

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2000

7. DIRECTORS' EMOLUMENTS

	GROUP	
	2000 HK\$'000	1999 HK\$'000
Directors' fees	–	–
Other emoluments		
Basic salaries, allowances and benefits-in-kind	22,089	19,312
Contributions to retirement benefit scheme	–	109
	<u>22,089</u>	<u>19,421</u>
Total emoluments	<u>22,089</u>	<u>19,421</u>

The amounts disclosed above include allowances totalling HK\$350,000 (1999: HK\$300,000) payable to independent non-executive directors.

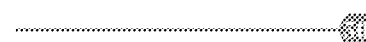
The emoluments of the directors were within the following bands:

HK\$	GROUP	
	2000 Number of directors	1999 Number of directors
Nil – 1,000,000	5	4
1,000,001 – 1,500,000	1	1
1,500,001 – 2,000,000	3	4
2,000,001 – 2,500,000	2	3
2,500,001 – 3,000,000	–	1
3,000,001 – 3,500,000	2	–
4,000,001 – 4,500,000	1	–
	<u>1</u>	<u>–</u>

All of the five highest paid individuals in the Group for both years presented are directors of the Company, whose emoluments are included above.

8. RETIREMENT BENEFIT SCHEME

Prior to 1 December 2000, the Group operated a defined contribution retirement benefit scheme (the "Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held under funds managed by independent trustees. Under this scheme, the Group and its employees participating in the scheme were each required to make contributions to the scheme calculated at 5 per cent. of individual employee's basic monthly salaries. The Group's contribution made to employees who have left the Group's employment prior to being vested fully with such contributions were forfeited and could be used to reduce the existing contributions.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2000

8. RETIREMENT BENEFIT SCHEME (Cont'd)

With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. Except for voluntary contribution, no forfeited contribution under this scheme is available to reduce the contribution payable in future years.

The retirement benefit scheme contributions arising from the Defined Contribution Scheme and the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

During the year, the Group made retirement benefits scheme contributions totalling HK\$1,755,000 (1999: HK\$4,815,000). No forfeited contributions were utilised in the Defined Contribution Scheme for the year (1999: HK\$1,389,000).

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the schemes and which were available to reduce the contributions payable by the Group in future years was HK\$2,082,000 (1999: HK\$99,000).

9. INCOME TAX EXPENSE

	GROUP	
	2000	1999
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Company and subsidiaries		
Hong Kong Profits Tax	32,704	23,112
PRC income tax	85,928	38,368
Deferred taxation (note 29)	(1,475)	(2,541)
	<u>117,157</u>	<u>58,939</u>
Associates		
Hong Kong Profits Tax	3,308	3,251
PRC income tax	23,082	3,078
	<u>26,390</u>	<u>6,329</u>
	<u>143,547</u>	<u>65,268</u>

Hong Kong Profits Tax is calculated at 16% (1999: 16%) of the estimated assessable profit for the year.

PRC income tax is calculated at the applicable PRC tax rates on the estimated assessable profit for the year.

Details of the potential deferred taxation not recognised are set out in note 29.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2000

10. NET PROFIT (LOSS) FOR THE YEAR

Of the Group's net profit for the year of HK\$268,072,000 (1999: net loss of HK\$471,829,000), profit of HK\$10,901,000 (1999: loss of HK\$348,058,000) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

	GROUP	
	2000 HK\$'000	1999 HK\$'000
Interim, paid		
HK2 cents (1999: Nil) per ordinary share	108,714	—
Final, proposed		
HK2 cents (1999: Nil) per ordinary share	108,748	—
	<u>217,462</u>	<u>—</u>

The final dividend of HK2 cents (1999: Nil) per ordinary share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming Annual General Meeting.

12. EARNINGS (LOSS) PER SHARE

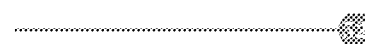
The calculation of the basic earnings (loss) per share is based on the net profit for the year of HK\$268,072,000 (1999: net loss of HK\$471,829,000) and on the weighted average number of 5,434,569,000 (1999: 5,427,215,000) ordinary shares in issue during the year.

The calculation of the diluted earnings per share for the year is based on the following data:

	HK\$'000
Profit for the purposes of basic and diluted earnings per share	<u>268,072</u>
	Number of shares '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	5,434,569
Effect of dilutive potential ordinary shares in respect of share options granted	<u>69,385</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>5,503,954</u>

The computation of the diluted earnings per share for the year does not assume the exercise of the Company's outstanding share options where the exercise price was higher than the fair value per share.

Diluted loss per share for 1999 is not presented as the effect of exercise of the share options then outstanding would be anti-dilutive.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2000

13. INVESTMENT PROPERTIES

	Land and buildings	
	2000	1999
	HK\$'000	HK\$'000
GROUP		
VALUATION		
At 1 January	1,139,850	1,272,461
Reclassified from property, plant and equipment	150,347	6,843
Disposals	(1,906)	(442)
Revaluation increase (decrease)	7,309	(139,012)
	<u>1,295,600</u>	<u>1,139,850</u>
At 31 December	<u>1,295,600</u>	<u>1,139,850</u>

An analysis of the investment properties of the Group is as follows:

	2000	1999
	HK\$'000	HK\$'000
In Hong Kong		
on long lease	140,000	130,000
on medium-term leases	869,700	723,150
In the PRC		
on long leases	2,200	3,600
on medium-term leases	283,700	283,100
	<u>1,295,600</u>	<u>1,139,850</u>

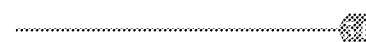
The investment properties of the Group were revalued at 31 December 2000 on an open market value basis by DTZ Debenham Tie Leung Limited, an independent firm of professional property valuers. The increase arising on revaluation has been credited to investment property revaluation reserve (note 26).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2000

14. PROPERTY, PLANT AND EQUIPMENT

	Properties for own use <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures, equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
GROUP				
COST OR VALUATION				
At 1 January 2000	788,835	301,395	91,127	1,181,357
Additions	59,503	39,951	20,785	120,239
Disposals	(8,779)	(8,531)	(7,305)	(24,615)
Reclassified to investment properties	(159,000)	–	–	(159,000)
At 31 December 2000	<u>680,559</u>	<u>332,815</u>	<u>104,607</u>	<u>1,117,981</u>
DEPRECIATION				
At 1 January 2000	62,838	188,799	67,613	319,250
Provided for the year	14,963	53,683	11,704	80,350
Eliminated on disposals	(437)	(6,215)	(5,909)	(12,561)
Eliminated on reclassification	(8,653)	–	–	(8,653)
At 31 December 2000	<u>68,711</u>	<u>236,267</u>	<u>73,408</u>	<u>378,386</u>
NET BOOK VALUES				
At 31 December 2000	<u><u>611,848</u></u>	<u><u>96,548</u></u>	<u><u>31,199</u></u>	<u><u>739,595</u></u>
At 31 December 1999	<u><u>725,997</u></u>	<u><u>112,596</u></u>	<u><u>23,514</u></u>	<u><u>862,107</u></u>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2000

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Properties for own use <i>HK\$'000</i>	Furniture, fixtures, equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COMPANY			
COST OR VALUATION			
At 1 January 2000	7,120	27,391	34,511
Additions	–	1,851	1,851
Disposals	–	(602)	(602)
	<u>7,120</u>	<u>28,640</u>	<u>35,760</u>
At 31 December 2000	7,120	28,640	35,760
DEPRECIATION			
At 1 January 2000	905	24,726	25,631
Provided for the year	200	1,601	1,801
Eliminated on disposals	–	(534)	(534)
	<u>1,105</u>	<u>25,793</u>	<u>26,898</u>
At 31 December 2000	1,105	25,793	26,898
NET BOOK VALUES			
At 31 December 2000	<u><u>6,015</u></u>	<u><u>2,847</u></u>	<u><u>8,862</u></u>
At 31 December 1999	<u><u>6,215</u></u>	<u><u>2,665</u></u>	<u><u>8,880</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2000

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Notes:

- (a) An analysis of the cost or valuation of the properties of the Group and the Company held for own use is as follows:

	GROUP		COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Land and buildings on medium-term leases				
At 1997 professional valuation in Hong Kong	-	159,000	-	-
At 1994 professional valuation in Hong Kong	432,189	432,189	5,220	5,220
in the PRC	54,555	63,022	1,900	1,900
At cost in Hong Kong	129,085	108,320	-	-
in the PRC	64,730	26,304	-	-
	<u>680,559</u>	<u>788,835</u>	<u>7,120</u>	<u>7,120</u>

The properties of the Group held for own use at 1994 valuation are carried at their open market values at 31 December 1994, as valued by Messrs. C.Y. Leung & Company Limited, an independent firm of professional property valuers, less subsequent depreciation.

Other property, plant and equipment are carried at cost less depreciation.

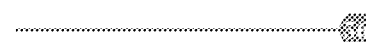
- (b) The properties of the Group and those of the Company held for own use at valuation would have been included in the financial statements at the following amounts had these properties been carried on a historical cost basis less depreciation:

	GROUP		COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Properties for own use, at cost less depreciation	<u>171,343</u>	<u>200,204</u>	<u>3,781</u>	<u>3,876</u>

15. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost less provision	29,927	9,927
Amounts due from subsidiaries less provision	<u>7,957,121</u>	<u>8,038,486</u>
	<u>7,987,048</u>	<u>8,048,413</u>

Particulars of the Company's principal subsidiaries are set out in note 37.



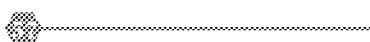
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2000

16. INTERESTS IN ASSOCIATES

	GROUP	
	2000 HK\$'000	1999 HK\$'000
Unlisted companies		
Share of net assets	233,129	187,330
Amounts due from associates less provision	742,737	580,123
	<u>975,866</u>	<u>767,453</u>
	COMPANY	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	–	–
Amounts due from associates	97	86
	<u>97</u>	<u>86</u>

The amounts due from associates are unsecured and, to the extent of HK\$434 million (1999: HK\$373 million), have been subordinated to the bank loans granted to the associates.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2000

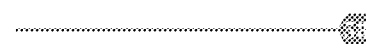
16. INTERESTS IN ASSOCIATES (Cont'd)

Set out below are the particulars of the principal associates at 31 December 2000 which, in the opinion of the directors, principally affected the results or the net assets of the Group. All associates are indirectly held by the Company and are incorporated and operating in Hong Kong unless otherwise indicated.

Name of company	Proportion of nominal value of issued ordinary capital/ registered capital held by the Group %	Principal activities
Allways Success Development Limited	40	Property trading and investment
Allways Success Finance Limited	40	Loan financing
Beijing Ke Guan Property Development Co., Ltd. (i)	35	Property development
北京國海在線科技有限公司 (i)	34	Development of computer network applications and provision of internet related services
Best Reward Development Limited	30	Property trading and investment
China Digital satNet Limited	22	Development of satellite broadband digital network communication business
Chest Gain Development Limited	30	Property development
Elation Assets Limited (ii)	35	Investment holding
廣州中海房地產發展有限公司 (i)	45	Property development
Guangzhou Xin Yue Real Estate Development Co., Ltd. (i)	40	Property development and trading
Hong Kong Concrete Company Limited	30	Manufacture and sale of ready- mixed concrete
Krimark Investments Limited (ii)	40	Investment holding
Shenzhen Hailong Cement Co., Ltd. (i)	50	Development and operation of a cement plant

(i) Registered and operating in the PRC

(ii) Incorporated in the British Virgin Islands



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2000

17. INVESTMENTS IN INFRASTRUCTURE AND SYNDICATED PROPERTY PROJECTS

	Infrastructure projects		Syndicated property projects		Total	
	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
GROUP						
Unlisted investments, at cost	968,014	928,702	63	3,125	968,077	931,827
Amounts due from investees	22,825	12,305	1,138,159	1,327,228	1,160,984	1,339,533
Less: Repayment of capital contributed	(76,853)	(50,202)	–	–	(76,853)	(50,202)
)						
Provisions	–	–	(202,500)	(202,500)	(202,500)	(202,500)
)						
	<u>913,986</u>	<u>890,805</u>	<u>935,722</u>	<u>1,127,853</u>	<u>1,849,708</u>	<u>2,018,658</u>
Carrying amount analysed for reporting purposes as:						
Non-current	859,557	864,834	935,722	1,127,853	1,795,279	1,992,687
Current	54,429	25,971	–	–	54,429	25,971
	<u>913,986</u>	<u>890,805</u>	<u>935,722</u>	<u>1,127,853</u>	<u>1,849,708</u>	<u>2,018,658</u>

(a) Infrastructure projects

Pursuant to the agreements entered into between the Group and PRC entities for the establishment of companies for the purposes of investing in infrastructure projects in the PRC, the Group has undertaken to contribute an agreed portion of the registered capital of the investee companies. The Group is entitled under the agreements to share a fixed amount of the operating surplus of the investee companies available for appropriation payable quarterly to the Group to enable the Group to recover its cost of investment and receive a periodic return therefrom. The PRC partners will be entitled to all of the remaining surplus. The Group's returns under the agreements are guaranteed by the PRC partners. Upon the expiration of the contract period, all assets of the investee companies will revert to the PRC partners without compensation. Accordingly, the Group's entitlements to the operating results of the investee companies are limited to the guaranteed returns.