

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below:

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of warehouses, investment properties, hotel properties and investments in securities, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged to or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the post acquisition results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

(d) Joint ventures in the PRC

(i) Equity joint ventures

Equity joint ventures are Sino-foreign joint ventures in respect of which the partners' capital contribution ratios are defined in the joint venture contracts and the partners' profit sharing ratios are in proportion to the capital contribution ratios.

The Group's investments in equity joint ventures are accounted for as associated companies or subsidiaries depending on the Group's equity or controlling interest therein.

(ii) Co-operative joint ventures

Co-operative joint ventures are Sino-foreign joint ventures in respect of which the partners' profit sharing ratios and share of net assets upon the expiration of the joint venture periods are not necessarily in proportion to their capital contribution ratios but are defined in the joint venture contracts.

The Group's investments in co-operative joint ventures are accounted for as associated companies or subsidiaries depending on the Group's controlling interest therein.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(d) Joint ventures in the PRC (Continued)

(iii) Fixed return co-operative joint ventures

Where investment income derived from investments in co-operative joint ventures is predetermined in accordance with the provisions of the joint venture contracts for a substantial portion of the joint venture period, these co-operative joint ventures are referred to as fixed return co-operative joint ventures. Fixed return co-operative joint ventures are stated at cost less the amount amortised on a straight-line basis through the profit and loss account over the joint venture period.

(e) Wholly foreign owned enterprises in the PRC

Interests in wholly foreign owned enterprises are accounted for as subsidiaries.

(f) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries and associated companies acquired and is taken to reserves in the year of acquisition.

(g) Investments in securities

(i) Non-trading securities

Investments which are held for non-trading purposes are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the non-trading securities revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the non-trading securities revaluation reserve, is dealt with in the profit and loss account.

Individual investments are reviewed regularly to determine whether they are impaired. When an investment is considered to be impaired, the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account. Transfers from non-trading securities revaluation reserve to the profit and loss account as a result of impairments are written back in the profit and loss account when the circumstances and events leading to the impairments cease to exist.

(ii) Trading securities

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains and losses arising from the changes in fair value of trading securities are recognised in the profit and loss account. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(h) Properties and other fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at annual professional valuation at the balance sheet date. Changes in the value of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit on revaluation on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying value over the remaining term of the lease.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Properties and other fixed assets (Continued)

(ii) Hotel properties

Hotel properties are interests in land and buildings and their integral fixed plant and are stated at annual professional valuation at the balance sheet date. Changes in the value of hotel properties are dealt with as movements in the hotel properties revaluation reserve. If the reserve is insufficient to cover a deficit on revaluation on an individual basis, the excess of the deficit on revaluation is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account on an individual basis to the extent of the deficit previously charged. It is the Group's practice to maintain the properties in a continual state of sound repair and maintenance and accordingly the directors consider that depreciation is not necessary due to their high residual values, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying value over the remaining term of the lease. The related maintenance expenditure is dealt with in the profit and loss account in the year of expenditure.

(iii) Leasehold land and buildings

Warehouses classified as other leasehold land and buildings are stated at valuation, being the open market value at the date of valuation, less subsequent aggregate depreciation. Changes in the value of warehouses arising from revaluation are dealt with as movements in the other properties revaluation reserve. If the reserve is insufficient to cover a deficit on revaluation on an individual basis, the excess of the deficit on revaluation is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account on an individual basis to the extent of the deficit previously charged.

Depreciation on warehouses which are classified as other leasehold land and buildings is calculated to write off their valuation less residual value on a straight-line basis over their expected remaining useful lives to the Group ranging from thirteen to thirty-two years.

Staff quarters are stated at cost less aggregate depreciation. Cost represents the purchase price of the staff quarters and other costs incurred to bring them into existing use.

Depreciation on staff quarters is calculated to write off their cost on a straight-line basis over their expected useful lives to the Group. The principal annual rate used for this purpose is 5%.

(iv) Properties held for/under development

Properties held for/under development for long-term purposes are stated at cost.

Properties under development for sale are included in current assets and are stated at the lower of cost and net realisable value, if pre-sale of properties has not commenced.

Properties under development for sale are included in current assets and are stated at cost plus attributable profits recognised on the basis set out in note 1(p)(i) less sales instalments received and receivable and provision for any foreseeable losses and progress payments received and receivable, if pre-sale of properties has commenced.

Cost of properties in the course of development comprises land cost, fees for land use rights and development costs including attributable interest and professional charges capitalised during the development period. Where properties, previously held as investment properties, are subject to re-development, they are valued at the date re-development commenced. Cost of properties under development includes the carrying value of the properties at the date when re-development commences.

Net realisable value is determined by reference to sales proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates based on prevailing market conditions.

No depreciation is provided on properties held for/under development.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Properties and other fixed assets (Continued)

(v) Stock of completed properties held for sale

Stock of completed properties held for sale are included in current assets and are stated at the lower of cost and net realisable value. Cost comprises land and development costs and is determined by apportionment of the total land and development costs attributable to the unsold properties. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Upon the disposal of stock of completed properties held for sale, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the completed properties revaluation reserve to the profit and loss account.

(vi) Other fixed assets

Other fixed assets are stated at cost less aggregate depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

Depreciation on other fixed assets is calculated to write off their cost on a straight-line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:-

Leasehold improvements	15%
Warehouse operating equipment	5% to 20%
Motor vehicles, furniture, fixtures and office equipment	15% to 20%

(vii) Gain or loss on disposal of fixed assets

The gain or loss on disposal of other leasehold land and buildings is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

The gain or loss on disposal of a fixed asset other than other leasehold land and buildings is the difference between the net sales proceeds and the carrying amount of the relevant asset together with any revaluation reserve balance remaining attributable to the relevant asset and is recognised in the profit and loss account.

(viii) Impairment of fixed assets

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, their carrying amounts are reduced to their recoverable amounts. Recoverable amount is the amount which the Group expects to recover from the future use of the asset, including its residual value on disposal. Expected future cash flows have not been discounted in determining the recoverable amount.

The amount of the reduction to recoverable amount is charged to the profit and loss account, unless it reverses a previous revaluation increase, in which case it is charged directly against any related revaluation reserve to the extent that the reduction does not exceed the amount held in the revaluation reserve in respect of the same item or group of identical assets.

(ix) Cost of restoring and improving fixed assets

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(i) **Accounts receivable**

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(j) **Convertible bonds**

Convertible bonds are stated at the aggregate of the net proceeds from the issue plus finance costs provided.

The net proceeds represent the amount received on the issue of the convertible bonds after deduction of direct issue costs. Direct issue costs are amortised to the profit and loss account on a straight-line basis over the period from the date of issue to the date on which the bondholders can exercise their redemption option (the "Bondholders' Redemption Date"). If any of the convertible bonds are purchased and cancelled, redeemed or converted prior to the Bondholders' Redemption Date, any remaining unamortised costs attributable to such convertible bonds will be written off immediately to the profit and loss account.

Finance costs represent the premium that is to be paid to the bondholders upon redemption on or before the Bondholders' Redemption Date. The estimated premium is provided for at a constant rate over the period when the bondholders' redemption option is outstanding and is charged to the profit and loss account. If any of the convertible bonds are purchased and cancelled or converted prior to the Bondholders' Redemption Date, any provision of such redemption premium in previous years in respect of the convertible bonds purchased or converted will be taken to the profit and loss account.

The gain or loss on purchase of convertible bonds, representing the difference between the consideration paid and the nominal value of the convertible bonds purchased, is recognised in the profit and loss account.

(k) **Borrowing costs**

Borrowing costs incurred on assets under active development that take a substantial period of time to be readied for their intended use or sale are capitalised into the carrying value of properties held for/under development. The capitalisation rate is based on attributable cost of the specific borrowings.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(l) **Deferred taxation**

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(m) **Retirement benefit costs**

The Group's contributions to the mandatory provident fund scheme and the defined contribution retirement scheme are expensed as incurred. Contributions to the defined contribution retirement scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of both schemes are held separately from those of the Group in independently administered funds.

(n) **Operating leases**

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(o) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in the exchange fluctuation reserve.

(p) Revenue and profit recognition

(i) The recognition of revenue and profits from the sale of properties under development in advance of completion commences when a legally binding contract of sale has been executed. The revenues and profits recognised in a year are a proportion of the total revenues and profits expected on completion, the proportion used being the percentage of the construction costs incurred at the end of the year to the estimated total construction costs on completion (with due allowances for contingencies). The profit so recognised is restricted to the amount of instalments received.

Where purchasers fail to pay the balances of the purchase price on completion and the Group exercises its right to resell the property, sales deposits received in advance of completion are forfeited and credited to operating profits; any profits recognised so far are reversed.

(ii) Revenue in respect of sale of completed properties and investment properties is recognised upon completion of sale agreements.

(iii) Rental revenue and other revenues incidental to the letting of properties are recognised on a straight-line basis over the periods of the respective leases.

(iv) Revenue from general storage and other ancillary services is recognised when the services are rendered. Revenue from leased storage is recognised on a straight-line basis over the periods of the respective leases.

(v) Income on development consultancy and project management is recognised on a pro-rata basis according to the progress of the projects.

(vi) Income from property management is recognised on an accrual basis.

(vii) Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(viii) Dividend income is recognised when the right to receive payment is established.

(ix) Income from investments in fixed return co-operative joint ventures is recognised on an accrual basis in accordance with the provisions of the joint venture contracts.

(x) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

(a) The principal activities of the Group are disclosed in page 56 of the Report of the Directors. Revenues recognised during the year are as follows:

	2000 HK\$'000	Group 1999 HK\$'000
Turnover		
Proceeds from sale of properties		
– completed properties		
– Hong Kong	178,286	203,400
– PRC	78,099	26,621
	256,385	230,021
– properties under development for sale		
– Hong Kong	–	303,229
– PRC	348,034	–
	348,034	303,229
– investment properties		
– Hong Kong	1,044,788	705,120
– PRC	14,556	–
	1,059,344	705,120
	1,663,763	1,238,370
Rental income	820,028	666,289
Hotel revenue (note 2(b)(i))	175,481	–
Storage and services income		
– warehouse	410,559	356,369
– logistics	70,578	34,736
	481,137	391,105
Development consultancy, project management and property management fees	55,348	46,411
	3,195,757	2,342,175
Other revenues		
Income from investment in a fixed return co-operative joint venture	118,998	118,518
Dividend income from:		
– listed investments	225	380
– unlisted investments	100,963	26,177
	101,188	26,557
Interest income	78,155	64,424
	298,341	209,499
Total revenues	3,494,098	2,551,674

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and markets is as follows:

	Turnover		Operating profit	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Principal activities:				
Property rental	820,028	666,289	542,750	478,917
Hotel operations (note 2(b)(i))	175,481	–	51,456	–
Logistics and warehouse operations				
– warehouse	410,559	356,369	71,157	94,921
– logistics	70,578	34,736	2,774	5,048
	481,137	391,105	73,931	99,969
Property sales	1,663,763	1,238,370	(49,126)	404,359
Infrastructure	–	–	56,649	56,071
Project, property management and others	55,348	46,411	115,279	7,208
	3,195,757	2,342,175	790,939	1,046,524
Principal markets:				
Hong Kong	2,224,077	2,125,555	415,429	967,179
PRC	971,680	216,620	375,510	79,345
	3,195,757	2,342,175	790,939	1,046,524

(i) The Group's hotel operations commenced in late 1999 and generated turnover of HK\$32,110,000 for that year. As the revenue from hotel operations in 1999 was immaterial, this amount net of hotel operating expenses of HK\$32,548,000 was included in "Other Income" in 1999. Accordingly, the loss from hotel operations in 1999 of HK\$438,000 has been included as part of "Property Rental" operating profit.

3. OPERATING PROFIT BEFORE FINANCE COSTS

	2000	Group
	HK\$'000	1999 HK \$'000
(a) Operating profit before finance costs is stated after crediting and charging the following:		
Crediting		
Gross rental income from investment properties		
– Hong Kong	464,519	476,290
– PRC	355,509	189,999
	820,028	666,289
Less: outgoings in respect of investment properties		
– Hong Kong	(28,237)	(26,383)
– PRC	(51,340)	(22,720)
	(79,577)	(49,103)
Net rental income from investment properties		
– Hong Kong	436,282	449,907
– PRC	304,169	167,279
	740,451	617,186
Interest income	79,579	64,751
Less: amount capitalised in properties under development	(1,424)	(327)
	78,155	64,424
Gain on sale of investment properties		
– excess of sales proceeds over book value/ (excess of book value over sales proceeds)	11,520	(40,491)
– transfer from investment properties revaluation reserve	403,023	503,868
	414,543	463,377
Realised gain on disposal of trading securities	17,370	2,496
Unrealised gain on trading securities	515	12,307
Charging		
Cost of sale of completed properties and pre-sale of properties under development	577,015	625,601
Transfer from properties under development revaluation reserve and completed properties revaluation reserve	(45,275)	(135,992)
	531,740	489,609
Auditors' remuneration	3,217	2,918
Depreciation of fixed assets	42,231	41,230
Less: amount capitalised in properties under development	(458)	(2,052)
	41,773	39,178
Retirement benefit costs (note 9)	10,329	7,049
Operating lease charges – land and buildings	7,661	13,211
Staff costs	247,052	204,910

(b) This represents a specific provision of HK\$400 million for the Ocean Pointe development at Sham Tseng in Hong Kong.

4. FINANCE COSTS

	2000 HK\$'000	Group 1999 HK\$'000
Bank loans and overdrafts wholly repayable within five years	613,594	584,343
Convertible bonds	119,085	118,420
Others	8,862	7,089
	741,541	709,852
Less: amount capitalised in properties under development	(334,482)	(501,002)
Total finance costs expensed during the year	407,059	208,850

The capitalisation rate applied to funds borrowed generally and used for the development of properties held for/under development is between 7% to 11% per annum.

5. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the year. Taxation on PRC profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC.

The amount of taxation charged to the consolidated profit and loss account represents:

	2000 HK\$'000	Group 1999 HK\$'000
Hong Kong profits tax		
– Current	57,202	73,090
– Over provision in prior years	(7,344)	(47,953)
– Deferred (note 27)	5,106	(2,514)
	54,964	22,623
PRC taxation		
– Current	12,470	5,775
– Over provision in prior years	(673)	(4,992)
– Deferred (note 27)	4,246	(418)
	16,043	365
Share of taxation attributable to associated companies	50,525	43,478
	121,532	66,466

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the accounts of the Company is HK\$479,742,000 (1999: HK\$536,438,000).

7. DIVIDENDS

	Company	
	2000 HK\$'000	1999 HK\$'000
Interim, paid, of HK\$0.20 (1999:HK\$0.20) per ordinary share	223,865	223,615
Final, proposed, of HK\$0.20 (1999:HK\$0.20) per ordinary share	226,883	223,648
	450,748	447,263

Amounts shown in respect of the interim dividend for the year ended 31 December 2000 reflect the cash dividend of HK\$0.20 per ordinary share. A scrip dividend alternative to the interim dividend was also offered, with the result that only HK\$61,605,000 of the interim dividend was paid in cash.

8. EARNINGS PER SHARE – GROUP

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$728,201,000 (1999: HK\$1,232,602,000) and the weighted average number of 1,121,951,220 shares (1999: 1,118,043,969 shares) in issue during the year.

There is no dilution arising from the outstanding convertible bonds issued by the Group and the outstanding share options granted by the Company in previous years. The dilution from the outstanding share options granted by the Company in the current year is immaterial. Accordingly, diluted earnings per share has not been shown.

9. RETIREMENT BENEFIT COSTS

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme") from 1 December 2000.

The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Contributions are made to the MPF Scheme by the employers at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,000 per employee per month (the "MPF Contribution"). The employees also contribute a corresponding amount to the MPF Scheme from 31 December 2000 if their relevant income is more than HK\$4,000 per month. The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

9. RETIREMENT BENEFIT COSTS (CONTINUED)

Certain companies within the Group are also participants of the Kerry Trading Co. Limited – Provident Fund Scheme (the “Fund”) which is a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong). The Fund is for certain salaried persons (the “Fund Members”) in the employment in Hong Kong of the companies participating in the Fund. The assets of the Fund are managed by the trustees of the Fund. Contributions are made to the Fund by companies participating in the Fund at 10% of the Fund Members’ monthly basic salaries up to a maximum of HK\$5,000 per Fund Member per month (the “Basic Contribution”) less the MPF Contribution if the Basic Contribution is higher than the MPF Contribution. Fund Members are entitled to 100% of the employers’ contributions to the Fund plus investment earnings after completing ten years of service or more, or attaining the retirement age after any number of years of service. Fund Members are also entitled to the employers’ contributions to the Fund plus investment earnings calculated at a reduced scale of between 20% and 90% after completing a period of service of at least two but less than ten years. The unvested benefits of employees terminating employment forfeited in accordance with the terms of the Fund can be utilised by the companies participating in the Fund to reduce the future levels of contributions. The amounts of unvested benefits so utilised by the Group during the year and available for the future reduction of employers’ contributions as at 31 December 2000 are as follows:

	2000 HK\$’000	1999 HK\$’000
Unvested benefits utilised to reduce contributions during the year ended 31 December	2,397	3,331
Unvested benefits available as at 31 December	224	614
Contributions during the year ended 31 December		
– to the MPF Scheme	421	–
– to the Fund	9,908	7,049
Total contributions to the MPF Scheme and the Fund during the year ended 31 December	10,329	7,049

10. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2000	Group
	HK\$'000	1999 HK\$'000
Fees		
– Independent non-executive directors	540	540
– Non-executive directors	345	346
	885	886
For management		
Basic salaries, housing allowances, other allowances and other benefits in kind	14,955	14,193
Discretionary bonuses	6,350	7,750
Directors' pensions	240	270
	22,430	23,099

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2000	1999
HK\$ Nil – HK\$1,000,000		
HK\$ Nil – HK\$200,000	4	5
HK\$200,001 – HK\$1,000,000	2	1
	6	6
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$3,500,001 – HK\$4,000,000	1	1
HK\$4,500,001 – HK\$5,000,000	1	1
HK\$5,000,001 – HK\$5,500,000	1	1
HK\$6,500,001 – HK\$7,000,000	1	–
HK\$7,000,001 – HK\$7,500,000	–	1
	10	11

No directors have waived emoluments in respect of the years ended 31 December 2000 and 1999.

On 1 June 2000, the Company granted options to all five executive directors of the Company under an executive share option scheme ("the Share Option Scheme") approved by the shareholders of the Company on 27 March 1997 to acquire a total of 3,010,000 shares of par value of HK\$1 each in the share capital of the Company at an exercise price of HK\$7.17 per share. The option shares granted are divided into three tranches of 1,005,000, 1,005,000 and 1,000,000 and are exercisable from 1 June 2001, 1 June 2002 and 1 June 2003, respectively, to 31 May 2010.

Pursuant to the terms of the Company's Share Option Scheme, following changes in the Company's issued share capital in 1999 and 2000, the Company adjusted the respective exercise prices per option share of the unexercised options and the respective number of option shares comprising thereunder on 4 December 2000. The exercise prices have been adjusted from HK\$16 to HK\$15.77, from HK\$10.33 to HK\$10.19 and from HK\$7.17 to HK\$7.08 in respect of the unexercised options granted on 11 April 1997, 27 November 1999 and 1 June 2000, respectively, with additional corresponding option shares of 98,898, 33,796 and 38,260 granted to six directors of the Company.

10. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Highest paid individuals

The aggregate amounts of emoluments payable to the five highest paid individuals of the Group during the year, of whom four (1999: four) are directors of the Company, are as follows:

	2000	Group
	HK\$'000	1999 HK\$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	16,935	15,993
Discretionary bonuses	7,645	9,150
Pensions contributions	300	330
	24,880	25,473

The emoluments of the five highest paid individuals of the Group during the year, of whom four (1999: four) are directors of the Company, fell within the following bands:

Emolument bands	Number of individuals	
	2000	1999
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$3,500,001 – HK\$4,000,000	1	1
HK\$4,500,001 – HK\$5,000,000	1	1
HK\$5,000,001 – HK\$5,500,000	1	1
HK\$6,500,001 – HK\$7,000,000	1	–
HK\$7,000,001 – HK\$7,500,000	–	1
	5	5

11. FIXED ASSETS

	Group								Company	
	Investment properties	Hotel properties	Warehouses	Staff quarters	Properties held for/under development	Leasehold improvements	Warehouse operating equipment	Motor vehicles, furniture, fixtures and office equipment	Total	Motor vehicles, furniture, fixtures and office equipment
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation										
At 1 January 2000	22,356,179	953,000	858,700	10,986	1,462,329	4,099	138,459	121,574	25,905,326	2,558
Exchange adjustment	(419)	-	-	45	3,905	2	-	192	3,725	-
Reclassifications	91,140	-	(218,000)	-	126,860	-	(38)	38	-	-
Additions, at cost	3,000	-	-	-	958,186	1,987	12,802	21,525	997,500	55
Adjustment on revaluation	(462,586)	-	(86,250)	-	-	-	-	-	(548,836)	-
Disposals	(1,047,824)	-	-	(4,849)	-	-	(271)	(8,656)	(1,061,600)	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	576	576	-
At 31 December 2000	20,939,490	953,000	554,450	6,182	2,551,280	6,088	150,952	135,249	25,296,691	2,613
At cost	-	-	-	6,182	2,551,280	6,088	150,952	135,249	2,849,751	2,613
At professional valuation	20,939,490	953,000	554,450	-	-	-	-	-	22,446,940	-
At 31 December 2000	20,939,490	953,000	554,450	6,182	2,551,280	6,088	150,952	135,249	25,296,691	2,613
Aggregate depreciation										
At 1 January 2000	-	-	-	2,453	-	3,386	63,313	58,004	127,156	998
Exchange adjustment	-	-	-	9	-	1	-	61	71	-
Reclassifications	-	-	-	-	-	-	(34)	34	-	-
Charge for the year	-	-	13,019	358	-	575	8,852	19,427	42,231	462
Adjustment on revaluation	-	-	(13,019)	-	-	-	-	-	(13,019)	-
Disposals	-	-	-	(795)	-	-	(255)	(6,345)	(7,395)	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	450	450	-
At 31 December 2000	-	-	-	2,025	-	3,962	71,876	71,631	149,494	1,460
Net book value as at 31 December 2000	20,939,490	953,000	554,450	4,157	2,551,280	2,126	79,076	63,618	25,147,197	1,153
Net book value as at 31 December 1999	22,356,179	953,000	858,700	8,533	1,462,329	713	75,146	63,570	25,778,170	1,560

11. FIXED ASSETS (CONTINUED)

- (a) The Group's interests in investment properties, hotel properties, other leasehold land and buildings and properties held for/under development at their net book values are analysed as follows:

	2000 HK\$'000	Group 1999 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	9,844,861	10,093,549
Leases of between 10 to 50 years	6,927,282	7,320,556
In PRC, held on:		
Leases of over 50 years	126,202	-
Leases of between 10 to 50 years	8,104,032	8,224,636
	25,002,377	25,638,741

- (b) As at 31 December 2000, properties with an aggregate net book value of HK\$7,846,113,000 (1999: HK\$9,588,012,000) were pledged as security for bank loan facilities granted to the Group (note 32).
- (c) All investment properties, hotel properties and warehouses classified as other leasehold land and buildings were jointly revalued by DTZ Debenham Tie Leung Limited and Chesterton Petty Limited, independent professional valuers, on an open market value basis as at 31 December 2000.
- (d) The carrying amount of the warehouses classified as other leasehold land and buildings would have been HK\$364,042,000 (1999: HK\$431,918,000) had they been stated in the accounts at cost less aggregate depreciation.

12. SUBSIDIARIES

	2000 HK\$'000	Company 1999 HK\$'000
Unlisted shares, at cost (note (a))	18,643,700	18,643,208
Amounts due from subsidiaries (note (b))	10,080,446	9,342,602
	28,724,146	27,985,810

- (a) Details of subsidiaries are set out in note 35 to the accounts.
- (b) The amounts due from subsidiaries are unsecured, not repayable within twelve months from the balance sheet date and interest-free except for an amount of HK\$7,423,160,000 (1999: HK\$6,690,972,000) which bears interest at prevailing market rates.

13. ASSOCIATED COMPANIES

	2000 HK\$'000	Group 1999 HK\$'000
Share of net assets other than goodwill (note (a))	1,302,136	1,909,089
Amounts due from associated companies (note (b))	4,038,162	4,022,541
Amounts due to associated companies (note (c))	(58,372)	(50,233)
	5,281,926	5,881,397

- (a) Details of associated companies are set out in note 36 to the accounts.
- (b) The amounts due from associated companies are unsecured, not repayable within twelve months from the balance sheet date and interest-free except for amounts totalling HK\$807,861,000 (1999: HK\$834,507,000) which bear interest at prevailing market rates.
- (c) The amounts due to associated companies are unsecured, interest-free and not repayable within twelve months from the balance sheet date.

14. LONG-TERM INVESTMENTS

	2000 HK\$'000	Group 1999 HK\$'000
Fixed return co-operative joint venture (note (a))	372,920	435,080
Non-trading securities:		
Unlisted investments, at fair value	1,307,854	914,794
Amounts due from investee companies (note (b))	9,067	10,108
	1,689,841	1,359,982
Club debentures, at cost	9,815	9,811
	1,699,656	1,369,793

- (a) Fixed return co-operative joint venture

	2000 HK\$'000	Group 1999 HK\$'000
Cost at 1 January and 31 December	621,560	621,560
Aggregate amortisation		
At 1 January	186,480	124,320
Charge for the year	62,160	62,160
At 31 December	248,640	186,480
Net book value as at 31 December	372,920	435,080

- (b) The amounts due from investee companies are unsecured, interest-free and not repayable within twelve months from the balance sheet date.

15. STOCK OF COMPLETED PROPERTIES HELD FOR SALE

As at 31 December 2000, the carrying amount of stock of completed properties held for sale that was carried at net realisable value amounted to HK\$2,265,198,000 (1999: Nil).

16. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2000	Group
	HK\$'000	1999 HK\$'000
Properties under development for sale	3,237,222	5,709,512
Less: sales instalments received and receivable	(366,352)	(799,301)
	2,870,870	4,910,211

As at 31 December 2000, properties under development for sale with an aggregate net book value of HK\$2,430,495,000 (1999: HK\$1,875,166,000) were pledged as security for bank loan facilities granted to the Group (note 32).

17. ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

The Group maintains a defined credit policy. The ageing analysis of the trade receivable as at 31 December 2000 is as follows:

	2000	Group
	HK\$'000	1999 HK\$'000
0 – 1 month	206,377	46,297
2 – 3 months	9,917	7,108
Over 3 months	19,510	11,365
	235,804	64,770

18. TRADING SECURITIES

	2000	Group
	HK\$'000	1999 HK\$'000
Equity shares listed in Hong Kong, at market value	3,375	31,427

19. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

The ageing analysis of trade payable as at 31 December 2000 is as follows:

	2000	Group
	HK\$'000	1999
		HK\$'000
0 – 1 month	190,646	104,155
2 – 3 months	3,122	10,191
Over 3 months	4,416	339
	198,184	114,685

20. SHARE CAPITAL

	Authorised	
	Ordinary shares	
	of HK\$1 each	
	No. of shares	HK\$'000
At 31 December 1999 and 2000	10,000,000,000	10,000,000

	Issued and fully paid			
	Ordinary shares			
	of HK\$1 each			
	2000		1999	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1 January	1,118,238,605	1,118,239	1,117,915,786	1,117,916
Issue of scrip dividend shares	16,178,550	16,178	322,819	323
At 31 December	1,134,417,155	1,134,417	1,118,238,605	1,118,239

- (a) On 10 April 2000, the Company approved a final dividend on its ordinary shares for the year ended 31 December 1999. The Company offered to its shareholders a scrip dividend alternative under which the shareholders could elect to receive ordinary shares in lieu of a cash dividend. 1,084,592 ordinary shares of HK\$1 each were issued on 23 May 2000 under this scheme. Proceeds received in respect of the scrip dividend shares issued were used as additional working capital for the Group.
- (b) On 18 August 2000, the Company declared an interim dividend on its ordinary shares for the year ended 31 December 2000. The Company offered to its shareholders a scrip dividend alternative under which the shareholders could elect to receive ordinary shares in lieu of a cash dividend. 15,093,958 ordinary shares of HK\$1 each were issued on 19 October 2000 under this scheme. Proceeds received in respect of the scrip dividend shares issued were used as additional working capital for the Group.
- (c) At 31 December 2000, the Company had outstanding US\$198,480,000 (1999: US\$198,480,000) guaranteed redeemable bonds convertible into shares of the Company (note 26(c)). Full conversion of such bonds would under the present capital structure of the Company, result in the issue of shares with an aggregate nominal value of approximately HK\$71,521,000 (1999: HK\$71,521,000).

21. SHARE OPTIONS

Under the Share Option Scheme, the directors of the Company may, at their discretion, invite executive directors and key employees of the Company or its subsidiaries to subscribe for shares in the Company subject to terms and conditions stipulated therein.

On 1 June 2000, the Company granted a total of 8,422,000 option shares at an exercise price of HK\$7.17 per share.

Pursuant to the terms of the Share Option Scheme, the Company adjusted the respective exercise prices per option share of the unexercised options and the respective number of option shares comprised thereunder on 4 December 2000 following changes in the Company's issued share capital in 1999 and 2000.

Details of the movements of the outstanding option shares during the year are listed as follows:

	Outstanding Option Shares granted on 11 April 1997	Outstanding Option Shares granted on 27 November 1999	Option Shares granted on 1 June 2000
At 1 January 2000	11,998,434	5,870,000	N/A
Granted during the year	N/A	N/A	8,422,000
Cancelled during the year	(437,500)	(100,000)	(60,000)
Exercised during the year	Nil	Nil	Nil
Additional number of option shares granted for the adjustment made on 4 December 2000	<u>168,597</u>	<u>79,254</u>	<u>106,260</u>
As at 31 December 2000	<u>11,729,531</u>	<u>5,849,254</u>	<u>8,468,260</u>
Exercise price per option share immediately before the adjustment on 4 December 2000	HK\$16.00	HK\$10.33	HK\$7.17
Exercise price per option share immediately after the adjustment on 4 December 2000	HK\$15.77	HK\$10.19	HK\$7.08
Exercise period	11 April 1999 to 26 March 2007	Tranche I – 27 May 2000 to 26 March 2007 Tranche II – 27 May 2001 to 26 March 2007	Tranche I – 1 June 2001 to 31 May 2010 Tranche II – 1 June 2002 to 31 May 2010 Tranche III – 1 June 2003 to 31 May 2010
Number of relevant option shares under each tranche	N/A	Tranche I – 2,924,618 Tranche II – 2,924,636	Tranche I – 2,868,000 Tranche II – 2,868,000 Tranche III – 2,732,260