

2. Summary of Significant Accounting Policies (cont'd)(r) *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 other entities.

(s) *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 would also include advances from banks repayable within three months from the date of the advance.

3. Turnover

Turnover of the Group comprises revenue from hotel, leisure and hospitality-related operations, gross rental income, proceeds from sale of development properties, gross dividend income and interest income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2000 HK\$'000	1999 HK\$'000
Development properties	–	142,731
Hotel operations	–	4,923,023
Rental income	–	85,266
Investment trading activities	–	1,083
Investment holding activities	145,310	61,141
Leisure	12,553	11,653
Hospitality related services	94	–
	157,957	5,224,897

Following the change in the principal activities of the Group during the year, the turnover of the Group has been re-defined to include interest income. Accordingly, the interest income in respect of 1999 has been reclassified to conform with the current year's presentation.

4. Other Net (Expenses)/Income

	The Group	
	2000 HK\$'000	1999 HK\$'000
Exchange (loss)/gain (net)	(36,820)	25,951
Profit/(loss) on sale of fixed assets (net)	194	(4,076)
Profit on sale of other securities	430	–
Unrealised (loss)/gain on stating securities at fair value (net)	(5,481)	22,383
Others	1,709	–
	(39,968)	44,258



5. Segmental Information

The analyses of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are as follows:

	Turnover		Contribution to Profit from Operations	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Principal Activities				
Development properties	-	142,731	-	33,825
Hotel operations	-	4,923,023	-	1,372,235
Rental income	-	85,266	-	52,703
Investment trading activities	-	1,083	-	5,275
Investment holding activities	145,310	61,141	80,754	57,682
Leisure	12,553	11,653	1,087	(3,265)
Design consultancy fee	-	-	-	(106)
Hospitality related services	94	-	(25,976)	-
	157,957	5,224,897	55,865	1,518,349

Geographical Locations of Operations

Hong Kong	145,310	61,141	80,768	53,391
Singapore	-	450,142	(14)	138,551
Malaysia	-	105,781	-	(16,860)
Philippines	-	153,808	-	68,068
Taiwan	-	656,947	-	170,098
Indonesia	12,553	27,656	1,087	(22,553)
Korea	-	47,663	-	8,797
New Zealand	-	508,521	-	73,738
Australia	-	164,667	-	28,554
United States	94	1,071,058	(25,976)	404,512
United Kingdom	-	1,771,490	-	622,209
France	-	152,716	-	8,483
Germany	-	53,307	-	(18,639)
	157,957	5,224,897	55,865	1,518,349

6. Profit from Ordinary Activities before Taxation

	The Group	
	2000 HK\$'000	1999 HK\$'000
Profit from ordinary activities before taxation is arrived at after charging/(crediting):		
(a) Finance Cost		
Interest expense on bank loans, overdrafts, notes and bonds repayable within 5 years	4,783	352,918
Interest expense on bank loans repayable after 5 years	-	24,207
Finance charges on finance leases	-	16,829
Total borrowing costs	4,783	393,954
Less:		
Borrowing costs capitalised into construction in progress (Note 11)	-	(3,215)
	4,783	390,739
(b) Other Items		
Amortisation of deferred expenditure	-	21,655
Auditors' remuneration	827	8,891
Cost of inventories	-	447,790
Depreciation of fixed assets	2,788	312,917
Fixed assets written off	-	1,056
Hire of plant and machinery	-	2,448
Provision for doubtful debts (trade)	-	7,734
Rent expense in respect of land and buildings held under operating lease	-	72,482
Staff costs	10,694	1,518,084
Interest income		
- bank	(140,254)	(75,827)
- others	(5,150)	(47,798)
Dividends from securities:		
- listed	-	(596)
- unlisted	-	(25)
Profit on sale of development properties	-	(22,665)
Rent income [net of outgoings of HK\$Nil (1999: HK\$24,173,000)] in respect of:		
- land and buildings under operating leases	-	(12,337)
- investment properties	-	(25,585)



7. Non-Operating Items

For the year ended 31 December, 2000, profit before taxation is arrived at after taking into account the following:

- Gain of HK\$3,161,000 arising from the disposal of the Company's hotel and property interests, which had previously been consolidated in its 52.4% owned subsidiary, Millennium & Copthorne Hotels plc (M&C), to its immediate holding company, City Developments Limited. Pursuant to the terms of the transfer agreement, the disposal is effective on 1 January, 2000. The results of these operations had previously been reported in the development properties, hotel operations and rental income activity segments as well as all the geographical segments; and
- Net gain of HK\$1,537,000 arising from the disposal of a subsidiary, Undersea World Indonesia Limited, after taking into consideration the write-off of intercompany balances due from the subsidiary of HK\$24,689,000 which are in connection with the disposal. The results of this operation had previously been reported in the leisure activity segment and in Indonesia under the geographical segment.

For the year ended 31 December, 1999, profit before taxation is arrived at after taking into account a gain of HK\$192,997,000 which arose on disposal of the Company's interests in certain of its Asia Pacific hotel and property interests to M&C, less a full provision of HK\$33,543,000 for diminution in value of one of the subsidiaries' 20% equity interest in its associated company, Suzhou International Commercial Center Co., Ltd.

8. Taxation

	2000 HK\$'000	1999 HK\$'000
Taxation in the consolidated profit and loss account represents:		
Current		
Hong Kong – subsidiary	1,252	–
Overseas – current year	114	307,765
– under/(over) provision in respect of prior years (net)	2,255	(19,379)
Share of associates' taxation	–	272
	3,621	288,658
Deferred (Note 25)		
Overseas – current year	–	(2,555)
– overprovision in respect of prior years	(339)	(452)
	(339)	(3,007)
	3,282	285,651

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong.

Overseas taxation has been provided for at the prevailing rates of taxation on estimated assessable profits.

The Company is exempted from taxation in the Cayman Islands for a period of twenty years from 1989 under the provisions of Section 6 of the Tax Concessions Law (Revised) of the Cayman Islands.

9. Profit Attributable to Shareholders

Profit after taxation to the extent of HK\$408,528,000 (1999: HK\$1,778,291,000) has been dealt with in the Company's accounts.

10. Earnings Per Share

(a) *Basic Earnings Per Share*

The calculation of earnings per share is based on profit after taxation attributable to shareholders of HK\$58,260,000 (1999: HK\$638,806,000) and on the weighted average of 5,731,806,361 (1999: 7,170,749,058) ordinary shares in issue during the year, after taking into consideration the issue of 5,637,790,382 (1999: 46,743,163) ordinary shares, the capital reduction and share consolidation during the year.

The weighted average number of ordinary shares for 1999 has been adjusted accordingly for the effects of the bonus issue during the year.

(b) *Diluted Earnings Per Share*

The calculation of diluted earnings per share is based on profit after taxation attributable to shareholders of HK\$58,260,000 (1999: HK\$638,806,000) and on the weighted average of 5,744,633,587 (1999: 7,184,375,850) ordinary shares in issue during the year, adjusted for the effects of all dilutive potential ordinary shares.

The weighted average number of ordinary shares for 1999 has been adjusted accordingly for the effects of the bonus issue during the year.

(c) *Reconciliations*

	The Company	
	2000	1999
Weighted average number of ordinary shares used in calculating basic earnings per share	5,731,806,361	7,170,749,058
Deemed issue of ordinary shares for no consideration	12,827,226	13,626,792
Weighted average number of ordinary shares used in calculating diluted earnings per share	5,744,633,587	7,184,375,850



11. Fixed Assets

	← Hotel Properties →			Plant, Machinery & Equipment HK\$'000
	Freehold Land HK\$'000	Leasehold Land HK\$'000	Freehold & Leasehold Buildings HK\$'000	
	(a) The Group			
Cost or Valuation				
At 1 January, 2000	4,496,436	316,737	13,505,092	3,951,139
Exchange difference	–	–	–	(1,434)
Additions	–	–	–	4,621
Disposals				
– through disposal of subsidiaries	(4,496,436)	(316,737)	(13,505,092)	(3,941,872)
– others	–	–	–	(5,563)
At 31 December, 2000	–	–	–	6,891
Accumulated Depreciation				
At 1 January, 2000	–	10,865	–	1,082,515
Exchange difference	–	–	–	(678)
Charge for the year	–	–	–	1,248
Disposals				
– through disposal of subsidiaries	–	(10,865)	–	(1,077,187)
– others	–	–	–	(3,435)
At 31 December, 2000	–	–	–	2,463
Net Book Value				
At 31 December, 2000	–	–	–	4,428
At 31 December, 1999	4,496,436	305,872	13,505,092	2,868,624

Notes:

- The net book value of properties held for use under operating leases totalled HK\$Nil (1999: HK\$1,015,105,000). No depreciation was charged for the year on these properties. The net book value of fixed assets acquired under finance leases is HK\$Nil (1999: HK\$386,486,000) and the depreciation charge for the year on these properties was HK\$Nil (1999: HK\$23,283,000).
- During the year, the Group acquired fixed assets amounting to HK\$6,490,000 (1999: HK\$483,013,000). Cash payments of HK\$5,720,000 (1999: HK\$470,619,000) were made to purchase fixed assets.