 100 non-voting deferred shares of HK\$1@	— —	100 —	Property investment holding

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 33. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
CTII Worldwide Limited	British Virgin Islands/ Hong Kong	641,000 shares of US\$1 @	—	70	Provision of freight forwarding and transportation services
Glading Development Limited	Hong Kong	2 ordinary shares of HK\$1 @ 2 non-voting deferred shares of HK\$1 @	—	100	Property investment holding and hotel operations
Good Way Technology Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	100	—	Investment holding
Hotel Metropole Holdings Limited	British Virgin Islands/ Hong Kong	1 share of US\$1 100 non-voting deferred shares of US\$1 @	—	100	Property investment holding and hotel operations
Invincible Limited	Western Samoa/ Hong Kong	7,200,000 shares of US\$1 @	—	100	Investment holding
Mart Harvest Limited	Hong Kong	2 ordinary shares of HK\$1 @ 100 non-voting deferred shares of HK\$1 @	—	100	Property investment holding
Princess Capital Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	100	—	Securities trading
Rida Company Limited	Hong Kong	1,000,000 ordinary shares of HK\$1 @	—	100	Dormant
Rida Investment Company Limited	Macau	PTC99,000	—	100	Property investment holding

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 33. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Shenzhen The Splendid China Development Co., Ltd.*	PRC	RMB184,000,000	51	—	Tourist attraction operations
Shenzhen The World Miniature Co., Ltd.*	PRC	US\$29,500,000	51	—	Tourist attraction operations
Shenzhen Miniature World Food Co., Ltd.*	PRC	US\$2,400,000	—	60	Restaurant operations
Shenzhen Tycoon Golf Club Co., Limited	Hong Kong	10,000 ordinary shares of HK\$1@	—	80	Provision of leisure services
Shenzhen Tycoon Golf Club Co., Limited*	PRC	RMB100,000,000	—	80	Golf club operations
Smart Concord Enterprises Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1 100 non-voting deferred shares of US\$1@	—	100	Property investment holding and hotel operations
Triumph King Limited	Hong Kong	2 ordinary shares of HK\$1@ 100 non-voting deferred shares of HK\$1@	—	100	Property investment holding
Vigilant Resources Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	100	—	Provision of financial services
Well Done Enterprises Inc.	British Virgin Islands/ Hong Kong	1 share of US\$1	—	100	Property investment holding

The above table lists the subsidiaries of the Company 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 subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

\* These subsidiaries are Sino-foreign equity joint ventures.

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 34. CONTINGENT LIABILITIES

(a) At the balance sheet date, the Group had the following material contingent liabilities:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank guarantees given in lieu of utility and rental deposits	—	—	2,024	1,437
Guarantees given to banks in connection with facilities granted to and utilised by an associate	136,383	186,381	136,383	186,381
Guarantees given to suppliers in connection with facilities granted to and utilised by a jointly controlled entity	1,888	—	—	—
	<b>138,271</b>	<b>186,381</b>	<b>138,407</b>	<b>187,818</b>

(b) At the balance sheet date, Weihe Power, a jointly controlled entity of the Group, had contingent liabilities in respect of SO<sub>2</sub> treatment fee.

According to a regulation issued by Shaanxi Provincial Environmental Protection Bureau (“PEPB”), Weihe Power has required to accrue a SO<sub>2</sub> treatment fee since 1997. Of such treatment fee, 10% should be paid to PEPB and 90% should be kept by the company for future expenditure on SO<sub>2</sub> treatment, which may include capital expenditures.

In 1998, pursuant to a verbal confirmation from the State Environmental Protection Bureau (“SEPB”), Weihe Power ceased making further accruals on the grounds that it is not located in one of the designated areas specified in the State regulations prescribing such SO<sub>2</sub> treatment fee.

Had Weihe Power continued to accrue such fees in 2000, 1999 and 1998, the accrued amount in respect thereof would have been increased by approximately HK\$3,769,000 (of which the Group’s share therein would have been approximately HK\$1,922,000) as of 31 December 2000 and the net income for the year ended 31 December 2000 would have been reduced by approximately HK\$1,884,000 (of which the Group’s share therein would have been approximately HK\$961,000). The outcome of this matter will depend on the final negotiations with and agreement by the PEPB and SEPB.

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 35. COMMITMENTS

### (a) Capital commitments

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Plant and equipment:		
Contracted, but not provided for	—	1,972
Authorised, but not contracted for	—	14,403
	<u>—</u>	<u>16,375</u>
Land and buildings:		
Contracted, but not provided for	1,697	—
Authorised, but not contracted for	61,235	61,235
	<u>62,932</u>	<u>61,235</u>
Unpaid capital contribution to jointly controlled entities:		
Contracted, but not provided for	6,350	—
	<u>6,350</u>	<u>—</u>
Others:		
Contracted, but not provided for	176,337	245,517
Authorised, but not contracted for	179,786	9,300
	<u>356,123</u>	<u>254,817</u>

### (b) Commitments under operating leases

At 31 December 2000, the Group had commitments under non-cancellable operating leases to make payments in the following year as follows:

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings expiring:		
Within one year	1,664	1,623
In the second to fifth years, inclusive	953	2,010
After five years	8,480	8,450
	<u>11,097</u>	<u>12,083</u>

### (c) The Group's share of capital commitments of a jointly controlled entity is as follows:

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised, but not contracted for	5,478	—
	<u>5,478</u>	<u>—</u>

### (d) At the balance sheet date, the Company had no material commitments.



# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 36. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the year which also constitute connected transactions as defined in the Listing Rules:

### (a) China Travel Service (Holdings) Hong Kong Limited or its subsidiaries

Name of company	Nature of transaction	Group	
		2000 HK\$'000	1999 HK\$'000
Paid or payable to:			
(i) China Travel Hip Kee Godown Hong Kong Limited	Car parking fees	2,256	2,245
(ii) China Travel Hip Kee Godown Hong Kong Limited	Storage charges	776	799
(iii) China Travel Service (Hong Kong) Limited	Train and boat tickets	20,451	17,255
(iv) China Travel Service (Hong Kong) Limited	Bus ticket service fees	3,637	2,608
(v) China Travel Service (Hong Kong) Limited	Office rental	4,304	5,746
(vi) China Travel Service (Hong Kong) Limited	Management service fees	11,392	16,411
(vii) China Travel Service (Hong Kong) Limited	Advertising fees	732	1,670
(viii) China Travel Service (Hong Kong) Limited	Others	48	711
(ix) China Travel Service (Holdings) Hong Kong Limited	Convertible notes interest	28,277	28,200
(x) China Travel Service (Holdings) Hong Kong Limited	Management fees	150	2,892
(xi) China Travel Advertising Hong Kong Limited	Advertising fees	1,716	657
(xii) China Travel Building Contractors Hong Kong Limited	Decoration expenses	1,783	4,158
(xiii) China Travel Insurance Advisers Hong Kong Limited	Insurance payments	6,744	5,759
(xiv) Tai Sun Services Company Limited	Coolie charges	1,158	1,768

# NOTES TO FINANCIAL STATEMENTS

31 December 2000

## 36. RELATED PARTY TRANSACTIONS (continued)

### (a) China Travel Service (Holdings) Hong Kong Limited or its subsidiaries (continued)

Name of company	Nature of transaction	Group	
		2000 HK\$'000	1999 HK\$'000
Paid or payable to: (continued)			
(xv) Grand Tour & Travel Limited	Macau tour charges	505	1,461
(xvi) Sociedade De Fomento Predial Fu Wa (Macau) Limitada	Macau tour charges	1,994	1,136
(xvii) Sociedade De Fomento Predial Fu Wa (Macau) Limitada	Hotel room charges	6,033	4,216
(xviii) China Travel Hotel Management Services Hong Kong Limited	Hotel management fees (note 1)	3,918	—
(xix) China Travel Hotel Management Services Hong Kong Limited	Management service fees	1,291	—
(xx) China Travel Hi-Tech Computer Hong Kong Limited	Equipment hiring fees	810	—
(xxi) Sun Wah Printing Factory	Printing charges	635	—
Received or receivable from:			
(xxii) China Travel Service (Holdings) Hong Kong Limited	Reimbursement of PRC with- holding tax on interest income	3,083	50,269
(xxiii) China Travel Service (Holdings) Hong Kong Limited	Hotel room rental	400	—
(xxiv) China Travel Service (Hong Kong) Limited	Freight charges	14	2,987
(xxv) China Travel Service (Hong Kong) Limited	Admission tickets	37,899	10,173
(xxvi) China Travel Service (Hong Kong) Limited	Hotel room rental	11,580	8,087
(xxvii) China Travel Service (Hong Kong) Limited	Coach income (note 2)	733	675
(xxviii) China Travel Trading Company (Hong Kong) Limited	Rental income	—	1,735
(xxix) Tai Sun Services Company Limited	Freight charges	—	1,047



## NOTES TO FINANCIAL STATEMENTS

31 December 2000

### 36. RELATED PARTY TRANSACTIONS (continued)

The above transactions were carried out at market price or, where no market price was available, at cost plus a percentage of profit mark-up.

*Notes:* (1) The hotel management fees paid to China Travel Hotel Management Services Hong Kong Limited during the year was less than 3% of the audited consolidated net tangible assets of the Group.

(2) The coach income paid to China Travel Tours Transportation Services Hong Kong Limited by China Travel Service (Hong Kong) Limited during the year amounted to HK\$733,000, which was less than 0.3% of the audited consolidated net tangible assets of the Group.

- (b) Pursuant to an agreement dated 20 March 2000, Good Way Technology Limited (“Good Way”), a wholly-owned subsidiary of the Company, acquired 18% interest in China Travel Net Limited from CTS (Holdings) for a cash consideration of HK\$180 million, with an option to acquire a further 2% interest in China Travel Net Limited for a consideration of HK\$20 million.

The consideration of HK\$180 million paid by the Group under the agreement was arrived at after negotiations between the parties.

- (c) Pursuant to a conditional sale and purchase agreement dated 16 November 1999, Goster Resources Limited (“Goster”), a wholly-owned subsidiary of the Group, disposed of a property to CPL Investments Limited, a wholly-owned subsidiary of Vision Century Corporation Limited (formerly Hing Kong Holdings Limited, “Hing Kong”), at a consideration of HK\$106 million of which HK\$40 million was satisfied by payment in cash and HK\$66 million was satisfied by the issue by Hing Kong of 10 convertible bonds.

The consideration was agreed after negotiations with reference to an independent valuation by Chesterton Petty Limited of the property of HK\$106 million as at 1 November 1999 as instructed by Hing Kong and an independent valuation by C.Y. Leung & Company Limited of the Property of HK\$106 million as at 16 November 1999 as instructed by the Company.

The transaction was completed on 10 January 2000.

31 December 2000

### 37. POST BALANCE SHEET EVENTS

The following significant events were recorded subsequent to the balance sheet date:

**(i) Disposal of interest in Hing Kong**

Subsequent to the balance sheet date, on 8 January 2001, Winyear Profits Limited (“Winyear”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Vision Century Limited, an independent third party, to dispose of 389,283,062 shares of Hing Kong, being all Hing Kong shares held by Winyear representing 23.34% of the issued share capital of Hing Kong as at that date, at a cash consideration of HK\$1 per share.

The transaction was completed on 5 February 2001 and in anticipation of the loss on disposal of approximately HK\$56,152,000, an impairment provision of equivalent amount has been provided for in these financial statements.

**(ii) Bank loan facility of HK\$800 million**

Subsequent to the balance sheet date, the Company has obtained a bank loan of HK\$800 million to finance the general working capital of the Group.

The loan is secured by certain of the Group’s hotel properties. The secured bank loan is repayable in 7 semi-annual installments commencing 21 March 2003. Interest is charged on the outstanding balance at Hong Kong Interbank Offered Rate plus 1% for the applicable loan period.

**(iii) Proposed acquisition of entire issued share capital of Alton Services Limited (“ASL”)**

On 21 March 2001, the Company entered into a conditional agreement (“Agreement”) with CTS (Holdings) whereby the Company agreed to acquire the entire issued share capital of ASL, a wholly-owned subsidiary of CTS (Holdings). ASL is the holding company of China Travel Service (Hong Kong) Limited, China Travel Air Service Hong Kong Limited, China Travel Advertising Hong Kong Limited, China Travel Net Limited and China Travel e-Business Limited.

The consideration for the proposed acquisition of ASL is HK\$1,911 million, of which HK\$1,181 million will be satisfied by payment in cash, HK\$600 million will be satisfied by the issue of the Company’s convertible bonds, and the remaining HK\$130 million will be satisfied by the disposal of the Group’s 40% interest in and a shareholder’s loan to China Travel Roads & Bridges JV Investment Limited.

The proposed acquisition will give rise to a goodwill amount of approximately HK\$1,093 million on consolidation.

Further details of the transactions are set out in the Company’s circular dated 11 April 2001.



## ***NOTES TO FINANCIAL STATEMENTS***

*31 December 2000*

### ***38. COMPARATIVE AMOUNTS***

Salary expenses of approximately HK\$36,917,000 have been reclassified from other operating expenses to administrative expenses for the 1999 comparative amounts. In the opinion of the directors, the reclassification provides a better presentation of these expenses after considering the nature of the work undertaken by the relevant employees and is consistent with the presentation adopted for the current year.

### ***39. APPROVAL OF FINANCIAL STATEMENTS***

These financial statements were approved by the board of directors on 25 April 2001.