

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

(Expressed in Hong Kong Dollars)

1. GENERAL

The Company is a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are property development, property investment, hotel and restaurant operation, trading of building materials, share investment, provision of management and maintenance services, property management and insurance agency.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is eliminated against reserves immediately on acquisition. Negative goodwill, which represents the excess over the purchase consideration of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary, is credited to reserves.

Any premium or discount arising on the acquisition of interests in associates, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associates at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On the disposal of an investment in a subsidiary or an associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, controls more than half of the voting power or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary.

Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Revenue recognition

Rental income, including rentals invoiced in advance under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

Hotel operation income is recognised upon the utilisation of the facilities and the provision of services.

Interest income is recognised on a time proportion basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment properties (Cont'd)

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On the disposal of an investment property, the balance on the property revaluation reserve attributable to the property disposed of is credited to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Properties under development

Land and buildings in the course of development for sale, rental or administrative purposes or for purposes not yet determined are carried at cost less any provision for impairment loss considered necessary by the Directors. Cost includes land costs, development costs, borrowing costs capitalised and other direct costs attributable to such properties.

Properties under development which are intended to be held for the long term for their investment potential are shown as non-current assets. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Properties under development which are intended to be held for sale will be treated as properties under development for sale and are shown as current assets.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs capitalised.

All other borrowing costs are expensed in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fixed assets

Fixed assets other than investment properties and properties under development are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost of the assets other than investment properties and properties under development over their estimated useful lives to their estimated residual value, using the straight-line method, at the following rates per annum:

Freehold land	Nil
Leasehold land	Over the term of the lease
Buildings	Over the shorter of the term of the lease, or 50 years
Furniture and fixtures, motor vehicles and plant and machinery	20%

Other assets

Other assets include convertible bond issuing expenses, licence fees and other arrangement fees.

Convertible bond issuing expenses are amortised on a straight-line basis over the duration of the convertible bonds from the date of issuance to their final redemption date.

Licence fees are amortised on a straight-line basis over the licence period.

Other arrangement fees are amortised on a straight-line basis over the expected lives of the respective assets.

2. SIGNIFICANT ACCOUNTING POLICIES (*Cont'd*)

Other investments

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Where securities are held for trading purposes, unrealised gains or losses are included in net profit or loss for the period. Investments in securities acquired other than for trading purposes are stated at fair value at the subsequent reporting dates. Unrealised gains and losses arising on investments acquired other than for trading purposes are dealt with as movements in reserves, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Unlisted investments are accounted for as fixed return investments where the income to be derived from such interests is predetermined in accordance with the provisions of the relevant agreements. Such investments are initially recorded at cost. Payments receivable each year under the relevant agreements are apportioned between income and reduction of the carrying value of the investments so as to give a constant periodic rate of return on the net investment.

Where the estimated recoverable amount of these investments fall below their carrying value, the carrying value of the investments, to the extent that it is considered to be irrecoverable, is written off immediately to the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value.

Cost is determined by an apportionment of the total land and development costs attributable to the unsold properties.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

The accounting records are maintained in Hong Kong Dollars.

Transactions in currencies other than Hong Kong dollars are translated at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement. Gains and losses arising on the translation of foreign currency borrowings used to finance net investments in overseas operations/subsidiaries are taken directly to reserves.

On consolidation, the financial statements of overseas operations which are denominated in currencies other than the Hong Kong dollar are translated at the rates of exchange ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Convertible bonds

Convertible bonds are stated at the aggregate of the gross proceeds from the issue plus the proportionate premium payable upon redemption. Premium payable on redemption in respect of outstanding convertible bonds is accrued as borrowing expenses over the duration of the convertible bonds on a straight-line basis.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the terms of the relevant leases.

Cash and cash equivalents

Cash and cash equivalents represent short-term and highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of advance.

3. SEGMENTAL INFORMATION

The Group's turnover and contribution to profit from operations, analysed by principal activities are as follows:

	2000	2000	1999	1999
	Turnover	Contribution to profit from operations	Turnover	Contribution to profit from operations
	<i>\$'000</i>	<i>'000</i>	<i>\$'000</i>	<i>\$'000</i>
Rental income	827,136	601,757	826,155	632,500
Hotel operation income	1,763,359	538,335	1,698,901	492,781
Others	308,686	95,390	363,771	131,491
	2,899,181	1,235,482	2,888,827	1,256,772

A geographical analysis of the Group's turnover and contribution to profit from operations, by location of market, is as follows:

	2000	2000	1999	1999
	Turnover	Contribution to profit from operations	Turnover	Contribution to profit from operations
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Hong Kong	1,371,409	721,040	1,390,676	755,799
North America	889,038	299,952	835,261	289,670
Europe	349,980	141,206	338,882	134,667
Asia Pacific, other than Hong Kong	288,754	73,284	324,008	76,636
	2,899,181	1,235,482	2,888,827	1,256,772

4. TURNOVER

Turnover represents the aggregate of gross rental income, income from hotel and restaurant operations, management and maintenance income, proceeds from sales of building materials and agency commission during the year, and is analysed as follows:

	2000	1999
	\$'000	\$'000
Rental income	827,136	826,155
Hotel operation income	1,763,359	1,698,901
Others	308,686	363,771
	2,899,181	2,888,827

5. OTHER REVENUE

	2000	1999
	\$'000	\$'000
Included in other revenue are as follows:		
Dividends from unlisted investments	7,513	3,479
Dividends from listed investments	76	–
Profit on disposal of listed investments	466	–
Profit on disposal of fixed assets	17,518	–
Profit on disposal of an associate	–	787
Profit on deemed disposal of interest in an associate	12,358	–
Interest income	34,346	58,994

6. PROFIT FROM OPERATIONS

	2000	1999
	\$'000	\$'000
Profit from operations has been arrived at after charging:		
Depreciation on fixed assets	14,440	8,095
Amortisation on other assets	4,218	5,093
Other assets written off	786	1,432
Fixed assets written off	19,947	4,771
Auditors' remuneration	4,344	3,922
Net exchange loss	3,984	5,113
Operating lease charges on premises	2,110	1,839
Provision for loss on other investments	23,765	–
Staff costs, excluding directors' emoluments	567,670	565,083
and after crediting:		
Rental income from investment properties less related outgoings	717,495	726,500

7. FINANCE COSTS

	2000	1999
	\$'000	\$'000
Bank interest	540,643	473,323
Interest on other loans wholly repayable within 5 years	134,189	122,437
Interest on convertible bonds	31,653	31,521
Amortisation on convertible bond issuing expenses	5,572	5,572
Provision for premium on redemption of convertible bonds	51,404	47,682
Other borrowing costs	121,253	33,057
Total borrowing costs	884,714	713,592
Less: Amount capitalised to properties under development	(424,266)	(261,512)
	460,448	452,080

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

	2000	1999
	\$'000	\$'000
Fees:		
Directors	198	198
Independent Non-Executive Directors	44	44
	242	242
Other emoluments:		
Directors		
Salaries and other benefits	12,498	12,499
Deemed benefits of share options granted (Note)	15	955
Provident fund scheme contributions	349	349
Independent Non-Executive Directors	-	-
	12,862	13,803
	13,104	14,045

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)**Directors' emoluments (Cont'd)**

Mr. CHENG Hoi Chuen, Vincent, an Independent Non-Executive Director, has waived his director's fee with effect from the financial year 1998. Save as afore-mentioned, none of the Directors has waived the rights to receive their emoluments.

	2000	1999
	Number of Directors	Number of Directors
Bands:		
Nil to \$1,000,000	7	7
\$1,000,001 – \$1,500,000	2	2
\$2,000,001 – \$2,500,000	1	1
\$2,500,001 – \$3,000,000	1	1
\$4,500,001 – \$5,000,000	1	–
\$5,000,001 – \$5,500,000	–	1
	12	12

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three were Directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two individuals were as follows:

	2000	1999
	\$'000	\$'000
Salaries and other benefits	4,290	4,290
Deemed benefits of share options granted (Note)	2	62
Provident fund scheme contributions	140	140
	4,432	4,492

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

Employees' emoluments (Cont'd)

	2000	1999
	Number of employees	Number of employees
Bands:		
\$1,500,001 – \$2,000,000	1	1
\$2,000,001 – \$2,500,000	1	1
	2	2

Note: Under the Group's Executive Share Option Scheme, share options have been granted to qualified Directors and employees. The deemed benefits were arrived at by multiplying the difference between the subscription price and the open market closing price of the Company's shares at the date of granting of the share options by the number of shares convertible under the share options granted during the relevant year.

9. TAXATION

	2000	1999
	\$'000	\$'000
Company and subsidiaries:		
Hong Kong	28,160	34,150
Other jurisdictions	56,789	48,544
Deferred taxation (note 23)	13,631	13,633
Share of taxation of associates:		
Hong Kong	271	58
Deferred taxation	779	630
	99,630	97,015

Hong Kong Profits Tax is calculated at 16% of the estimate assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders dealt with in the income statement of the Company amounted to \$191,035,000 (1999: \$218,049,000) for the year.

11. DIVIDENDS

	2000	1999
	<i>\$'000</i>	<i>\$'000</i>
Interim dividend at 10 cents per share on 552,055,908 shares (1999: 10 cents per share on 546,373,530 shares)	55,205	54,638
Proposed final dividend at 20 cents per share on 552,104,908 shares (1999: 20 cents per share on 546,401,530 shares)	110,421	109,280
Underprovision of 1999 final dividend at 20 cents per share on 319,000 shares	64	–
	165,690	163,918

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

Earnings

	2000	1999
	<i>\$'000</i>	<i>\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	622,953	645,324

Number of shares

	2000	1999
Weighted average number of shares for the purpose of basic earnings per share	549,137,096	546,372,072
Effect of dilutive potential shares:		
Share options	1,145,048	996,662
Weighted average number of shares for the purpose of diluted earnings per share	550,282,144	547,368,734

12. EARNINGS PER SHARE (Cont'd)

The computation of diluted earnings per share does not assume the conversion of the Group's outstanding convertible bonds since their exercise would result in an increase in net profit per share. Also, the computation does not assume the exercise of certain Company's outstanding share options as the exercise prices of those options are higher than the average market prices of the Company's shares for both 2000 and 1999.

13. FIXED ASSETS

	Investment properties \$'000	Properties under development \$'000	Land and buildings situated in Hong Kong \$'000	Furniture and fixtures \$'000	Motor vehicles \$'000	Plant and machinery \$'000	Total \$'000
THE GROUP							
COST/VALUATION							
At 1st January 2000	21,660,924	5,138,977	44	57,911	4,384	2,782	26,865,022
Exchange differences	(298,188)	(10,506)	–	8	–	–	(308,686)
Additions	242,288	1,082,203	10,702	6,314	662	83	1,342,252
Transfer in (out)	(106,227)	(198,773)	305,000	–	–	–	–
Disposals/written off	(1,055,256)	–	(4,261)	(864)	(410)	–	(1,060,791)
Revaluation increase	1,190,027	–	–	–	–	–	1,190,027
At 31st December							
2000	21,633,568	6,011,901	311,485	63,369	4,636	2,865	28,027,824

13. FIXED ASSETS (Cont'd)

	Investment properties \$'000	Properties under development \$'000	Land and buildings situated in Hong Kong \$'000	Furniture and fixtures \$'000	Motor vehicles \$'000	Plant and machinery \$'000	Total \$'000
DEPRECIATION							
At 1st January 2000	–	–	10	47,580	3,273	1,857	52,720
Exchange differences	–	–	–	8	–	–	8
Charge for the year	–	–	6,229	7,116	555	540	14,440
Eliminated on disposal	–	–	–	(779)	(411)	–	(1,190)
At 31st December 2000	–	–	6,239	53,925	3,417	2,397	65,978
NET BOOK VALUE							
At 31st December 2000	21,633,568	6,011,901	305,246	9,444	1,219	468	27,961,846
At 31st December 1999	21,660,924	5,138,977	34	10,331	1,111	925	26,812,302
Represented by:							
At cost	–	6,011,901	311,485	63,369	4,636	2,865	6,394,256
At valuation	21,633,568	–	–	–	–	–	21,633,568
	21,633,568	6,011,901	311,485	63,369	4,636	2,865	28,027,824

13. FIXED ASSETS (Cont'd)

(a) Investment properties

Investment properties were revalued on an open market value basis at 31st December 2000 by independent professional valuers as follows:

Investment properties in Hong Kong – Chesterton Petty Ltd.

Investment properties in United Kingdom – Chesterton Plc.

Investment properties in Canada – Colliers International Realty Advisors Inc.

Investment properties in Australia – CB Richard Ellis (V) Pty Ltd.

Investment properties in New Zealand – CB Richard Ellis Ltd.

Investment properties in USA – Arthur Andersen LLP and Integra Realty Resources, Schultz Northington Atlanta

The above-mentioned valuations have been adopted by the Directors in these financial statements and the revaluation increase arising on revaluation has been credited to the property revaluation reserve.

The carrying amount of investment properties comprises land situated in Hong Kong and outside Hong Kong as follows:

	2000	1999
	\$'000	\$'000
Long lease in Hong Kong	2,232,100	4,101,000
Medium-term lease in Hong Kong	13,443,000	11,012,000
Freehold land outside Hong Kong	5,958,468	6,547,924
	21,633,568	21,660,924

(b) Properties under development

The properties under development comprise property situated in Hong Kong held under medium-term lease amounting to \$6,011,900,000 (1999: \$5,015,576,000) and property situated outside Hong Kong under freehold land amounting to \$nil (1999: \$123,401,000).

Included in properties under development are borrowing costs capitalised of approximately \$1,525,304,000 (1999: \$1,106,002,000). The effective interest rate capitalised for the project during the year was 8.13% (1999: 7.15%).

(c) Land and buildings situated in Hong Kong are held under medium-term lease.

14. OTHER ASSETS

	Convertible bonds issuing expenses \$'000	Licence fee \$'000	Others \$'000	Total \$'000
THE GROUP				
COST				
At 1st January 2000	27,622	18,289	3,866	49,777
Exchange difference	–	(2,665)	6	(2,659)
Written off	–	–	(1,852)	(1,852)
At 31st December 2000	27,622	15,624	2,020	45,266
AMORTISATION				
At 1st January 2000	20,817	7,316	1,357	29,490
Exchange difference	–	(1,145)	1	(1,144)
Charge for the year	5,572	3,203	1,015	9,790
Eliminated on written off	–	–	(1,066)	(1,066)
At 31st December 2000	26,389	9,374	1,307	37,070
CARRYING AMOUNT				
At 31st December 2000	1,233	6,250	713	8,196
At 31st December 1999	6,805	10,973	2,509	20,287

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2000 \$'000	1999 \$'000
Unlisted shares, at cost	1,572,734	1,572,734
Amounts due from subsidiaries	3,709,581	3,616,203
	5,282,315	5,188,937

The amounts are unsecured, interest free and have no fixed repayment term. The Company has agreed not to demand for repayment within the next twelve months from the balance sheet date and accordingly, they are classified as non-current.

Particulars regarding the principal subsidiaries are set out in note 34.

16. INTERESTS IN ASSOCIATES

	THE GROUP	
	2000 \$'000	1999 \$'000
Share of net assets:		
Listed securities in Hong Kong	31,636	–
Unlisted shares	12,968	71,900
	44,604	71,900
Market value of listed securities	29,803	–

Particulars regarding the principal associates are set out in note 35.

17. OTHER INVESTMENTS

	THE GROUP	
	2000 \$'000	1999 \$'000
Fixed return investment in other regions of the People's Republic of China, unlisted	15,599	19,430
Not-for-trading securities		
Unlisted in Hong Kong	246	246
Listed in Hong Kong	3,329	3,679
Unlisted overseas	25,745	–
	44,919	23,355
Market value of listed securities	3,329	3,679

18. PLEDGED BANK DEPOSITS

The pledged deposits have been placed in a designated bank as part of the security for long term facilities granted to the Group.

19. INVENTORIES

	THE GROUP	
	2000 \$'000	1999 \$'000
Completed properties for sale	42	42
Raw materials	35,636	30,199
Provisions and beverages	15,699	16,573
Work in progress	6,894	30,291
	58,271	77,105

20. TRADE DEBTORS

The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The ageing analysis of trade debtors is as follows:

	THE GROUP	
	2000 \$'000	1999 \$'000
0 – 3 months	152,880	131,449
3 – 6 months	14,562	12,017
Over 6 months	27,326	30,446
	194,768	173,912

21. TRADE CREDITORS

The ageing analysis of trade creditors is as follows:

	THE GROUP	
	2000 \$'000	1999 \$'000
0 – 3 months	122,189	141,361
3 – 6 months	240	7,029
Over 6 months	691	593
	123,120	148,983

22. BORROWINGS

	THE GROUP		THE COMPANY	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Bank loans and overdrafts (unsecured)	3,105	20,511	–	–
Bank loans (secured)	7,326,391	6,650,447	–	–
Bills payable	254	238	–	–
Convertible bonds	1,189,709	1,134,243	–	–
Other long term loans	1,289,604	1,705,110	–	–
	9,809,063	9,510,549	–	–
The maturity of the above loans and overdrafts is as follows:				
On demand or within one year	2,302,161	1,079,047	–	–
More than one year but not exceeding two years	2,468,410	2,182,563	–	–
More than two years but not exceeding five years	5,038,492	5,075,485	–	–
More than five years	–	1,173,454	–	–
	9,809,063	9,510,549	–	–
Less: Amount due within one year shown under current liabilities	(2,302,161)	(1,079,047)	–	–
Amount due after one year	7,506,902	8,431,502	–	–

Secured bank loans include a loan of \$2,000 million (1999: \$1,450 million) obtained from a syndicate of banks by an indirect subsidiary in which the Group has a 85.93% (1999: 75.93%) interest.

Convertible bonds carry interest at 3.25% per annum payable in arrears and are redeemable on 3rd April 2001 at a premium. The bonds are guaranteed by the Company and listed on the Luxembourg Stock Exchange.

22. BORROWINGS (Cont'd)

Following a placing and subscription exercise in prior years and pursuant to the terms of the Trust Deed, the conversion price for the convertible bonds was adjusted from \$26.208 to \$25.50 per share with effect from 7th November 1997.

Other long-term loans bear interest at various rates and are repayable by instalments.

23. DEFERRED TAXATION

	THE GROUP	
	2000 \$'000	1999 \$'000
Balance at beginning of the year	133,867	119,844
Exchange translation difference	487	390
Deferred tax liabilities arose from acquisition of properties	25,304	–
Charge for the year (note 9)	13,631	13,633
Balance at end of the year	173,289	133,867

At the balance sheet date, the major components of the deferred taxation liability, provided and unprovided, were as follows:

	PROVIDED		UNPROVIDED	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Deferred taxation of a subsidiary acquired relating to gain on disposal of overseas properties	139,455	110,277	–	–
Deferred taxation relating to the surplus arising from the revaluation of properties located overseas	–	–	794,070	1,031,005
Other timing differences	33,834	23,590	–	–
	173,289	133,867	794,070	1,031,005

23. DEFERRED TAXATION (Cont'd)

The amount of unprovided deferred taxation (credit) charge of the Group for the year was as follows:

	2000	1999
	\$'000	\$'000
(Decrease) increase arising from the revaluation of properties located overseas	(236,935)	531,290

Deferred taxation has not been provided on the surplus arising on the Group's properties in Hong Kong and investments in securities not held for trading because profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the surplus arising on revaluation does not constitute a timing difference.

The Company did not have other significant deferred taxation assets or liabilities at the balance sheet date.

24. SHARE CAPITAL**(a) Authorised:**

	2000	2000	1999	1999
	Number	Nominal	Number	Nominal
	of shares	value	of shares	value
	'000	\$'000	'000	\$'000
Shares of \$0.50 each				
Balance brought forward and carried forward	800,000	400,000	800,000	400,000

24. SHARE CAPITAL (Cont'd)

(b) Issued and fully paid:

	2000 Number of shares '000	2000 Nominal value \$'000	1999 Number of shares '000	1999 Nominal value \$'000
Shares of \$0.50 each				
Balance brought forward	546,401	273,201	546,368	273,184
Issued upon exercise of share options under the Executive Share Option Scheme	575	287	33	17
Issued as scrip dividends	5,129	2,564	–	–
Balance carried forward	552,105	276,052	546,401	273,201

(c) Executive Share Option Scheme

At the balance sheet date, the Company had outstanding options granted to qualifying Directors and employees to subscribe for shares of the Company, as follows:

Date of grant	Number of shares under options	Subscription price per share (\$)	Exercisable period
8th May 1996	799,000	19.584	9th May 1998 – 8th May 2001
15th April 1997	670,000	21.519	16th April 1999 – 15th April 2002
22nd January 1998	1,704,000	6.912	23rd January 2000 – 22nd January 2003
12th March 1999	541,000	7.020	13th March 2001 – 12th March 2004
14th February 2000	729,000	10.116	15th February 2002 – 14th February 2005

During the year, certain share options were exercised to subscribe for 575,000 shares of the Company.

25. RESERVES

	Notes	THE GROUP		THE COMPANY	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Share premium	(a)	2,709,343	2,644,552	2,709,343	2,644,552
Property revaluation reserve	(b)	7,785,370	6,672,892	–	–
Investment revaluation reserve	(c)	536	886	–	–
Capital redemption reserve		1,650	1,650	1,650	1,650
Contributed surplus	(d)	402,291	402,291	426,203	426,203
Exchange translation reserve	(e)	(80,632)	(28,025)	–	–
Retained profits	(f)	6,297,309	5,840,046	1,758,433	1,733,088
		17,115,867	15,534,292	4,895,629	4,805,493

At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to \$2,184,636,000 (1999: \$2,159,291,000).

Notes:

(a) Share premium

	THE GROUP		THE COMPANY	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Balance brought forward	2,644,552	2,644,169	2,644,552	2,644,169
Premium on issue of shares upon scrip dividend and exercise of share options	64,857	389	64,857	389
Expenses on share issue	(66)	(6)	(66)	(6)
Balance carried forward	2,709,343	2,644,552	2,709,343	2,644,552

25. RESERVES (Cont'd)

(b) Property revaluation reserve

	THE GROUP		THE COMPANY	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Balance brought forward	6,672,892	5,704,505	–	–
Exchange translation adjustments	(52,836)	21,750	–	–
Revaluation increase attributable to additional interest in subsidiaries acquired from minority shareholder	177,870	–	–	–
Revaluation increase arising from revaluation during the year	1,064,804	946,637	–	–
Released upon disposal	(79,678)	–	–	–
	7,783,052	6,672,892	–	–
Share of associates				
Revaluation increase arising from revaluation during the year	2,318	–	–	–
Balance carried forward	7,785,370	6,672,892	–	–

(c) Investment revaluation reserve

	THE GROUP		THE COMPANY	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Balance brought forward	886	–	–	–
Revaluation (decrease) increase arising from revaluation during the year	(350)	886	–	–
Balance carried forward	536	886	–	–

25. RESERVES (Cont'd)**(d) Contributed surplus**

	THE GROUP		THE COMPANY	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Balance brought forward	402,291	402,287	426,203	426,203
Amount written back upon disposal of an associate	–	4	–	–
Balance carried forward	402,291	402,291	426,203	426,203

Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90. Under the Companies Act of 1981 of Bermuda, the contributed surplus is available for distribution to shareholders.

(e) Exchange translation reserve

	THE GROUP		THE COMPANY	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Balance brought forward	(28,025)	(41,405)	–	–
Exchange difference on translation of net overseas investments	(75,945)	8,694	–	–
Net exchange gain on forward contracts	23,338	4,686	–	–
Balance carried forward	(80,632)	(28,025)	–	–

25. RESERVES (Cont'd)

(f) Retained profits

	THE GROUP		THE COMPANY	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Balance brought forward	5,840,046	5,358,640	1,733,088	1,678,957
Profit for the year	622,953	645,324	191,035	218,049
Dividends	(165,690)	(163,918)	(165,690)	(163,918)
Balance carried forward	6,297,309	5,840,046	1,758,433	1,733,088
Profits retained by:				
The Company	1,758,433	1,733,088		
Subsidiaries	4,520,153	4,032,796		
Associates	18,723	74,162		
	6,297,309	5,840,046		

26. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000	1999
	<i>\$'000</i>	<i>\$'000</i>
Profit before taxation	763,247	811,251
Share of results of associates	11,787	(6,559)
Interest income	(34,346)	(58,994)
Interest expenses	388,956	380,535
Provision for premium on redemption of convertible bonds	51,404	47,682
Dividends received from unlisted investments	(7,513)	(3,479)
Dividends received from listed investments	(76)	–
Profit on disposal of fixed assets	(17,518)	–
Profit on disposal of an associate	–	(787)
Profit on deemed disposal of interest in an associate	(12,358)	–
Depreciation on fixed assets	14,440	8,095
Amortisation on other assets	4,218	5,093
Other assets written off	786	1,432
Fixed assets written off	19,947	4,771
Provision for loss on other investments	23,765	–
Decrease in inventories	18,834	10,086
Increase in debtors, deposits and prepayments	(192,451)	(62,525)
(Decrease) increase in bills payable, creditors, deposits and accruals	(63,276)	12,600
(Increase) decrease in amounts due from associates	(5,438)	42
Decrease in amounts due to associates	(500)	(8,529)
NET CASH INFLOW FROM OPERATING ACTIVITIES	963,908	1,140,714

27. MAJOR NON-CASH TRANSACTIONS

On 30th June 2000, the Group completed the acquisition from Manhattan Garments Holdings Limited of the latter's 10% interest in the Citibank Plaza consortium and the sale to Manhattan of approximately 92,000 sq. ft. of office premises in the Great Eagle Centre. The net cash outflow in respect of the transactions amounted to \$65,154,000.

28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium \$'000	Contributed surplus \$'000	Long-term loans \$'000	Convertible bonds \$'000	Minority interests \$'000
Balance at 1st January 1999	2,917,353	402,287	8,361,743	1,083,156	1,595,595
Exchange translation adjustments	–	–	52,476	3,405	–
Issue of shares	406	–	–	–	–
Share issue expenses	(6)	–	–	–	–
Advances during the year	–	–	2,489,686	–	–
Repayments during the year	–	–	(2,643,348)	–	–
Premium on redemption	–	–	–	47,682	–
Amount written back upon disposal of an associate	–	4	–	–	–
Acquisition of additional interest in subsidiaries	–	–	–	–	(55,463)
Minority interests in					
– profit	–	–	–	–	68,912
– property revaluation reserve	–	–	–	–	112,407
– net change in equity holding and repayment	–	–	–	–	(23,431)
Dividends paid to minority shareholders	–	–	–	–	(6,621)

28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR (Cont'd)

	Share capital and premium \$'000	Contributed surplus \$'000	Long-term loans \$'000	Convertible bonds \$'000	Minority interests \$'000
Balance at 31st December 1999	2,917,753	402,291	8,260,557	1,134,243	1,691,399
Exchange translation adjustments	–	–	(198,313)	4,062	(3)
Issue of shares	4,168	–	–	–	–
Scrip dividends	63,540	–	–	–	–
Share issue expenses	(66)	–	–	–	–
Advances during the year	–	–	2,881,908	–	–
Repayments during the year	–	–	(2,488,157)	–	–
Premium on redemption	–	–	–	51,404	–
Acquisition of additional interest in subsidiaries	–	–	–	–	(697,691)
Minority interests in					
– profit	–	–	–	–	40,664
– property revaluation reserve	–	–	–	–	125,223
– net change in equity holding and repayment	–	–	–	–	(27,267)
Dividends paid to minority shareholders	–	–	–	–	(95,776)
Balance at 31st December 2000	2,985,395	402,291	8,455,995	1,189,709	1,036,549

29. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2000 \$'000	1999 \$'000
Bank balances and deposits	535,421	574,950
Unsecured bank loans and overdrafts	(3,105)	(20,511)
Secured bank loans	(160,000)	(95,000)
	372,316	459,439

30. PROVIDENT FUND SCHEMES

The Group has established various provident fund schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Group operates several defined contribution schemes for qualifying employees. The schemes are registered under the Occupational Retirement Schemes Ordinance. The assets of the schemes are administered by independent third parties and are held separately from the Group's assets. The schemes are funded by contributions from both employees and employers at rates ranging from 5% to 10% of the employee's basic monthly salary. Arrangements for staff retirement benefits of overseas employees vary from country to country and are made in accordance with local regulations and custom. Forfeited contributions for the year ended 31st December 2000 amounted to \$3,013,000 (1999: \$3,416,000) have been used to reduce the existing level of contributions. Total contribution to provident fund schemes for the year ended 31st December 2000 charged to the income statement amounted to \$21,622,000 (1999: \$21,892,000).

The Occupational Retirement Scheme in Hong Kong has now been closed to new employees as a consequence of the new Mandatory Provident Fund Pension Legislation introduced by The Government of Hong Kong Special Administrative Region.

From 1st December 2000 onwards, the new staff in Hong Kong joining the Group are required to join the new Mandatory Provident Fund Scheme. The Group is required to contribute 5%, while the employees are required to contribute 5% of their salaries to the Scheme.

31. PLEDGE OF ASSETS

At 31st December 2000, the Group's properties with a total book value of approximately \$27,918,000,000 (1999: \$21,661,000,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and deposits of approximately \$104,156,000 (1999: \$121,000,000) were mortgaged or pledged to secure credit facilities granted to the Group.

32. COMMITMENTS AND CONTINGENT LIABILITIES

The Group

At 31st December 2000, the Group had commitments and contingent liabilities not provided for in these financial statements, as follows:

- (a) estimated expenditure in respect of properties under development amounting to approximately \$3,954,860,000 (1999: \$4,297,000,000) of which approximately \$468,555,000 (1999: \$767,737,000) were contracted for;
- (b) authorised capital expenditure amounting to approximately \$716,330,000 (1999: \$168,878,000) of which approximately \$629,388,000 (1999: \$153,737,000) were contracted for;
- (c) commitments under foreign exchange future contracts to sell approximately \$879,132,000 (1999: \$114,861,000) at fixed exchange rate; and

32. COMMITMENTS AND CONTINGENT LIABILITIES (Cont'd)**The Group (Cont'd)**

(d) commitments under operating leases in respect of land and buildings to make payments in the next year as follows:

	2000	1999
	\$'000	\$'000
Operating leases which expire:		
– within one year	387	722
– in the second to fifth years inclusive	1,449	734
	1,836	1,456

The Company

At 31st December 2000, the Company had issued corporate guarantees to certain banks in respect of credit facilities drawn by its subsidiaries and associates amounting to approximately \$6,932,838,000 (1999: \$6,001,688,000) and approximately \$nil (1999: \$32,573,000) respectively.

Other than set out above, the Group and the Company did not have any significant commitments and contingent liabilities at 31st December 2000.

33. RELATED PARTY TRANSACTIONS

The Group had the following significant related party transactions during the year and balances at balance sheet date with certain companies in which certain shareholders and directors of the Company have beneficial interest. The transactions were carried out in the normal course of the Group's business and on terms similar to those applicable to transactions with unrelated parties.

	2000	1999
	\$'000	\$'000
Nature of transactions:		
Trading income	13,842	13,524
Rental income	2,114	2,063
Management fee received	540	240
Rental charge paid for Director's accommodation	2,400	2,400
Cost and expenses paid for demolition and foundation works	64,709	29,513
Balance as at 31 December:		
Debtors, deposits and prepayments		
– Related parties	7,430	2,228
– Amounts due from associates	18,072	12,634
Creditors, deposits and accruals		
– Amounts due to associates	3,224	3,724

34. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December 2000 are set out below:

Direct subsidiary	Issued and paid up share capital	Principal activity	Percentage of issued share capital held by the Company
– incorporated and operating in the British Virgin Islands:			
Jolly Trend Limited	2 shares of US\$1 each	Investment holding	100%
Indirect subsidiaries	Issued and paid up share capital	Principal activities	Percentage of issued share capital held by the Company
– incorporated and operating in Hong Kong:			
Bon Project Limited	2 shares of HK\$1 each	Property investment	100%
Capital Win Development Limited	2 shares of HK\$1 each	Property investment	100%
Chance Mark Limited	2 shares of HK\$1 each	Property investment	100%
Clever Gain Investment Limited	2 shares of HK\$1 each	Restaurant operation	100%
Ease Billion Limited	2 shares of HK\$1 each	Property investment	100%
Easy Wealth Limited	2 shares of HK\$1 each	Property investment	100%
Eaton House International Limited	2 shares of HK\$10 each	Management of furnished apartments	100%
Fortuna Wealth Company Limited	2 shares of HK\$1 each	Property investment	100%
G E Advertising Agency Limited	2 shares of HK\$1 each	Advertising agency	100%
Gold Epoch Investment Limited	2 shares of HK\$1 each	Property investment	100%
Grow On Development Limited	5,000 shares of HK\$1 each	Property investment	100%
Harvest Star International Limited	2 shares of HK\$1 each	Property investment	100%
Keysen Engineering Company, Limited	2 shares of HK\$1 each	Maintenance services	100%
Longworth Management Limited	10,000 shares of HK\$1 each	Property management	100%

34. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Cont'd)

Indirect subsidiaries	Issued and paid up share capital	Principal activities	Percentage of issued share capital held by the Company
– incorporated and operating			
in Hong Kong (Cont'd) :			
Million Prime Company Limited	2 shares of HK\$1 each	Property investment	100%
Moon Yik Company, Limited	10,000,000 shares of HK\$1 each	Property investment	100%
Panhy Limited	2 shares of HK\$1 each	Property investment	100%
Renaissance City Development Company Limited	2 shares of HK\$10 each	Property development	100%
Selex Properties Management Company, Limited	2 shares of HK\$1 each	Property management	100%
The Great Eagle Company, Limited	2,000,000 shares of HK\$0.5 each	Investment holding	100%
The Great Eagle Development and Project Management Limited	2 shares of HK\$10 each	Project management	100%
The Great Eagle Engineering Company Limited	2 shares of HK\$1 each	Maintenance services	100%
The Great Eagle Estate Agents Limited	2 shares of HK\$10 each	Real estate agency	100%
The Great Eagle Finance Company, Limited	100,000 shares of HK\$100 each	Loan financing	100%
The Great Eagle Insurance Company, Limited	1,000 shares of HK\$1 each	Insurance agency	100%
The Great Eagle Properties Management Company, Limited	100,000 shares of HK\$1 each	Property management	100%
Toptech Co. Limited	600,000 shares of HK\$1 each	Trading of building materials	100%
Venus Glory Company Limited	2 shares of HK\$1 each	Property investment	100%
Well Charm Development Limited	2 shares of HK\$1 each	Property investment	100%

34. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Cont'd)

Indirect subsidiaries	Issued and paid up share capital	Principal activities	Percentage of issued share capital held by the Company
– incorporated and operating in Hong Kong (<i>Cont'd</i>) :			
Worth Bright Company Limited	2 shares of HK\$1 each	Property investment	100%
Zamanta Investments Limited	100 shares of HK\$10 each	Property investment	100%
Maple Court Limited	2 shares of HK\$1 each	Property investment	85.93%
Missleton Finance Limited	1,000,000 shares of HK\$1 each	Loan financing	85.93%
Shine Hill Development Limited	1,000,000 shares of HK\$1 each	Property investment	85.93%
Century Faith Investment Limited	9 shares of HK\$1 each	Investment holding	66.67%
– incorporated and operating in Cayman Islands:			
Great Eagle Finance (Cayman) Limited	2 shares of US\$1 each	Financial services	100%
– incorporated in the British Virgin Islands and operating in United Kingdom:			
Great Eagle Hotels (UK) Limited	1 share of US\$1	Property investment	100%
– incorporated and operating in Canada:			
Great Eagle Hotels (Canada) Limited	10 common shares of C\$1 each	Property investment	100%
– incorporated in the British Virgin Islands and operating in Australia:			
Katesbridge Group Limited	1 share of US\$1	Investment holding	100%

34. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Cont'd)

Indirect subsidiaries	Issued and paid up share capital	Principal activities	Percentage of issued share capital held by the Company
– incorporated and operating in Australia:			
Southgate Hotel Management Pty. Ltd.	17,408 shares of A\$2 each	Hotel operation	100%
– incorporated in the British Virgin Islands and operating in New Zealand:			
Great Eagle Hotels (New Zealand) Limited	1 share of US\$1	Property investment	100%
– incorporated and operating in New Zealand:			
Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel operation	100%
– incorporated and operating in USA:			
* Pacific Dolphin Corporation	100 shares of no par value	Property investment	100%
* Pacific Wilshire Corporation	100 shares of US\$0.001 each	Property investment	100%
* Pacific Ygnacio Corporation	100 shares of no par value	Property investment	100%
* Shorthills N.J. Inc.	100 shares of US\$1 each	Property investment	100%

Note: All these subsidiaries have no loan capital subsisting at the end of the year or at any time during the year.

* Companies not audited by Deloitte Touche Tohmatsu.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

35. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars regarding the principal associates are as follows:

Indirect associates	Issued and paid up share capital	Principal activities	Percentage of issued share capital held by the Group
– incorporated in Cayman Islands and operating in Hong Kong:			
* Panda-Recruit Limited	1,125,000,000 shares of HK\$0.05 each	Investment holding and publishing	29.43%
– incorporated in the British Virgin Islands and operating in Hong Kong:			
PPG Investments Limited	10,000 shares of US\$1 each	Investment holding	30.89%
– incorporated and operating in Hong Kong:			
Hong Kong Transit Publishing Co. Limited	105,000 shares of HK\$1 each	Newspaper publishing	29.43%

* Listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The list contains only the particulars of the associates which materially affect the results or assets and liabilities of the Group.