

Notes to Financial Statements

31st July, 2001

1. CORPORATE UPDATE

Subsequent to the deemed disposal of a 49.09% and a 0.49% equity interests in Lai Fung Holdings Limited (“Lai Fung”) and eSun Holdings Limited (“eSun”), respectively, as further detailed below, the Group focused on property development for sale, property investment for investment potential purposes, investment in and the operation of hotels and restaurants and investment holding.

On 28th November, 2000, Lai Fung Overseas Finance Limited (“LFO”), a wholly-owned subsidiary of Lai Fung, elected to mandatorily convert all the outstanding Lai Fung convertible bonds (the “Lai Fung Convertible Bonds”) of US\$120,385,000 into ordinary shares of Lai Fung of HK\$0.10 each (the “Lai Fung Shares”) at a conversion price of HK\$0.464 per share. On 10th January, 2001, a total of 2,023,713,337 new Lai Fung Shares were allotted and issued pursuant to the mandatory conversion. As a result of the allotment and issue of such new Lai Fung Shares to the bondholders, the Company’s equity interest in Lai Fung fell, by way of dilution, from 74.49% of the issued share capital of Lai Fung before the mandatory conversion to approximately 25.40% of the issued share capital of Lai Fung as enlarged by the issue of the new Lai Fung Shares.

On 9th February, 2001, a conditional sale and purchase agreement (the “Agreement”) was entered into between Autumn Gold Limited (“Autumn Gold”), a wholly-owned subsidiary of eSun, and Mr. Chan Chee Kheong (“Mr. Chan”). Pursuant to the Agreement, Autumn Gold acquired from Mr. Chan 5 existing shares of HK\$1.00 each of The Artiste Campus International Limited (formerly known as Union Holding Limited), a company incorporated in Hong Kong with limited liability, for a total consideration of HK\$7,600,005, comprising (i) HK\$2,000,005 in cash, and (ii) the balance of HK\$5,600,000 by the allotment and issue of 5,600,000 new shares of HK\$0.50 each in the share capital of eSun (the “Consideration Shares”) at an issue price of HK\$1.00 per share. The allotment of the Consideration Shares to Mr. Chan was completed on 4th April, 2001. Immediately prior to the allotment and issue of the Consideration Shares, the Company held 285,512,791 shares in eSun out of a total of 565,584,927 shares in issue, which represented approximately 50.48% of the then existing issued share capital of eSun. As a result of this transaction, the Company’s shareholding percentage in eSun was reduced, by way of dilution, to approximately 49.99%.

As a result of the above transactions, Lai Fung and eSun ceased to be subsidiaries of the Company, and their results ceased to be consolidated in the group’s financial statements of the Company immediately following the respective allotment and issue of the new shares of Lai Fung and eSun. A loss on deemed disposals of interests in Lai Fung and eSun of approximately HK\$1,044,781,000 was charged to the profit and loss account. In addition, a sum of approximately HK\$1,200,542,000 was released from various reserves upon the deemed disposal of interests in Lai Fung and eSun. Further details about the net assets of Lai Fung and eSun, their consolidated results and the impact of their deconsolidation are included in notes 17 and 34 to the financial statements.

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2. BASIS OF PRESENTATION

The Group sustained a net loss from ordinary activities attributable to shareholders of HK\$1,196 million for the year ended 31st July, 2001 (2000: HK\$2,758 million). The loss was mainly resulted from the effects of the non-recurring transactions in respect of the deemed disposal of its interests in Lai Fung and eSun.

As at the balance sheet date, the Group had consolidated net current liabilities of HK\$975 million (2000: HK\$1,589 million), an improvement of HK\$614 million, and consolidated net assets of HK\$3,866 million (2000: HK\$6,382 million).

As reported in the Group's last annual report, in the meeting of the holders of the Exchangeable Bonds (defined in note 29) and the Convertible Bonds 2002 (defined in note 32(2)) held on 4th August, 2000, the Group successfully obtained the agreement of the Exchangeable Bondholders (defined in note 29) and the Convertible Bondholders (defined in note 32(2)) to the restructuring proposal put forward by the Group which included the deferral of the repayment of the bonds' principal to 31st December, 2002. In addition, during the prior year, the Group successfully rescheduled the principal repayments of the borrowings from its principal lending banks under their bilateral facilities. The Group's bond payables, bank and other borrowings have been classified in accordance with the terms in the respective loan agreements and trust deeds prevailing as at 31st July, 2001.

During the year, the Group continued to implement an asset disposal programme (the "Disposal Programme"). The Group disposed of certain properties and equity interest in an associate which generated a total cash inflow of HK\$586 million which was used for the repayment of bank borrowings and as working capital of the Group. The Group will continue to implement the Disposal Programme, as appropriate, in the coming year. On the basis that the Disposal Programme continues to be successfully implemented, the directors of the Company consider that the Group will have sufficient working capital to finance its operations in the foreseeable future. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The revised SSAP 14 "Leases" has been adopted for the first time in the preparation of the current year's consolidated financial statements. The revised SSAP 14 prescribes the appropriate accounting policies and disclosures to apply in relation to finance and operating leases. The principal impact of the revised SSAP 14 on the preparation of these financial statements is that the total aggregate future minimum lease receipts and payments under non-cancellable operating leases are required to be disclosed in the supporting notes (notes 35(a) and 37) to the financial statements. There were no changes to the amounts reported in profit and loss account and the balance sheet arising from the amended requirements of the standard.

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4. 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 Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, properties under development held for investment potential and short term investments in equity securities, as further explained below.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st July, 2001. 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.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than 50% of its voting power or controls the composition of its board of directors.

Interests in subsidiaries are stated in the Company's balance sheet at cost unless, in the opinion of the directors, there have been impairments in values, other than those considered to be temporary in nature, when they are written down to values determined by the directors.

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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 impairments in values deemed necessary by the directors, other than goodwill which is recorded in the associates' own financial statements, plus goodwill arising on the acquisition of interests in the associates in so far as it has not already been written off or amortised.

The results of associates are included in the Company's profit and loss account to the extent of dividends received. The interests in associates in the Company's balance sheet are stated at cost unless, in the opinion of the directors, there have been impairments in values, other than those considered to be temporary in nature, when they are written down to the directors' valuations.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

Certain interest on loans borrowed for investments in associates engaged in property development is capitalised in the Group's share of the net assets of the associates.

Jointly controlled entities

A jointly controlled entity is a joint venture which involves the establishment of a corporation, partnership or other form of 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 activities of the entity.

The Group's share of the post-acquisition results and reserves of jointly controlled entities was included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratios were different from the Group's equity interests in the jointly controlled entities, the share of post-acquisition results of the jointly controlled entities was determined based on the agreed profit sharing ratios. The Group's interests in jointly controlled entities were stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for impairments in values, other than those considered to be temporary in nature, deemed necessary by the directors.

Certain interest on loans borrowed for investments in jointly controlled entities engaged in property development is capitalised in the Group's share of net assets of the jointly controlled entities.

Goodwill

Goodwill arising on the consolidation of subsidiaries and on the acquisition of associates represents the excess of the purchase consideration paid for the subsidiaries/associates over the fair values ascribed to the net underlying assets acquired at the date of acquisition.

Goodwill arising on the acquisition of subsidiaries is eliminated against reserves at the time of acquisition.

Goodwill arising on the acquisition of associates is amortised on the straight-line basis over a period of forty years. Such goodwill is stated in the consolidated balance sheet at the amortised balance less any impairments in values, other than those considered to be temporary in nature, deemed necessary by the directors.

Capital reserve

The capital reserve arising on the consolidation of subsidiaries and on the acquisition of associates represents the excess of the fair values ascribed to the net underlying assets of the subsidiaries/associates acquired at the date of acquisition over the purchase consideration paid for the subsidiaries/associates.

Fixed assets and depreciation

No depreciation is provided for freehold land, hotel and investment properties. Other fixed assets are stated at cost less accumulated depreciation.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

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 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. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the unexpired lease terms
Buildings	2.5% – 5.0%
Leasehold improvements	2.5% – 20.0%
Furniture, fixtures and equipment	5.0% – 20.0%
Motor vehicles	10.0% – 25.0%
Computers	10.0% – 25.0%
Motor vessels	25.0%

Hotel properties are interests in land and buildings and their integral fixed plant which are collectively used in the operation of hotels, and are stated at cost. It is the Group's policy to maintain the hotel properties in such condition that their residual values are not diminished by the passage of time and, therefore, any element of depreciation is insignificant. Accordingly, the directors consider that it is not necessary for depreciation to be charged in respect of the hotel properties. The related repairs and maintenance are charged to the profit and loss account in the year in which they are incurred. The costs of significant improvements are capitalised.

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

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 recoverable amounts. Reductions of recoverable amounts are charged to the profit and loss account.

Investment properties

Investment properties are interests in land and 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. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, this surplus is credited to the profit and loss account to the extent of the deficit previously charged.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Properties under development

Properties under development intended to be held for their investment potential are stated at their open market values on the basis of annual professional valuations.

Changes in the values of properties under development which have been revalued are dealt with as movements in the revaluation reserve for properties under development held for investment potential. If this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. On completion, the properties are transferred to investment properties.

Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, this surplus is credited to the profit and loss account to the extent of the deficit previously charged.

Upon disposal of a property under development which has been revalued, the relevant portion of the revaluation reserve for properties under development held for investment potential realised in respect of previous valuations is released to the profit and loss account.

Properties under development held for other purposes are stated at cost less any provisions for impairments in values, other than those considered to be temporary in nature, considered necessary by the directors. Cost includes the cost of land, construction, financing and other related expenses.

Where pre-sale profits are recognised on properties under development, the attributable profit on the pre-sold portion of the properties under development is recognised over the course of the development after taking into account all further costs to completion and due allowances for contingencies, and is calculated on each project by reference to the lower of:

- (i) the percentage which results from the proportion of the total construction cost incurred to the total estimated construction costs to completion; and
- (ii) the proportion of the actual cash received to the total sales consideration.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Net realisable value is estimated by the directors based on prevailing market conditions. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Cost is determined by apportionment of the total land and building costs attributable to unsold properties.

Long term investments

Long term investments comprise investments in listed and unlisted equity securities intended to be held for an identified long term purpose, together with advances to investees. Long term investments are stated at their cost less provisions for impairment in values, other than those considered to be temporary in nature, as determined by the directors.

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 impairments in values previously charged to the profit and loss account 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 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. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow-moving items. Cost for food, beverages, cutlery, linen and supplies used in hotel and restaurant operations is determined on the first-in, first-out basis. Cost for other inventories is determined on the weighted average basis and comprises materials, direct labour and an appropriate proportion of all production overheads. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Operating leases

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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) from the sale of completed properties developed for sale, upon the establishment of a binding contract in respect of the sale of properties, or upon the issue of an occupation permit by the Hong Kong Government or a completion certificate by the relevant government authorities, whichever is the later;
- (b) income from the pre-sale of certain properties under development, when the construction work has reached a stage where the ultimate realisation of profit can be reasonably determined, and on the basis set out under the heading “Properties under development” above;
- (c) from the sale of investment properties, when all the conditions of a sale have been met and the risks and rewards of ownership have been transferred to the buyer;
- (d) rental and property management fee income, in the period in which the properties are let out and on the straight-line basis over the lease terms;
- (e) from hotel and restaurant operations and other related service income, in the period in which such services are rendered;
- (f) from dealing in securities and sales of investments, on the transaction date when the relevant contract is entered into;
- (g) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (h) dividend income, when the shareholders’ right to receive payment is established.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset which takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. The capitalisation rate for the year is based on the weighted average of the attributable borrowing cost of the borrowings. All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

Pension costs

The Group operates defined contribution pension schemes (the “Schemes”) under the Mandatory Provident Fund Schemes Ordinance and a defined benefit retirement scheme for certain of its employees, the assets of which are held separately from those of the Group in independently administered funds.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension costs (continued)

The Schemes became effective from 1st December, 2000. Contributions are made based on a percentage of the 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 Group's employer contributions vest fully with the employees when contributed into the Schemes.

Prior to the Schemes being effective, the Group operated defined contributions retirement benefits schemes for those employees who were eligible to participate in the schemes. These schemes operated in a similar way to the Mandatory Provident Fund retirement benefit schemes, except that when an employee left the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. With effect from 1st December, 2000 these schemes were terminated.

Contributions to the defined benefit retirement schemes are charged to the profit and loss account so as to charge the cost of the retirement benefits over the eligible employees' working lives within the Group. The contribution rate is recommended by independent qualified actuaries on the basis of triennial valuations, using the aggregate method.

Foreign currencies

Foreign currency transactions during the year 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 subsidiaries, associates and jointly controlled entities outside Hong Kong 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.

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.

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 significance influence. Related parties may be individuals or corporate entities.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash equivalents

For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use. 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.

5. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year.

	Notes	Group	
		2001 HK\$'000	2000 HK\$'000
Interest income received from associates	(i)	109,477	66,443
Interest expenses paid to GPEL (note 17)	(ii)	25,069	—
Rental income received from a related company	(iii)	10,380	12,478
Rental expenses paid to an associate	(iv)	145,000	—

- (i) The interest income received from associates arose from advances thereto. Interest was charged at the prevailing market rates.
- (ii) Pursuant to the Debt Deed, as further detailed in note 17, interest was charged at 5% per annum.
- (iii) Rental income was received from a subsidiary of the Company's controlling shareholder, and was based on terms stated in the lease agreement.
- (iv) The rental expenses were paid to an associate of the Group and were based on terms stated in the lease agreement.

6. TURNOVER

Turnover comprises the proceeds from the sales of properties, rental income, and income from hotel, restaurant and other operations. Revenue from the following activities has been included in turnover.

	Group	
	2001 HK\$'000	2000 HK\$'000
Sales of properties	596,064	3,466,069
Property rentals	511,224	602,662
Hotel, restaurant and other operations	792,574	590,932
	1,899,862	4,659,663

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7. LOSS FROM OPERATING ACTIVITIES

This is arrived at after charging:

	Group	
	2001 HK\$'000	2000 HK\$'000
Auditors' remuneration	3,798	5,685
Depreciation	38,052	42,953
Staff costs:		
Wages and salaries (including directors' emoluments — see note 9)	309,078	226,086
Pension contributions	4,094	6,174
Less: Forfeited contributions	(267)	(793)
Net pension contributions*	<u>3,827</u>	<u>5,381</u>
Amortisation of goodwill on acquisition of associates	578	1,181
Write off of fixed assets	17,394	—
Loss on disposal of fixed assets	2,421	318
Loss on disposal of interests in associates	1,651	—
Loss on disposal of a long term unlisted investment	251	—
Loss on disposal of short term listed investments	1,854	—
Loss on disposal of short term unlisted investments	3,353	—
Unrealised loss of short term unlisted investment	2,418	—
Provisions for contingent losses in respect of profit guarantees	33,689	11,480
Provisions for doubtful debts	40,129	49,151
Operating lease rentals in respect of land and buildings	148,484	2,785
Foreign exchange losses, net	1,632	5,351
Loss on disposal of properties under development	—	475,321
Loss on disposal of investment properties	—	138,805
Write off of deferred pre-operating expenses	—	10,718
Loss on disposal of a long term listed investment	—	3,500
Provisions for impairments in values of properties under development to net realisable value	<u>—</u>	<u>127</u>

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7. LOSS FROM OPERATING ACTIVITIES (continued)

and after crediting:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Rental income	(511,224)	(602,662)
Less: Outgoings	<u>83,794</u>	<u>88,696</u>
Net rental income	<u>(427,430)</u>	<u>(513,966)</u>
Interest from bank deposits	(21,363)	(35,576)
Other interest income	(153,384)	(111,228)
Dividend income from listed investments	(200)	(823)
Dividend income from unlisted investments	(10,989)	(9,155)
Gain on disposal of an investment property	(205,402)	—
Gain on disposal of a long term listed investment	(7,662)	—
Write back of contingent loss in respect of a guarantee given to a bank	(78,141)	(78,139)
Gain on disposal of subsidiaries	—	(81,006)
Gain on disposal of short term listed investments	—	(23,634)
Gain on disposal of interests in associates	—	(22,708)
Gain on disposal of jointly controlled entities	—	(6,610)
Gain on disposal of short term unlisted investments	<u>—</u>	<u>(2,056)</u>

* The defined contribution pension schemes were terminated on 1st December, 2000 and were replaced by the Schemes under the Mandatory Provident Fund Scheme Ordinance.

As at 31st July, 2001, no forfeited contributions from the defined contribution pension schemes were available to the Group to reduce its contributions to pension schemes in future years.

At 31st July, 2000, forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years amounted to approximately HK\$38,000.

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8. FINANCE COSTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	373,207	568,908
Interest on amount due to GPEL (<i>note 17</i>)	25,069	—
Interest on bonds payable	38,122	44,773
Interest on convertible bonds and convertible note	78,734	126,607
Less: Amounts capitalised in properties under development	(69,012)	(95,719)
Amounts capitalised in associates engaged in property development	(3,523)	(6,132)
	<u>442,597</u>	<u>638,437</u>
Provision for premium on bonds redemption	119,064	104,527
Provision for premium on note redemption	10,000	20,000
Provision for loan repayment premium	17,500	—
Bank charges and refinancing charges	49,322	148,113
	<u>195,886</u>	<u>272,640</u>
	<u>638,483</u>	<u>911,077</u>

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	Group	
	2001	2000
	HK\$'000	HK\$'000
Fees	260	260
Basic salaries, housing and other allowances and benefits in kind	25,262	30,128
	<u>25,522</u>	<u>30,388</u>

Directors' emoluments paid to independent non-executive directors during the year were HK\$260,000 (2000: HK\$260,000).

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9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

The emoluments of the directors fell within the following bands:

	Group	
	2001	2000
	Number of directors	Number of directors
Nil – HK\$1,000,000	6	7
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$3,000,001 – HK\$3,500,000	—	1
HK\$3,500,001 – HK\$4,000,000	2	1
HK\$4,500,001 – HK\$5,000,000	—	1
HK\$5,500,001 – HK\$6,000,000	1	—
HK\$9,500,001 – HK\$10,000,000	1	—
HK\$15,500,001 – HK\$16,000,000	—	1
	<u>11</u>	<u>12</u>

There were no arrangements under which a director waived or agreed to waive any emoluments during the year.

No value is included in directors' remuneration in respect of share options granted by eSun to the directors to subscribe for shares in eSun during the period from 1st August, 2000 to 4th April, 2001 because, in the absence of a readily available market value for the options on the shares in eSun, the directors are unable to arrive at an accurate assessment of the value of the options granted.

(b) Employees' emoluments

The five highest paid employees during the year included four (2000: four) directors, details of whose emoluments are set out above. The details of the emoluments of the remaining one (2000: one) non-director, highest paid employee are set out below.

	Group	
	2001	2000
	HK\$'000	HK\$'000
Basic salary, housing and other allowances and benefits in kind	<u>4,088</u>	<u>3,413</u>

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9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments (continued)

The emoluments of the non-director, highest paid employee fell within the following band:

	Group	
	2001	2000
	Number of individuals	Number of individuals
HK\$3,000,001 – HK\$3,500,000	—	1
HK\$4,000,001 – HK\$4,500,000	1	—
	<u>1</u>	<u>1</u>

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 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 places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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	Group	
	2001	2000
	HK\$'000	HK\$'000
Provision for tax for the year:		
Hong Kong	38,052	50,300
Outside Hong Kong	19	9,015
Deferred (<i>note 22</i>)	(250)	(500)
	<u>37,821</u>	<u>58,815</u>
Prior year under/(over)provision:		
Hong Kong	(3,866)	(14,842)
Outside Hong Kong	657	(54,087)
	<u>(3,209)</u>	<u>(68,929)</u>
Associates:		
Hong Kong	(3,611)	(5,986)
Outside Hong Kong	(525)	92
	<u>(4,136)</u>	<u>(5,894)</u>
Tax charge/(credit) for the year	<u>30,476</u>	<u>(16,008)</u>

Notes to Financial Statements

31st July, 2001

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$1,798,029,000 (2000: HK\$1,200,981,000).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$1,196,182,000 (2000: HK\$2,757,982,000) and the weighted average number of 3,746,002,000 (2000: 3,588,502,000) ordinary shares in issue during the year.

The diluted loss per share for the current and prior years has not been presented because any potential ordinary shares of the Group outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

13. FIXED ASSETS

Group

	1st August, 2000 HK\$'000	Additions HK\$'000	Disposals HK\$'000	Arising on deemed disposal of subsidiaries (note 34(e)) HK\$'000	Write off HK\$'000	Exchange realignments HK\$'000	31st July, 2001 HK\$'000
Cost:							
Hotel properties	1,123,825	861	(740)	—	—	(46)	1,123,900
Freehold land and buildings	5,546	—	—	—	—	—	5,546
Leasehold land and buildings	44,257	—	—	—	—	1,065	45,322
Leasehold improvements	40,532	9,764	(274)	(12,960)	(951)	(68)	36,043
Furniture, fixtures and equipment	365,632	5,700	(4,136)	(18,076)	(16,946)	1,915	334,089
Motor vehicles	31,227	7,820	(7,901)	(2,159)	(748)	65	28,304
Computers	24,247	2,786	(393)	(13,302)	(1,018)	(4)	12,316
Motor vessels	34,204	—	—	—	—	—	34,204
	<u>1,669,470</u>	<u>26,931</u>	<u>(13,444)</u>	<u>(46,497)</u>	<u>(19,663)</u>	<u>2,927</u>	<u>1,619,724</u>
Accumulated depreciation:							
Freehold buildings	2,662	222	—	—	—	—	2,884
Leasehold land and buildings	11,205	1,517	(204)	—	—	143	12,661
Leasehold improvements	32,263	2,937	(15)	(3,924)	(66)	(21)	31,174
Furniture, fixtures and equipment	184,498	25,940	(1,769)	(9,653)	(1,320)	536	198,232
Motor vehicles	24,465	4,393	(7,500)	(1,327)	(522)	48	19,557
Computers	8,635	3,016	(206)	(2,794)	(361)	(4)	8,286
Motor vessels	34,175	27	—	—	—	—	34,202
	<u>297,903</u>	<u>38,052</u>	<u>(9,694)</u>	<u>(17,698)</u>	<u>(2,269)</u>	<u>702</u>	<u>306,996</u>
Net book value	<u>1,371,567</u>						<u>1,312,728</u>

Notes to Financial Statements

31st July, 2001

13. FIXED ASSETS (continued)

Certain land and buildings and hotel properties of the Group with carrying amounts of HK\$933,045,000 (2000: HK\$916,906,000) were pledged to banks to secure banking facilities granted to the Group.

The Group's land and buildings and hotel properties as stated above are held under the following lease terms:

	Hong Kong HK\$'000	Outside Hong Kong HK\$'000	Total HK\$'000
Freehold	—	5,546	5,546
Medium term lease	898,558	239,911	1,138,469
Long term lease	30,753	—	30,753
	<u>929,311</u>	<u>245,457</u>	<u>1,174,768</u>

Company

	1st August, 2000 HK\$'000	Additions HK\$'000	Disposals HK\$'000	31st July, 2001 HK\$'000
Cost:				
Freehold land and buildings	5,546	—	—	5,546
Leasehold land and buildings	10,532	—	—	10,532
Leasehold improvements	12,965	117	—	13,082
Furniture, fixtures and equipment	44,993	65	(1,157)	43,901
Motor vehicles	20,974	7,192	(7,623)	20,543
Computers	3,422	211	(258)	3,375
	<u>98,432</u>	<u>7,585</u>	<u>(9,038)</u>	<u>96,979</u>
Accumulated depreciation:				
Freehold buildings	2,662	222	—	2,884
Leasehold land and buildings	4,173	419	—	4,592
Leasehold improvements	12,924	44	—	12,968
Furniture, fixtures and equipment	37,076	4,284	(499)	40,861
Motor vehicles	18,140	3,674	(7,253)	14,561
Computers	2,966	271	(199)	3,038
	<u>77,941</u>	<u>8,914</u>	<u>(7,951)</u>	<u>78,904</u>
Net book value	<u>20,491</u>			<u>18,075</u>

Notes to Financial Statements

31st July, 2001

13. FIXED ASSETS (continued)

The Company's freehold land and buildings are situated outside Hong Kong. The Company's leasehold land and buildings are situated in Hong Kong and are held under medium term leases.

Certain land and buildings of the Company with carrying amounts of HK\$1,583,000 (2000: HK\$1,660,000) were pledged to banks to secure banking facilities granted to the Group.

14. INVESTMENT PROPERTIES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At beginning of year, at valuation	9,478,130	9,954,900	3,136,200	3,297,200
Additions, at cost	368	14,426	368	1,562
Adjustment for prior years' overaccrual of costs	—	(66,653)	—	—
Disposals	(340,000)	(219,145)	(340,000)	(36,800)
Transfer to completed properties for sale	—	(266,660)	—	—
Arising on deemed disposal of subsidiaries (note 34(e))	(3,049,823)	—	—	—
Surplus/(deficits) on revaluation	<u>136,195</u>	<u>61,262</u>	<u>27,432</u>	<u>(125,762)</u>
At end of year, at valuation	<u>6,224,870</u>	<u>9,478,130</u>	<u>2,824,000</u>	<u>3,136,200</u>

An analysis by lease term of the carrying values of the investment properties is as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Long term lease, situated in Hong Kong	1,753,000	1,717,000	—	—
Medium term lease:				
Situated in Hong Kong	4,471,870	4,789,070	2,824,000	3,136,200
Situated outside Hong Kong	—	2,972,060	—	—
	<u>6,224,870</u>	<u>9,478,130</u>	<u>2,824,000</u>	<u>3,136,200</u>

At 31st July, 2001, the investment properties were revalued by Chesterton Petty Limited, independent chartered surveyors, on an open market value basis.

All investment properties of the Group and the Company were employed to generate operating lease rental income for the Group and the Company.

Certain investment properties of the Group and the Company with carrying amounts of HK\$6,044,000,000 (2000: HK\$7,790,443,000) and HK\$2,652,000,000 (2000: HK\$3,136,200,000), respectively were pledged to banks to secure banking facilities granted to the Group.

Notes to Financial Statements

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15. PROPERTIES UNDER DEVELOPMENT

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Properties under development held for their investment potential:				
At beginning of year, at valuation	2,576,880	2,921,454	—	—
Interest capitalised, net	10,379	23,647	—	—
Other additions, at cost	52,699	46,510	—	—
Reclassified to properties under development held for other purposes	—	(309,524)	—	—
Deficits on revaluation	—	(110,836)	—	—
Arising on deemed disposal of subsidiaries (note 34(e))	(2,641,076)	—	—	—
Exchange realignments	1,118	5,629	—	—
At end of year, at valuation	—	2,576,880	—	—
Properties under development held for other purposes:				
At beginning of year, at cost less provisions	994,127	4,964,893	17,769	16,063
Interest capitalised, net	58,633	72,072	1,693	1,650
Other additions, at cost	42,546	9,262	107	56
Revenue generated from holding a property under development	(180)	(133,896)	(180)	—
Reclassified from properties under development held for investment potential	—	131,449	—	—
Transfer to completed properties for sale	(77,549)	(128,411)	—	—
Transfer to fixed assets	—	(17,800)	—	—
Disposals	—	(3,455,836)	—	—
Arising on deemed disposal of subsidiaries (note 34(e))	(718,618)	—	—	—
Arising on disposal of subsidiaries	—	(93,523)	—	—
Provisions for impairments in values	(138,652)	(338,515)	—	—
Exchange realignments	447	(15,568)	—	—
At end of year, at cost less provisions	160,754	994,127	19,389	17,769
Total balance at end of year	160,754	3,571,007	19,389	17,769

Notes to Financial Statements

31st July, 2001

15. PROPERTIES UNDER DEVELOPMENT (continued)

An analysis by lease term of the carrying values of the properties under development held for their investment potential and held for other purposes is as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Properties under development held for their investment potential, at valuation:				
Situated outside Hong Kong:				
Long term lease	—	544,000	—	—
Medium term lease	—	2,032,880	—	—
	<u>—</u>	<u>2,576,880</u>	<u>—</u>	<u>—</u>
Properties under development held for other purposes, at cost less provision:				
Situated in Hong Kong:				
Long term lease	—	69,709	—	—
Medium term lease	160,754	213,517	19,389	17,769
Situated outside Hong Kong:				
Long term lease	—	603,719	—	—
Medium term lease	—	107,182	—	—
	<u>160,754</u>	<u>994,127</u>	<u>19,389</u>	<u>17,769</u>
	<u>160,754</u>	<u>3,571,007</u>	<u>19,389</u>	<u>17,769</u>

Properties under development of the Group held for other purposes which were carried at net realisable value and included in the above balance amounted to HK\$141,365,000 (2000: HK\$579,542,000).

Certain properties under development of the Group with a carrying amount of HK\$75,000,000 (2000: HK\$522,000,000) were pledged to banks to secure banking facilities granted to the Group.

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16. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Shares listed in Hong Kong, at cost	—	3,519,386
Unlisted shares, at cost	<u>1,174,063</u>	<u>1,174,064</u>
	<u>1,174,063</u>	<u>4,693,450</u>
Amounts due from subsidiaries	14,539,431	15,158,579
Amounts due to subsidiaries	<u>(8,254,045)</u>	<u>(8,870,570)</u>
	<u>6,285,386</u>	<u>6,288,009</u>
Provisions for impairments in values	<u>(7,505,896)</u>	<u>(7,075,717)</u>
	<u>(46,447)</u>	<u>3,905,742</u>
Market value of listed shares at the balance sheet date	—	<u>650,959</u>

Details of the principal subsidiaries are as follows:

Name of company	Place of incorporation/ registration and operations	Issued/ registered capital	Class of shares held	Equity interest attributable to the Company		Principal activities
				Direct (%)	Indirect (%)	
Chains Caravelle Hotel Joint Venture Company Limited	Vietnam	US\$16,326,000	*	—	26.01	Hotel investment
Crocodile Development Limited	Hong Kong	HK\$9,996 HK\$4	Ordinary Deferred	—	100.00	Property investment
Deluxe View Limited	Hong Kong	HK\$4	Ordinary	—	80.00	Property development

Notes to Financial Statements

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16. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Issued/ registered capital	Class of shares held	Equity interest attributable to the Company		Principal activities
				Direct (%)	Indirect (%)	
Diamond String Limited	Hong Kong	HK\$10,000	Ordinary	—	65.00	Hotel investment and restaurant operations
Fordspace Development Limited	Hong Kong	HK\$2	Ordinary	100.00	—	Investment holding
Furama Hotel Enterprises Limited	Hong Kong	HK\$102,880,454	Ordinary	—	100.00	Hotel operations
Gilroy Company Limited	Hong Kong	HK\$10,000	Ordinary	100.00	—	Property investment
Goldmay Development Limited	Hong Kong	HK\$2	Ordinary	100.00	—	Property development
Indochina Beach Hotel Joint Venture	Vietnam	US\$10,800,000	*	—	62.63	Hotel investment and hotel operation
Kolot Property Services Limited	Hong Kong	HK\$2	Ordinary	100.00	—	Property management
Lai Sun International Finance (Cayman Islands) Limited	Cayman Islands/ Hong Kong	US\$2	Ordinary	100.00	—	Bond issue
Lai Sun International Finance (1997) Limited	Cayman Islands/ Hong Kong	US\$2	Ordinary	100.00	—	Bond issue

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31st July, 2001

16. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Issued/ registered capital	Class of shares held	Equity interest attributable to the Company		Principal activities
				Direct (%)	Indirect (%)	
Lai Sun Real Estate Agency Limited	Hong Kong	HK\$2	Ordinary	100.00	—	Property management and real estate agency
Linkbest Development Limited	Hong Kong	HK\$2	Ordinary	100.00	—	Property development
Lucky Strike Investment Limited	Hong Kong	HK\$10,000	Ordinary	100.00	—	Property investment
Peakflow Profits Limited	British Virgin Islands/ Hong Kong	US\$1	Ordinary	100.00	—	Investment holding
Top Town Enterprises Limited	Hong Kong	HK\$1,000	Ordinary	—	100.00	Property investment
Transformation International Limited	British Virgin Islands/ Hong Kong	US\$1	Ordinary	100.00	—	Investment holding
Vutana Trading Investment (No. 2) Limited	British Virgin Islands/ Hong Kong	US\$1	Ordinary	—	100.00	Investment holding
Winpower Holdings Limited	Hong Kong	HK\$2	Ordinary	—	100.00	Property development
World Classic Development Limited	Hong Kong	HK\$2	Ordinary	100.00	—	Property investment

* These subsidiaries have registered rather than issued share capital.

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31st July, 2001

16. INTERESTS IN SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group at the balance sheet date. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The entire shares of certain subsidiaries held by the Group have been pledged to banks to secure banking facilities granted to the Group.

17. INTERESTS IN ASSOCIATES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Shares listed in Hong Kong, at cost	—	—	3,591,390	—
Unlisted shares, at cost	—	—	18,134	18,134
Share of net assets/(liabilities), other than goodwill	1,965,767	(357,889)	—	—
Unamortised goodwill	—	26,595	—	—
	<u>1,965,767</u>	<u>(331,294)</u>	<u>3,609,524</u>	<u>18,134</u>
Amounts due from associates	1,969,462	2,582,235	337,044	329,186
Amounts due to associates	<u>(1,551,750)</u>	<u>(80,575)</u>	—	—
	<u>417,712</u>	<u>2,501,660</u>	<u>337,044</u>	<u>329,186</u>
Provisions for impairments in values	<u>(254,525)</u>	<u>(205,523)</u>	<u>(1,391,087)</u>	<u>(133,875)</u>
	<u>2,128,954</u>	<u>1,964,843</u>	<u>2,555,481</u>	<u>213,445</u>
Market value of listed shares at the balance sheet date	<u>345,962</u>	—	<u>323,368</u>	—

An amount of HK\$1,110,283,000 (2000: HK\$382,425,000) due from associates is interest-bearing with interest charged at prevailing market rates. Of the amounts due to associates, HK\$1,500,040,000 is due to Golden Pool Enterprises Limited ("GPEL"), a wholly-owned subsidiary of eSun, under terms which are detailed below. Except for the foregoing, the balances with associates are unsecured, interest-free and have no fixed terms of repayment.

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17. INTERESTS IN ASSOCIATES (continued)

As at 31st July, 2000, Furama Hotel Enterprises Limited ("Furama"), a wholly-owned subsidiary of the Company, owed a debt of HK\$1,500,040,000 (the "Debt") to GPEL. Pursuant to an intercompany debt deed (the "Debt Deed") entered into by the Company, eSun, Furama and GPEL on 30th June, 2000, the settlement date of the Debt will be the earlier of 31st December, 2002, or the day on which the Exchangeable Bonds (note 29) and the Convertible Bonds 2002 (note 32) are repaid in full. Details of the security provided to eSun are included in note 29(4). The Debt is interest-bearing with interest charged at 5% per annum.

Details of the principal associates are as follows:

Name of company	Business structure	Place of incorporation/ registration and operations	Class of shares held	Percentage of capital held	Principal activities
Bayshore Development Group Limited [#]	Corporate	British Virgin Islands/ Hong Kong	Ordinary	30.00	Property development
Bushell Limited	Corporate	Hong Kong	Ordinary	50.00	Property investment
eSun Holdings Limited	Corporate	Bermuda/ Hong Kong	Ordinary	49.99	Investment holding
Express.com Group Limited	Corporate	British Virgin Islands	Ordinary	49.99	Investment holding
Guangzhou Jieli Real Estate Development Company Limited [#]	Corporate	People's Republic of China	*	25.40 [@]	Property development and investment
Guangzhou Gongbird Property Development Limited [#]	Corporate	People's Republic of China	*	25.40 [@]	Property development and investment
Guangzhou Grand Wealth Properties Limited [#]	Corporate	People's Republic of China	*	25.40 [@]	Property development and investment
Houseman International Limited	Corporate	British Virgin Islands/ Hong Kong	Ordinary	49.99	Investment holding

Notes to Financial Statements

31st July, 2001

17. INTERESTS IN ASSOCIATES (continued)

Name of company	Business structure	Place of incorporation/ registration and operations	Class of shares held	Percentage of capital held	Principal activities
Kippford Enterprises Limited [#]	Corporate	Hong Kong	Ordinary	50.00	Property development
Lai Fung Holdings Limited [#]	Corporate	Cayman Islands/ Hong Kong	Ordinary	25.40	Investment holding
Lai Fung Overseas Finance Limited [#]	Corporate	Cayman Islands	Ordinary	25.40	Bond issue
Omicron International Limited	Corporate	British Virgin Islands/ Hong Kong	Ordinary	43.50	Investment holding
P.S. Development Group of Companies Limited	Corporate	Thailand	Ordinary	49.00	Investment in and operation of hotels
Shanghai Li Xing Real Estate Development Company Limited [#]	Corporate	People's Republic of China	*	22.86	Property development and investment
Shanghai Wa Yee Real Estate Development Co., Ltd. [#]	Corporate	People's Republic of China	*	24.13	Property development and investment
Sky Connection Limited	Corporate	Hong Kong	Ordinary	50.00	Retail
Sunlite Investment Limited [#]	Corporate	Hong Kong	Ordinary	25.40	Investment holding

[#] Audited by public accountants other than Ernst & Young.

* These associates have no issued share capital.

[@] The Group's capital contributions and profit sharing ratios are not in proportion to its interest in these associates but are as defined by mutual agreements among the owners.

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

The entire shareholdings of certain associates held by the Group have been pledged to banks to secure banking facilities granted to the Group.

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31st July, 2001

17. INTERESTS IN ASSOCIATES (continued)

Included in the Group's share of the net assets of its associates are the shares of net assets of Lai Fung and eSun which, in the opinion of the directors, are material in the context of the Group's financial statements. Details of the net assets of Lai Fung and its subsidiaries (collectively the "Lai Fung Group") and eSun and its subsidiaries (collectively the "eSun Group") and their respective results are set out below:

(i) Lai Fung Group*

	As at 31st July, 2001 HK\$'000
Non-current assets	6,989,236
Current assets	228,136
Current liabilities	(389,886)
Long term liabilities	(952,223)
Minority interests	(162,376)
	<u>5,712,887</u>
	Year ended 31st July, 2001 HK\$'000
Turnover	<u>161,743</u>
Loss before tax	(165,864)
Tax	<u>2,068</u>
Loss before minority interests	(163,796)
Minority interests	<u>(823)</u>
Net loss from ordinary activities attributable to shareholders	<u>(164,619)</u>

* Figures are extracted from the published audited financial statements of Lai Fung for the year ended 31st July, 2001.

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17. INTERESTS IN ASSOCIATES (continued)

(ii) eSun Group*

	As at 30th June, 2001 HK\$'000
Non-current assets	1,786,609
Current assets	312,776
Current liabilities	(84,159)
Long term liabilities	(94)
Minority interests	276
	<u>2,015,408</u>
	Six months ended 30th June, 2001 HK\$'000
Turnover	<u>21,874</u>
Loss before tax	(84,022)
Tax	<u>3,039</u>
Loss before minority interests	(80,983)
Minority interests	<u>498</u>
Net loss from ordinary activities attributable to shareholders	<u>(80,485)</u>

* Since eSun's financial year end date is 31st December, the above amounts have been extracted from the published unaudited interim report of eSun for the 6 months ended 30th June, 2001.

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18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	—	58,423
Amounts due to jointly controlled entities	—	(8,296)
	<u>—</u>	<u>50,127</u>

The balances with jointly controlled entities were unsecured, interest-free and had no fixed terms of repayment.

19. LONG TERM INVESTMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Equity investment listed in Hong Kong, at cost	—	173,199	—	—
Unlisted equity investments, at cost	595,806	621,606	19,363	22,960
Advances to investees	292,106	500,955	295,553	500,805
Less: Provisions for impairments in values	(348,605)	(276,850)	(96,263)	(84,263)
	<u>539,307</u>	<u>845,711</u>	<u>218,653</u>	<u>439,502</u>
	<u>539,307</u>	<u>1,018,910</u>	<u>218,653</u>	<u>439,502</u>
Market value of listed equity investment at balance sheet date	—	319,600	—	—

20. LONG TERM NOTE RECEIVABLE

	Group	
	2001 HK\$'000	2000 HK\$'000
Note receivable	1,100,000	1,100,000
Less: Provision for impairment in value	(1,100,000)	(1,100,000)
	<u>—</u>	<u>—</u>

Notes to Financial Statements

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20. LONG TERM NOTE RECEIVABLE (continued)

On 18th December, 1997, a sale and purchase agreement (the “Majestic Agreement”) was entered into between Furama and independent third parties (the “Majestic Purchasers”) pursuant to which Furama agreed to sell the entire issued share capital of Fortune Sign Venture Inc. (“Fortune Sign”), a then wholly-owned subsidiary of Furama, and to assign the shareholder’s loan due from Fortune Sign to the Majestic Purchasers for a total consideration of HK\$2,030 million. The major assets held by Fortune Sign are two properties, namely the Majestic Hotel and the Majestic Centre (the “Majestic Properties”), which are situated in Hong Kong. The transaction was satisfied by cash of HK\$930 million and a note of HK\$1,100 million (the “Note”).

In accordance with the terms of the Majestic Agreement, the Note is interest-free, repayable on the earlier of 31st March, 2001 or the lapse of the Put Options as further detailed in note 35(e), and is secured by a charge over the Majestic Properties.

Pursuant to a supplemental deed entered into between the Company, Furama and the Majestic Purchasers on 27th February, 2001, the repayment date of the Note has been deferred to the earlier of 30th November, 2002 or the lapse of the Put Options as further detailed in note 35(e).

21. LONG TERM PREPAYMENT

	Group	
	2001	2000
	HK\$'000	HK\$'000
Prepayment	280,000	—
Less: Provision for impairment in value	(86,000)	—
	194,000	—

As further detailed in note 35(e) to the financial statements, the amount of HK\$280 million represents a payment made to the Majestic Purchasers. In the opinion of the directors, due to the impairments in values of the Majestic Properties, the Majestic Purchasers are likely to exercise the Put Options. Accordingly, the prepayment is stated at its estimated net realisable value as at 31st July, 2001.

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22. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year	749	216	—	—
Arising on deemed disposal of subsidiaries	(1,359)	—	—	—
Tax (note 10)	250	500	—	—
Exchange realignment	(20)	33	—	—
	<u>(380)</u>	<u>749</u>	<u>—</u>	<u>—</u>
At end of year	<u>(380)</u>	<u>749</u>	<u>—</u>	<u>—</u>

The principal components of the deferred tax assets/(liabilities) are as follows:

Group

	Provided		Not provided	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Decelerated/(accelerated) capital allowances on fixed assets	(380)	(630)	29,366	35,998
Tax losses	—	1,379	43,789	42,663
Revaluation of investment properties in the PRC	—	—	—	(252,544)
Revaluation of properties under development in the PRC	—	—	—	(818,589)
	<u>(380)</u>	<u>749</u>	<u>73,155</u>	<u>(992,472)</u>

The revaluation of the Group's investment properties in Hong Kong does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

Notes to Financial Statements

31st July, 2001

23. SHORT TERM INVESTMENTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Listed equity investments, at market value:		
Hong Kong	467	3,402
Elsewhere	—	641
	467	4,043
Unlisted equity investments, at fair value	8,882	7,841
	9,349	11,884

24. COMPLETED PROPERTIES FOR SALE

The completed properties for sale carried at net realisable value included in the total balance in the Group's balance sheet amounted to HK\$16,484,000 (2000: HK\$379,969,000).

Certain completed properties for the sale of the Group with carrying amounts of HK\$16,043,000 (2000: HK\$250,793,000) were employed to generate operating lease rental income for the Group.

In last year, certain completed properties for sale of the Group with carrying amounts of HK\$368,900,000 were pledged to banks to secure banking facilities granted to the Group.

25. DEBTORS AND DEPOSITS/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

(1) The Group maintains a defined credit policy. Details of the debtors and deposits of the Group and the Company as at 31st July, 2001 are as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Trade debtors:				
Less than 30 days	35,040	56,516	4,717	4,381
31 – 60 days	6,934	5,846	—	158
61 – 90 days	798	5,903	—	89
Over 90 days	4,650	33,669	—	1,073
	47,422	101,934	4,717	5,701
Other debtors and deposits	166,401	769,806	34,501	335,732
	213,823	871,740	39,218	341,433

Notes to Financial Statements

31st July, 2001

25. DEBTORS AND DEPOSITS/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS (continued)

(2) Details of the creditors, deposits received and accruals of the Group and Company as at 31st July, 2001 are as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Trade creditors:				
Less than 30 days	23,131	141,962	2,084	534
31 – 60 days	10,305	11,103	436	395
61 – 90 days	5,488	4,815	316	67
Over 90 days	2,490	93,582	325	121
	<u>41,414</u>	<u>251,462</u>	<u>3,161</u>	<u>1,117</u>
Other creditors, deposits received and accruals	<u>413,712</u>	<u>838,272</u>	<u>96,514</u>	<u>122,764</u>
	<u>455,126</u>	<u>1,089,734</u>	<u>99,675</u>	<u>123,881</u>

26. PLEDGED CASH AND BANK BALANCES

As at 31st July, 2001, approximately HK\$75,670,000 (2000: HK\$39,106,000) of the cash and bank balances of the Group and of the Company was pledged to banks to secure a loan facility granted to the Group.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	185,698	301,568	9,243	14,036
Time deposits, unpledged	292,107	402,005	290,839	139,391
	<u>477,805</u>	<u>703,573</u>	<u>300,082</u>	<u>153,427</u>

Notes to Financial Statements

31st July, 2001

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank overdrafts:				
Secured	—	197,762	—	197,762
Unsecured	—	86	—	—
	<u>—</u>	<u>197,848</u>	<u>—</u>	<u>197,762</u>
Bank loans:				
Secured	3,649,150	4,416,391	1,777,500	1,938,210
Unsecured	—	2,693	—	—
	<u>3,649,150</u>	<u>4,419,084</u>	<u>1,777,500</u>	<u>1,938,210</u>
Other loans, secured	<u>705,000</u>	<u>23,505</u>	<u>80,000</u>	<u>—</u>
	<u>4,354,150</u>	<u>4,640,437</u>	<u>1,857,500</u>	<u>2,135,972</u>
Portion due within one year or on demand classified as current liabilities	<u>(1,225,815)</u>	<u>(2,064,547)</u>	<u>(1,122,500)</u>	<u>(1,735,972)</u>
Long term portion	<u>3,128,335</u>	<u>2,575,890</u>	<u>735,000</u>	<u>400,000</u>
The long term portion of bank borrowings is repayable within periods of:				
More than one year but not exceeding two years	2,423,335	357,603	655,000	—
More than two years but not exceeding five years	—	2,218,287	—	400,000
	<u>2,423,335</u>	<u>2,575,890</u>	<u>655,000</u>	<u>400,000</u>
The long term portion of other borrowings is repayable within periods of:				
More than one year but not exceeding two years	80,000	—	80,000	—
More than two years but not exceeding five years	625,000	—	—	—
	<u>705,000</u>	<u>—</u>	<u>80,000</u>	<u>—</u>
	<u>3,128,335</u>	<u>2,575,890</u>	<u>735,000</u>	<u>400,000</u>

Notes to Financial Statements

31st July, 2001

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The secured bank loans are secured by fixed charges over certain properties and floating charges over certain assets held by the Group.

Of the other secured loans, HK\$625,000,000 bears interest at fixed rate per annum and is repayable in full on 20th February, 2005, and HK\$80,000,000 bears interest at fixed rate per month and repayable in full on 31st December, 2002.

29. BONDS PAYABLE

	Group	
	2001 HK\$'000	2000 HK\$'000
At beginning of year	891,250	891,250
Repaid during the year	(156,981)	—
Exchange realignment	5,784	—
	<u>740,053</u>	<u>891,250</u>
At end of year	740,053	891,250
Portion due within one year classified as current liabilities	—	(155,397)
	<u>740,053</u>	<u>735,853</u>
Long term portion	740,053	735,853

US\$115,000,000 exchangeable bonds (the “Exchangeable Bonds”) were issued on 28th February, 1997 by a wholly-owned subsidiary of the Company, Lai Sun International Finance (Cayman Islands) Limited (the “Issuer”). The Exchangeable Bonds are unconditionally and irrevocably guaranteed by the Company.

The Exchangeable Bonds bear interest from 24th February, 1997 at the rate of 5% per annum. Interest is payable semi-annually in arrears on 28th February and 28th August in each year.

Unless previously repaid, redeemed, converted or purchased and cancelled, the Exchangeable Bonds are, at the option of the holders (the “Exchangeable Bondholders”), exchangeable for a pro rata share of the Exchange Property (as defined below) on or after the date which falls 90 days after the IPO listing date of Asia Television Limited (“ATV”) as defined in the related bond document (the “Bond Document”), up to and including 30th January, 2004 or, if the Exchangeable Bonds have been called for redemption before then, up to the close of business on a date not later than five business days prior to the date fixed for redemption thereof. Upon electing to exchange, each Exchangeable Bondholder shall have the right (the “Exchange Right”) to require the redemption of all or any of its Exchangeable Bonds at their Early Redemption Price as defined in the Bond Document and have that amount applied on its behalf in acquiring a pro rata share of such number of the equity shares in the capital of ATV which represents one-sixth of the total shares outstanding as at the IPO listing date from time to time for exchange (the “Exchange Property”).

Notes to Financial Statements

31st July, 2001

29. BONDS PAYABLE (continued)

Prior to certain modifications to the Bond Document during the year, as detailed below, unless previously redeemed, purchased and cancelled or exchanged, the Exchangeable Bonds were to be redeemed at 142.9171% of their principal amount (the "Maturity Redemption Price") on 28th February, 2004. The Exchangeable Bonds were also redeemable at the option of the Exchangeable Bondholders on 8th June, 2001 at 120.6984% of the principal amount in the event that either ATV's current licence to broadcast was not renewed, or a complying IPO as defined in the Bond Document had not occurred on or before 1st June, 2001 (the "Conditional Redemption"). The Exchangeable Bonds were also redeemable at the option of the holders on 28th February, 2002 at 125.4520% of their principal amount (the "Unconditional Redemption"). The Exchangeable Bonds were also redeemable at any time during the period from 28th February, 1997 to 28th February, 2004 upon the occurrence of any of certain other events as defined in the Bond Document at various pre-determined prices ranging from 100% of the principal amount to the Maturity Redemption Price.

The Bond Document was modified by extraordinary resolutions (the "EB Extraordinary Resolutions") passed by the Exchangeable Bondholders on 4th August, 2000. The major modifications to the terms and conditions included in the Bond Document are set out below:

- (1) 15% of the outstanding principal amount at 4th August, 2000 amounting to US\$17,250,000 (approximately HK\$134.6 million) was repayable on or before 31st August, 2000 and such amount was settled on 31st August, 2000 accordingly;
- (2) a further amount was payable on or before 31st January, 2001 to the Exchangeable Bondholders and Convertible Bondholders (as defined in note 32), on a pari passu and pro rata basis, of the higher amount of the total proceeds from the sale of the SUNDAY Shares (as defined below) or HK\$50 million. Accordingly, an amount of US\$2,875,000 (approximately HK\$22.4 million) and an amount of US\$3,750,000 (approximately HK\$29.3 million), being 2.5% of the outstanding principal amounts at 4th August, 2000 were paid to the Exchangeable Bondholders and Convertible Bondholders on 31st January, 2001 respectively;
- (3) the Exchangeable Bondholders will share, on a pari passu and pro rata basis, with the Convertible Bondholders the security of the following:
 - (a) a first charge over the Company's 50 million shares in SUNDAY Communication Limited beneficially owned by the Company (the "SUNDAY Shares");
 - (b) a first charge over 130 million shares of HK\$0.25 each in the issued share capital of ATV beneficially owned by the Company (subject to the Exchangeable Bondholders' existing Exchange Right); and
 - (c) a second charge over 285,512,791 shares of HK\$0.50 each in the issued share capital of eSun beneficially owned by the Company;

Notes to Financial Statements

31st July, 2001

29. BONDS PAYABLE (continued)

- (4) the Exchangeable Bondholders will also share, on a pari passu and pro rata basis, with the Convertible Bondholders and eSun (the "Parties"), the following security:
- (a) a limited recourse second charge over 6,500 shares of HK\$1.00 each in the issued share capital of Diamond String Limited (which owns the Ritz-Carlton Hong Kong Hotel) beneficially owned by the Company; and
 - (b) a negative pledge granted by the Company, pursuant to which the Company has agreed not to create additional security over certain major properties of the Group without the prior consent of the Parties;
- (5) in addition to the option to exchange the Exchangeable Bonds for the Exchange Property, up to 15% of the outstanding principal amount at 4th August, 2000 may be converted at the option of the Exchangeable Bondholders into ordinary shares of HK\$0.50 each in the share capital of the Company at the conversion price of HK\$0.50 per share at any time during the period from 1st September, 2000 to 31st December, 2002 (the "EB Conversion Right");
- (6) the right of Conditional Redemption was cancelled and revoked;
- (7) the Exchange Property was amended to the effect that it shall be reduced by certain repayments of principal made pursuant to the EB Extraordinary Resolutions and any EB Conversion Right exercised; and
- (8) the Exchangeable Bondholders will also receive, subject to adjustment, an improved additional premium of the principal value of the Exchangeable Bonds as follows:
- (a) the Maturity Redemption Price will be amended to 152.1844% of the principal amount; and
 - (b) upon the Unconditional Redemption on 31st December, 2002 (which has been amended from 28th February, 2002), the redemption price will be amended from 125.4520% to 139.7488%.

After passing the EB Extraordinary Resolutions, the Company, the Issuer and the Exchangeable Bondholders entered into a supplemental trust deed (the "EB Supplemental Trust Deed") on 19th January, 2001. Except for (1) noted above, the terms and conditions modified by the EB Extraordinary Resolutions were included in the EB Supplemental Trust Deed.

Following the repayments made to the Exchangeable Bondholders as described on (1) and (2) above, the redemption premium was adjusted as follows:

- (i) the Maturity Redemption Price was adjusted to 151.4439% of the principal amount; and
- (ii) the redemption price of the Unconditional Redemption as mentioned above was adjusted to 139.1033%.

Notes to Financial Statements

31st July, 2001

30. SHARE CAPITAL

	Number of shares 2001 '000	Nominal value 2001 HK\$'000	Number of shares 2000 '000	Nominal value 2000 HK\$'000
Authorised:				
Ordinary shares of HK\$0.50 each	<u>10,000,000</u>	5,000,000	<u>10,000,000</u>	5,000,000
Preference shares of HK\$1.00 each	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>
		<u>6,200,000</u>		<u>6,200,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.50 each	<u>3,746,002</u>	<u>1,873,001</u>	<u>3,746,002</u>	<u>1,873,001</u>

Notes to Financial Statements

31st July, 2001

31. RESERVES

Group

	Share premium account HK\$'000	Investment property revaluation reserve HK\$'000	Revaluation reserve for properties under development held for investment potential HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st August, 1999	5,813,530	2,634,383	1,391,349	1,200,000	27,954	67,631	(4,193,848)	6,940,999
Arising on issue of shares	45,000	—	—	—	—	—	—	45,000
Share issue expenses	(366)	—	—	—	—	—	—	(366)
Release upon disposal of investment properties	—	93,829	—	—	—	—	—	93,829
Release upon transfer of investment properties to completed properties for sale	—	332,322	—	—	—	—	—	332,322
Release upon transfer of properties under development held for investment potential to properties under development held for other purposes	—	—	(132,648)	—	—	—	—	(132,648)
Surplus on revaluation of investment properties	—	43,887	—	—	—	—	—	43,887
Deficits on revaluation of properties under development held for investment potential	—	—	(82,565)	—	—	—	—	(82,565)
Share of revaluation deficits of an associate	—	(12,964)	(1,338)	—	—	—	—	(14,302)
Exchange realignments:								
Subsidiaries	—	—	—	—	—	(3,017)	—	(3,017)
Associates	—	—	—	—	—	(538)	—	(538)
Jointly controlled entities	—	—	—	—	—	387	—	387
Elimination of goodwill arising on acquisition of subsidiaries	—	—	—	—	(2,743)	—	—	(2,743)
Capital reserve arising on acquisition of additional interests in subsidiaries	—	—	—	—	69,119	—	—	69,119
Release upon disposal of associates	—	(23,807)	—	—	—	—	—	(23,807)
Release upon deemed disposal of subsidiaries	—	(866)	(3,369)	—	(30)	(394)	—	(4,659)
Release upon disposal of subsidiaries	—	—	—	—	(1,686)	8,197	—	6,511
Net loss for the year	—	—	—	—	—	—	(2,757,982)	(2,757,982)
At 31st July, 2000 and 1st August, 2000	5,858,164	3,066,784	1,171,429	1,200,000	92,614	72,266	(6,951,830)	4,509,427
Release upon disposal of investment properties	—	(300,402)	—	—	—	—	—	(300,402)
Surplus on revaluation of investment properties	—	136,195	—	—	—	—	—	136,195
Share of revaluation deficits of associates	—	(6,318)	(11,691)	—	—	—	—	(18,009)
Share of reserve of associates	—	—	—	—	3,757	—	—	3,757
Exchange realignments:								
Subsidiaries	—	—	—	—	—	3,174	—	3,174
Associates	—	—	—	—	—	2,190	—	2,190
Jointly controlled entities	—	—	—	—	—	43	—	43
Adjustment for goodwill arising on acquisition of additional interests in subsidiaries in prior year	—	—	—	—	53,663	—	—	53,663
Release upon deemed disposal of subsidiaries	—	(277,423)	(771,989)	—	(137,233)	(13,897)	—	(1,200,542)
Net loss for the year	—	—	—	—	—	—	(1,196,182)	(1,196,182)
At 31st July, 2001	5,858,164	2,618,836	387,749	1,200,000	12,801	63,776	(8,148,012)	1,993,314

Notes to Financial Statements

31st July, 2001

31. RESERVES (continued)

Group

	Share premium account HK\$'000	Investment property revaluation reserve HK\$'000	Revaluation reserve for properties under development held for investment potential HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Reserves retained by:								
Company and subsidiaries	5,858,164	2,452,917	—	1,200,000	110,767	(4,540)	(6,001,599)	3,615,709
Associates	—	165,919	387,749	—	(97,966)	68,316	(2,146,413)	(1,622,395)
At 31st July, 2001	5,858,164	2,618,836	387,749	1,200,000	12,801	63,776	(8,148,012)	1,993,314

	Share premium account HK\$'000	Investment property revaluation reserve HK\$'000	Revaluation reserve for properties under development held for investment potential HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Reserves retained by:								
Company and subsidiaries	5,858,164	2,989,224	1,171,429	1,200,000	92,614	72,910	(6,203,458)	5,180,883
Associates	—	77,560	—	—	—	698	(720,439)	(642,181)
Jointly controlled entities	—	—	—	—	—	(1,342)	(27,933)	(29,275)
At 31st July, 2000	5,858,164	3,066,784	1,171,429	1,200,000	92,614	72,266	(6,951,830)	4,509,427

Notes to Financial Statements

31st July, 2001

31. RESERVES (continued)

Company

	Share premium account HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st August, 1999	5,813,530	2,394,144	1,200,000	(4,397,802)	5,009,872
Arising on issue of shares	45,000	—	—	—	45,000
Share issue expenses	(366)	—	—	—	(366)
Release upon disposal of investment properties	—	(28,709)	—	—	(28,709)
Deficits on revaluation of investment properties	—	(125,762)	—	—	(125,762)
Net loss for the year	—	—	—	(1,200,981)	(1,200,981)
At 31st July, 2000 and 1st August, 2000	5,858,164	2,239,673	1,200,000	(5,598,783)	3,699,054
Release upon disposal of investment properties	—	(300,402)	—	—	(300,402)
Surplus on revaluation of investment properties	—	27,432	—	—	27,432
Net loss for the year	—	—	—	(1,798,029)	(1,798,029)
At 31st July, 2001	5,858,164	1,966,703	1,200,000	(7,396,812)	1,628,055

Notes to Financial Statements

31st July, 2001

32. CONVERTIBLE BONDS

	Notes	Group	
		2001 HK\$'000	2000 HK\$'000
Lai Fung Convertible Bonds:	(1)		
At the beginning of year		929,445	937,206
Converted during the year		(929,445)	(7,761)
At end of year		—	929,445
Convertible Bonds 2002:	(2)		
At beginning of year		1,161,375	1,161,375
Repaid during the year		(204,758)	—
Exchange realignment		8,670	—
At end of year		965,287	1,161,375
		965,287	2,090,820
Portion due within one year classified as current liabilities		—	(202,496)
Long term portion		965,287	1,888,324

(1) Lai Fung Convertible Bonds

As further detailed in note 1 to the financial statements, all the outstanding Lai Fung Convertible Bonds were converted into a total of 2,023,713,337 Lai Fung Shares on 10th January, 2001.

Notes to Financial Statements

31st July, 2001

32. CONVERTIBLE BONDS (continued)

(2) Convertible Bonds 2002

US\$150,000,000 4% convertible guaranteed bonds due in 2002 (the “Convertible Bonds 2002”) were issued on 4th August, 1997 by Lai Sun International Finance (1997) Limited (“LSIF 1997”), a wholly-owned subsidiary of the Company. The Convertible Bonds 2002 are unconditionally and irrevocably guaranteed by the Company.

The Convertible Bonds 2002 were issued at 100% of their principal amount and bear interest at a rate of 4% per annum payable annually in arrears on 4th August of each year.

Prior to certain modifications of the related bond document (the “CB Document”) during the year, as detailed below, unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds 2002 were convertible into fully paid ordinary shares of HK\$0.50 each in the Company at the option of the holders (the “Convertible Bondholders”) at a conversion price of, initially HK\$11.50 per share at a fixed rate of exchange of HK\$7.751=US\$1.00 on conversion, at any time from 4th September, 1997 to 24th June, 2002 (the “Maturity Date”), both dates inclusive (the “CB Conversion Right”). The conversion price was subject to adjustment upon the occurrence of certain events as defined in the CB Document.

Unless previously redeemed, purchased and cancelled or converted, LSIF 1997, under certain conditions as defined in the CB Document, may have redeemed all or some of the Convertible Bonds 2002 on or at any time after 4th August, 1999 at their Early Redemption Price together with accrued interest, with the calculation based on the formula defined in the CB Document.

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Unless previously redeemed, purchased and cancelled or converted, the Convertible Bonds 2002 may have been redeemed at the option of the Convertible Bondholders on 4th August, 2000 at 115.2249% of their principal amount plus accrued interest.

Unless previously redeemed, purchased and cancelled or converted, the Convertible Bonds 2002 were redeemable at their principal amount plus accrued interest on 4th August, 2002.

The Convertible Bonds 2002 were also redeemable at any time upon the occurrence of any of the events as defined in the CB Document at their Early Redemption Price plus accrued interest.

Notes to Financial Statements

31st July, 2001

32. CONVERTIBLE BONDS (continued)

(2) Convertible Bonds 2002 (continued)

The CB Document was modified by extraordinary resolutions (the "CB Extraordinary Resolutions") passed by the Convertible Bondholders on 4th August, 2000. The major modifications to the terms and conditions included in the CB Document are as follows:

- (1) 15% of the outstanding principal amount of the Convertible Bonds at 4th August, 2000 amounting to US\$22,500,000 (approximately HK\$175.5 million) was repayable on or before 31st August, 2000 and such amount was settled on 31st August, 2000 accordingly;
- (2) a further payment was to be made as detailed in note 29(2);
- (3) all rights of early redemption at the option of the Convertible Bondholders on 4th August, 2000 were cancelled, revoked and extinguished;
- (4) the Convertible Bondholders share, on a pari passu and pro rata basis, with the Exchangeable Bondholders the security as described in note 29(3) and share with the Exchangeable Bondholders and eSun, on a pari passu and pro rata basis, the security as described in note 29(4);
- (5) in addition to the CB Conversion Right, up to 15% of the outstanding principal amount at 4th August, 2000 may be converted at the option of the Convertible Bondholders into ordinary shares of HK\$0.50 each in the share capital of the Company at the conversion price of HK\$0.50 per share at any time during the period from 1st September, 2000 to 31st December, 2002;
- (6) the conversion price applicable upon the exercise of the CB Conversion Right is amended to HK\$1.10 per share. The period for exercising the CB Conversion Right is extended to 31st December, 2002 and the fixed rate of exchange applicable upon the exercise of the Conversion Right is amended to HK\$7.80=US\$1.00; and
- (7) the Convertible Bondholders will also receive improved premium of the principal upon maturity on 31st December, 2002 (which has been amended from 4th August, 2002), from 100% to 137.172%, subject to adjustments, of the outstanding principal amount plus interest accrued.

After passing the CB Extraordinary Resolutions, the Company, LSIF 1997 and the Convertible Bondholders entered into a supplemental trust deed (the "CB Supplemental Trust Deed") on 19th January, 2001. Except for (1) noted above, the terms and conditions modified by the CB Extraordinary Resolutions were included in the CB Supplemental Trust Deed.

Following the repayments made to the Convertible Bondholders as describe on (1) and (2) above, the redemption premium was adjusted from 137.172% to 136.5927%.

33. CONVERTIBLE NOTE

The convertible note as at 31st July, 2000 represented a note issued by Lai Fung to the Sunny Group Investment Limited on 2nd July, 1999. The convertible note was fully redeemed by Lai Fung on 12th July, 2001.

Notes to Financial Statements

31st July, 2001

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	HK\$'000	HK\$'000
Loss from operating activities	(342,490)	(2,386,771)
Interest income	(174,747)	(146,804)
Dividend income from listed investments	(200)	(823)
Dividend income from unlisted investments	(10,989)	(9,155)
Depreciation	38,052	42,953
Amortisation of goodwill on acquisition of associates	578	1,181
Loss/(gain) on disposal of long term listed investments	(7,662)	3,500
Loss on disposal of long term unlisted investments	251	—
Loss on disposal of fixed assets	2,421	318
Gain on disposal of subsidiaries	—	(81,006)
Loss on disposal of properties under development	—	475,321
Loss/(gain) on disposal of investment properties	(205,402)	138,805
Loss on deemed disposal of subsidiaries	1,044,781	16,686
Loss/(gain) on disposal of interests in associates	1,651	(22,708)
Gain on disposal of a jointly controlled entity	—	(6,610)
Provisions for impairments in values of properties under development	138,652	338,515
Provisions for impairments in values of completed properties for sale to net realisable value	—	383,353
Provisions for impairments in values of long term unlisted investments	71,755	158,587
Provisions for contingent losses in respect of profit guarantees	33,689	11,480
Provisions for contingent losses in respect of Put Options (note 35(e))	86,000	245,000
Provisions for impairments in values of associates	74,002	25,300
Provisions for impairments in values of associates holding properties under development	—	25,000
Provisions for doubtful debts	40,129	49,151
Provisions for impairments in values of fixed assets	—	638,170
Write off of fixed assets	17,394	—
Write off of deferred pre-operating expenses	—	10,718
Write off of goodwill	—	407,822
Release of unrealised profit arising on deemed disposal of subsidiaries	(412,556)	—
Write back of contingent loss in respect of a guarantee given to a bank	(78,141)	(78,139)
Exchange losses arising on the translation of the principal amounts of Exchangeable Bonds and Convertible Bonds 2002	14,454	—
Decrease in short term investments	1,822	31,703
Decrease in completed properties for sale	144,791	173,557
Decrease in inventories	3,672	1,286
Decrease in debtors and deposits	189,754	165,082
Decrease in creditors, deposits received and accruals	(237,983)	(242,668)
Net cash inflow from operating activities	<u>433,678</u>	<u>368,804</u>

Notes to Financial Statements

31st July, 2001

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Share capital and share premium HK\$'000	Bank loans and other borrowings HK\$'000	Loan from a shareholder HK\$'000	Convertible bonds HK\$'000	Convertible note HK\$'000	Bonds payable HK\$'000	Minority interests HK\$'000
Balance at 1st August, 1999	7,581,531	6,229,916	—	2,098,581	600,000	891,250	4,105,773
Net cash inflow/(outflow) from financing	(366)	(1,788,121)	—	—	—	—	76,503
Share of net loss for the year	—	—	—	—	—	—	(750,209)
Share of surplus on revaluation of investment properties	—	—	—	—	—	—	17,375
Share of deficits on properties under development held for investment potential purpose	—	—	—	—	—	—	(28,733)
Arising on acquisition of an associate	150,000	—	—	—	—	—	—
Arising on acquisition of a subsidiary	—	—	—	—	—	—	1,640
Arising on acquisition of additional interests in subsidiaries	—	—	—	—	—	—	(154,334)
Disposal of subsidiaries	—	(142)	—	—	—	—	(39,884)
Conversion of convertible bonds	—	—	—	(7,761)	—	—	7,761
Deemed disposal of a subsidiary	—	—	—	—	—	—	21,345
Share of goodwill arising on acquisition of subsidiaries	—	—	—	—	—	—	(187)
Share of goodwill arising on acquisition of additional interests in subsidiaries	—	—	—	—	—	—	23,671
Share of goodwill released from disposal of subsidiaries	—	—	—	—	—	—	(1,586)
Share of release of revaluation reserve for property under development held for investment potential upon reclassification	—	—	—	—	—	—	(45,427)
Exchange realignments	—	936	—	—	—	—	263
Balance at 31st July, 2000 and 1st August, 2000	7,731,165	4,442,589	—	2,090,820	600,000	891,250	3,233,971
Net cash inflow/(outflow) from financing	—	159,581	40,787	(29,251)	—	(22,426)	82,075
Share of net profit for the year	—	—	—	—	—	—	10,184
Conversion of Lai Fung Convertible Bonds	—	—	—	(929,445)	—	—	929,445
Arising on deemed disposal of subsidiaries	—	(248,020)	(40,787)	—	(600,000)	—	(3,841,469)
Share of adjustment for goodwill arising on acquisition of additional interests in subsidiaries in prior years	—	—	—	—	—	—	(53,663)
Settlement of bonds payable through stakeholder's account	—	—	—	(175,507)	—	(134,555)	—
Exchange losses arising on translation	—	—	—	8,670	—	5,784	—
Exchange realignments	—	—	—	—	—	—	1,201
Balance at 31st July, 2001	7,731,165	4,354,150	—	965,287	—	740,053	361,744

(c) Major non-cash transaction

As further detailed in notes 29 and 32 to the financial statements, the Group restructured the terms of the Exchangeable Bonds and the Convertible Bonds 2002 and amounts of HK\$156,981,000 and HK\$204,758,000 were repaid to the respective bondholders. The repayments of HK\$310,062,000 were settled by the stakeholder monies from the disposal of properties under development in prior year. Accordingly, such transactions had no effect on the Group's cashflows.

Notes to Financial Statements

31st July, 2001

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Acquisition of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	—	286
Cash and bank balances	—	4,108
Creditors, deposits received and accruals	—	(294)
Minority interests	—	(1,640)
	<u>—</u>	<u>(1,640)</u>
	—	2,460
Goodwill	—	2,930
	<u>—</u>	<u>2,930</u>
	—	5,390
	<u>—</u>	<u>5,390</u>
Satisfied by:		
Cash	—	5,390
	<u>—</u>	<u>5,390</u>

The subsidiaries acquired in the prior year made no significant contribution to the Group in respect of the cash flows for the year.

Analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	2001 HK\$'000	2000 HK\$'000
Cash consideration	—	5,390
Cash and bank balances acquired	—	(4,108)
	<u>—</u>	<u>(4,108)</u>
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	—	1,282
	<u>—</u>	<u>1,282</u>

Notes to Financial Statements

31st July, 2001

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(e) Deemed disposal of interests in subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets deconsolidated:		
Fixed assets	28,799	—
Investment properties	3,049,823	—
Properties under development	3,359,694	—
Interests in associates	830,871	—
Due from Furama	1,500,040	—
Interests in jointly controlled entities	50,184	—
Long term investments	182,651	—
Deferred tax assets	1,359	—
Short term investments	713	—
Completed properties for sale	113,902	—
Inventories	392	—
Debtors and deposits	117,972	—
Tax recoverable	13,103	—
Cash and bank balances	306,304	—
Loan from a shareholder	(40,787)	—
Creditors, deposits received and accruals	(340,725)	—
Tax payable	(15,188)	—
Interest-bearing bank and other borrowings	(248,020)	—
Long term rental deposits received	(8,660)	—
Provision for premium on convertible note redemption	(31,667)	—
Convertible note	(600,000)	—
Minority interests	(3,841,469)	—
Loss on deemed disposal of subsidiaries	(1,044,781)	—
	<u>3,384,510</u>	<u>—</u>
Satisfied by:		
Reclassification to interests in associates	<u>3,384,510</u>	<u>—</u>

Notes to Financial Statements

31st July, 2001

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(e) Deemed disposal of interests in subsidiaries (continued)

The subsidiaries being deemed disposed of during the year utilised HK\$51,783,000 of the Group's net operating cash flows, utilised HK\$22,496,000 in respect of returns on investments and servicing of finance, paid HK\$3,095,000 tax, utilised HK\$201,745,000 for investing activities and contributed HK\$192,529,000 to financing activities. The consolidated turnover and loss attributable to shareholders of the Company contributed by the two deconsolidated subsidiaries for the year amounted to HK\$127,669,000 and HK\$13,392,000, respectively.

	2001 HK\$'000	2000 HK\$'000
Analysis of net outflow of cash and cash equivalents in respect of the exclusion of subsidiaries from consolidation	<u>306,304</u>	<u>—</u>

(f) Disposal of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Fixed assets	—	4,828
Properties under development	—	93,523
Interests in associates	—	118,164
Inventories	—	76
Debtors and deposits	—	5,537
Cash and bank balances	—	42
Creditors, deposits received and accruals	—	(93,965)
Tax payable	—	(393)
Interest-bearing bank and other borrowings	—	(142)
Minority interests	—	(39,884)
Release of exchange reserve	—	8,121
Release of capital reserve	—	(3,272)
	<u>—</u>	<u>92,635</u>
Gain on disposal	<u>—</u>	<u>81,006</u>
	<u>—</u>	<u>173,641</u>
Satisfied by:		
Cash	<u>—</u>	<u>173,641</u>

Notes to Financial Statements

31st July, 2001

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(f) Disposal of subsidiaries (continued)

The subsidiaries disposed of in the prior year utilised HK\$4,625,000 of the Group's net operating cash flows, utilised HK\$240,000 in respect of returns on investments and servicing of finance, had no contribution impact in respect of tax, utilised HK\$10,000,000 for investing activities and utilised HK\$5,604,000 for financing activities.

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

	2001 HK\$'000	2000 HK\$'000
Cash consideration received	—	173,641
Cash and bank balances disposed of	—	(42)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	—	173,599

35. COMMITMENTS

Other than disclosed elsewhere in the financial statements, the Group and the Company had the following commitments not provided for in the financial statements at the balance sheet date:

(a)

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Capital commitments:				
Contracted for	24,224	695,812	—	—
Authorised, but not contracted for	—	5,000	—	—
	<u>24,224</u>	<u>700,812</u>	<u>—</u>	<u>—</u>
Future minimum lease payments under non-cancellable operating leases in respect of land and buildings for the following periods:				
within one year	51,733	147,360	2,400	—
within two to five years	4,100	49,335	4,100	—
	<u>55,833</u>	<u>196,695</u>	<u>6,500</u>	<u>—</u>

Notes to Financial Statements

31st July, 2001

35. COMMITMENTS (continued)

- (b) On 7th April, 1999, the Company entered into an option agreement, supplemented on 12th April, 1999 by a supplemental agreement (collectively the "Option Agreement") with Sun Chung Real Estate Company Limited ("Sun Chung"), a wholly-owned subsidiary of the Bank of China ("BOC"). Pursuant to the Option Agreement, the Company, at a consideration of HK\$10, granted a right (the "Option") to Sun Chung to purchase 230,000,000 shares (the "Option Shares") in Lai Fung held by the Company.

The Option is exercisable in whole or in part, and from time to time, upon Sun Chung giving the Company at least seven days' notice during the period commencing on 7th April, 1999 and ending on 7th October, 2002, at a price of HK\$0.65 per Option Share, subject to adjustments in certain events as defined in the Option Agreement.

- (c) On 8th June, 1999, the Company entered into an option agreement (the "Second Option Agreement") with a third party (the "Optionholder"), pursuant to which the Company granted a right (the "Second Option") to the Optionholder to purchase 20,000,000 ordinary shares in Lai Fung (the "Second Option Shares") held by the Company.

The Second Option is exercisable in whole or in part, and from time to time, upon the Optionholder giving the Company at least seven days' notice during the period from 1st December, 2000 to 8th September, 2002, at a price of HK\$0.63 per Second Option Share, subject to adjustments upon the occurrence of certain events as defined in the Second Option Agreement.

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(d) Pension commitments

The Group operates a defined benefits retirement scheme, which is non-contributory, for the eligible employees of Furama. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions to the scheme are determined with the advice of independent, qualified actuaries on the basis of triennial valuations, being the minimum requirement under the Occupational Retirement Schemes Ordinance, using the aggregate method. Based on the most recent valuation carried out on 30th September, 1999 by Watson Wyatt Hong Kong Limited, qualified consulting actuaries, the level of funding has been decreased in the current year as a material surplus was noted.

The principal assumption used by the actuaries was that the average salary inflation and the average return on investments would be 8% and 9% per annum, respectively. The differences between the market value of the scheme's assets and the present value of the past service liabilities on an ongoing basis at the date of the actuarial valuation, are taken into consideration when determining future funding rates in order to ensure that the scheme will be able to meet these liabilities as they become due. The current funding rates are those recommended by the actuaries to ensure that the scheme will be able to meet its future liabilities.

Notes to Financial Statements

31st July, 2001

35. COMMITMENTS (continued)

(e) Grant of put options

Upon the completion of the sale and purchase agreement of Fortune Sign (the “Completion”) as further detailed in note 20, Furama entered into an option deed (the “Option Deed”) with the Majestic Purchasers, pursuant to which Furama granted a share put option and a loan put option (together the “Put Options”) to the Majestic Purchasers to require Furama to repurchase the entire issued share capital of Fortune Sign and the related shareholder’s loan owing from Fortune Sign, respectively, at a total consideration of approximately HK\$1,936 million. The Put Options cannot be exercised by the Majestic Purchasers unless both elements are exercised simultaneously.

The Put Options were each for a term of approximately 3 years commencing from the date of the Completion and expiring on 28th February, 2001 (both dates inclusive) (the “Option Period”) and were able to be exercised at any time and from time to time by the Majestic Purchasers giving notice in writing to Furama of their intention to do so during the period from 1st February, 2001 to 28th February, 2001 (both dates inclusive) (the “Exercise Period”).

At any time before the Exercise Period, upon the occurrence of any of the events specified in the Option Deed (the “Relevant Event”), including inter alia, Mr. Lim Por Yen, Ms. U Po Chu, Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Ming and their respective associates, related trusts and companies controlled by them (the “Lim Family”) ceasing to beneficially own, whether directly or indirectly, at least 35% of the entire issued share capital of Lai Sun Garment (International) Limited (“LSG”) from time to time, or LSG, together with the Lim Family, ceasing to beneficially own, whether, directly or indirectly, at least 35% of the entire issued share capital of the Company from time to time, or the Company ceasing to beneficially own at least 51% of the entire issued share capital of Furama, the Majestic Purchasers shall be entitled to exercise the Put Options by giving notice in writing to Furama of their intention to do so within one month after the occurrence of the Relevant Event.

The Put Options will lapse automatically and will not be exercisable upon the earlier of:

- (i) the expiry of the Option Period; or
- (ii) the occurrence of any of the events specified in the Option Deed including, in particular, (a) any actual disposal of any legal and/or beneficial interests in any share in, and/or loan to, Fortune Sign or any member of Taiwa Land Investment Company Limited and its subsidiaries (the “Taiwa Group”); or (b) any actual disposal by the Majestic Purchasers, Fortune Sign or any member of the Taiwa Group of any legal and/or beneficial interests in the Majestic Properties or any part thereof.

Notes to Financial Statements

31st July, 2001

35. COMMITMENTS (continued)

(e) Grant of put options (continued)

Upon the exercise of the Put Options by the Majestic Purchasers, Furama will be entitled to set off the outstanding principal amount of the Note against the total consideration payable to the Majestic Purchasers.

On 18th December, 1998, a supplementary deed was entered into between the Company, Furama and the Majestic Purchasers, pursuant to which the Company agreed to perform all of the obligations of Furama set out in the Option Deed jointly and severally with Furama and to be bound by all of the relevant provisions in the Option Deed.

A second supplementary deed was then entered into between the Company, Furama and the Majestic Purchasers on 24th May, 2000, whereby the Exercise Period was amended. The revised Exercise Period was from 25th May, 2000 to 28th February, 2001 (both dates inclusive).

On 27th February, 2001, a third supplemental deed was entered into between the Company, Furama and the Majestic Purchasers whereby, inter alia, the Option Period was extended to 30th December, 2002 from 28th February, 2001 and the total consideration under the Put Options was adjusted to HK\$1,656 million from the original amount of approximately HK\$1,936 million, in consideration of a payment of the sum of HK\$280 million paid by Furama to the Majestic Purchasers on 28th February, 2001.

36. CONTINGENT LIABILITIES

(i) Contingent liabilities not provided for in the financial statements at the balance sheet date were as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	—	—	2,365,501	2,110,686
Associates	274,799	304,443	274,799	304,443
Investee companies	4,301	31,717	4,301	31,717
	<u>279,100</u>	<u>336,160</u>	<u>2,644,601</u>	<u>2,446,846</u>
Guarantees given in connection with the issue of convertible bonds	—	—	965,287	1,161,375
Guarantees given in connection with the issue of bonds	—	—	740,053	891,250
	<u>279,100</u>	<u>336,160</u>	<u>4,349,941</u>	<u>4,499,471</u>

Notes to Financial Statements

31st July, 2001

36. CONTINGENT LIABILITIES (continued)

- (ii) Pursuant to certain indemnity deeds dated 12th November, 1997 entered into between the Company and Lai Fung, the Company has undertaken to indemnify Lai Fung in respect of certain potential PRC income taxes and land appreciation tax payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates as at 31st October, 1997 (the "Property Interests"). These tax indemnities given by the Company apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited as at 31st October, 1997 (the "Valuation"), and (ii) the aggregate costs of such Property Interests incurred up to 31st October, 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The indemnity deeds assume that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by the Company do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on The Stock Exchange of Hong Kong Limited (the "Listing"); (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of Lai Fung as set out in Lai Fung's prospectus dated 18th November, 1997.

Lai Fung had no LAT payable during the year. No income tax payable by Lai Fung was indemnifiable by the Company during the year.

37. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group and the Company had the following minimum lease receipts under non-cancellable operating leases which fall due as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	292,575	352,580	151,936	178,116
In the second to fifth years, inclusive	278,815	284,120	133,611	154,530
	<u>571,390</u>	<u>636,700</u>	<u>285,547</u>	<u>332,646</u>

Notes to Financial Statements

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38. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of the revised SSAP 14 during the current year, all future minimum lease payment under non-cancellable operating leases have been disclosed to comply with the new requirements. Accordingly, the comparative amounts have been restated to conform with the current year's presentation.

Certain items significant to this year's consolidated profit and loss account are disclosed by separate line disclosure on the face of the consolidated profit and loss account. This has resulted in the comparative amounts for these items, which were immaterial to last year's consolidated profit and loss account, being correspondingly reclassified from the other operating expenses category to the separate line disclosure in the 2000 comparative consolidated profit and loss account. Conversely, certain immaterial amounts which were disclosed on separate lines on the face of last year's consolidated profit and loss account, and which have an immaterial balance this year, have been reclassified into the other operating expenses category of the 2000 comparative consolidated profit and loss account.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 9th November, 2001.