

7. FINANCE COSTS

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Interest on bank loans, overdrafts, notes payable and other loans wholly repayable within five years	394.8	665.6
Interest on other loans and notes payable	—	36.9
	394.8	702.5
Less: Interest capitalised in respect of property under development (note 16)	(32.4)	(70.8)
	362.4	631.7
Amortisation of deferred expenditure	7.0	65.3
Write off of deferred expenditure	—	5.2
Total finance costs	369.4	702.2

8. DIRECTORS' REMUNERATION

- (a) Details of Directors' remuneration charged to the Group's profit and loss account are set out below:

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Fees	0.8	0.6
Salaries and other allowances	3.9	5.7
Performance related/discretionary bonuses	0.3	0.6
Staff retirement scheme contributions	—	0.1
	5.0	7.0

The independent Non-Executive Directors of the Company were entitled to a total sum of HK\$0.4 million (1999 - HK\$0.2 million) as Directors' fees, including the fees entitled by those independent Non-Executive Directors for serving as audit committee members, for the year ended 31st December, 2000.



The remuneration of the Directors fell within the following bands:

HK\$	2000 Number of Directors	1999 Number of Directors
Nil - 1,000,000	5	7
1,000,001 - 1,500,000	1	2
3,000,001 - 3,500,000	1	1
	<u>7</u>	<u>10</u>

(b) Share options

Details of the share options granted by the Company to the Directors are set out below:

**Number of ordinary shares under options
Granted on 22nd February, 1992
'million**

Balance at beginning and at end of year	<u>42.5 *</u>
Outstanding rights vested with the Directors at end of year	<u>31.0 *</u>
Exercise price per ordinary share (HK\$)	<u>0.7083</u>

* The options for 31.0 million ordinary shares are exercisable at any time. The options for the remaining 11.5 million ordinary shares are exercisable in stages commencing nine years from the date of grant.

Under the terms of the grants, the options granted on the ordinary shares of the Company are not transferable and, in the absence of a readily available market value, the Directors are unable to arrive at an accurate assessment of the value of the options granted to the respective Directors.

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

9. SENIOR EXECUTIVES' EMOLUMENTS

- (a) The five highest-paid individuals included two (1999 - one) Directors, details of whose remuneration are disclosed in note 8 to the financial statements. The emoluments of the other three (1999 - four) individuals, who were not Directors, are as follows:

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Salaries and other emoluments	2.8	8.3
Performance related/discretionary bonuses	—	1.1
Staff retirement scheme contributions	0.1	0.1
	<u>2.9</u>	<u>9.5</u>

The emoluments of the three (1999 - four) individuals fell within the following bands:

HK\$	2000 Number of individuals	1999 Number of individuals
Nil - 1,000,000	3	—
1,500,001 - 2,000,000	—	2
2,500,001 - 3,000,000	—	2
	<u>—</u>	<u>2</u>



(b) Share options

Details of the share options granted by the Company to the three senior executives of the Company mentioned above are as follows:

	Number of ordinary shares under options			Total 'million
	Granted on 22nd February, 1992 'million	Granted on 5th August, 1993 'million	Granted on 22nd February, 1997 'million	
Balance at beginning and at end of year	<u>0.2⁽¹⁾</u>	<u>0.2⁽²⁾</u>	<u>1.1⁽³⁾</u>	<u>1.5</u>
Outstanding rights vested with the senior executive at end of year	<u>0.1⁽¹⁾</u>	<u>0.1⁽²⁾</u>	<u>0.3⁽³⁾</u>	
Exercise price per ordinary share (HK\$)	<u>0.7083</u>	<u>1.1083</u>	<u>2.1083</u>	

- (1) The option for 0.1 million ordinary shares is exercisable at any time. The option for the remaining 0.1 million ordinary shares is exercisable in stages commencing nine years from the date of grant.
- (2) The option for 0.1 million ordinary shares is exercisable at any time. The option for the remaining 0.1 million ordinary shares is exercisable in stages commencing eight years from the date of grant.
- (3) The option for 0.3 million ordinary shares is exercisable at any time. The option for the remaining 0.8 million ordinary shares is exercisable in stages commencing four years from the date of grant.

Under the terms of the grants, the options granted on the ordinary shares of the Company are not transferable and, in the absence of a readily available market value, the Directors are unable to arrive at an accurate assessment of the value of the options granted to the respective senior executives.

10. TAX

	GROUP	
	2000 HK\$ million	1999 HK\$ million
The Company and subsidiary companies/partnerships:		
Provision for tax in respect of profits for the year:		
Overseas	2.8	22.8
Capital gains tax - overseas	12.3	24.2
Transferred from deferred tax	—	(0.4)
Tax charge for the year	15.1	46.6

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year (1999 - Nil).

Tax on the profits of subsidiary companies/partnerships operating overseas is calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing law, practices and interpretations thereof.

No provision for tax is required for the associates or the jointly controlled entity as no assessable profits were earned by these associates or the jointly controlled entity during the year.

At the balance sheet date, the Group had no material unprovided deferred tax liabilities (1999 - Nil).

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\$216.6 million (1999 - HK\$437.2 million).

**12. DIVIDEND**

At 31st December, 2000, there was a cumulative unpaid dividend in arrears of HK\$15.0 million (1999 - HK\$8.1 million) for the outstanding preference shares. Pursuant to the terms of the issuance of the preference shares, if such dividend is six months or more in arrears, this event will confer on the holders thereof the right to receive notice of and, unless all such arrears have been paid prior to the time for holding the meeting, to attend and vote at general meetings of the Company. This unpaid dividend has not been incorporated in the financial statements.

13. ACCUMULATED LOSSES AT END OF YEAR

	GROUP	
	2000 HK\$'million	1999 HK\$'million
The Company and subsidiary companies/partnerships	(2.5)	144.3
Associates	(3.6)	16.1
Jointly controlled entity	(820.3)	(759.3)
	<u>(826.4)</u>	<u>(598.9)</u>

14. LOSS PER ORDINARY SHARE**(a) Basic loss per ordinary share**

The calculation of basic loss per ordinary share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$227.5 million (1999 - HK\$1,085.7 million), adjusted for the unpaid preference dividend for the year of HK\$6.9 million (1999 - HK\$7.7 million), and on the weighted average of 3,936.3 million (1999 - 3,928.8 million) ordinary shares of the Company in issue during the year.

(b) Diluted loss per ordinary share

No diluted loss per ordinary share is presented for the years ended 31st December, 1999 and 2000, as the exercise of share options and the conversion of preference shares of the Company are anti-dilutive.

15. FIXED ASSETS

GROUP

	1st January, 2000 HK\$'million	Exchange adjustments HK\$'million	Additions HK\$'million	Transfer from property under development HK\$'million	Disposals HK\$'million	Surplus/ (Deficit) on revaluation HK\$'million	31st December, 2000 HK\$'million
At valuation:							
Investment properties	68.1	-	0.3	-	-	(5.2)	63.2
Hotels, including furniture, fixtures and equipment	9,289.7	(7.3)	18.7	785.0	-	108.1	10,194.2
	9,357.8	(7.3)	19.0	785.0	-	102.9	10,257.4
At cost:							
Leasehold properties	40.9	0.1	-	-	-	-	41.0
Leasehold improvements	20.3	-	0.5	-	(7.6)	-	13.2
Other furniture, fixtures and equipment	68.3	0.2	2.4	-	(3.0)	-	67.9
Motor vehicles	4.6	-	0.1	-	(0.7)	-	4.0
Construction in progress	28.9	0.1	0.4	-	(1.2)	-	28.2
	9,520.8	(6.9)	22.4	785.0	(12.5)	102.9	10,411.7
Accumulated depreciation:							
Hotel furniture, fixtures and equipment	226.7	(1.1)	32.8	-	-	-	258.4
Leasehold properties	3.1	-	1.4	-	-	-	4.5
Leasehold improvements	16.9	-	1.8	-	(7.5)	-	11.2
Other furniture, fixtures and equipment	15.3	-	5.2	-	(1.6)	-	18.9
Motor vehicles	3.1	-	0.7	-	(0.5)	-	3.3
	265.1	(1.1)	41.9	-	(9.6)	-	296.3
Net book value	9,255.7						10,115.4



If the carrying value of the revalued properties had been reflected in these financial statements at cost less accumulated depreciation, the following amounts would have been shown:

	2000 HK\$'million	1999 HK\$'million
Investment properties	81.2	81.2
Hotel properties	5,413.0	4,658.2
	<u>5,494.2</u>	<u>4,739.4</u>

Analysis of net book value by geographical location:

	2000 HK\$'million	1999 HK\$'million
Leasehold land and buildings situated in Hong Kong:		
Hotel properties, at valuation at balance sheet date:		
Long term	3,973.0	4,090.0
Medium term	5,739.0	4,743.0
Medium term leasehold property, at cost	4.0	4.1
	<u>9,716.0</u>	<u>8,837.1</u>
Properties situated in the People's Republic of China (the "PRC"):		
Medium term leasehold properties, at cost	32.5	33.7
Long term leasehold land and investment properties, at valuation at balance sheet date	63.2	68.1
	<u>95.7</u>	<u>101.8</u>
Properties situated overseas:		
Freehold land and hotel property in Canada, at valuation at balance sheet date	223.8	230.0
	<u>10,035.5</u>	<u>9,168.9</u>

As at 31st December, 2000, all of the hotel properties situated in Hong Kong and overseas and certain leasehold properties situated in the PRC were mortgaged to secure a syndicated loan and other credit facilities granted to the Group.

The valuations of the hotel properties situated in Hong Kong at 31st December, 2000 were performed by an independent valuer with an RICS qualification on an open market, existing use basis.

The valuation of the hotel property situated overseas at 31st December, 2000 was performed by an independent valuer with an AACI qualification on an open market, existing use basis.

At 31st December, 2000, the investment properties were stated at their subsequent selling price (note 40) as, in the opinion of the Directors, this approximated the open market value as at the balance sheet date. The valuations of these investment properties in the prior year were performed by an independent valuer with an RICS qualification on an open market, existing use basis.

16. PROPERTY UNDER DEVELOPMENT

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Medium term leasehold land and property in Hong Kong, at valuation:		
Balance at beginning of year	645.0	2,894.4
Additions during the year	107.6	170.2
Interest capitalised (note 7)	32.4	70.8
Transfer to fixed assets (note 15)	(785.0)	(2,601.3)
Surplus on revaluation (note 31)	—	110.9
Balance at end of year	—	645.0

The valuation of the property under development in the prior year was performed by an independent valuer with an RICS qualification on an open market, intended use on completion basis. As at 31st December, 1999, the property under development was pledged to secure certain banking facilities granted to the Group.

**17. INTEREST IN A JOINTLY CONTROLLED ENTITY**

	GROUP	
	2000 HK\$ million	1999 HK\$ million
Share of post-acquisition losses	(820.3)	(759.3)
Loans to the jointly controlled entity	1,134.2	1,072.5
Amount due from the jointly controlled entity	163.3	163.3
	<u>477.2</u>	<u>476.5</u>

The share of post-acquisition losses included a provision for foreseeable loss in respect of a property development project amounted to HK\$700.0 million (1999 - HK\$700.0 million).

The loans to the jointly controlled entity are unsecured, bear interest at Hong Kong prime rate per annum and are not repayable within one year.

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

Name	Business structure	Place of incorporation and operation	Percentage of equity interest attributable to the Group		Principal activity
			2000	1999	
Chest Gain Development Limited ("Chest Gain")	Corporate	Hong Kong	30	30	Property development

The jointly controlled entity is indirectly held by the Company.