

Notes to the Accounts

1. TURNOVER

The principal activity of the Company is investment holding. The principal activities of its major subsidiary, jointly controlled and associated companies are shown on pages 90 to 97.

Turnover represents sales by the Company and its subsidiary companies to outside customers and comprises revenue from:

	Group	
	2001 HK\$M	2000 HK\$M
Gross rental income	4,769	4,626
Sales of development properties	1,092	1,114
Sales of investment properties	261	–
Rendering of other services	1,021	1,093
Sales of goods	8,055	8,217
	15,198	15,050

2. OPERATING PROFIT

	Group	
	2001 HK\$M	2000 HK\$M
Operating profit has been arrived at after charging:		
Cost of stocks sold	6,035	6,236
Depreciation of fixed assets	517	543
Staff costs	1,582	1,615
Operating lease rentals:		
Land and buildings	76	75
Other equipment	18	19
Amortisation of deferred expenditure	118	96
Losses less profits on sale of subsidiary and jointly controlled companies	–	11
Provision for land premium on development properties	–	151
Auditors' remuneration	8	8
Exchange differences	10	8
Loss on sale of fixed assets	–	16
and after crediting:		
Gross rental income	4,769	4,626
Less: Outgoings	1,001	1,057
Net rental income	3,768	3,569
Charter hire income	893	843
Profit on sale of development properties	170	225
Profit on sale of fixed assets	205	–

3. SEGMENT INFORMATION

(a) Primary reporting format – business segments by division:

The principal divisions of the Swire Pacific group, together with their contributions to group results, are as follows:

The Company and its subsidiaries:

	Turnover					
	2001			2000		
	External HK\$M	Inter-segment HK\$M	Total HK\$M	External HK\$M	Inter-segment HK\$M	Total HK\$M
Property:						
Property investment	4,810	18	4,828	4,673	19	4,692
Property trading	1,092	–	1,092	1,114	–	1,114
Sale of investment properties	261	–	261	–	–	–
Beverages	4,660	1	4,661	4,583	1	4,584
Marine Services	893	–	893	843	–	843
Trading & Industrial	3,453	41	3,494	3,816	52	3,868
Others	29	67	96	21	73	94
Eliminate inter-segment sales	–	(127)	(127)	–	(145)	(145)
	15,198	–	15,198	15,050	–	15,050

	Operating profit/(loss)	
	2001 HK\$M	2000 HK\$M
Property:		
Property investment	3,471	3,354
Property trading	128	145
Sale of investment properties	205	–
Provision for land premium on development properties	–	(151)
Beverages	304	256
Marine Services	336	231
Trading & Industrial	112	174
Other net expenses	(165)	(160)
	4,391	3,849

Inter-segment sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods and services.

Notes to the Accounts

3. SEGMENT INFORMATION (continued)

(a) Primary reporting format – business segments by division (continued):

	Share of profits less losses before taxation	
	2001 HK\$M	2000 HK\$M
Jointly controlled companies:		
Property:		
Property investment and trading and hotel	172	15
Provisions for development properties	(312)	(1,700)
Beverages	85	69
Marine Services:		
Ship repair and harbour towage	36	66
Container handling	25	23
Shipowning and operating	9	4
Trading & Industrial:		
Normal operations	138	21
Sale of business	–	(132)
Others	–	(2)
	153	(1,636)

	Share of profits less losses before taxation	
	2001 HK\$M	2000 HK\$M
Associated companies:		
Property:		
Hotels and restaurants	50	73
Aviation:		
Airline services and airline catering	373	2,302
Aircraft engineering	155	166
Cargo handling	156	129
Marine Services:		
Container handling	295	294
	1,029	2,964

	Attributable profit/(loss)	
	2001 HK\$M	2000 HK\$M
Consolidated results:		
Property	2,793	947
Aviation	520	2,510
Beverages	252	185
Marine Services	617	505
Trading & Industrial	130	(84)
Other net expenses	(194)	(170)
	4,118	3,893

An analysis of capital expenditure and depreciation/amortisation of the group by division is as follows:

	Capital expenditure		Depreciation and amortisation	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Property	1,042	6,170	104	86
Beverages	199	251	310	306
Marine Services	351	132	115	129
Trading & Industrial	39	49	57	71
Others	13	20	49	47
	1,644	6,622	635	639

3. SEGMENT INFORMATION (continued)

(b) Secondary reporting format – geographical segments:

The activities of the Swire Pacific group are mainly based in Hong Kong. An analysis of turnover, operating profit and capital expenditure of the group by principal markets is outlined below:

	Turnover		Operating profit	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Hong Kong	7,746	8,550	3,603	3,273
Asia (excluding Hong Kong)	3,256	3,128	178	157
North America	3,303	2,529	274	188
Shipowning and operating	893	843	336	231
	15,198	15,050	4,391	3,849

	Capital expenditure	
	2001 HK\$M	2000 HK\$M
Hong Kong	1,092	6,222
Asia (excluding Hong Kong)	56	64
North America	145	204
Shipowning and operating	351	132
	1,644	6,622

Shipowning and operating activities are carried out internationally and cannot be attributed to specific geographical areas.

(c) An analysis of total assets and total liabilities of the group

Primary reporting format – business segments by division:

	Property		Aviation		Beverages		Marine Services		Trading & Industrial		Others		Group	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Segment assets	68,283	74,653	-	9	3,325	3,572	2,070	1,867	2,044	1,987	353	368	76,075	82,456
Inter-segment assets	3	195	-	-	-	598	-	-	19	27	19,660	19,618	19,682	20,438
Inter-segment assets eliminated													(19,682)	(20,438)
Investment in jointly controlled companies	6,464	5,156	18	10	976	992	409	455	191	365	-	-	8,058	6,978
Investment in associated companies	1,109	1,040	16,001	16,725	-	-	575	608	-	-	-	-	17,685	18,373
Short-term deposits, bank balances and securities													691	727
Total assets													102,509	108,534
Segment liabilities	5,994	6,858	-	51	712	772	118	168	449	444	222	199	7,495	8,492
Inter-segment liabilities	17,470	16,079	-	227	636	1,275	709	544	847	1,685	20	628	19,682	20,438
Inter-segment liabilities eliminated													(19,682)	(20,438)
Gross borrowings and taxation													17,414	17,416
Total liabilities													24,909	25,908
Minority interests													4,651	5,203
Net assets													72,949	77,423

Notes to the Accounts

3. SEGMENT INFORMATION (continued)

(c) An analysis of total assets and liabilities of the group (continued)

Secondary reporting format – geographical segments:

	Hong Kong		Asia (excluding Hong Kong)		North America		Shipowning and operating		Group	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Segment assets	69,968	76,634	2,060	1,852	1,987	2,111	2,060	1,859	76,075	82,456

4. DIRECTORS' EMOLUMENTS

	2001 HK\$M	2000 HK\$M
Fees from the Company and its subsidiary companies	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	41	40
Retirement benefit costs	3	1
	44	41

Housing costs accounted for 34% (2000: 33%) of emoluments.

The total emoluments of the directors were within the following bands:

HK\$'000	2001 Number	2000 Number
0 – 1,000	8	8
1,001 – 1,500	1	1
2,001 – 2,500	–	1
2,501 – 3,000	1	–
5,001 – 5,500	–	1
5,501 – 6,000	1	–
7,001 – 7,500	1	1
9,001 – 9,500	1	–
9,501 – 10,000	–	1
14,501 – 15,000	–	1
18,001 – 18,500	1	–
	14	14

The five highest paid individuals in the group are Directors of the Company.

Directors' fees paid or payable to the independent non-executive Directors during the year totalled HK\$298,000 (2000: HK\$298,000). They received no other emoluments from the Company or any of its subsidiary companies.

5. NET FINANCE CHARGES

	Group			
	2001		2000	
	HK\$M	HK\$M	HK\$M	HK\$M
Interest charged on:				
Bank loans and overdrafts		360		501
Other loans and bonds				
– wholly repayable within five years	410		577	
– not wholly repayable within five years	425		426	
		835		1,003
Deferred into properties under development for sale:				
– subsidiary companies	(68)		(39)	
– jointly controlled companies	(267)		(607)	
– long-term investments	–		(12)	
		(335)		(658)
Capitalised on:				
– investment properties		(255)		(250)
– other properties and plant and machinery		(12)		(1)
		593		595
Interest income on:				
Short-term deposits and bank balances	(15)		(44)	
Other loans	(85)		(119)	
		(100)		(163)
		493		432

The capitalisation rate applied to funds borrowed generally and used for the development of investment properties and properties for sale is between 2.31% and 9.1% per annum (2000 : 6.125% and 9.5% per annum).

6. SHARE OF PROFITS LESS LOSSES OF JOINTLY CONTROLLED COMPANIES

The share of profits less losses of jointly controlled companies includes an attributable loss of HK\$137 million (2000: HK\$1,700 million) arising from the provision for diminution in value of property development sites, and an attributable loss of HK\$175 million (2000: HK\$nil) relating to a provision for stamp duty in dispute on a previously acquired property development site. The share of the deficit on the revaluation of investment properties is dealt with in the group property valuation reserve as set out in note 25 to the accounts.

7. SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES

The share of profits less losses of associated companies includes an attributable profit of HK\$207 million (2000: HK\$nil) from the Cathay Pacific Group arising on the disposal of the investment in Equant N.V. in exchange for an indirect interest in France Telecom S.A. The mark to market gain previously recognised in the investment revaluation reserve of the group has, in accordance with HK SSAP 24, been transferred to the profit and loss account on disposal.

Notes to the Accounts

8. TAXATION

	Group			
	2001		2000	
	HK\$M	HK\$M	HK\$M	HK\$M
The taxation charge comprises:				
The Company and its subsidiary companies:				
Hong Kong – profits tax	213		248	
– deferred taxation	9		(6)	
– over-provision in respect of previous years	(2)		(5)	
		220		237
Overseas – profits tax	46		69	
– deferred taxation	8		–	
– under-provision in respect of previous years	37		73	
		91		142
		311		379
Jointly controlled companies:				
Hong Kong – profits tax	82		37	
– over-provision in respect of previous years	–		(2)	
		82		35
Overseas – profits tax	23		15	
		105		50
Associated companies:				
Hong Kong – profits tax	97		85	
– deferred taxation	43		22	
– over-provision in respect of previous years	–		(1)	
		140		106
Overseas – profits tax	67		85	
– deferred taxation	1		(3)	
– over-provision in respect of previous years	(22)		(52)	
		46		30
		186		136
		602		565

Hong Kong profits tax is calculated at 16.0% (2000: 16.0%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in countries in which the group is assessable for tax.

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to shareholders, HK\$1,361 million (2000 (restated): HK\$6,008 million) is dealt with in the accounts of the Company.

10. DIVIDENDS

	Company	
	2001 HK\$M	2000 HK\$M
Interim dividend paid on 3rd October 2001 of HK¢36.0 per 'A' share and HK¢7.2 per 'B' share (2000: HK¢36.0 and HK¢7.2)	559	559
Final proposed dividend of HK¢76.0 per 'A' share and HK¢15.2 per 'B' share (2000: HK¢76.0 and HK¢15.2)	1,179	1,179
	1,738	1,738

The final proposed dividend is not accounted for until it has been approved at the Annual General Meeting. The amount will be accounted for as an appropriation of the revenue reserve in the year ending 31st December 2002.

11. EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit attributable to shareholders of HK\$4,118 million (2000: HK\$3,893 million) by the weighted average number of 940,111,885 'A' shares and 3,059,301,271 'B' shares in issue throughout both 2001 and 2000.

12. FIXED ASSETS

	Group				Company		
	Properties HK\$M	Plant and machinery HK\$M	Vessels HK\$M	Total HK\$M	Properties HK\$M	Plant and machinery HK\$M	Total HK\$M
Cost or valuation:							
At 31st December 2000							
– as originally stated	74,605	3,902	2,715	81,222	596	67	663
– prior year adjustments (note g):							
Goodwill	90	–	–	90	–	–	–
Provisions	–	–	75	75	–	–	–
– as restated	74,695	3,902	2,790	81,387	596	67	663
Translation differences	(36)	(48)	–	(84)	–	–	–
Additions	1,050	245	349	1,644	–	4	4
Disposals	(497)	(247)	(68)	(812)	–	(1)	(1)
Investment property valuation decrease during the year	(6,634)	–	–	(6,634)	–	–	–
At 31st December 2001	68,578	3,852	3,071	75,501	596	70	666
Depreciation:							
At 31st December 2000							
– as originally stated	449	2,368	1,140	3,957	104	54	158
– prior year adjustments (note g):							
Provisions	–	–	52	52	–	–	–
– as restated	449	2,368	1,192	4,009	104	54	158
Translation differences	(4)	(26)	–	(30)	–	–	–
Charge for the year	62	342	113	517	12	5	17
Disposals	–	(219)	(37)	(256)	–	(1)	(1)
At 31st December 2001	507	2,465	1,268	4,240	116	58	174
Net book value:							
At 31st December 2001	68,071	1,387	1,803	71,261	480	12	492
At 31st December 2000	74,246	1,534	1,598	77,378	492	13	505

(a) Fixed assets helds for deployment in operating leases at 31st December were as follows:

	Group			
	2001		2000	
	Properties HK\$M	Vessels HK\$M	Properties HK\$M	Vessels HK\$M
Cost	61,869	3,071	68,350	2,790
Less: accumulated depreciation	99	1,268	87	1,192
Net book value	61,770	1,803	68,263	1,598
Depreciation charge for the year	12	113	14	126

Notes to the Accounts

12. FIXED ASSETS (continued)

- (b) Investment properties, whether completed or in the course of development, were valued on the basis of open market value at 31st December 2001 by professionally qualified executives of Swire Properties Limited who are members of the Royal Institute of Chartered Surveyors. This valuation has been incorporated in the accounts as stated in principal accounting policy no. 5.
- (c) At 31st December 2001, the net book value of fixed assets pledged as security for the group's long-term loans amounted to HK\$nil (2000: HK\$5,339 million).

	Group				Total HK\$M
	Investment properties		Other properties		
	Completed HK\$M	Under development HK\$M	Land HK\$M	Buildings HK\$M	
(d) Properties comprise:					
Cost or valuation:					
At 31st December 2000					
– as originally stated	67,905	4,093	971	1,636	74,605
– prior year adjustments (note g):					
Goodwill	–	–	90	–	90
– as restated	67,905	4,093	1,061	1,636	74,695
Translation differences	–	–	(17)	(19)	(36)
Additions	201	809	–	40	1,050
Disposals	(447)	(48)	(1)	(1)	(497)
Transfers between categories	21	(21)	–	–	–
Valuation decrease during the year	(6,274)	(360)	–	–	(6,634)
At 31st December 2001	61,406	4,473	1,043	1,656	68,578
Depreciation:					
At 31st December 2000	–	–	65	384	449
Translation differences	–	–	–	(4)	(4)
Charge for the year	–	–	15	47	62
At 31st December 2001	–	–	80	427	507
Net book value at 31st December 2001	61,406	4,473	963	1,229	68,071
(e) Tenure and valuation					
Held in Hong Kong:					
On medium-term lease (10 to 50 years):					
At cost less depreciation	–	–	410	582	992
On long-term lease (over 50 years):					
At cost less depreciation	–	–	137	36	173
At professional valuation					
31st December 2001	61,406	4,473	–	–	65,879
Held outside Hong Kong:					
On medium-term lease (10 to 50 years)					
At cost less depreciation	–	–	4	35	39
Freehold:					
At cost less depreciation	–	–	412	576	988
Net book value at 31st December 2001	61,406	4,473	963	1,229	68,071

- (f) The Company's properties, with a total net book value of HK\$480 million (2000: HK\$492 million), include long-term and medium-term leasehold land in Hong Kong held at a net book value of HK\$145 million (2000: HK\$148 million) and HK\$335 million (2000: HK\$344 million) respectively.
- (g) Details of the prior year adjustments in respect of goodwill and provisions are set out in principal accounting policies no. 7 and 20 respectively.

13. SUBSIDIARY COMPANIES

	Company	
	2001 HK\$M	2000 HK\$M
Unlisted shares at cost less provisions	3,695	3,704
Amounts due from subsidiary companies less provisions	8,114	7,525
Amounts due to subsidiary companies	(304)	(311)
	11,505	10,918

The principal subsidiary companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 90 to 97.

14. JOINTLY CONTROLLED COMPANIES

	Group		Company	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Unlisted shares at cost			348	1,266
Share of net liabilities, unlisted	(1,384)	(320)		
Loans due from jointly controlled companies less provisions	9,783	7,609	258	257
Loans due to jointly controlled companies	(341)	(311)	–	–
	8,058	6,978	606	1,523
Dividends received and receivable by the Company and its subsidiary companies from jointly controlled companies	346	690	143	525

The principal jointly controlled companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 90 to 97.

15. ASSOCIATED COMPANIES

	Group		Company	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Shares at cost				
– Listed in Hong Kong			1,211	1,202
– Unlisted			783	783
			1,994	1,985
Share of net assets				
– Listed in Hong Kong	15,189	14,975		
– Unlisted	1,311	1,883		
	16,500	16,858		
Unamortised goodwill on acquisition	22	–		
	16,522	16,858		
Loans due from associated companies less provisions	1,163	1,515	–	–
	17,685	18,373	1,994	1,985
Dividends received and receivable by the Company and its subsidiary companies from associated companies	1,321	1,066	1,193	933

- (a) The market value of the shares in the listed associated companies at 31st December 2001 was HK\$15,914 million (2000: HK\$22,718 million).
- (b) The principal associated companies of Swire Pacific Limited, which materially affected the results or assets of the group, are shown on pages 90 to 97. In addition, the abridged financial statements of Cathay Pacific Airways Limited are shown on pages 78 to 79.

Notes to the Accounts

16. INVESTMENT SECURITIES AND LONG-TERM RECEIVABLES

	Group		Company	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Unlisted shares	105	98	43	43
Loans advanced	220	225	–	–
Investment securities	325	323	43	43
Mortgages and other receivables	46	113	7	42
	371	436	50	85

17. PROPERTIES FOR SALE

	Group	
	2001 HK\$M	2000 HK\$M
Completed properties for sale	291	505
Properties under development for sale	1,392	1,453
	1,683	1,958

- (a) At 31st December 2001, the value of properties for sale that are carried below cost at net realisable value was HK\$39 million (2000: HK\$39 million).
- (b) At 31st December 2001, properties for sale pledged as security for the group's long-term loans amounted to HK\$373 million (2000: HK\$546 million).

18. STOCKS AND WORK IN PROGRESS

	Group	
	2001 HK\$M	2000 HK\$M
Goods for sale	862	676
Manufacturing materials	148	130
Production supplies	36	24
Work in progress	9	8
	1,055	838

At 31st December 2001, the value of stocks that are carried below cost at net realisable value was HK\$12 million (2000: HK\$18 million).

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Trade debtors	1,167	1,208	4	3
Amounts due from intermediate holding companies	29	14	28	12
Amounts due from subsidiary companies	–	–	66	72
Amounts due from jointly controlled companies	23	19	–	1
Amounts due from associated companies	27	12	–	–
Other receivables	553	636	9	12
	1,799	1,889	107	100

19. TRADE AND OTHER RECEIVABLES (continued)

At 31st December 2001, the aged analysis of trade debtors was as follows:

	Group		Company	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Under three months	991	947	4	3
Between three and six months	146	243	–	–
Over six months	30	18	–	–
	1,167	1,208	4	3

The various group companies have different credit policies, dependent on the requirements of their markets and the businesses which they operate. Aged analyses of debtors are prepared and closely monitored in order to minimise any credit risk associated with receivables.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Trade creditors	534	1,086	–	–
Amounts due to ultimate holding company	54	36	–	–
Amounts due to intermediate holding companies	47	22	31	–
Amounts due to jointly controlled companies	12	32	–	–
Amounts due to associated companies	7	–	–	–
Other payables	6,745	7,201	101	118
	7,399	8,377	132	118

At 31st December 2001, the aged analysis of trade creditors was as follows:

	Group		Company	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Under three months	510	1,041	–	–
Between three and six months	20	43	–	–
Over six months	4	2	–	–
	534	1,086	–	–

21. PERPETUAL CAPITAL SECURITIES

The Perpetual Capital Securities, US\$300 million each and bearing cumulative interest at 9.33% and 8.84% per annum, were issued by two wholly-owned subsidiaries (The "Issuers") on 23rd October 1996 and 6th May 1997 respectively. They have no scheduled maturity but are redeemable at the option of the Company or the respective Issuer either (i) at any time on or after 30th October 2006 and 13th May 2017 respectively or (ii) at any time upon amendment or imposition of certain taxes and, in any case, become due in the event of the Company's or the respective Issuer's winding up. The Perpetual Capital Securities are unconditionally and irrevocably guaranteed, on a subordinated basis, by the Company.

Notes to the Accounts

22. LONG-TERM LOANS AND BONDS

	Group		Company	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Bank loans (secured):				
Repayable within one year	–	28	–	–
Repayable between one and two years	77	528	–	–
Repayable between two and five years	–	513	–	–
Repayable after five years	–	151	–	–
Bank loans (unsecured):				
Repayable within one year	242	52	–	–
Repayable between one and two years	56	3,615	–	–
Repayable between two and five years	3,100	–	–	–
Repayable after five years	18	–	–	–
Other borrowings (unsecured):				
Repayable within one year	1,506	120	–	–
Repayable between one and two years	3,053	1,500	–	–
Repayable between two and five years	3,321	4,179	3,212	3,212
	11,373	10,686	3,212	3,212
Amount due within one year included under current liabilities	(1,748)	(200)	–	–
	9,625	10,486	3,212	3,212

Borrowings other than bank loans are repayable on various dates up to 2004 at interest rates from 2.26% to 8.5% per annum (2000: 6.33% to 8.5% per annum).

23. DEFERRED TAXATION

	Group		Company	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
The deferred taxation provision comprises timing differences arising from:				
– the different taxation and accounting treatment of fixed assets	21	23	10	10
– Other timing differences	3	–	–	–
	24	23	10	10

At the balance sheet date, there were unprovided deferred taxation liabilities/(assets) which comprised the following timing differences:

	Group		Company	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Accelerated depreciation allowances	106	125	–	–
Tax losses	(52)	(89)	–	–
Others	(94)	(66)	–	–
	(40)	(30)	–	–

24. SHARE CAPITAL

	Company				
	'A' shares of HK\$0.60 each	'B' shares of HK\$0.12 each	'A' shares HK\$M	'B' shares HK\$M	Total HK\$M
Authorised:					
At 31st December 2001 and 2000	1,140,000,000	3,600,000,000	684	432	1,116
Issued and fully paid:					
At 31st December 2001 and 2000	940,111,885	3,059,301,271	564	367	931

Except for voting rights, which are equal, the entitlements of 'A' and 'B' shareholders are in the proportion 5 to 1.

25. RESERVES

	Revenue reserve HK\$M	Property valuation reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Total HK\$M
Company							
At 31st December 1999							
– as originally stated	6,942	–	342	21	–	–	7,305
– prior year adjustments (note (e)):							
Dividends	(722)	–	–	–	–	–	(722)
– as restated	6,220	–	342	21	–	–	6,583
Profit for the year	6,008	–	–	–	–	–	6,008
1999 Final dividend	(1,179)	–	–	–	–	–	(1,179)
2000 Interim dividend (note 10)	(559)	–	–	–	–	–	(559)
At 31st December 2000	10,490	–	342	21	–	–	10,853
At 31st December 2000							
– as originally stated	10,249	–	342	21	–	–	10,612
– prior year adjustments (note (e)):							
Dividends	241	–	–	–	–	–	241
– as restated	10,490	–	342	21	–	–	10,853
Profit for the year	1,361	–	–	–	–	–	1,361
2000 Final dividend (note 10)	(1,179)	–	–	–	–	–	(1,179)
2001 Interim dividend (note 10)	(559)	–	–	–	–	–	(559)
At 31st December 2001	10,113	–	342	21	–	–	10,476
Group							
At 31st December 1999							
– as originally stated	35,937	30,755	342	21	439	84	67,578
– prior year adjustments (note (e)):							
Goodwill	90	–	–	–	–	–	90
Provisions	86	–	–	–	–	–	86
Dividends	1,179	–	–	–	–	–	1,179
– as restated	37,292	30,755	342	21	439	84	68,933
Profit for the year	3,893	–	–	–	–	–	3,893
1999 Final dividend	(1,179)	–	–	–	–	–	(1,179)
2000 Interim dividend (note 10)	(559)	–	–	–	–	–	(559)
Goodwill on acquisition of subsidiary, jointly controlled and associated companies	(376)	–	–	–	–	–	(376)
Goodwill reinstated on disposal of subsidiary companies	43	–	–	–	–	–	43
Increase in property valuation arising during the year	–	4,980	–	–	–	–	4,980
Exchange differences on cash flow hedges							
– recognised during the year	–	–	–	–	–	751	751
– transferred to profit for the year	–	–	–	–	–	37	37
Revaluation surplus on investment securities recognised during the year	–	–	–	–	6	–	6
Exchange differences	(37)	–	–	–	–	–	(37)
At 31st December 2000	39,077	35,735	342	21	445	872	76,492

Notes to the Accounts

25. RESERVES (continued)

	Revenue reserve HK\$M	Property valuation reserve HK\$M	Share premium account HK\$M	Capital redemption reserve HK\$M	Investment revaluation reserve HK\$M	Cash flow hedge reserve HK\$M	Total HK\$M
Group							
At 31st December 2000							
– as originally stated	37,718	35,735	342	21	445	872	75,133
– prior year adjustments (note (e)):							
Goodwill	90	–	–	–	–	–	90
Provisions	90	–	–	–	–	–	90
Dividends	1,179	–	–	–	–	–	1,179
– as restated	39,077	35,735	342	21	445	872	76,492
Profit for the year	4,118	–	–	–	–	–	4,118
2000 Final dividend (note 10)	(1,179)	–	–	–	–	–	(1,179)
2001 Interim dividend (note 10)	(559)	–	–	–	–	–	(559)
Goodwill reinstated on disposal of subsidiary and jointly controlled companies	163	–	–	–	–	–	163
Decrease in property valuation arising during the year	–	(6,137)	–	–	–	–	(6,137)
Share of deficit on revaluation of investment properties held by jointly controlled companies (note d)	–	(665)	–	–	–	–	(665)
Revaluation surplus on investment properties transferred to operating profit on disposal	–	(181)	–	–	–	–	(181)
Exchange differences on cash flow hedges							
– recognised during the year	–	–	–	–	–	564	564
– transferred to the profit and loss account	–	–	–	–	–	(250)	(250)
Revaluation deficit on investment securities recognised during the year	–	–	–	–	(104)	–	(104)
Revaluation surplus on investment securities transferred to operating profit on disposal	–	–	–	–	(207)	–	(207)
Exchange differences	(37)	–	–	–	–	–	(37)
At 31st December 2001	41,583	28,752	342	21	134	1,186	72,018

The group revenue reserve includes accumulated losses from jointly controlled companies amounting to HK\$2,276 million (2000: HK\$2,199 million) and retained revenue reserves from associated companies amounting to HK\$13,319 million (2000: HK\$14,268 million).

25. RESERVES (continued)

- (a) Distributable reserves of the Company at 31st December 2001 amounted to HK\$10,113 million (2000: HK\$10,490 million).
- (b) The revenue reserve includes HK\$1,179 million (2000: HK\$1,179 million) representing the proposed final dividend for the year (note 10).
- (c) As set out in principal accounting policy no. 4 (v), the cash flow hedge reserve relates to exchange differences on borrowings, lease obligations, currency derivatives and related security deposits of the Cathay Pacific Group which are arranged in foreign currencies such that repayment can be met by anticipated operating cash flows. Had HK SSAP 11 been adopted, there would have been no financial impact on the Swire Pacific group's assets, liabilities and cash flows. HK\$1,186 million (2000: HK\$872 million) would have been included in Swire Pacific group's revenue reserve rather than the cash flow hedge reserve and the Swire Pacific group's profit and loss account for year ended 31st December 2001 would have increased by HK\$314 million (2000: HK\$788 million).
- (d) This represents the group's share of the deficits arising on the revaluation of investment properties held by the group's jointly controlled companies.
- (e) Details of the prior year adjustments in respect of goodwill, provisions and dividends are set out in principal accounting policies no. 7, 20 and 21 respectively.

26. CONTINGENCIES AND COMMITMENTS

	Group		Company	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
(a) Outstanding commitments for capital expenditure at the year end:				
Contracted for but not provided for in the accounts	1,915	1,640	-	-
Authorised by Directors but not contracted for	1,405	852	-	-
(b) Outstanding commitments for capital expenditure at the year end (included in (a) above) relating to the group's interest in jointly controlled companies:				
Contracted for but not provided for in the accounts	-	87	-	-
(c) The group's share of the capital commitments of jointly controlled companies themselves at the year end (not included in (a) above):				
Contracted for but not provided for in the accounts	2	17	-	-
Authorised by Directors but not contracted for	34	27	-	-
(d) Guarantees have been given in respect of bank loans and other liabilities outstanding at 31st December amounting to:				
Subsidiary companies	-	-	14,095	13,062
Jointly controlled companies	1,345	4,669	1,345	1,320
Associated companies	12	999	-	815
Third parties	88	73	-	-
	1,445	5,741	15,440	15,197

Notes to the Accounts

27. OPERATING LEASE ARRANGEMENTS

The group acts as both lessor and lessee under operating leases. Details of the group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The group leases out land and buildings and vessels under operating leases. The leases for land and buildings typically run for a period of three to six years. The turnover related rental income received during the year amounted to HK\$65 million (2000: HK\$81 million). The leases for vessels typically run for an initial period of six months to five years with an option to renew the lease after that date, at which time all terms are renegotiated.

At 31st December, the future aggregate minimum lease payments under non-cancellable operating leases receivable by the group were as follows:

	Group		Company	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Land and buildings:				
Not later than one year	3,180	3,033	11	6
Later than one year but not later than five years	4,645	5,030	6	1
Later than five years	433	599	–	–
	8,258	8,662	17	7
Vessels:				
Not later than one year	379	218	–	–
Later than one year but not later than five years	335	185	–	–
	714	403	–	–
	8,972	9,065	17	7

(b) Lessee

The group leases land and buildings, vessels and other equipment under operating leases. These leases typically run for an initial period of one to nine years with an option to renew the lease after that date, at which time all terms are renegotiated. The turnover related rentals paid during the year amounted to HK\$3 million (2000: HK\$2 million).

At 31st December, the total future aggregate minimum lease payments under non-cancellable operating leases payable by the group were as follows:

	Group	
	2001 HK\$M	2000 HK\$M
Land and buildings:		
Not later than one year	81	179
Later than one year but not later than five years	90	262
Later than five years	9	36
	180	477
Vessels:		
Not later than one year	9	8
Other equipment:		
Not later than one year	17	16
Later than one year but not later than five years	3	–
	20	16
	209	501

The Company did not have any operating lease commitments at 31st December 2001 and 2000.

28. RETIREMENT BENEFITS

The group operates various retirement benefit schemes providing resignation and retirement benefits to staff upon the cessation of their service with the group. Most schemes for staff employed on expatriate terms are contributory whilst most schemes for locally-engaged employees are non-contributory. The assets of the schemes are administered by independent trustees and are maintained independent of the group's finances. The majority of the schemes are of the defined benefit type and contributions to such schemes are made in accordance with the recommendations of the independent actuary to the relevant scheme. The schemes are assessed annually by qualified independent actuaries. Details of the principal group schemes as at the latest valuation date are listed below:

Scheme	Actuary	Actuarial valuation method	% of the market value of scheme assets to the present value of projected past service liabilities at 31.12.2000
The Swire Group Retirement Benefit Scheme	The Wyatt Company (HK) Limited	Attained age method	136%
The Swire Properties Limited Retirement Benefit Scheme	In-house Actuary of HSBC Life (International) Limited	Attained age method	132%

The principal assumption used by the actuaries was that the long-term average return on investments would be 1% per annum higher than the average increase in salaries. The differences between the market values of the schemes' assets and the present value of the past service liabilities, on an on-going basis at the date of the actuarial valuation, are taken into consideration when determining future funding rates in order to ensure that the schemes will be able to meet these liabilities as they become due. The current funding rates are those recommended by the actuaries to ensure that the schemes will be able to meet their future liabilities.

All employees engaged outside Hong Kong are covered by appropriate local arrangements.

A mandatory provident fund scheme (MPF) was established under the MPF Ordinance in December 2000. Since the Company has obtained exemption for its existing retirement schemes, all staff were offered the choice of switching to the MPF scheme or staying in existing schemes. Where staff elected to join the MPF, both the Company and staff are required to contribute 5% of the employees' relevant income (capped at HK\$20,000). Staff may elect to contribute more than the minimum as a voluntary contribution.

The total retirement benefit costs charged to the profit and loss account in 2001 were HK\$76 million (2000: HK\$44 million).

29. RELATED PARTY TRANSACTIONS

There are agreements for services, in respect of which John Swire & Sons Limited provides services to various companies in the group and under which costs are reimbursed and fees are payable. Service fees are calculated as 2.5% (2000: 2.5%) of the relevant company's consolidated profit before tax, extraordinary items and minority interests, adjusted by disregarding any profits and losses on sale of fixed assets and from jointly controlled and associated companies but adding back the dividends receivable from these companies. For the year ended 31st December 2001, those fees amounted to HK\$99 million (2000: HK\$86 million) and expenses of HK\$82 million (2000: HK\$106 million) were reimbursed at cost.

The following is a summary of other significant transactions between the group and related parties, in addition to those disclosed elsewhere in the accounts, which were carried out in the normal course of the group's business:

Notes	Jointly controlled companies		Associated companies		Fellow subsidiaries		Intermediate holding company	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
Revenue from sales of goods and rendering of services (a)	31	27	12	19	-	-	4	4
Purchases of goods and services (a)	188	197	34	13	5	7	-	-
Rental revenue (b)	10	19	4	10	7	7	39	44
Interest income (c)	38	32	40	68	-	-	-	-
Interest charges (c)	12	15	-	-	-	-	-	-

None of the above related party transactions constitutes a discloseable connected transaction as defined in the Listing Rules.

Notes to the Accounts

29. RELATED PARTY TRANSACTIONS (continued)

Amounts due to and due from the ultimate holding company and intermediate holding company at 31st December 2001 are disclosed in notes 19 and 20. These balances arise in the normal course of business, are non-interest-bearing and have no fixed settlement dates.

Notes:

- (a) Sales and purchases of goods and rendering of services to and from related parties were conducted in the normal course of business at prices and terms no less than those charged to/by and contracted with other third party customers/suppliers of the group.
- (b) The Swire Properties group has, in the normal course of its business, entered into lease agreements with related parties to lease premises for varying periods up to six years. The leases were entered into on normal commercial terms.
- (c) Loans advanced to jointly controlled and associated companies and loans due to jointly controlled companies at 31st December 2001 are disclosed in notes 14 and 15 respectively. Quasi-equity loans are non-interest-bearing whilst other loans bear interest at market rates. These loans have no fixed settlement dates.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	Group	
	2001 HK\$M	2000 HK\$M
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	4,391	3,849
Depreciation	517	543
(Profit)/loss on disposal of fixed assets	(205)	16
Amortisation of deferred expenditure	118	96
Decrease/(increase) in properties for sale	343	(340)
Increase in stocks and work in progress	(217)	(38)
Decrease in trade and other receivables	100	236
(Decrease)/increase in trade and other payables	(993)	73
Other items not involving cash flow		
– provision for land premium on development properties	–	151
– others	15	125
Net cash inflow from operating activities	4,069	4,711
(b) Analysis of fixed assets purchased		
Investment properties	755	1,600
Other properties	40	71
Plant and machinery and vessels	582	450
Purchase of fixed assets	1,377	2,121

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

	Group	
	2001 HK\$M	2000 HK\$M
(c) Sale of shareholdings in subsidiary companies		
Net assets disposed of:		
Fixed assets	-	8
Stocks and work in progress	-	134
Trade and other receivables	-	121
Bank overdrafts and short-term loans	-	(3)
Trade and other payables	-	(139)
Taxation	-	(1)
Goodwill previously eliminated against reserves	-	7
	-	127
Loss on disposal of subsidiary companies	-	(13)
	-	114
Satisfied by:		
Cash	-	114
Analysis of net inflow of cash and cash equivalents in respect of the sale of shareholdings in subsidiary companies:		
Cash proceeds	-	114
Bank overdrafts and short-term loans	-	3
Net inflow of cash and cash equivalents in respect of the sales of shareholdings in subsidiary companies	-	117

(d) Analysis of changes in financing during the year

	Group			
	Loans, bonds and perpetual capital securities		Minority interests	
	2001 HK\$M	2000 HK\$M	2001 HK\$M	2000 HK\$M
At 1st January	15,328	17,080	5,203	4,280
Net cash inflow/(outflow) from financing	696	(1,745)	(327)	(334)
Minority interests in property valuation reserve	-	-	(366)	994
Minority interests' share of profits less losses	-	-	360	287
Dividends paid and proposed	-	-	(218)	(22)
Non-cash movements	(9)	(7)	(1)	(2)
At 31st December	16,015	15,328	4,651	5,203

31. ULTIMATE HOLDING COMPANY

The ultimate holding company is John Swire & Sons Limited, a company incorporated in the United Kingdom.