

## NOTES TO THE ACCOUNTS

### 18 CREDITORS, ACCOUNTS PAYABLE, DEPOSITS AND ACCRUALS

in HK \$ million	<i>Group</i>		<i>Company</i>	
	2000	1999	2000	1999
Trade creditors				
-Within 1 year	892	458	-	-
-Over 1 year	9	16	-	-
	901	474	-	-
Accounts payable, deposits and accruals	1,586	1,537	143	238
	2,487	2,011	143	238

### 19 SHARE CAPITAL

	<i>Number of shares of HK\$0.40 each</i>	<i>HK\$ million</i>
<i>Authorised :</i>		
At 1 January 2000	2,500,000,000	1,000
Increase during the year	500,000,000	200
At 31 December 2000	3,000,000,000	1,200
<i>Issued and fully paid :</i>		
At 1 January 2000	2,127,367,160	851
Issued during the year	100,000,000	40
Repurchase during the year	(31,367,000)	(13)
At 31 December 2000	2,196,000,160	878

#### Changes during the year

(i) In February 2000, 100,000,000 shares were issued at HK\$40.38 per share for a total consideration of HK\$4,038 million to finance the acquisition of the telecommunications equipment and the construction of auxiliary facilities to complement the fixed optical fibre network and for future possible acquisitions in the People's Republic of China.

## NOTES TO THE ACCOUNTS

### 19 SHARE CAPITAL (CONTINUED)

(ii) During the year, the Company repurchased a total of 31,367,000 of its own shares on The Stock Exchange of Hong Kong Limited, all of which have been cancelled, as follows:

<i>Month/Year</i>	<i>Number of shares repurchased</i>	<i>Total purchase price HK\$ million</i>	<i>Purchase price per share</i>	
			<i>Highest HK\$</i>	<i>Lowest HK\$</i>
January 2000	1,041,000	34	33.10	32.90
March 2000	650,000	27	41.80	41.40
April 2000	500,000	18	36.60	36.50
September 2000	13,612,000	453	37.20	30.70
October 2000	8,064,000	254	33.60	28.80
November 2000	7,500,000	218	33.20	26.55
	<u>31,367,000</u>	<u>1,004</u>		

# NOTES TO THE ACCOUNTS

## 20 RESERVES

### a Group

in HK \$ million	Share premium	Capital redemption reserve	Capital reserve	Goodwill	Investment property revaluation reserve	Exchange fluctuation reserve	General reserve	Retained profits	Total
At 1 January 1999	20,881	3	5,227	(2,152)	325	15	124	16,625	41,048
Goodwill on consolidation written off	-	-	-	(2)	-	-	-	-	(2)
Share of reserves of associated companies	-	-	-	-	329	-	-	-	329
Reserves on acquisition	-	-	105	-	-	-	-	-	105
Surplus on revaluation of properties	-	-	-	-	46	-	-	-	46
Exchange translation differences	-	-	-	-	10	(9)	-	-	1
Reserves realised upon disposal	-	-	(1,262)	-	-	-	-	-	(1,262)
Transfer from profit	-	-	-	-	-	-	4	(4)	-
Profit attributable to shareholders	-	-	-	-	-	-	-	2,966	2,966
Dividends (Note 7)	-	-	-	-	-	-	-	(5,904)	(5,904)
At 31 December 1999	<u>20,881</u>	<u>3</u>	<u>4,070</u>	<u>(2,154)</u>	<u>710</u>	<u>6</u>	<u>128</u>	<u>13,683</u>	<u>37,327</u>
<i>Retained by :</i>									
Company and subsidiary companies	20,881	3	4,065	(2,154)	173	13	123	11,820	34,924
Associated companies	-	-	5	-	537	(7)	5	1,863	2,403
	<u>20,881</u>	<u>3</u>	<u>4,070</u>	<u>(2,154)</u>	<u>710</u>	<u>6</u>	<u>128</u>	<u>13,683</u>	<u>37,327</u>
At 1 January 2000	20,881	3	4,070	(2,154)	710	6	128	13,683	37,327
Premium on issue of shares, net of expenses	3,901	-	-	-	-	-	-	-	3,901
Goodwill on consolidation written off	-	-	-	(1,779)	-	-	-	-	(1,779)
Share of reserves of associated companies	-	-	4	-	33	491	-	-	528
Reserve written off	-	-	(12)	-	-	-	-	-	(12)
Surplus on revaluation of properties (Note 11a)	-	-	-	-	211	-	-	-	211
Exchange translation differences	-	-	-	-	(7)	11	-	-	4
Reserves released	-	-	(448)	-	-	-	-	-	(448)
Repurchase of shares	-	-	-	-	-	-	-	(991)	(991)
Transfer to capital redemption reserve	-	13	-	-	-	-	-	(13)	-
Transfer from profit	-	-	-	-	-	-	4	(4)	-
Profit attributable to shareholders	-	-	-	-	-	-	-	3,430	3,430
Dividends (Note 7)	-	-	-	-	-	-	-	(1,871)	(1,871)
At 31 December 2000	<u>24,782</u>	<u>16</u>	<u>3,614</u>	<u>(3,933)</u>	<u>947</u>	<u>508</u>	<u>132</u>	<u>14,234</u>	<u>40,300</u>
<i>Retained by :</i>									
Company and subsidiary companies	24,782	16	3,605	(3,933)	377	24	127	11,526	36,524
Associated companies	-	-	9	-	570	484	5	2,708	3,776
	<u>24,782</u>	<u>16</u>	<u>3,614</u>	<u>(3,933)</u>	<u>947</u>	<u>508</u>	<u>132</u>	<u>14,234</u>	<u>40,300</u>

*note:*

The exchange fluctuation reserve included the Group's share of the exchange reserve of Cathay Pacific. As set out in accounting policies no.1(o), the Group's profit and loss account for the year ended 31 December 2000 would have increased by HK\$444 million (1999: HK\$30 million) had Hong Kong SSAP 11 been adopted by Cathay Pacific.

## NOTES TO THE ACCOUNTS

### 20 RESERVES (CONTINUED)

#### b Company

in HK \$ million	<i>Capital redemption reserve</i>	<i>Share premium</i>	<i>Retained profits</i>	<i>Total</i>
At 1 January 1999	3	20,881	13,238	34,122
Profit for the year available for distribution (Note 6)	-	-	2,673	2,673
Dividends (Note 7)	-	-	(5,904)	(5,904)
At 31 December 1999	<u>3</u>	<u>20,881</u>	<u>10,007</u>	<u>30,891</u>
At 1 January 2000	3	20,881	10,007	30,891
Premium on issue of shares, net of expenses	-	3,901	-	3,901
Repurchase of shares	-	-	(991)	(991)
Transfer to capital redemption reserve	13	-	(13)	-
Profit for the year available for distribution (Note 6)	-	-	3,647	3,647
Dividends (Note 7)	-	-	(1,871)	(1,871)
At 31 December 2000	<u>16</u>	<u>24,782</u>	<u>10,779</u>	<u>35,577</u>

Distributable reserves of the Company at 31 December 2000, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$10,779 million (1999 : HK\$10,007 million).

## NOTES TO THE ACCOUNTS

### 21 LONG TERM BORROWINGS

a in HK \$ million	Group		Company	
	2000	1999	2000	1999
Bank loans				
- unsecured	12,792	14,991	10,231	10,879
- secured	314	512	-	-
	13,106	15,503	10,231	10,879
Other loans				
- unsecured	1,429	2,434	1,402	1,402
- secured	100	125	-	-
	14,635	18,062	11,633	12,281
Amounts repayable within one year included under current liabilities	(1,678)	(1,451)	-	(281)
	12,957	16,611	11,633	12,000

*note :*

- (i) *Bank loans and other loans of the Group and the Company not wholly repayable within five years amounted to HK\$1,686 million (1999 : HK\$1,118 million) and HK\$1,480 million (1999 : HK\$780 million) respectively.*
- (ii) *Included in the secured bank loans and secured other loans were amounts of HK\$275 million and HK\$100 million respectively, which were drawn under the facilities made available by a consortium of banks and financial institutions (“the Lenders”) to a subsidiary company up to a maximum aggregate amount of HK\$1,675 million. These facilities are secured by fixed and floating charges on all of the assets of the subsidiary company amounting to HK\$1,843 million at 31 December 2000.*

*In addition, two designated bank accounts of the subsidiary company with a total balance of HK\$276 million at 31 December 2000 have been assigned in favour of the Lenders. Certain receipts by the subsidiary company are required to be banked into these accounts while withdrawals are subject to restrictions in that minimum balances as computed under various formulae are required to be maintained in these bank accounts.*

## NOTES TO THE ACCOUNTS

### 21 LONG TERM BORROWINGS (CONTINUED)

a (Continued)

- (iii) *The Company has issued a US\$100,000,000 Senior Note due 2006 (the “Notes”). The Notes will rank in right of payment pari passu to all other indebtedness of the Company. Interest on the Notes is payable semi-annually in arrear at 7.37% per annum. The Notes will mature on 15 February 2006 unless previously prepaid by the Company.*
- (iv) *The Company has issued a Japanese Yen 9,500,000,000 Floating Rate Bond due 2002 (the “Bonds”). Interest on the Bonds is payable semi-annually in arrears at six-month London Inter-Bank Offered Rate for Japanese Yen minus 0.35% per annum.*
- (v) *Bank loans and other loans, other than the Notes and the Bonds, are fully repayable up to 2007 and bear interest at the prevailing market rate.*

**b The maturity of the Group’ and the Company’ long term liabilities is as follows :**

in HK \$ million	<i>Group</i>		<i>Company</i>	
	2000	1999	2000	1999
<b>Bank loans are repayable</b>				
- in the first year	1,645	443	-	281
- in the second year	5,950	4,288	5,717	1,023
- in the third to fifth years inclusive	4,858	10,692	3,914	9,575
- after the fifth year	653	80	600	-
	<u>13,106</u>	<u>15,503</u>	<u>10,231</u>	<u>10,879</u>
	.....	.....	.....	.....
<b>Other loans are repayable</b>				
- in the first year	33	1,008	-	-
- in the second year	662	33	622	-
- in the third to fifth years inclusive	54	738	-	622
- after the fifth year	780	780	780	780
	<u>1,529</u>	<u>2,559</u>	<u>1,402</u>	<u>1,402</u>
	.....	.....	.....	.....
	<u>14,635</u>	<u>18,062</u>	<u>11,633</u>	<u>12,281</u>

## NOTES TO THE ACCOUNTS

### 22 DEFERRED TAXATION

in HK \$ million	<i>Group</i>	
	2000	1999
Balance at 1 January	254	262
Exchange adjustments	(9)	13
Net written back for the year (Note 5)	(8)	(7)
Effect of change in tax rate (Note 5)	-	(14)
Balance at 31 December	<u>237</u>	<u>254</u>
Provided in the accounts in respect of :		
Accelerated depreciation allowances	<u>237</u>	<u>254</u>

Potential deferred tax liability has not been quantified for the surplus on the revalued investment properties in Hong Kong as this does not constitute a timing difference for deferred taxation purposes.

## NOTES TO THE ACCOUNTS

### 23 CAPITAL COMMITMENTS

in HK \$ million	<i>Group</i>	
	2000	1999
Authorised but not contracted for (note)	21	-
Contracted but not provided for (note)	1,597	236

*note :*

*The capital commitments of authorised but not contracted for and contracted but not provided for in respect of plant, property and equipment amount to HK\$21 million (1999 : HK\$ nil) and HK\$1,560 million (1999 : HK\$26 million) respectively.*

### 24 OPERATING LEASE COMMITMENTS

Operating lease commitments of the Group at 31 December 2000 payable in the next twelve months, analysed according to the period in which the lease expires, are as follows :

in HK \$ million	<i>Group</i>	
	2000	1999
Properties commitments expiring		
- in the first year	17	20
- in the second to fifth years inclusive	82	56
- after the fifth year	27	10
	.....126.	.....86.
Other commitments expiring		
- in the first year	14	-
- in the second to fifth years inclusive	-	1
- after the fifth year	1	-
	.....15.	.....1.
	141	87



# NOTES TO THE ACCOUNTS

## 25 CONTINGENT LIABILITIES

- a The Company has provided a guarantee for a credit facility of HK\$2,308 million in favour of a subsidiary company. The facility used amounted to HK\$2,308 million.
- b The Group, through its subsidiary company, Adwood Company Limited (“Adwood”), has a 35% effective interest in Western Harbour Tunnel Company Limited (“WHTCL”). WHTCL has been established and contracted to construct the Western Harbour Crossing (“Crossing”) for The Government of the Hong Kong Special Administrative Region (“Hong Kong SAR”).

Pursuant to the deed of guarantee dated 2 September 1993 as amended by the deed of novation dated 27 June 1995, the second deed of novation dated 12 October 1998 and the third deed of novation dated 30 May 2000 (“the Guarantee”), the Group together with the other beneficial shareholders of WHTCL have agreed jointly and severally to guarantee The Government of the Hong Kong SAR that WHTCL will complete the Crossing within budget of approximately HK\$7.5 billion including repair costs to be incurred after the operation date of the Crossing but before the issuance of the Maintenance Certificate.

Pursuant to a shareholders agreement dated 30 December 1992 as amended by the supplemental deed dated 8 September 1994, the second supplemental deed dated 12 October 1998 and the third supplemental deed dated 23 May 2000 in respect of WHTCL, the beneficial shareholders comprising the Group, Kerry Properties Limited (“Kerry”), The Cross-Harbour (Holdings) Limited (“CHT”) and China Merchants Holdings (International) Company Limited (“CMH”), have agreed that in relation to any claim made or asserted under the Guarantee, as between themselves, the total of all liabilities in respect of a claim thereunder and of all costs, charges and expenses suffered or incurred by any of them resulting therefrom or attributable thereto shall be shared by them in the proportion to their respective ultimate ownership of the issued capital of WHTCL, whether in the case of CHT and CMH, directly or, in the case of the Group and Kerry, attributable by way of their direct or indirect proportionate shareholdings in Adwood.

## NOTES TO THE ACCOUNTS

### 25 CONTINGENT LIABILITIES (CONTINUED)

- c** The Company has provided a guarantee to The Export-Import Bank of the United States (“Eximbank”) for an export credit up to an initial maximum of US\$134 million to a co-operative joint venture company, Jiangsu Ligang Electric Power Company, Limited (“Ligang”) pursuant to an agreement dated 3 July 1995 between Ligang, the Company and Eximbank, by which Eximbank established a credit not exceeding US\$134 million in favour of Ligang for a period of 15 years, repayable by 24 semi-annual instalments beginning 15 October 1998 at an interest rate of 5.95% per annum and the Company guaranteed the repayment of the amounts outstanding under such contract. As of the financial year end date, the outstanding amount has been reduced to US\$101.5 million. Each equity participant in Ligang has agreed in the joint venture agreement dated 19 September 1988 as amended on 28 February 1995 to share in financial assistance to Ligang in proportion to their respective equity interests in Ligang.
- d** The Company has provided a guarantee to Kreditanstalt für Wiederaufbau, a German state-owned bank, for an export credit up to a maximum of US\$ 23.9 million granted to a subsidiary company, Jiangyin Xingcheng Special Steel Works Co., Ltd.
- e** The Company has provided a several guarantee up to a maximum amount of approximately HK\$1,477 million to support a loan facility of HK\$2,400 million granted by a group of financial institutions to an associated company, Treasure Trove Limited.
- f** The Company, through its associated company, Swire Aviation Limited, has a 10% effective interest in Hong Kong Air Cargo Terminals Limited (“HACTL”). Pursuant to the shareholders agreement dated 29 January 1996 and the deed of shareholders support dated 29 January 1996, the Company together with other shareholders of HACTL have agreed severally to give funding support to HACTL. The Company’s liability under the shareholders agreement and the deed of shareholders support is a several liability and will not be liable for more than its effective interest (10%) in HACTL of aggregate calls, or amounts payable, by HACTL.
- g** The Company has provided a guarantee in respect of suppliers’ credit to a subsidiary company, Jiangyin Xingcheng Special Steel Works Co., Ltd. with total principal amount of US\$2,524,925 together with related interest.

# NOTES TO THE ACCOUNTS

## 25 CONTINGENT LIABILITIES (CONTINUED)

- h** The Company, through its subsidiary company Adwood, has a 35% effective interest in Hong Kong Tunnels and Highways Management Company Limited (“HKTHMC”).

Pursuant to the contract for the management, operation and maintenance of the Cross Harbour Tunnel (“the CHT Agreement”), HKTHMC has furnished to the Government of the Hong Kong SAR a first demand banker’s guarantee in the sum of HK\$30 million as security for the due performance of the CHT Agreement. Each of Kerry, CHT, CMH and the Company, being the beneficial owners of HKTHMC, in turn has provided a several guarantee to The Hongkong and Shanghai Banking Corporation Limited in proportion to their respective beneficial interest in HKTHMC. The maximum liability of the Company under the guarantee is HK\$10.5 million plus any default interest and the expenses of The Hongkong and Shanghai Banking Corporation Limited in enforcing such guarantee.

- i** The Company has provided a several guarantee up to 60% of the liability of Shanghai Golden Link Limited, a subsidiary company of the Company, under the lease agreement for leasing certain equipment from IBM Leasing Company Limited at the contract sum of approximately US\$15.5 million.
- j** The Company has provided a several guarantee of up to a maximum amount of US\$12.6 million to support a letter of credit facility of US\$21 million granted by a PRC bank to two subsidiary companies in PRC.

## 26 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 19 March 2001.