

## Notes to the Accounts

### 1. Turnover

The principal activity of the Company is investment holding. The principal activities of its major subsidiary, jointly controlled and associated companies are shown on pages 90 to 98.

Turnover represents sales by the Company and its subsidiary companies to outside customers and comprises revenue from:

	Group	
	2000 HK\$M	1999 HK\$M
Gross rental income	4,626	4,684
Sales of development properties	1,114	1,749
Sales of investment properties	–	515
Rendering of other services	1,093	1,264
Sales of goods	8,217	8,650
	<b>15,050</b>	<b>16,862</b>

### 2. Operating profit

	Group	
	2000 HK\$M	1999 HK\$M
<i>Operating profit has been arrived at after charging:</i>		
Cost of stocks sold	6,236	7,120
Depreciation of fixed assets	510	502
Staff costs	1,615	1,792
Operating lease rentals:		
Land and buildings	75	103
Other equipment	19	23
Amortisation of deferred expenditure	167	140
Losses less profits on sale of subsidiary, jointly controlled and associated companies	11	137
Provision for land premium on development properties	151	–
Auditors' remuneration	8	12
Exchange differences	8	–
Loss on sale of fixed assets	16	–
<i>and after crediting:</i>		
Gross rental income	4,626	4,684
Less: Outgoings	1,057	1,026
Net rental income	3,569	3,658
Profit on sale of development properties	225	360
Profit on sale of fixed assets	–	52
Exchange differences	–	10

**3. Directors' emoluments**

	Group	
	2000 HK\$M	1999 HK\$M
Fees from the Company and its subsidiary companies	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	<b>40</b>	48
Retirement benefit costs	<b>1</b>	3
	<b>41</b>	51

Housing costs accounted for 33% (1999: 31%) of emoluments.

The total emoluments of the directors were within the following bands:

HK\$'000	2000 Number	1999 Number
0 – 1,000	<b>8</b>	8
1,001 – 1,500	<b>1</b>	–
2,001 – 2,500	<b>1</b>	1
3,501 – 4,000	–	1
5,001 – 5,500	<b>1</b>	–
5,501 – 6,000	–	1
6,001 – 6,500	–	2
7,001 – 7,500	<b>1</b>	–
7,501 – 8,000	–	1
9,001 – 9,500	–	1
9,501 – 10,000	<b>1</b>	1
14,501 – 15,000	<b>1</b>	–
	<b>14</b>	16

The five highest paid individuals in the group are Directors of the Company.

Directors' fees paid or payable to the independent non-executive Directors during the year totalled HK\$298,000 (1999: HK\$298,000). They received no other emoluments from the Company or any of its subsidiary companies.

#### 4. Net finance charges

	Group			
	2000		1999	
	HK\$M	HK\$M	HK\$M	HK\$M
<b><i>Interest charged on:</i></b>				
Bank loans and overdrafts		501		501
Other loans and bonds:				
– wholly repayable within five years	379		417	
– not wholly repayable within five years	624		621	
		1,003		1,038
Deferred into properties under development for sale:				
– subsidiary companies	(39)		(95)	
– jointly controlled companies	(607)		(423)	
– long-term investments	(12)		(18)	
		(658)		(536)
Capitalised on:				
– investment properties		(250)		(303)
– other properties and plant and machinery		(1)		(2)
		595		698
<b><i>Interest income on:</i></b>				
Short-term deposits and bank balances	(44)		(33)	
Other loans	(119)		(180)	
		(163)		(213)
		432		485

The capitalisation rate applied to funds borrowed generally and used for the development of investment properties and properties for sale is between 6.125% and 9.5% per annum (1999: 5.27% and 9% per annum).

#### 5. Share of profits less losses of jointly controlled companies

The share of profits less losses of jointly controlled companies includes an attributable loss of HK\$1,700 million arising from the provision for diminution in value of property development sites, and an attributable loss of HK\$132 million relating to the sale of Carlsbrew Brewery (Shanghai) Limited and other restructuring costs.

## 6. Taxation

	Group			
	2000		1999	
	HK\$M	HK\$M	HK\$M	HK\$M
<i>The taxation charge comprises:</i>				
The Company and its subsidiary companies:				
Hong Kong				
– profits tax	248		362	
– deferred taxation	(6)		(1)	
– 10% 1997/98 Hong Kong profits tax rebate	–		(100)	
– over-provision in respect of previous years	(5)		(60)	
		237		201
Overseas				
– profits tax	69		17	
– deferred taxation	–		3	
– under/(over)-provision in respect of previous years	73		(5)	
		142		15
		379		216
Jointly controlled companies:				
Hong Kong				
– profits tax	37		29	
– deferred taxation	–		(2)	
– over-provision in respect of previous years	(2)		–	
		35		27
Overseas				
– profits tax		15		15
		50		42
Associated companies:				
Hong Kong				
– profits tax	85		59	
– deferred taxation	22		75	
– over-provision in respect of previous years	(1)		(4)	
		106		130
Overseas				
– profits tax	85		68	
– deferred taxation	(3)		4	
– over-provision in respect of previous years	(52)		(44)	
		30		28
		136		158
		565		416

Hong Kong profits tax is calculated at 16.0% (1999 : 16.0%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in countries in which the group is assessable for tax.

## 7. Profit attributable to shareholders

Of the profit attributable to shareholders, HK\$5,045 million (1999: HK\$2,671 million) is dealt with in the accounts of the Company.

## 8. Dividends

	Company	
	2000	1999
	HK\$M	HK\$M
Interim dividend paid on 3rd October 2000 of HK¢36.0 per 'A' share and HK¢7.2 per 'B' share (1999: HK¢34.0 and HK¢6.8)	559	528
Final proposed dividend of HK¢76.0 per 'A' share and HK¢15.2 per 'B' share (1999: HK¢76.0 and HK¢15.2)	1,179	1,179
	<b>1,738</b>	<b>1,707</b>

## 9. Retained profit for the year

	Group	
	2000	1999
	HK\$M	HK\$M
<i>Profit/(loss) for the year retained by:</i>		
Swire Pacific Limited	3,307	964
Subsidiary companies	(222)	1,321
Jointly controlled companies	(2,378)	(33)
Associated companies	1,444	476
	<b>2,151</b>	<b>2,728</b>

## 10. Earnings per share

Earnings per share are calculated by dividing the profit attributable to shareholders of HK\$3,889 million (1999: HK\$4,435 million) by the weighted average number of 940,111,885 'A' shares and 3,059,301,271 'B' shares in issue throughout both 2000 and 1999.

## 11. Fixed assets

	Group				Company		
	Properties	Plant and		Total	Properties	Plant and	
		machinery	Vessels			machinery	Total
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	
<i>Cost or valuation:</i>							
At 31st December 1999	62,631	3,851	2,603	69,085	703	67	770
Translation differences	(32)	(41)	9	(64)	–	–	–
Additions	6,172	320	103	6,595	–	4	4
Disposals	(118)	(222)	–	(340)	(107)	(4)	(111)
Transfers from other assets	25	22	–	47	–	–	–
Change in the group	–	(28)	–	(28)	–	–	–
Investment property valuation increase during the year	5,927	–	–	5,927	–	–	–
At 31st December 2000	74,605	3,902	2,715	81,222	596	67	663
<i>Depreciation:</i>							
At 31st December 1999	400	2,249	1,043	3,692	101	49	150
Translation differences	(2)	(20)	4	(18)	–	–	–
Charge for the year	64	353	93	510	14	8	22
Disposals	(13)	(194)	–	(207)	(11)	(3)	(14)
Change in the group	–	(20)	–	(20)	–	–	–
At 31st December 2000	449	2,368	1,140	3,957	104	54	158

**11. Fixed assets (continued)**
*Net book value:*

At 31st December 2000	74,156	1,534	1,575	77,265	492	13	505
At 31st December 1999	62,231	1,602	1,560	65,393	602	18	620

(a) Investment properties, whether completed or in the course of development, were valued on the basis of open market value at 31st December 2000 by DTZ Debenham Tie Leung Limited, independent professional valuers. This valuation has been incorporated in the accounts as stated in principal accounting policy note 5.

(b) At 31st December 2000, the net book value of fixed assets pledged as security for the group's long-term loans amounted to HK\$5,339 million (1999: HK\$4,486 million).

	Group				
	Investment properties		Other properties		Total
	Completed HK\$M	Under development HK\$M	Land HK\$M	Buildings HK\$M	HK\$M
(c) Properties comprise:					
<b>Cost or valuation:</b>					
At 31st December 1999	56,666	3,280	1,056	1,629	62,631
Translation differences	–	–	(16)	(16)	(32)
Additions	4,592	1,508	4	68	6,172
Disposals	–	–	(73)	(45)	(118)
Transfers from other assets	5	20	–	–	25
Valuation increase/(decrease) during the year	6,642	(715)	–	–	5,927
At 31st December 2000	67,905	4,093	971	1,636	74,605
<b>Depreciation:</b>					
At 31st December 1999	–	–	57	343	400
Translation differences	–	–	–	(2)	(2)
Charge for the year	–	–	14	50	64
Disposals	–	–	(6)	(7)	(13)
At 31st December 2000	–	–	65	384	449
Net book value at 31st December 2000	67,905	4,093	906	1,252	74,156

(d) Tenure and valuation

**Held in Hong Kong:**

On medium-term lease

(10 to 50 years):

At cost less depreciation – – 327 600 927

On long-term lease (over 50 years):

At cost less depreciation – – 140 37 177

At professional valuation

31st December 2000 67,905 4,093 – – 71,998

**Held outside Hong Kong:**

Freehold:

At cost less depreciation	–	–	439	615	1,054
Net book value at					
31st December 2000	67,905	4,093	906	1,252	74,156

(e) The Company's properties, with a total net book value of HK\$492 million (1999: HK\$602 million), include long-term and medium-term leasehold land in Hong Kong held at a net book value of HK\$148 million (1999: HK\$152 million) and HK\$344 million (1999: HK\$450 million) respectively.

**12. Subsidiary companies**

	Company	
	2000 HK\$M	1999 HK\$M
Unlisted shares at cost less provisions	3,704	3,671
Amounts due from subsidiary companies less provisions	7,525	7,372
	11,229	11,043
Amounts due to subsidiary companies	(311)	(4,384)
	10,918	6,659

The principal subsidiary companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 90 to 98.

**13. Jointly controlled companies**

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Unlisted shares at cost	2,705	2,763	1,266	1,266
Attributable post-acquisition reserves	(2,158)	127	–	–
	547	2,890	1,266	1,266
Share of goodwill in jointly controlled companies eliminated:				
At the beginning of the year	(877)	(1,021)		
During the year	(15)	144		
	(892)	(877)		
Share of net (liabilities)/assets	(345)	2,013		
Loans due from jointly controlled companies less provisions	7,609	6,455	257	183
Loans due to jointly controlled companies	(311)	(272)	–	(260)
	6,953	8,196	1,523	1,189
Dividends received and receivable by the Company and its subsidiary companies from jointly controlled companies	690	252	525	25

The principal jointly controlled companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 90 to 98.

**14. Associated companies**

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Shares at cost				
– Listed in Hong Kong	<b>1,202</b>	1,163	<b>1,202</b>	1,163
– Unlisted	<b>689</b>	689	<b>783</b>	783
Attributable post-acquisition reserves	<b>15,193</b>	12,955	–	–
	<b>17,084</b>	14,807	<b>1,985</b>	1,946
Share of goodwill in associated companies eliminated:				
At the beginning of the year	<b>(1,024)</b>	(1,159)		
During the year	<b>(82)</b>	135		
	<b>(1,106)</b>	(1,024)		
Share of net assets	<b>15,978</b>	13,783		
Loans due from associated companies less provisions	<b>1,515</b>	1,524	–	–
	<b>17,493</b>	15,307	<b>1,985</b>	1,946
Dividends received and receivable by the Company and its subsidiary companies from associated companies	<b>1,384</b>	803	<b>1,271</b>	783

(a) The market value of the shares in the listed associated companies at 31st December 2000 was HK\$22,718 million (1999: HK\$21,788 million).

(b) The principal associated companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 90 to 98. In addition, the abridged financial statements of Cathay Pacific Airways Limited are shown on pages 79 to 81.

**15. Investment securities and long-term receivables**

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Unlisted shares	<b>98</b>	18	<b>43</b>	17
Loans advanced	<b>225</b>	268	–	–
Investment securities	<b>323</b>	286	<b>43</b>	17
Mortgages and other receivables	<b>113</b>	216	<b>42</b>	63
	<b>436</b>	502	<b>85</b>	80

**16. Properties for sale**

	Group	
	2000 HK\$M	1999 HK\$M
Completed properties for sale	<b>1,453</b>	1,293
Properties under development for sale	<b>505</b>	332
	<b>1,958</b>	1,625

At 31st December 2000, the value of properties for sale that are carried below cost at net realisable value was HK\$33 million (1999: HK\$42 million).



**17. Stocks and work in progress**

	Group	
	2000 HK\$M	1999 HK\$M
Goods for sale	676	682
Manufacturing materials	130	209
Production supplies	24	28
Work in progress	8	15
	<b>838</b>	<b>934</b>

At 31st December 2000, the value of stocks that are carried below cost at net realisable value was HK\$18 million (1999: HK\$8 million).

**18. Trade and other receivables**

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Trade debtors	1,208	1,461	3	–
Amounts due from intermediate holding companies	14	2	12	–
Amounts due from subsidiary companies	–	–	72	69
Amounts due from jointly controlled companies	19	23	1	–
Amounts due from associated companies	12	23	–	–
Other receivables	1,541	1,310	950	2,229
	<b>2,794</b>	<b>2,819</b>	<b>1,038</b>	<b>2,298</b>

At 31st December 2000, the aged analysis of trade debtors was as follows:

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Under three months	947	1,109	3	–
Between three and six months	243	342	–	–
Over six months	18	10	–	–
	<b>1,208</b>	<b>1,461</b>	<b>3</b>	<b>–</b>

The various group companies have different credit policies, dependent on the requirements of their markets and the businesses which they operate. Aged analyses of debtors are prepared and closely monitored in order to minimise any credit risk associated with receivables.

## 19. Trade and other payables

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Trade creditors	<b>1,086</b>	1,613	–	–
Amounts due to ultimate holding company	<b>36</b>	46	–	–
Amounts due to intermediate holding companies	<b>22</b>	11	–	10
Amounts due to jointly controlled companies	<b>32</b>	19	–	12
Amounts due to associated companies	–	7	–	–
Proposed final dividend	<b>1,179</b>	1,179	<b>1,179</b>	1,179
Other payables	<b>7,268</b>	2,300	<b>118</b>	128
	<b>9,623</b>	5,175	<b>1,297</b>	1,329

At 31st December 2000, the aged analysis of trade creditors was as follows:

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Under three months	<b>1,041</b>	1,452	–	–
Between three and six months	<b>43</b>	160	–	–
Over six months	<b>2</b>	1	–	–
	<b>1,086</b>	1,613	–	–

## 20. Perpetual Capital Securities

The Perpetual Capital Securities, US\$300 million each and bearing cumulative interest at 9.33% and 8.84% per annum, were issued by two wholly-owned subsidiary companies (The 'Issuers') on 23rd October 1996 and 6th May 1997 respectively. They have no scheduled maturity but are redeemable at the option of the Company or the respective Issuer either (i) at any time on or after 30th October 2006 and 13th May 2017 respectively or (ii) at any time upon amendment or imposition of certain taxes, and in any case, become due in the event of the Company's or the respective Issuer's winding up. The Perpetual Capital Securities are unconditionally and irrevocably guaranteed, on a subordinated basis, by the Company.

**21. Long-term loans and bonds**

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
<b>Bank loans (secured):</b>				
Repayable within one year	28	28	–	–
Repayable between one and two years	528	217	–	–
Repayable between two and five years	513	584	–	–
Repayable after five years	151	178	–	–
<b>Bank loans (unsecured):</b>				
Repayable within one year	52	1,054	–	21
Repayable between one and two years	3,615	400	–	–
Repayable between two and five years	–	2,850	–	–
<b>Other borrowings (unsecured):</b>				
Repayable within one year	120	2,308	–	–
Repayable between one and two years	1,500	–	–	–
Repayable between two and five years	4,179	4,692	3,212	3,209
Repayable after five years	–	127	–	–
	<b>10,686</b>	<b>12,438</b>	<b>3,212</b>	<b>3,230</b>
Amount due within one year included under current liabilities	(200)	(3,390)	–	(21)
	<b>10,486</b>	<b>9,048</b>	<b>3,212</b>	<b>3,209</b>

- (a) Included in the gross amounts shown above for the group are other borrowings, amounting to HK\$nil (1999: HK\$127 million), which were not wholly repayable within five years.
- (b) Borrowings other than bank loans are repayable on various dates up to 2004 at interest rates from 6.325% to 8.50% per annum (1999: 5.71% to 10.50% per annum).

**22. Deferred taxation**

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
The deferred taxation provision comprises timing differences arising from the different taxation and accounting treatment of fixed assets.	23	28	10	13

At the balance sheet date, there were unprovided deferred taxation liabilities which comprised the following timing differences:

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
Accelerated depreciation allowance	82	77	–	–
Deferred expenditure	6	8	–	–

**23. Share capital**

	Company				Total HK\$M
	'A' shares of HK\$0.60 each	'B' shares of HK\$0.12 each	'A' shares HK\$M	'B' shares HK\$M	
<b>Authorised:</b>					
At 31st December 2000 and 1999	1,140,000,000	3,600,000,000	684	432	1,116
<b>Issued and fully paid:</b>					
At 31st December 2000 and 1999	940,111,885	3,059,301,271	564	367	931

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion 5 to 1.

**24. Reserves**

	Revenue reserve HK\$M	Property valuation reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Total HK\$M
<b>Company</b>							
At 31st December 1998	5,978	–	342	21	–	–	6,341
Profit for the year	2,671	–	–	–	–	–	2,671
Dividends	(1,707)	–	–	–	–	–	(1,707)
At 31st December 1999	6,942	–	342	21	–	–	7,305
Profit for the year	5,045	–	–	–	–	–	5,045
Dividends	(1,738)	–	–	–	–	–	(1,738)
At 31st December 2000	10,249	–	342	21	–	–	10,612
<b>Group</b>							
At 31st December 1998	32,722	28,079	342	21	466	30	61,660
Retained profit for the year	2,728	–	–	–	–	–	2,728
Goodwill on acquisition of subsidiary and associated companies	(178)	–	–	–	–	–	(178)
Goodwill reinstated on disposal of subsidiary, jointly controlled and associated companies	634	–	–	–	–	–	634
Increase in property valuation arising during the year	–	2,716	–	–	–	–	2,716
Realised surplus on disposal transferred to operating profit	–	(40)	–	–	–	–	(40)
Exchange differences on cash flow hedges – recognised during the year	–	–	–	–	–	22	22

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– transferred to profit for the year	–	–	–	–	–	32	32
Revaluation surpluses on investment securities							
– recognised during the year	–	–	–	–	190	–	190
– transferred to profit for the year on disposal	–	–	–	–	(217)	–	(217)
Exchange differences	31	–	–	–	–	–	31
<b>At 31st December 1999</b>	<b>35,937</b>	<b>30,755</b>	<b>342</b>	<b>21</b>	<b>439</b>	<b>84</b>	<b>67,578</b>
Retained profit for the year	2,151	–	–	–	–	–	2,151
Goodwill on acquisition of subsidiary, jointly controlled and associated companies	(376)	–	–	–	–	–	(376)
Goodwill reinstated on disposal of subsidiary companies	43	–	–	–	–	–	43
Increase in property valuation arising during the year	–	4,980	–	–	–	–	4,980
Exchange differences on cash flow hedges							
– recognised during the year	–	–	–	–	–	751	751
– transferred to profit for the year	–	–	–	–	–	37	37
Revaluation surpluses on investment securities							
– recognised during the year	–	–	–	–	6	–	6
Exchange differences	(37)	–	–	–	–	–	(37)
<b>At 31st December 2000</b>	<b>37,718</b>	<b>35,735</b>	<b>342</b>	<b>21</b>	<b>445</b>	<b>872</b>	<b>75,133</b>

The group revenue reserve includes accumulated losses from jointly controlled companies amounting to HK\$2,224 million (1999: retained revenue reserves of HK\$285 million) and retained revenue reserves from associated companies amounting to HK\$13,388 million (1999: HK\$11,845 million).

- (a) Distributable reserves of the Company at 31st December 2000 amounted to HK\$10,249 million (1999: HK\$6,942 million).
- (b) As set out in principal accounting policy no. 4 (v), the cash flow hedge reserve relates to exchange differences on borrowings, lease obligations, currency derivatives and related security deposits of the Cathay Pacific Group which are arranged in foreign currencies such that repayment can be met by anticipated operating cash flows. Had HK SSAP 11 been adopted, there would have been no financial impact on the Swire Pacific group's

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assets, liabilities and cash flows. HK\$872 million (1999: HK\$84 million) would have been included in the Swire Pacific group's revenue reserve rather than the cash flow hedge reserve and the Swire Pacific group's profit and loss account for the year ended 31st December 2000 would have increased by HK\$788 million (1999: HK\$54 million).

**25. Contingencies and commitments**

	Group		Company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
<b>(a) Outstanding commitments for capital expenditure at the year end:</b>				
Contracted for but not provided for in the accounts	1,640	891	–	–
Authorised by Directors but not contracted for	852	739	–	–
<b>(b) Outstanding commitments for capital expenditure incurred by the Company and jointly with other venturers in respect of jointly controlled companies at the year end included above:</b>				
Contracted for but not provided for in the accounts	87	363	–	–
<b>(c) The group's share of the capital commitments of jointly controlled companies at the year end not included above:</b>				
Contracted for but not provided for in the accounts	17	384	–	–
Authorised by Directors but not contracted for	27	66	–	–
<b>(d) Guarantees have been given in respect of bank loans and other liabilities outstanding at 31st December amounting to:</b>				
Subsidiary companies	–	–	13,062	13,520
Jointly controlled companies	4,742	4,325	1,320	696
Associated companies	999	1,204	815	989
	<b>5,741</b>	<b>5,529</b>	<b>15,197</b>	<b>15,205</b>
<b>(e) Amounts payable within one year under operating lease arrangements:</b>				
Land and buildings:				
Leases expiring:				
Within one year	30	32	–	–
Between two and five years	120	97	–	–
After five years	29	17	–	–
	<b>179</b>	<b>146</b>	<b>–</b>	<b>–</b>
Other equipment:				
Leases expiring:				
Within one year	16	18	–	–
After five years	2	2	–	–
	<b>18</b>	<b>20</b>	<b>–</b>	<b>–</b>
	<b>197</b>	<b>166</b>	<b>–</b>	<b>–</b>

## 26. Retirement benefits

The group operates various retirement benefit schemes providing resignation and retirement benefits to staff upon the cessation of their service with the group. Most schemes for staff employed on expatriate terms are contributory whilst most schemes for locally-engaged employees are non-contributory. The assets of the schemes are administered by independent trustees and maintained independent of the group's finances. The majority of the schemes are of the defined benefit type and contributions to such schemes are made in accordance with the recommendations of the independent actuary of the relevant scheme. The schemes are assessed annually by qualified independent actuaries.

Details of the principal group schemes as at the latest valuation date are listed below:

Scheme	Actuary	Actuarial valuation method	% of the market value of scheme assets to the present value of projected past service liabilities at 31.12.1999
The Swire Group Retirement Benefit Scheme	The Wyatt Company (HK) Limited	Attained age method	154%
The Swire Properties Limited Retirement Benefit Scheme	In-house Actuary of HSBC Life (International) Limited	Attained age method	132%

The principal assumption used by the actuaries was that the long-term average return on investments would be 1% per annum higher than the average increase in salaries. The differences between the market values of the schemes' assets and the present value of the past service liabilities on an on-going basis at the date of the actuarial valuation are taken into consideration when determining future funding rates in order to ensure that the schemes 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 schemes will be able to meet their future liabilities.

All employees engaged outside Hong Kong are covered by appropriate local arrangements.

A mandatory provident fund scheme (MPF) was established under the MPF Ordinance in December 2000. Since the Company has obtained exemption for its existing retirement schemes, all staff were offered the choice of switching to the MPF scheme or staying in existing schemes. Where staff elected to join the MPF, both the Company and staff are required to contribute 5% of the employees' relevant income (capped at HK\$20,000). Staff may elect to contribute more than the minimum as a voluntary contribution.

The total retirement benefit costs charged to the profit and loss account in 2000 were HK\$44 million (1999: HK\$92 million).

## 27. Related party transactions

There are agreements for services, in respect of which John Swire & Sons Limited provides services to various companies in the group and under which costs are reimbursed and fees are payable. Services fees are calculated as 2.5% (1999: 2.5%) of the relevant company's consolidated profit before tax, extraordinary items and minority interests, adjusted by disregarding any profits and losses on sale of fixed assets and from jointly controlled and associated companies but adding back the dividends receivable from these companies. For the year ended 31st December 2000, those fees amounted to HK\$86 million (1999: HK\$91 million) and expenses of HK\$106 million (1999: HK\$153 million) were reimbursed at cost.

The following is a summary of other significant transactions between the group and related parties, in addition to those disclosed elsewhere in the accounts, which were carried out in the normal course of the group's business:

NOTE	Jointly controlled companies		Associated companies		Fellow subsidiaries		Intermediate holding company	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
(a) Revenue from sales of goods and rendering of services	27	6	19	14	–	–	4	1
(a) Purchases of goods and services	197	211	13	38	7	6	–	–
(b) Rental revenue	19	1	10	16	7	4	44	50
(c) Interest income	32	99	68	63	–	–	–	–
(c) Interest charges	15	22	–	–	–	–	–	–

None of the above related party transactions constitutes a discloseable connected transaction as defined in the Listing Rules.

Amounts due to and due from the ultimate holding company and intermediate holding company at 31st December 2000 are disclosed in notes 18 and 19. These balances arise in the normal course of business, are non-interest bearing and have no fixed settlement dates.

### Notes

- (a) Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and terms no less than those charged to/by and contracted with other third party customers/suppliers of the group.
- (b) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
- (c) Loans advanced to jointly controlled and associated companies and loans due to jointly controlled companies at 31st December 2000 are disclosed in notes 13 and 14 respectively. Quasi-equity loans are non-interest bearing whilst other loans bear interest at market rates. These loans have no fixed settlement dates.



**28. Notes to the consolidated cash flow statement**

	Group	
	2000 HK\$M	1999 HK\$M
<b>(a) Reconciliation of operating profit to net cash inflow from operating activities</b>		
Operating profit	3,845	3,884
Depreciation	510	502
Loss/(profit) on disposal of fixed assets	16	(52)
Amortisation of deferred expenditure	167	140
(Increase)/decrease in properties for sale	(340)	929
(Increase)/decrease in stocks and work in progress	(38)	16
Decrease in trade and other receivables	236	413
Increase/(decrease) in trade and other payables	83	(379)
Other items not involving cash flow		
– provision for land premium on development properties	151	–
– others	54	182
<b>Net cash inflow from operating activities</b>	<b>4,684</b>	<b>5,635</b>
<b>(b) Analysis of fixed assets purchased</b>		
Investment properties	1,600	1,026
Other properties	71	40
Plant and machinery and vessels	423	706
<b>Purchase of fixed assets</b>	<b>2,094</b>	<b>1,772</b>
<b>(c) Sale of shareholdings in subsidiary companies</b>		
Net assets disposed of:		
Fixed assets	8	23
Stocks and work in progress	134	82
Trade and other receivables	121	101
Short-term deposits and bank balances	–	100
Bank overdrafts and short-term loans	(3)	(12)
Trade and other payables	(139)	(126)
Taxation	(1)	(5)
Other deferred items	–	61
Goodwill previously eliminated against reserves	7	311
	<b>127</b>	<b>535</b>
Loss on disposal of subsidiary companies	(13)	(64)
	<b>114</b>	<b>471</b>
Satisfied by:		
Cash	114	171
Amount receivable	–	300
Analysis of net inflow of cash and cash equivalents in respect of the sale of shareholdings in subsidiary companies:		
Cash proceeds	114	171
Short-term deposits and bank balances	–	(100)
Bank overdrafts and short-term loans	3	12
<b>Net inflow of cash and cash equivalents in respect of the sale of shareholdings in subsidiary companies</b>	<b>117</b>	<b>83</b>

**28. Notes to the consolidated cash flow statement (continued)**

	Group			
	Loans, bonds and perpetual capital securities		Minority interests	
	2000	1999	2000	1999
	HK\$M	HK\$M	HK\$M	HK\$M
<b>(d) Analysis of changes in financing during the year</b>				
At 1st January	<b>17,080</b>	16,785	<b>4,280</b>	3,720
Net cash (outflow)/inflow from financing	<b>(1,745)</b>	276	<b>(334)</b>	1
Changes in the group	–	–	–	2
Minority interests in property valuation reserve	–	–	<b>994</b>	352
Minority interests' share of profits less losses	–	–	<b>287</b>	236
Dividends paid and proposed	–	–	<b>(22)</b>	(34)
Non-cash movements	<b>(7)</b>	19	<b>(2)</b>	3
At 31st December	<b>15,328</b>	17,080	<b>5,203</b>	4,280

**29. Ultimate Holding Company**

The ultimate holding company is John Swire & Sons Limited, a company incorporated in the United Kingdom.

**30. Comparative amounts**

Certain comparative amounts have been reclassified to conform with the current year's presentation. The change relates to a more meaningful reclassification of costs between cost of sales and other expenses categories.