



- (iv) fee income on short term construction contracts, on completion of the construction work;
- (v) fee income on long term construction contracts, on the percentage of completion basis as further explained in (u) above;
- (vi) hotel and other service income, in the period in which such services are rendered;
- (vii) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable;
- (viii) dividend income, when the shareholders' right to receive payment is established;
- (ix) proceeds from sale of short term investments and long term investments in listed shares, on the transaction dates when the relevant contract notes are exchanged; and
- (x) commission and brokerage income on dealings in securities, futures and other derivatives, on the transaction dates when the relevant contract notes are exchanged.

(x) Foreign currencies

The financial records of the Company and its subsidiary companies operating in Hong Kong are maintained and the financial statements are stated in Hong Kong dollars.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are recorded at the rates existing on the respective transaction dates. Profits and losses on exchange are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiary companies and associates denominated in foreign currencies are translated at the applicable rates of exchange ruling at the balance sheet date. All translation differences arising on consolidation are dealt with in the exchange equalisation reserve.

(y) Deferred tax

Provision is made for deferred tax using the liability method, on all material timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(z) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

(aa) Off-balance sheet financial instruments

The Group transacts in total return share swaps and put/call option transactions as part of its investment and/or financing activities which are accounted for as follows:

- (i) the net settlements arising from swaps undertaken are recognised on an accrual basis and are dealt with in the profit and loss account; and
- (ii) the net premium paid/received from the writing of options is dealt with in the profit and loss account, and provision is made for any shortfall in the market prices of the underlying securities in respect of which the options are written below the contracted strike prices under the option agreements.

(ab) Staff retirement scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme became effective from 1st December, 2000. Contributions are made based on a percentage of the employees' relevant income and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Prior to the MPF Scheme being effective, the Group operated a defined contribution retirement benefits scheme for those employees who were eligible to participate in the scheme. This scheme operated in a similar way to the MPF Scheme, except that when an employee left the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions.

For certain subsidiary companies of the Group operating in Mainland China, contributions to the government retirement benefits scheme are charged to the profit and loss account as incurred.

(ac) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(ad) Cash equivalents

Cash equivalents represent short term 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 the advance.



4. TURNOVER AND REVENUE

Turnover represents the aggregate of the gross amounts of rental income, fee income in respect of construction contracts (in the case of long term construction contracts, the fee income is adjusted to reflect the stage of completion to the extent that this was not previously recognised), proceeds from the sale of properties (in the case of pre-sale of properties, proceeds from the pre-sale are adjusted to reflect the stage of completion of construction to the extent that these were not previously recognised), estate management fees, property development consultancy and project management fees, building services income, hotel income, travel services revenue and commissions, plant nursery and florist income, restaurant revenue, wedding services revenue, karaoke club revenue, income from brewery operations, proceeds from the sale of short term investments, commission and brokerage income on dealings in securities, futures and other derivatives, after elimination of all significant intra-group transactions.

Revenue from the following activities has been included in turnover:

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Rental income:		
Investment properties	195.2	251.4
Hotel properties	27.9	26.7
Construction and construction-related income	433.4	252.3
Proceeds from the sale of properties	46.1	1,041.8
Estate management fees	21.5	19.7
Property development consultancy and project management fees	0.1	6.0
Hotel operations and management services	972.3	2,939.6
Other operations, including travel services, plant nursery and florist, restaurant operations, wedding services, karaoke club operations and brewery operations	58.3	98.8
Proceeds from the sale of short term investments	45.0	21.3
Commission and brokerage income on dealings in securities, futures and other derivatives	15.2	16.7
Turnover	<u>1,815.0</u>	<u>4,674.3</u>

**5. OTHER REVENUE/OTHER OPERATING INCOME/(EXPENSES), NET**

Other revenue/other operating income/(expenses), net, include the following items:

	GROUP	
	2000 HK\$ million	1999 HK\$ million
Other revenue:		
Compensation received from cancellation of a tenancy agreement	—	22.8
Other operating income/(expenses), net:		
Realised losses and provisions for losses in short term investments	(0.4)	(22.5)
Write off/Provisions against advances and interest receivable	(13.1)	(57.5)
Provisions for losses against properties	(106.0)	(406.7)
Provisions for guarantees and indemnity given	(18.1)	(124.4)
Provision for tax indemnity in respect of the disposal of overseas subsidiary companies/ partnerships in the prior year	(24.2)	—
Provisions for impairments in values of long term investments	—	(44.2)
Loss on disposal of ordinary shares in a listed subsidiary company	—	(8.0)
Write back of provision for guarantee given	29.9	—
Write back of provision for loss on deposit paid	10.0	—
Write back of provision against advances and interest receivable	9.6	—
Write back of deficit on revaluation of hotel properties previously charged to profit and loss account	65.8	187.0
Write back of provision for indemnity given	340.4	—

**6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES**

The Group's profit/(loss) from operating activities is arrived at after charging:

	GROUP	
	2000	1999
	HK\$'million	HK\$'million
Cost of completed properties sold	40.7	1,426.5
Cost of inventories sold and other services provided	599.7	1,530.5
Staff costs (exclusive of directors' remuneration disclosed in note 8(a)):		
Wages and salaries*	458.6	1,275.8
Staff retirement scheme contributions	20.9	20.4
Less: Unvested contributions forfeited	(8.0)	(7.9)
Net retirement scheme contributions	12.9	12.5
	471.5	1,288.3
Less: Staff costs capitalised in respect of property development projects and construction contracts:		
Wages and salaries	(50.1)	(22.5)
Staff retirement scheme contributions	(0.6)	(1.4)
	420.8	1,264.4
Auditors' remuneration:		
Current year provision	5.4	9.6
Prior year underprovision	0.3	-
	5.7	9.6
Loss on disposal of listed investments (after a transfer from the revaluation reserve of a surplus of HK\$8.7 million)	-	5.2

* Inclusive of an amount of HK\$332.6 million (1999 - HK\$1,121.4 million) classified under cost of inventories sold and services provided.



	GROUP	
	2000 HK\$'million	1999 HK\$'million
Depreciation	61.9	158.0
Less: Depreciation capitalised in respect of property development projects and construction contracts	(1.7)	(1.6)
	<u>60.2</u>	<u>156.4</u>
Loss on disposal of fixed assets	3.3	14.6
Write down in value of short term investments	5.7	-
Operating lease rentals:		
Land and buildings	0.8	36.8
Other equipment	1.1	10.1
Amortisation of lease rights	-	1.2
Amortisation of management contracts	-	0.4
Amortisation of trading rights	0.5	-
and after crediting:		
Gross rental income	223.1	278.1
Less: Outgoings	(57.5)	(78.0)
Net rental income	<u>165.6</u>	<u>200.1</u>
Interest income from:		
Bank balances	36.9	48.4
Other loans and receivables	35.4	27.4
Associates	11.8	4.7
	<u>84.1</u>	<u>80.5</u>
Gain on revaluation of short term investments	15.0	-
Gain on disposal of listed investments (after a transfer from the revaluation reserve of a deficit of HK\$0.9 million)	26.5	-
Dividend income from:		
Listed investments	1.0	0.9
Unlisted investment	1.3	1.0

**7. FINANCE COSTS**

	GROUP	
	2000 HK\$' million	1999 HK\$' million
Interest in respect of:		
Bank loans and overdrafts	562.8	735.8
Other loans, notes payable and exchangeable bonds, wholly repayable within five years	177.9	313.3
Notes payable, not wholly repayable within five years	--	36.9
	<u>740.7</u>	<u>1,086.0</u>
Premium provided on exchangeable bonds and convertible bonds	213.1	198.4
	<u>953.8</u>	<u>1,284.4</u>
Interest capitalised in respect of property development projects and construction contracts	(34.8)	(111.8)
	<u>919.0</u>	<u>1,172.6</u>
Amortisation of deferred expenditure	23.4	89.9
Write off of deferred expenditure	15.9	5.2
Other loan costs	0.8	-
Total finance costs	<u>959.1</u>	<u>1,267.7</u>

8. DIRECTORS' REMUNERATION

- (a) Details of Directors' remuneration charged to the Group's profit and loss account are set out below:

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Fees	1.6	1.5
Salaries and other allowances	8.3	11.7
Performance related/discretionary bonuses	0.7	1.4
Staff retirement scheme contributions	-	0.2
	10.6	14.8
	10.6	14.8

The remuneration of the Directors fell within the following bands:

HK\$	2000 Number of Directors	1999 Number of Directors
Nil - 1,000,000	4	5
1,500,001 - 2,000,000	-	1
2,000,001 - 2,500,000	-	1
2,500,001 - 3,000,000	1	1
6,000,001 - 6,500,000	1	-
6,500,001 - 7,000,000	-	1
	6	9
	6	9

The above Directors' remuneration includes the remuneration received by certain Directors of the Company from PHL and RHIHL in connection with the management of their affairs during the year.

The independent Non-executive Directors of the Company were entitled to a total sum of HK\$0.4 million (1999 - HK\$0.3 million) as Directors' fees, including the Director's fee from PHL to an independent non-executive director who is also an independent non-executive director of PHL and the fees entitled by those independent Non-executive Directors for serving as audit committee members, for the year ended 31st December, 2000.



(b) Share options

No share options were granted by the Company to the Directors of the Company.

Details of share options granted by PHL and RHIHL to the Directors of the Company are set out below:

PHL

	Number of shares under options		
	Granted on 22nd February, 1994 'million	Granted on 15th September, 1995 with Original Grant Date ⁽¹⁾ of 22nd February, 1992 'million	Total 'million
Balance at beginning and at end of year	<u>5.5⁽²⁾</u>	<u>24.0⁽³⁾</u>	<u>29.5</u>
Outstanding rights vested with the Directors at end of year	<u>3.3⁽²⁾</u>	<u>17.1⁽³⁾</u>	
Exercise price per share (HK\$)	<u>10.4000</u>	<u>0.6656</u>	

- (1) Consequent upon the group reorganisation resulting in the effective merger of PHL and Paliburg International Holdings Limited ("PIHL"), a formerly listed subsidiary company of the Company, on 17th August, 1995 (the "Group Reorganisation") and in accordance with the terms of the executive share option scheme of PIHL ("PIHL Option Scheme"), the outstanding options held under the PIHL Option Scheme ("PIHL Options") lapsed on 17th August, 1995 and in conjunction therewith, PHL granted the same number of options to subscribe for the new consolidated shares of HK\$1.00 each of PHL under the executive share option scheme of PHL ("PHL Options") at the same prices and otherwise on the same terms as held by and applicable to the holders of the outstanding PIHL Options. The above Original Grant Date is the date of grant of the PIHL Options and is used to determine the timing when the rights to exercise the PHL Options vest with the holders thereof.
- (2) The options for 3.3 million shares are exercisable at any time. The options for the remaining 2.2 million shares are exercisable in stages commencing seven years from the date of grant.
- (3) The options for 17.1 million shares are exercisable at any time. The options for the remaining 6.9 million shares are exercisable in stages commencing nine years from the Original Grant Date.

**RHIHL**

	Number of ordinary shares under options	
	Granted on 22nd February, 1992 'million	Total 'million
Balance at beginning and at end of year	<u>35.3*</u>	<u>35.3</u>
Outstanding rights vested with the Directors at end of year	<u>26.6*</u>	
Exercise price per ordinary share (HK\$)	<u>0.7083</u>	

* The options for 26.6 million ordinary shares are exercisable at any time. The options for the remaining 8.7 million ordinary shares are exercisable in stages commencing nine years from the date of grant.

Under the terms of grant, the options granted on the shares of PHL and RHIHL are not transferrable and, in the absence of a readily available market value, the Directors are unable to arrive at an accurate assessment of the value of the options granted to the respective Directors.

There was no arrangement under which a Director waived or agreed to waive any remuneration.