

Notes to the Financial Statements

Note 3 Operating Profit before Finance Costs

(HK\$'000)	Group	
	2000	1999
After crediting:		
Interest income	108,650	92,782
Less: Amount capitalised in properties for / under development	(56,265)	(46,332)
	52,385	46,450
Rental income less outgoings	21,201	22,079
Surplus on revaluation of investment properties	6,500	–
Dividends from unlisted investments		
– STDM	14,322	7,596
– Others	371	374
After charging:		
Cost of inventories	321,747	221,758
Staff costs	497,722	429,713
Amortisation and depreciation	180,274	160,636
Auditors' remuneration	2,990	2,749
Loss on disposal of fixed assets	3,314	5,312
Deficit on revaluation of investment properties	–	8,867
Rental of properties under operating leases	17,301	11,667
Provident fund contribution	17,872	16,083
Provision for diminution in value of investment	1,500	20,000
Loss on disposal of interests in subsidiaries	–	8,619
Professional fees on merger and reorganisation of shipping division	–	10,874
Provision for severance payment	–	23,000

The consolidated contribution by segment is shown in Group Financial Review Section on pages 32 to 35.

Note 4 Directors' and Senior Management's Remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Companies Ordinance is as follows:

(HK\$'000)	Group	
	2000	1999
Directors' remuneration		
Fees		
Executive directors	275	174
Independent non-executive directors	400	400
Non-executive directors	20	20
Other emoluments		
Salaries and allowances	11,555	10,241
Company portion of provident fund contribution	487	449
	12,737	11,284

Other emoluments included allowances of HK\$200,000 (1999: HK\$200,000) paid to independent non-executive directors.

The number of directors whose remuneration fell within the following bands is as follows :

Specified bands of directors' remuneration	Number of directors	
	2000	1999
HK\$0 – HK\$1,000,000	7	7
HK\$1,000,001 – HK\$1,500,000	1	2
HK\$1,500,001 – HK\$2,000,000	4	3
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$3,500,001 – HK\$4,000,000	1	–

No directors have waived remuneration in respect of the year ended 31st December, 2000. During the year, 20,000,000 share options were granted to certain directors to subscribe for ordinary shares at an exercise price of HK\$1.20 per share in the Company. The options are exercisable within a period of 10 years from the date of grant. No directors had exercised options to subscribe for shares in the Company during the year. Among the five highest paid individuals in the Group, all (1999: four) are directors of the Company and the details of their remuneration have already been disclosed above. In 1999, the remuneration of the remaining individual not included above was salaries and allowances of HK\$ 1,455,373 and Company portion of provident fund contribution of HK\$ 65,017.

Notes to the Financial Statements

Note 5 Finance Costs

(HK\$'000)	Group	
	2000	1999
Interest on bank loans and overdraft		
– wholly repayable within 5 years	371,516	352,460
– not wholly repayable within 5 years	23,388	9,814
Interest on other loans		
– wholly repayable within 5 years	17,433	–
– not wholly repayable within 5 years	–	6,682
Interest on convertible guaranteed bonds	23,149	9,993
Provision for premium on redemption of convertible guaranteed bonds	35,405	15,284
Expenses for issue of convertible guaranteed bonds	–	15,721
Interest on loans from minority shareholders	207,732	188,187
Less: Amount capitalised in properties for / under development	(636,921)	(563,591)
	41,702	34,550

Note 6 Taxation

a) Taxation in the consolidated profit and loss account represents:

(HK\$'000)	Group	
	2000	1999
Company and subsidiaries		
Hong Kong profits tax	4,816	5,272
Overseas taxation	268	639
Deferred tax	50,642	72,770
Associates		
Hong Kong profits tax	5,191	572
Overseas taxation	4,114	4,236
	65,031	83,489

Hong Kong profits tax is provided for at the rate of 16% (1999: 16%) on the estimated assessable profits for the year.

Overseas taxation is calculated at rates of tax applicable in their respective jurisdictions.

A certain amount of the Group's profit is derived from sources outside Hong Kong and no tax is payable thereon.

b) Movement of deferred tax in the consolidated balance sheet is as follows:

(HK\$'000)	Group	
	2000	1999
At 1st January	74,494	–
Net (debit) / credit for the year	(9,342)	74,494
At 31st December	65,152	74,494

The components of deferred tax liabilities of the Group provided for at the balance sheet date are as follows:

(HK\$'000)	2000	1999
Accelerated depreciation allowances	14,510	14,724
Profit recognised in respect of properties under development for sale prior to completion	50,642	59,770
	65,152	74,494

Deferred tax has not been provided for in the financial statements to the extent that the timing differences are not expected to crystallise in the foreseeable future. The revaluation surplus arising on the valuation of properties does not constitute a timing difference for taxation purposes because the realisation of the surplus would not be subject to taxation. Therefore, deferred tax related to the revaluation surplus is not considered as potential liability.

Note 7 Dividends

(HK\$'000)	Group and Company	
	2000	1999
Interim dividend of 2 cents on 1,553,947,128 shares (1999: 1 cent on 1,538,304,803 shares)	31,079	15,383
Proposed final dividend of 3 cents on 1,553,947,128 shares (1999: 5 cents on 1,538,304,803 shares)	46,618	76,915
	77,697	92,298

Note 8 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to shareholders and on the weighted average of 1,546,750,696 shares (1999: 1,535,997,610 shares) in issue during the year.

Diluted earnings per share is not shown because the potential ordinary shares have no dilutive effect.

Notes to the Financial Statements

Note 9 Fixed Assets

Group (HK\$'000)	Investment properties	Land and buildings	Properties under development	Vessels and pontoons	Other assets	Total
Cost or valuation						
At 1st January, 2000	262,500	534,269	960,008	1,954,890	743,054	4,454,721
Additions / transfers	–	–	358,530	20,863	39,049	418,442
Acquisition of subsidiaries	–	–	–	16,104	–	16,104
Disposals / transfers	–	–	–	–	(11,530)	(11,530)
Surplus on revaluation	6,500	–	–	–	–	6,500
At 31st December, 2000	269,000	534,269	1,318,538	1,991,857	770,573	4,884,237
Amortisation and depreciation						
At 1st January, 2000	–	183,225	–	819,540	424,372	1,427,137
Charge for the year	–	29,243	–	91,518	59,513	180,274
Acquisition of subsidiaries	–	–	–	3,579	–	3,579
Written back on disposal	–	–	–	–	(6,387)	(6,387)
At 31st December, 2000	–	212,468	–	914,637	477,498	1,604,603
Net book value						
At 31st December, 2000	269,000	321,801	1,318,538	1,077,220	293,075	3,279,634
At 31st December, 1999	262,500	351,044	960,008	1,135,350	318,682	3,027,584
Company						
(HK\$'000)					Other assets	
Cost						
At 1st January, 2000						2,351
Additions						412
Disposals						(51)
At 31st December, 2000						2,712
Depreciation						
At 1st January, 2000						929
Charge for the year						455
Written back on disposal						(34)
At 31st December, 2000						1,350
Net book value						
At 31st December, 2000						1,362
At 31st December, 1999						1,422

Other assets of the Group comprised mainly of furniture, fixtures and repairable spare parts of vessels.

Analysis of cost and valuation of the Group's investment properties, land and buildings and properties under development at 31st December, 2000 is as follows:

(HK\$'000)	Held in Hong Kong			Held outside Hong Kong		Total
	(long lease)	(medium lease)	(short lease)	(medium lease)	(freehold)	
Investment properties						
Based on 2000						
professional valuation	215,000	10,000	–	–	44,000	269,000
Land and buildings						
Based on directors'						
valuation in 1989	80,080	–	–	–	–	80,080
At cost	13,369	–	418,644	22,176	–	454,189
	93,449	–	418,644	22,176	–	534,269
Properties under development						
At cost	–	1,318,538	–	–	–	1,318,538

All the investment properties are held for rental income under operating leases.

The investment properties were revalued on the open market value basis at 31st December, 2000 by FPDSavills (Hong Kong) Limited, an independent professional valuer.

All other assets are stated at cost or valuation less accumulated depreciation.

Properties under development included finance costs capitalised during the year of HK\$58,425,000 (1999: HK\$21,658,000).

Note 10 Subsidiaries

(HK\$'000)	Company	
	2000	1999
Unlisted shares, at cost	20,100	20,100
Amount due by subsidiaries less provision	4,522,946	3,836,900
Amount due to subsidiaries	(808,845)	(57)
	3,734,201	3,856,943

Particulars regarding the principal subsidiaries are set out on pages 79 to 80.

Notes to the Financial Statements

Note 11 Associates

(HK\$'000)	Company	
	2000	1999
Unlisted shares, at cost	678	678
Amount due by an associate less provision	9,704	9,704
	10,382	10,382

(HK\$'000)	Group	
	2000	1999
Share of net assets	541,426	511,860
Net discount on acquisition of associates	(175,983)	(198,700)
	365,443	313,160
Subordinated loans	64,499	69,346
Amount due by associates	697,920	718,343
Amount due to associates	(22,851)	(2,851)
	739,568	784,838
	1,105,011	1,097,998

The Group's share of associates' profit after taxation for the year amounted to HK\$60,486,000 (1999: HK\$51,752,000)

Particulars regarding the principal associates are set out on pages 79 to 80.

Note 12 Joint Ventures

(HK\$'000)	Group	
	2000	1999
Jointly controlled entities		
Share of net assets	220,915	236,817
Amount due by jointly controlled entities	148,264	243,794
	369,179	480,611

Please refer to note 24 for details of capital commitments in respect of joint ventures.

Particulars regarding joint ventures are set out on pages 79 to 80.

Note 13 Investments

(HK\$'000)	Group		Company	
	2000	1999	2000	1999
Held-to-maturity securities, unlisted	–	20,074	–	20,074
Investment securities				
Unlisted shares less provision	406,167	333,264	255,352	255,352
Interest in joint venture in Mainland China less provision	2,629	4,129	–	–
Loans	28,389	28,316	125	125
	437,185	365,709	255,477	255,477
Club debentures, at cost	140	140	–	–
Total	437,325	385,923	255,477	275,551
Less: Current portion included in current assets	–	(20,074)	–	(20,074)
	437,325	365,849	255,477	255,477

Note 14 Inventories

(HK\$'000)	Group	
	2000	1999
Stocks of completed properties for sale	51,518	51,518
Stocks*	125,375	116,169
Work-in-progress	106	696
	176,999	168,383

* Stocks comprised mainly of spare parts HK\$122,606,000 (1999: HK\$114,103,000)

Note 15 Trade Debtors and Creditors – Ageing Analysis

The Group and the Company maintain a defined credit policy on trade debtors. The ageing analysis of trade debtors was as follows:

(HK\$'000)	Group		Company	
	2000	1999	2000	1999
0 – 30 days	70,850	79,321	3,152	3,029
31 – 60 days	15,313	14,749	1,785	1,592
61 – 90 days	7,581	5,340	136	–
over 90 days	46,023	30,132	749	254
	139,767	129,542	5,822	4,875