

14 INTEREST IN ASSOCIATES (Cont'd)

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group. The class of shares held is ordinary.

Name of company	Place of incorporation	Place of operation	Percentage of equity			Principal activity
			Group's effective holding	held by the Company	held by subsidiary	
*Beijing Henderson-Miramar Gourmet & Entertainment Company Limited	The People's Republic of China	The People's Republic of China	45	–	45	Restaurant
Booneville Company Limited	Hong Kong	Hong Kong	50	–	50	Restaurant
Henderson-Miramar Hotel Management Company Limited	Hong Kong	Hong Kong	50	50	–	Hotel management
*Kamlicase International Limited	Hong Kong	The People's Republic of China	49	–	49	Property sale
*Mills International Limited	British Virgin Islands	The People's Republic of China	49	–	49	Investment holding
*Shekou Hotel Consultation and Training Service Company Limited	The People's Republic of China	The People's Republic of China	30	–	30	Hotel
*Shekou Nam Shan Tsui Hang Village Food and Beverage Services Limited	The People's Republic of China	The People's Republic of China	50	–	50	Restaurant
*Shenzhen Nanhai Hotel Limited	The People's Republic of China	The People's Republic of China	25	–	25	Hotel
Strong Guide Property Limited	Hong Kong	The People's Republic of China	50	–	50	Investment holding

* The accounts of these associates are not audited by KPMG. The aggregate profits before taxation and the aggregate net assets of these associates, attributable to the Group, amounted to \$3.9 million (2000: \$1.7 million) and \$10 million (2000: \$9 million) respectively.

15 NON-TRADING SECURITIES

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Unlisted shares, at cost	813	813	500	500
Listed shares in Hong Kong	21,518	26,226	10,065	12,266
	<u>22,331</u>	<u>27,039</u>	<u>10,565</u>	<u>12,766</u>
Market value of listed securities	<u>21,518</u>	<u>26,226</u>	<u>10,065</u>	<u>12,266</u>

16 RESTRICTED CASH

Under an agreement entered into by an overseas subsidiary of the Group with a third party company, the Group is required to deposit funds into an escrow account in respect of a property under development held by the Group's overseas subsidiary.

17 INVENTORIES

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Consumable stores	12,723	11,449	6,389	3,488
Properties held for resale	72,529	130,411	-	-
	<u>85,252</u>	<u>141,860</u>	<u>6,389</u>	<u>3,488</u>

Properties held for resale is net of a general provision in order to state these properties at the lower of their cost and estimated net realisable value. The amount of reversal of a write-down of inventories to estimated net realisable value, recognised in the consolidated profit and loss account as a reduction in the amount of inventories recognised as an expense during the year, is \$3,500,000 (2000: \$13,000,000). This reversal arose due to an increase in the estimated net realisable value of certain properties as a result of a change in market condition.

18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Trade receivables	43,048	53,957	4,297	3,627
Other receivables	149,725	130,217	14,895	10,455
	<u>192,773</u>	<u>184,174</u>	<u>19,192</u>	<u>14,082</u>

The amount of other receivables expected to be recovered after more than one year is \$14,403,000 (2000: \$15,120,000). All of the other trade and other receivables are expected to be recovered within one year.

Included in trade and other receivables are trade debtors (net of specific provisions for bad and doubtful debts) with the following ageing analysis.

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
0 to 3 months	36,655	44,062	3,435	3,323
More than 3 months	6,393	9,895	862	304
	<u>43,048</u>	<u>53,957</u>	<u>4,297</u>	<u>3,627</u>

The Group has a defined credit policy. The general credit terms allowed range from 0 to 60 days.

19 CASH AND BANK BALANCES

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Deposits with banks and other financial institutions	46,967	18,936	-	-
Cash at banks and in hand	94,302	98,599	3,377	2,524
	<u>141,269</u>	<u>117,535</u>	<u>3,377</u>	<u>2,524</u>

20 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Trade payable	34,310	33,768	13,156	12,403
Other payables	124,220	122,303	24,943	24,438
	<u>158,530</u>	<u>156,071</u>	<u>38,099</u>	<u>36,841</u>

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade creditors with the following ageing analysis.

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Due within 3 months or on demand	33,777	33,652	13,061	12,355
Due after 3 months but within 6 months	533	116	95	48
	<u>34,310</u>	<u>33,768</u>	<u>13,156</u>	<u>12,403</u>

21 NON-CURRENT UNSECURED INTEREST-BEARING BORROWINGS

	The Group	
	2001 \$'000	2000 \$'000
Unsecured bank loans wholly repayable within five years	1,772,924	1,795,500
Less: Portion repayable within one year included in bank loans and overdrafts under current liabilities	<u>132,924</u>	<u>570,000</u>
	<u>1,640,000</u>	<u>1,225,500</u>

The amount of non-current unsecured interest-bearing borrowings expected to be settled within one year is \$17,500,000 (2000: \$80,000,000). All of the other non-current unsecured interest-bearing borrowings are expected to be settled after more than one year.

22 BANK LOANS AND OVERDRAFTS

At 31 March 2001, the bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Within 1 year or on demand	<u>151,212</u>	<u>678,662</u>	<u>117,500</u>	<u>450,207</u>
After 1 year but within 2 years	524,000	148,000	-	-
After 2 years but within 5 years	<u>1,098,500</u>	<u>997,500</u>	<u>-</u>	<u>-</u>
	<u>1,622,500</u>	<u>1,145,500</u>	<u>-</u>	<u>-</u>
	<u>1,773,712</u>	<u>1,824,162</u>	<u>117,500</u>	<u>450,207</u>

At 31 March 2001, the bank loans and overdrafts were as follows:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Unsecured bank overdrafts	788	28,662	-	5,207
Unsecured bank loans	<u>1,772,924</u>	<u>1,795,500</u>	<u>117,500</u>	<u>445,000</u>
	<u>1,773,712</u>	<u>1,824,162</u>	<u>117,500</u>	<u>450,207</u>

23 DEFERRED LIABILITIES

Deferred liabilities represent deposits received from a developer for the sale of a piece of land and refundable rental deposits received on properties held under operating leases with unexpired lease terms exceeding one year as at the balance sheet date.

24 DEFERRED TAXATION

(a) Movements on deferred taxation comprise:

	The Group	
	2001	2000
	\$'000	\$'000
At 1 April	17,000	20,000
Transfer to the profit and loss account (note 5(a))	(3,000)	(3,000)
At 31 March	<u>14,000</u>	<u>17,000</u>

- (b) The above balance represents mainly the taxation effect on the excess of depreciation allowances over book depreciation.
- (c) No provision for deferred taxation has been made in respect of the revaluation surpluses arising on the Group's properties as the disposal of these assets at their carrying value would result in capital gains which the directors consider are not subject to any tax liability.
- (d) There were no other significant unprovided timing differences at the balance sheet date.

25 RETIREMENT SCHEMES

The Group operates a defined contribution scheme and a defined benefit scheme for its employees. In order to comply with the Occupational Retirement Schemes Ordinance, the assets of these schemes are separated from those of the Group and managed by independent trustees.

With effective from 1 December 2000, the Group has set up a Mandatory Provident Fund Scheme ("the MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee.

- (a) The defined contribution scheme is available to employees who completed the probation period prior to 1 December 2000. The scheme requires scheme members and the Group to contribute funds calculated at a percentage of the members' actual basic salaries.

Members of the defined contribution scheme were given a one-time option to choose to transfer to the MPF Scheme or remain in the existing scheme. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund legislation. The contributions from employees and employer are subject to a cap of monthly relevant income of \$20,000.

25 RETIREMENT SCHEMES (Cont'd)

(a) (Cont'd)

During the year, the Group made a contribution of \$7.2 million (2000: \$6.2 million) to the defined contribution scheme and the MPF Scheme and charged it to the consolidated profit and loss account. Forfeited contributions of the defined contribution scheme may be used by the Group to reduce the level of contributions made by the Group to this scheme. During the year, forfeited contributions of approximately \$0.4 million (2000: \$0.5 million) were utilised to reduce the Group's contributions. At the balance sheet date, there was no unutilised forfeited contribution available to reduce the contributions payable in the future (2000: \$ Nil).

- (b) The defined benefit scheme is for the provision of gratuities to employees who joined the Company prior to 1 January 1969. No amount was charged to the profit and loss account for the year (2000: \$ Nil).

The most recent actuarial valuation of the scheme was at 31 December 1998 and was prepared by Watson Wyatt Company Hong Kong Limited, who have among their staff Fellows of the Faculty of Actuaries, using the aggregate cost method. The main assumptions used in the valuation were an investment yield of 5.5% per annum and a salary increase of 5.5% per annum and no mortality rates.

The valuation showed that the market value of the scheme assets, which amounted to \$5.61 million at 31 December 1998, was sufficient to cover the aggregate vested liability with a solvency ratio of 124%. The actuarial present value of total liabilities was \$4.72 million. Hence, there was an actuarial surplus of \$894,000. The actuaries recommended that the employer took a contribution holiday for the a three-year period from 1 January 1999 to 31 December 2001.

26 SHARE CAPITAL

	2001		2000	
	No. of shares	\$'000	No. of shares	\$'000
Authorised:				
Ordinary shares of \$0.70 each	<u>700,000,000</u>	<u>490,000</u>	<u>700,000,000</u>	<u>490,000</u>
Issued and fully paid:				
Ordinary shares of \$0.70 each	<u>577,231,252</u>	<u>404,062</u>	<u>577,231,252</u>	<u>404,062</u>

27 SHARE PREMIUM

The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

28 RESERVES

(a) The Group

	Capital reserve \$'000	Exchange reserve \$'000	General reserve \$'000	Investment properties revaluation reserve \$'000	Non-trading securities revaluation reserve \$'000	Retained profits \$'000	Total \$'000
At 1 April 1999	1,658,692	7,125	304,827	4,251,446	(54,164)	162,218	6,330,144
Transfer	(100,925)	-	-	100,925	-	-	-
Exchange differences on translation of accounts of overseas subsidiaries	-	(16,605)	-	-	-	-	(16,605)
Revaluation surplus/ (deficits) (note 11(d) & (e))	56,879	-	-	(50,305)	-	-	6,574
Non-trading securities revaluation surplus	-	-	-	-	6,052	-	6,052
Profit for the year	-	-	-	-	-	162,203	162,203
Dividends	-	-	-	-	-	(161,625)	(161,625)
At 31 March 2000	1,614,646	(9,480)	304,827	4,302,066	(48,112)	162,796	6,326,743
At 1 April 2000	1,614,646	(9,480)	304,827	4,302,066	(48,112)	162,796	6,326,743
Exchange differences on translation of accounts of overseas subsidiaries	-	5,970	-	-	-	-	5,970
Revaluation surplus (note 11(d) & (e))	215,799	-	-	33,353	-	-	249,152
Negative goodwill on acquisition of additional interest in subsidiaries	1,903	-	-	-	-	-	1,903
Non-trading securities revaluation deficit	-	-	-	-	(4,708)	-	(4,708)
Profit for the year	-	-	-	-	-	185,344	185,344
Dividends	-	-	-	-	-	(184,714)	(184,714)
At 31 March 2001	1,832,348	(3,510)	304,827	4,335,419	(52,820)	163,426	6,579,690

The accumulated losses attributable to associates at 31 March 2001 were \$33,262,000 (2000: accumulated losses of \$34,080,000).

The capital reserve, exchange reserve and revaluation reserves have been set up and will be dealt with in accordance with the respective accounting policies adopted for goodwill arising on subsidiaries and associates, foreign currency translation and the revaluation of investment properties, hotel properties and non-trading securities (note 1).

28 RESERVES (Cont'd)

(b) The Company

	Capital reserve \$'000	General reserve \$'000	Investment properties revaluation reserve \$'000	Non-trading securities revaluation reserve \$'000	Retained profits \$'000	Total \$'000
At 1 April 1999	1,120,799	300,000	–	(24,439)	251,437	1,647,797
Transfer	(100,925)	–	100,925	–	–	–
Revaluation deficit (note 11(d))	–	–	(75,678)	–	–	(75,678)
Non-trading securities revaluation surplus	–	–	–	2,830	–	2,830
Profit for the year	–	–	–	–	157,377	157,377
Dividends	–	–	–	–	(161,625)	(161,625)
At 31 March 2000	1,019,874	300,000	25,247	(21,609)	247,189	1,570,701
At 1 April 2000	1,019,874	300,000	25,247	(21,609)	247,189	1,570,701
Revaluation deficit (note 11(d))	–	–	(534)	–	–	(534)
Non-trading securities revaluation deficit	–	–	–	(2,201)	–	(2,201)
Profit for the year	–	–	–	–	187,565	187,565
Dividends	–	–	–	–	(184,714)	(184,714)
At 31 March 2001	1,019,874	300,000	24,713	(23,810)	250,040	1,570,817

Distributable reserves of the Company at 31 March 2001, calculated in accordance with section 79B of the Hong Kong Companies Ordinance, amounted to \$550,040,000 (2000: \$547,189,000).

The revaluation reserves have been set up and will be dealt with in accordance with the respective accounting policies adopted for the revaluation of investment properties and non-trading securities (note 1).

The applications of the capital reserve and the general reserve are in accordance with Article 117 of the Company's Articles of Association.

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 \$'000	2000 \$'000
Operating profit	338,482	323,469
Interest income	(3,739)	(3,359)
Dividend income from non-trading securities	(336)	-
Depreciation	56,480	64,661
Loss on disposal of fixed assets	1,898	128
Gain on disposal of investment properties	-	(1,250)
Gain on disposal of properties under development	(5,017)	(3,656)
Gain on disposal of an associate	(135)	-
Gain on disposal of subsidiaries	(1,903)	-
Waived loan	(19,736)	-
Decrease in inventories	56,608	19,356
Decrease in trade and other receivables	771	7,599
Decrease/(increase) in restricted cash	51,642	(23,202)
Increase in provision for diminution in value of interests in associates	17,800	14,866
(Increase)/decrease in amount due from associates	(1,028)	12,054
Increase/(decrease) in creditors and accrued charges	21,656	(58,827)
Increase/(decrease) in sales and rental deposits received	38,568	(32,183)
(Decrease)/increase in deferred liabilities	(35,360)	23,981
Gain on foreign exchange	(464)	(7,965)
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Net cash inflow from operating activities	<u>516,187</u>	<u>335,672</u>

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Disposal of subsidiaries

	2001 \$'000
Net assets disposed of:	
Cash and bank balances	37,509
Trade and other receivables	627
Trade and other payables	(242)
Minority interests	82
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	37,976
Gain on disposal	1,903
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	39,879
	<hr/> <hr/>
Satisfied by:	
Cash consideration received net of transaction costs	33,383
Non-cash consideration, included in trade and other receivables	6,496
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	39,879
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(c) Analysis of net outflow of cash and cash equivalent in respect of the disposal of subsidiaries

	2001 \$'000
Cash consideration received net of transaction costs	33,383
Cash at bank and in hand disposed of	(37,509)
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Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(4,126)
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29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(d) Analysis of changes in financing during the year

	Bank loans \$'000	Minority interests \$'000
At 1 April 1999	1,810,000	271,778
Net cash (outflow)/inflow from financing	(14,500)	5,122
Dividend paid to minority shareholders	–	(3,686)
Minority interests' share of loss	–	(5,941)
Revaluation deficits	–	(17)
Exchange adjustments	–	(2,015)
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At 31 March 2000	1,795,500	265,241
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At 1 April 2000	1,795,500	265,241
Net cash outflow from financing	(22,576)	(10,677)
Acquisition of additional interest in subsidiaries (note 28(a))	–	(1,903)
Waived loan (note 3)	–	(19,736)
Disposal of subsidiaries (note (b))	–	82
Minority interests' share of loss	–	(13,613)
Revaluation surplus	–	65
Exchange adjustments	–	(4,765)
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At 31 March 2001	<u>1,772,924</u>	<u>214,694</u>

30 CAPITAL COMMITMENTS

Capital commitments outstanding at 31 March 2001 not provided for in the accounts were as follows:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Contracted for				
– Future expenditure relating to properties	280,177	292,056	–	1,386
Authorised but not contracted for	–	5,857	–	–
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	<u>280,177</u>	<u>297,913</u>	<u>–</u>	<u>1,386</u>

31 OPERATING LEASE COMMITMENTS

At 31 March 2001, the Group and the Company had commitments in respect of land and buildings under operating leases to make payments in the next year as follows:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Leases expiring:				
Within 1 year	158	967	–	–
After 1 year but within 5 years	8,060	5,139	3,806	3,806
After 5 years	–	1,420	–	–
	<u>8,218</u>	<u>7,526</u>	<u>3,806</u>	<u>3,806</u>

32 CONTINGENT LIABILITIES

At 31 March 2001, there were contingent liabilities in respect of the following:

- Guarantee given to banks by the Company in respect of banking facilities extended to certain wholly owned subsidiaries amounted to \$1,640.0 million (2000: \$1,353.5 million).
- Guarantee given to banks by the Company in respect of banking facilities extended to a 25% associated company amounted to \$6.7 million (2000: 4.4 million).
- Guarantee given to banks by the Company in respect of mortgage loans granted by the banks to third parties for financing their purchases of the properties from a 51.36% subsidiary, amounted to \$13.3 million (2000: \$28.8 million).
- An associate of the Group has executed a guarantee to a bank to cover the mortgage loans granted by the bank to third parties for financing their purchases of the properties from the associate. The Group's share of the contingent liability in this respect at 31 March 2001 was \$8 million (2000: \$31 million).
- Certain employees who did not satisfy the requirements set out in note 1(o) above have completed the required number of years of service under the Employment Ordinance (the "Ordinance") and have become eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Ordinance. If the termination of employment met the circumstances required by the Ordinance, the total liability of the Group at 31 March 2001 after set off against the contributions made to the defined contribution scheme would be \$14 million (2000: \$14 million). No provision has been made for this amount in the accounts.

33 MATERIAL RELATED PARTY TRANSACTIONS

- (a) The Group incurred a fee of \$2,100,000 (2000: \$2,100,000) to a subsidiary of its major shareholder for the provision of property agency services to the Group's investment properties in Hong Kong which was calculated at a certain percentage of the gross rental income from the Group's investment properties during the year.

The Group's travel division provides agency services to certain subsidiaries and associates of its major shareholder in respect of air ticket booking, hotel accommodation and hire car services under similar terms it provides to other customers. Service fees received from these companies for the year amounted to \$378,000 (2000: \$469,000).

The amount due to these companies at the year end amounted to \$3,546,000 (2000: \$1,396,000).

The Group's travel division receives agency services from an associate of its major shareholder in respect of air ticket booking and hotel accommodation under similar terms it receives from other suppliers. The amount due to the associate at the year end amounted to \$97,000.

- (b) The Group receives hotel management services from an associate in respect of the Group's hotel operation in Hong Kong. Management fee paid for the year amounted to \$6,951,000 (2000: \$6,128,000) which was calculated at 3% of the gross income derived from the Group's hotel operation in Hong Kong for the year. The amount due to the associate at the year end amounted to \$1,091,000 (2000: \$860,000).
- (c) The Group provides hotel management services to certain associates which run hotel operations in the People's Republic of China. Total management fees received for the year amounted to \$3,413,000 (2000: \$2,926,000) which were calculated at a certain percentage of the respective associates' revenue for the year. The amount due from these associates at the year end amounted to \$2,599,000 (2000: \$308,000).
- (d) The Company received a management fee of \$4,200,000 (2000: \$4,200,000) from an associate during the year for the provision of general and administrative services to the associate on a time cost reimbursement basis. There was no balance due from that associate at the year end.
- (e) The Company and its wholly-owned subsidiaries provided loans to certain associates totalling \$303,000 (2000: \$827,000) during the year. Such loans are unsecured, non-interest bearing and repayable on demand. The amounts due from these associates at the year end amounted to \$21,706,000 (2000: \$21,403,000).
- (f) The Group entered into a lease with a subsidiary of its major shareholder for the leasing of a Group's premises in Hong Kong, under the normal commercial terms it offers to other tenants, during the year. Total rental and building management fee received for the year amounted to \$4,199,000 (2000: \$3,723,000). The amount due from this company at the year end amounted to \$290,000 (2000: \$Nil).