

## 1. PRINCIPAL ACCOUNTING POLICIES

### (l) Other investments in securities

- (i) Non-trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the securities revaluation reserve until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative gain or loss is transferred from the securities revaluation reserve to the profit and loss account.
- (ii) Transfers from the securities revaluation reserve to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (iii) Profits or losses on disposal of investments in securities are accounted for in the profit and loss account as they arise. In the case of non-trading securities, the profit or loss includes any amount previously held in the securities revaluation reserve in respect of that security.

### (m) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses on foreign currency translation are dealt with in the profit and loss account.

### (n) Deferred taxation

Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

### (o) Operating leases

Payments under operating leases are charged to the profit and loss account on a straight line basis over the periods of the respective leases.

### (p) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

### 1. PRINCIPAL ACCOUNTING POLICIES

#### (q) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

#### (r) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents include advances from banks repayable within three months from the date of the advance.

### 2. DISCONTINUED OPERATIONS

#### Passenger ferry operations

On 2 November 1999 and 14 January 2000, the Group entered into sales and purchase agreements with an independent third party for the transfer of its passenger ferry operation licence and the disposal of its ferry vessels and other related assets for a cash consideration of HK\$167 million. The transactions were completed on 15 January 2000.

The gain on disposal of discontinued operation, amounting to HK\$5,616,000, represents the profit realised upon the disposals of the vessels, office building, depot and related assets, plus the surplus recoverable from the termination of the Outdoor Staff Retirement Scheme less redundancy payments made to the staff of the operation.

The turnover and profit from ordinary activities attributable to the disposed ferry operations are disclosed in note 3 on the accounts.

#### Wholesale operation

On 31 August 2000, the Group terminated its wholesale operation in Hong Kong. The results of this operation were included in the "Trading and services" segment in previous annual reports. The turnover and loss from ordinary activities attributable to the ceased wholesale operation are disclosed in note 3 on the accounts.

### 3. TURNOVER AND SEGMENTAL INFORMATION

The principal activities of the Group were property development and investment, ferry and related businesses, travel business and hotel operation. Group turnover represented gross income from sales and services provided to third parties.

The turnover and contribution to profit from ordinary activities of the principal activities of the Group are as follows:

	Group turnover		Contribution to profit from ordinary activities	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
<b>Continuing operations</b>				
Property development and investment	407,589	259,820	96,794	77,432
Ferry and related businesses	192,370	138,447	23,716	23,270
Travel and hotel operations	124,841	100,848	9,055	3,293
Others	8,615	7,506	(7,974)	(3,422)
Net interest income	—	—	7,098	43,260
	<u>733,415</u>	<u>506,621</u>	<u>128,689</u>	<u>143,833</u>
<b>Discontinued operations</b>				
Passenger ferry operations	10,548	292,860	4,437	(16,698)
Wholesale operation	32,562	89,742	(4,539)	(2,322)
	<u>43,110</u>	<u>382,602</u>	<u>(102)</u>	<u>(19,020)</u>
	<u><u>776,525</u></u>	<u><u>889,223</u></u>	<u><u>128,587</u></u>	<u><u>124,813</u></u>

	Group turnover	
	2000 HK\$'000	1999 HK\$'000
<b>Geographical locations of operations</b>		
Hong Kong	682,787	816,058
Mainland China and Macau	93,738	73,165
	<u>776,525</u>	<u>889,223</u>

## NOTES ON THE ACCOUNTS

### 4. INCOME

	2000 HK\$'000	1999 HK\$'000
<b>Other revenue</b>		
Management fee income	9,877	2,197
Other interest income	203	44,676
Rental receivable from operating leases, other than those relating to investment properties	1,050	1,197
	<u>11,130</u>	<u>48,070</u>
<b>Other net income</b>		
Gain on discontinuance of passenger ferry operations	5,616	—
Profit on sale of listed investments	5,939	—
Profit on sale of fixed assets	330	6,650
Other ferry income	277	1,543
Write-back of provision for diminution in value of listed investments	—	5,377
Sundry income	8,548	11,112
	<u>20,710</u>	<u>24,682</u>

### 5. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) from ordinary activities before taxation is arrived at after charging/(crediting):

	2000 HK\$'000	1999 HK\$'000
(a) Finance cost:		
Interest on bank advances and other borrowings repayable within five years	52,263	34,562
Other borrowing costs	1,573	1,000
	<u>53,836</u>	<u>35,562</u>
Less: Borrowing costs capitalised into properties under development	(53,735)	(28,590)
	<u>101</u>	<u>6,972</u>

The borrowing costs have been capitalised at a rate of 6.56% - 9.5% per annum (1999: 7.65% - 8.5% per annum) in respect of properties under development.

5. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

	2000 HK\$'000	1999 HK\$'000
(b) Other items:		
Cost of inventories	116,168	183,086
Staff costs including retirement costs of HK\$3,329,000 (1999: HK\$11,688,000)	131,782	252,077
Auditors' remuneration	1,456	1,521
Depreciation	24,419	48,253
Operating lease charges in respect of		
Premises	2,413	2,381
Vessels	2,273	19,297
Rental receivable from investment properties net of outgoings of HK\$5,101,000 (1999: HK\$12,805,000)	(4,904)	(43,171)
Rental receivable from operating leases, other than those relating to investment properties, net of outgoings	(3,283)	(13,013)
Interest income	(7,202)	(50,445)
Dividend income from listed investments	(1,609)	(1,728)
(Profit)/loss on sale of fixed assets		
Continuing operations	(330)	185
Discontinued operations	(5,230)	(6,835)
	<u>          </u>	<u>          </u>

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2000 HK\$'000	1999 HK\$'000
Fees		
Executive directors	150	150
Independent non-executive directors	150	200
Other non-executive directors	250	250
Other emoluments	—	—
	<u>          </u>	<u>          </u>
	<u>550</u>	<u>600</u>

The remuneration of each of the eleven (1999: eleven) directors falls within the band of below HK\$1,000,000.