



The summarised state of affairs and income and losses of Chest Gain are as follows:

	2000 HK\$'million	1999 HK\$'million
State of affairs		
Non-current assets	4,145.0	4,141.2
Current assets	0.2	0.3
Current liabilities	(72.1)	(72.0)
Non-current liabilities	(7,441.7)	(6,894.7)
Net liabilities attributable to venturers	(3,368.6)	(2,825.2)
Income and losses		
Income	--	-
Net loss from ordinary activities attributable to venturers	(543.4)	(491.8)

At the balance sheet date, the Group's share of capital commitments of Chest Gain in respect of a property development project was as follows:

	2000 HK\$'million	1999 HK\$'million
Authorised and contracted for	6.8	24.9
Authorised, but not contracted for	238.2	206.0
	245.0	230.9



18. INTERESTS IN ASSOCIATES

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Unlisted companies/partnerships:		
Share of net assets	(12.8)	54.9
Loans to associates	21.8	26.9
Amount due from an associate	1.1	0.4
	<u>10.1</u>	<u>82.2</u>
At the balance sheet date:		
Share of post-acquisition undistributed reserves/(deficits)	(3.6)	46.1

The loans to associates are unsecured and not repayable within one year. Except for a balance of HK\$2.9 million (1999 - HK\$26.9 million) which bears interest at 10% (1999 - 6% to 10%) per annum, the remaining balances are interest free.

Details of the Group's principal associates are as follows:

Name	Business structure	Place of incorporation and operation	Class of equity interest held	Percentage of equity interest attributable to the Group		Principal activities
				2000	1999	
8D International (BVI) Limited	Corporate	British Virgin Islands	Ordinary shares	30	-	Investment holding
8D International Limited	Corporate	Hong Kong	Ordinary shares	30	-	Promotions, communications and information technology
8D Matrix Limited	Corporate	British Virgin Islands	Ordinary shares	30	-	Investment holding
Century King Investment Limited	Corporate	Hong Kong	Ordinary shares	50	50	Restaurant operations
Bostonian Hotel Limited Partnership ("Bostonian")*#	Partnership	U.S.A.	Limited partnership interest	-	51	Hotel ownership

* This associate was disposed of during the year.

Not audited by Ernst & Young.

All associates were indirectly held by the Company.

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

The investment in Bostonian, a limited partnership, is accounted for using the equity method because the Group does not control the appointment of the general partners.

19. INVESTMENTS

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Long term investments		
Listed equity investments in Hong Kong, at market value	141.7	194.0
Unlisted equity investments, at fair value:		
Carrying value	55.2	55.3
Provisions for impairments in values	(55.0)	(55.0)
	0.2	0.3
	141.9	194.3
Short term investments		
Listed equity investments, at market value:		
Hong Kong	8.8	2.6
Elsewhere	—	0.5
	8.8	3.1

Long term listed investments with market values amounting to HK\$32.3 million (1999 - HK\$188.3 million) were pledged to secure general credit facilities granted to the Group.

Short term investments with market values amounting to HK\$2.0 million (1999 - HK\$2.5 million) were pledged to secure general credit facilities granted to the Group.

**20. LOANS AND OTHER LONG TERM RECEIVABLES**

The loans and other long term receivables of the Group comprised the following:

		GROUP	
	Notes	2000 HK\$' million	1999 HK\$' million
Promissory notes receivable	(a)	180.0	-
Other loans	(b)	96.8	77.7
Other receivable	(c)	-	349.7
		276.8	427.4

(a) This represents promissory notes receivable in the aggregate amount of HK\$180.0 million (1999 - HK\$180.0 million) which are repayable on demand. Apart from an amount of HK\$50.0 million which is secured and bears interest at 11.5% per annum, the remaining amount of HK\$130.0 million is unsecured and bears interest at 1.5% to 2.5% over Hong Kong prime rate per annum. The notes receivable were classified as current assets in the prior year (note 21). The issuers of the promissory notes are in discussions with the Group to restructure the terms of the notes. Accordingly, the Directors consider it appropriate to reclassify the notes receivable as non-current assets at the balance sheet date.

(b) The other loans include a loan of US\$10.0 million (HK\$78.0 million) (1999 - HK\$77.7 million) advanced to a hotel owner in Shanghai, the PRC, to assist financing the interior decoration and pre-operating expenditure of its hotel which is managed by the Group. The loan is unsecured, interest free and is repayable commencing from the date of the hotel opening, by way of payments equivalent to 28% of the hotel's net operating profit determined in accordance with PRC accounting standards after appropriation of the statutory reserves, over the tenure of the management contract for the hotel of 15 years, subject to the possible renewal thereof for a further 5 years.

The remaining amount represents a loan of RMB20.0 million (HK\$18.8 million) (1999 - Nil) advanced to a PRC independent third party which is secured, bears interest at Hong Kong prime rate per annum and has no fixed terms of repayment.

(c) The prior year other receivable represented a deferred consideration of US\$45 million (approximately HK\$349.7 million) in respect of the Group's disposal of its hotel interests in the United States of America (the "Disposal"). The amount is receivable, together with interest accrued thereon at 7% per annum, on the second anniversary of the completion date of the Disposal which was 17th December, 1999. Accordingly, the amount has been reclassified to current assets in the current year (note 23).

21. SHORT TERM LOANS RECEIVABLE

The short term loans receivable of the Group in the prior year represented promissory notes receivable in the aggregate amount of HK\$180.0 million. The notes receivable were reclassified to non-current assets at the balance sheet date (note 20(a)).

22. HOTEL AND OTHER INVENTORIES

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Hotel merchandise	24.7	23.3
Raw materials	6.4	6.3
Work in progress	0.9	0.9
Finished goods	1.9	1.1
	<u>33.9</u>	<u>31.6</u>

As at 31st December, 2000, the carrying amount of the inventories of the Group pledged to secure general banking facilities granted to the Group amounted to HK\$9.8 million (1999 - HK\$9.5 million).

**23. DEBTORS, DEPOSITS AND PREPAYMENTS**

Included in the balance is an amount of HK\$64.4 million (1999 - HK\$52.5 million) representing the trade debtors of the Group. The aged analysis of such debtors is as follows:

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Outstanding balances with ages:		
Within 3 months	56.9	44.3
Between 4 to 6 months	3.3	8.0
Between 7 to 12 months	3.5	5.3
Over 1 year	10.1	7.0
	<hr/>	<hr/>
	73.8	64.6
Provisions	(9.4)	(12.1)
	<hr/>	<hr/>
	64.4	52.5
	<hr/>	<hr/>

Credit Terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amount less provisions for doubtful debts which are made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

The debtors, deposits and prepayments in the current year includes a deferred consideration of US\$45 million (approximately HK\$351.0 million) and interest accrued thereon at 7% per annum, further details of which are set out in note 20(c) to the financial statements.

24. CREDITORS AND ACCRUALS

Included in the balance is an amount of HK\$81.5 million (1999 - HK\$93.1 million) representing the trade creditors of the Group. The aged analysis of such creditors is as follows:

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Outstanding balances with ages:		
Within 3 months	73.6	87.1
Between 4 to 6 months	2.9	3.6
Between 7 to 12 months	1.9	0.7
Over 1 year	3.1	1.7
	<hr/>	<hr/>
	81.5	93.1
	<hr/>	<hr/>

25. INTEREST BEARING BANK AND OTHER BORROWINGS

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Bank loans:		
Secured	5,105.8	5,131.6
Unsecured	—	24.0
Other loans wholly repayable within five years:		
Secured	5.1	65.1
	<u>5,110.9</u>	<u>5,220.7</u>
Portion of borrowings due within one year included under current liabilities:		
Bank loans	(357.5)	(121.9)
Other loans	(5.1)	(65.1)
	<u>(362.6)</u>	<u>(187.0)</u>
Long term borrowings	<u>4,748.3</u>	<u>5,033.7</u>
The bank loans and other loans are repayable in varying instalments within a period of:		
On demand or not exceeding 1 year	362.6	187.0
More than 1 year but not exceeding 2 years	466.3	340.7
More than 2 years but not exceeding 5 years	3,890.0	4,198.0
More than 5 years	392.0	495.0
	<u>5,110.9</u>	<u>5,220.7</u>

At 31st December, 2000, the other loans carried fixed interest rate at 8.78% (1999 - 8.25% to 18%) per annum.

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

**26. SHARE CAPITAL****Shares**

	COMPANY	
	Number of shares 'million	HK\$'million
Authorised:		
Ordinary shares of HK\$0.10 each	<u>6,000.0</u>	<u>600.0</u>
5¼% convertible cumulative redeemable preference shares of US\$10 each	<u>0.3</u>	<u>23.2</u>
		<u>623.2</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
Balance at beginning of year	3,928.8	392.8
Conversion of 5¼% convertible cumulative redeemable preference shares	<u>10.0</u>	<u>1.0</u>
Balance at end of year	<u>3,938.8</u>	<u>393.8</u>
5¼% convertible cumulative redeemable preference shares of US\$10 each		
Balance at beginning of year	0.1	1.4
Conversion into ordinary shares	<u>-</u>	<u>(0.1)</u>
Balance at end of year	<u>0.1</u>	<u>1.3</u>
		<u>395.1</u>

The outstanding preference shares at the beginning of the year represented 18,948 5¼% convertible cumulative redeemable preference shares of US\$10 each issued for cash on 13th December, 1993 at US\$1,000 each. The preference shares are redeemable on 13th December, 2008 at US\$1,000 each (the "Reference Amount"). The Company has the right to redeem, on or at any time after 13th December, 1996, either part or all of the preference shares, subject to certain conditions, at a redemption price of not less than the Reference Amount, with such amount to be determined by reference to specified percentages applicable to the year in which the redemption takes place. The redemption can be made either in United States dollars, or by issuing such number of the Company's ordinary shares calculated by reference to 95% of the average daily closing price of the ordinary shares for the five dealing days ending on the seventh day prior to the date on which notice of such redemption (the "Redemption Notice") is first given to the preference shareholders at the fixed exchange rate of HK\$7.730255 to US\$1.00.

All preference shareholders have the right (the "Conversion Right") to convert any or all of their preference shares into fully paid ordinary shares of the Company at an initial price of HK\$2.0445 per share based on the Reference Amount of US\$1,000 per preference share at the fixed exchange rate of HK\$7.730255 to US\$1.00. On 19th June, 1997, the conversion price of the preference shares was adjusted to HK\$1.7037 per share as a result of a bonus issue of ordinary shares. The Conversion Right is exercisable on or after 28th December, 1993 until and including the eighth day prior to 13th December, 2008 or, if earlier, the date fixed for redemption thereof as set out in the Redemption Notice.

During the year, 2,200 preference shares were converted into 10.0 million additional ordinary shares of the Company at HK\$1.7037 per ordinary share. The exercise in full of the Conversion Rights attached to the remaining 16,748 preference shares in issue at 31st December, 2000 would have, with the present capital structure of the Company, resulted in the issue of a further 76.0 million additional ordinary shares.

Share options

The movements during the year in share options granted by the Company pursuant to the Executive Share Option Scheme approved by the shareholders on 28th June, 1990 were as follows:

Number of ordinary shares under options

	Granted on 22nd February, 1992 'million	Granted on 28th August, 1992 'million	Granted on 5th August, 1993 'million	Granted on 22nd February, 1997 'million	Total 'million
Balance at beginning of year	54.2	0.4	1.4	5.8	61.8
Cancelled during the year	(4.2)	(0.4)	-	(2.9)	(7.5)
Balance at end of year	<u>50.0</u>	<u>-</u>	<u>1.4</u>	<u>2.9</u>	<u>54.3</u>
Exercise price per ordinary share (HK\$):	<u>0.7083</u>	<u>0.9250</u>	<u>1.1083</u>	<u>2.1083</u>	
Outstanding rights vested with option holders at the date of approval of the financial statements by the Board of Directors, inclusive of those exercised prior thereto since the year end date	<u>43.3</u>	<u>-</u>	<u>0.9</u>	<u>1.2</u>	

The rights to exercise the options vest with the holders thereof in stages commencing two years from their respective dates of grant.

The exercise in full of the outstanding rights which have vested with the holders of the options up to the date of approval of the financial statements by the Board of Directors, inclusive of those exercised since the year end date, would have, with the present capital structure of the Company, resulted in the issue of 45.4 million additional ordinary shares and cash proceeds to the Company of approximately HK\$34.2 million before related expenses.



27. RESERVES

	Notes	GROUP		COMPANY	
		2000 HK\$'million	1999 HK\$'million	2000 HK\$'million	1999 HK\$'million
Share premium	28	1,653.8	1,654.7	1,653.8	1,654.7
Capital redemption reserve	29	13.5	13.5	13.5	13.5
Capital reserve	30	1,193.8	1,206.6	-	-
Revaluation reserves	31	4,069.3	4,040.8	-	-
Exchange equalisation reserve	32	(12.3)	(7.3)	-	-
Contributed surplus	34	-	-	5,052.3	5,052.3
Accumulated losses		(826.4)	(598.9)	(627.9)	(411.3)
		<u>6,091.7</u>	<u>6,309.4</u>	<u>6,091.7</u>	<u>6,309.2</u>

28. SHARE PREMIUM

	COMPANY	
	2000 HK\$'million	1999 HK\$'million
Balance at beginning of year	1,654.7	1,654.7
Add: Premium on ordinary shares issued upon conversion of 5¼% convertible cumulative redeemable preference shares	16.0	-
Less: Premium on issue in relation to 5¼% convertible cumulative redeemable preference shares converted and cancelled	(16.9)	-
Balance at end of year	<u>1,653.8</u>	<u>1,654.7</u>