1. PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out below.

b. Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties and hotel and club properties, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

c. Basis of consolidation

i. Subsidiaries and controlled companies

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated accounts, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the same way as other investments in securities.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1 (f)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the same way as other investments in securities.

ii. Associates

An associate is a company in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the Group, in which case it is stated at fair value with changes in fair value recognised in the same way as other investments in securities. The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(c)(iii).

1. PRINCIPAL ACCOUNTING POLICIES continued

c. Basis of consolidation continued

ii. Associates continued

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is evidence of impairment in value of the assets transferred, the unrealised losses will be recognised immediately in the consolidated profit and loss account.

iii. Goodwill/negative goodwill

The Group has adopted Statement of Standard Accounting Practice 30 "Business combinations" ("SSAP 30") issued by Hong Kong Society of Accountants with effect from January 1, 2001. In doing so the Group has relied upon the transitional provisions set out in SSAP 30 such that goodwill/negative goodwill arising on acquisition of a subsidiary or an associate by the Group prior to January 1, 2001, representing the excess/shortfall of the cost of investment over the appropriate share of the fair value of the identifiable assets and liabilities acquired, has been written off against/taken to capital reserves in the period in which it arose and has not been restated.

For acquisitions after January 1, 2001, goodwill is recognised as an asset and is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Negative goodwill which relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

On disposal of a controlled subsidiary or an associate, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit and loss on disposal.

The carrying amount of goodwill is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists an impairment loss is recognised as an expense in the consolidated profit and loss account.

d. Fixed assets

i. Investment properties

Investment properties are defined as properties which are income producing and intended to be held for the long term. Such properties are included in the balance sheet at their open market value, which is assessed annually by external qualified valuers. Changes in the value of investment properties are dealt with as movements in the investment properties revaluation reserves. If the total of these reserves is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the consolidated profit and loss account. When a surplus arises on subsequent revaluation on a portfolio basis, it will be credited to the consolidated profit and loss account if and to the extent that a deficit on revaluation had previously been charged to the consolidated profit and loss account. On disposal of investment properties, the revaluation surplus or deficit previously taken to the investment properties revaluation reserves is included in calculating the profit or loss on disposal. Investment properties with an unexpired lease term of 20 years or less are stated at carrying value less accumulated depreciation.

1. PRINCIPAL ACCOUNTING POLICIES continued

d. Fixed assets continued

ii. Properties under or held for redevelopment

Properties under or held for redevelopment for investment purposes are stated at cost, including borrowing costs, or carrying value, less such provisions for impairment loss. These properties are reclassified as investment properties upon issue of the occupation permit.

In preparing these accounts, the Group has relied on the transitional provision set out in paragraph 80 of Statement of Standard Accounting Practice 17 "Property, Plant and Equipment" (revised) issued by the Hong Kong Society of Accountants with the effect that certain properties under or held for redevelopment for investment purposes owned by the Group at December 31, 1994 are stated at professional valuation as at that date plus subsequent capital expenditure at cost less provision for impairment loss. Such properties have not been revalued to their fair value at the balance sheet date and will not be revalued in future years until they are reclassified as investment properties upon completion of the redevelopment. Subsequent provisions for impairment loss will first be set off against the related revaluation reserve previously recognised on an individual property basis, if any, and thereafter will be recognised in the consolidated profit and loss account.

All development costs including borrowing costs are capitalised up to the date of practical completion.

iii. Hotel and club properties

Hotel and club properties are stated at their open market value based on an annual professional valuation. Changes in the value of hotel and club properties are dealt with as movements in the other properties revaluation reserves. When a deficit arises on revaluation, it will be charged to the consolidated profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of that same property. When a surplus arises on subsequent revaluation, it will be credited to the consolidated profit and loss account, if and to the extent that a deficit on revaluation in respect of that same property had previously been charged to the consolidated profit and loss account.

iv. Broadcasting and communications equipment

Broadcasting and communications equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes materials, labour and an appropriate proportion of overheads and borrowing costs directly attributable to the acquisition, construction or production of such equipment which necessarily takes a substantial period of time to get ready for its intended use.

v. Other properties and fixed assets held for own use

Other properties and fixed assets held for own use are stated at cost less accumulated depreciation and impairment losses.

vi. Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

1. PRINCIPAL ACCOUNTING POLICIES continued

d. Fixed assets continued

vii. Gain or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of fixed assets other than investment properties, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

e. Depreciation of fixed assets

i. Investment properties

No depreciation is provided in respect of investment properties with an unexpired lease term of more than 20 years since the valuation takes into account the state of each building at the date of valuation. Where the Group confidently anticipates being able to renew a lease upon its expiry, the renewable period is included in the unexpired term for this purpose. The carrying amount of investment properties with an unexpired lease term of 20 years or less is depreciated on a straight line basis over the remaining term of the lease.

ii. Properties under or held for redevelopment

No depreciation is provided on properties under or held for redevelopment.

iii. Hotel and club properties

No depreciation is provided on hotel and club properties on leases with 20 years or more to run at the balance sheet date or on their integral fixed plant. It is the Group's practice to maintain these assets in a continuous state of sound repair and to make improvements thereto from time to time and, accordingly, the Directors consider that, given the estimated lives of these assets and their residual values, any depreciation would be immaterial. Where the Group confidently anticipates being able to renew a lease upon its expiry, the renewable period is included in the unexpired term for this purpose. The carrying amount of hotel and club properties with an unexpired lease term of 20 years or less is depreciated on a straight line basis over the remaining term of the lease.

iv. Broadcasting and communications equipment

Depreciation is provided on a straight line basis on the cost of the equipment at rates determined by the estimated useful lives of the assets of two to 20 years.

v. Other properties and fixed assets held for own use

Depreciation is provided on the cost of the leasehold land of all other properties held for own use over the unexpired period of the lease. Construction costs of the buildings thereon are depreciated on a straight line basis at 2.5% per annum.

Depreciation is provided on a straight line basis on the cost of other fixed assets held for own use at rates determined by the estimated useful lives of these assets of three to 15 years.

f. Impairment of assets

The carrying amounts of assets, other than properties carried at revalued amounts, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses are recognised as an expense in the consolidated profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES continued

f. Impairment of assets continued

i. Recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use.

ii. Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated profit and loss account in the year in which the reversals are recognised.

g. Investments in securities

i. Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for diminution in value.

The carrying amounts of held-to-maturity securities are reviewed as at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised as an expense in the consolidated profit and loss account for each security individually.

ii. Non-trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the investments revaluation reserves until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative gain or loss is transferred from the investments revaluation reserves to the consolidated profit and loss account.

Transfers from the investments revaluation reserves to the consolidated profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Profits or losses on disposal of non-trading securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the securities and are recognised in the consolidated profit and loss account as they arise. On disposal of non-trading securities, the revaluation surplus or deficit previously taken to the investments revaluation reserves is also transferred to the consolidated profit and loss account for the year.

iii. Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the consolidated profit and loss account as they arise.

1. PRINCIPAL ACCOUNTING POLICIES continued

h. Deferred items

i. Prepaid revenue expenses

Prepaid revenue expenses represent prepaid expenditure attributable to periods after more than one year.

ii. Programming library

Programming library consists of commissioned and acquired programming costs. The costs are amortised over the licence period or estimated period of use calculated on an individual programme basis, whereas the costs of in house programmes are written off as incurred.

i. Inventories

i. Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalised, attributable to unsold units. Net realisable value is determined by the Directors, based on prevailing market conditions.

The amount of any write down of or provision for properties held for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated profit and loss account in the period in which the reversal occurs.

ii. Properties under development for sale

Properties under development for sale are classified as current assets and stated at the lower of cost and net realisable value. Cost includes the aggregate costs of development, borrowing costs capitalised and other direct expenses plus attributable profit, less pre-sales proceeds. Net realisable value is determined by the Directors, based on prevailing market conditions.

The amount of any write down of or provision for properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated profit and loss account in the period in which the reversal occurs.

Pre-sale proceeds received and receivable from the purchasers of the properties under development for sale are set off against inventories in the balance sheet. Profit on pre-sale of properties under development for sale is recognised over the course of the development and is calculated each year as a proportion of the total estimated profit to completion; the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received and receivable at the balance sheet date to total estimated sales.

Borrowing costs relating to properties under development for sale are capitalised up to the date of practical completion.

iii. Spare parts and consumables

Spare parts and consumables are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location. Net realisable value is determined by the Directors, based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1. PRINCIPAL ACCOUNTING POLICIES continued

j. Foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the accounts of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Differences arising from the translation of the accounts of overseas subsidiaries are dealt with in capital reserves and those arising from the financing of properties under development by foreign currency borrowings are capitalised as part of the development costs. All other exchange differences are dealt with in the consolidated profit and loss account. On disposal of an overseas subsidiary, the cumulative amount of the exchange differences which relate to that overseas subsidiary is included in the calculation of the profit and loss on disposal.

Forward foreign exchange contracts and swaps entered into as hedges against foreign currency assets and liabilities are revalued at the balance sheet date at the exchange rates ruling at that date. Realised gains and losses on currency hedging transactions are offset against gains and losses resulting from currency fluctuations inherent in the underlying foreign currency assets and liabilities. Unrealised gains and losses on foreign exchange rate contracts and swaps designated as hedges are included under the same classification as the assets and liabilities which they hedge. Gains and losses on foreign exchange contracts and swaps not entered into for hedging purposes are dealt with in the consolidated profit and loss account.

k. Assets held for use in operating leases

Where the group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(e) above. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(l)(i) below.

l. Recognition of revenue

i. Rental income under operating leases is recognised in the consolidated profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the consolidated profit and loss account as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

ii. Income from sale of completed property is recognised upon completion of the sales agreements and income from pre-sale of properties under development is recognised over the course of development (see note 1(i)(ii)).

iii. Revenue from pre-sale of properties under development is recognised by reference to the stage of completion over the course of development (see note 1(i)(ii)).

iv. Income from communications, media and entertainment operations, logistics operations and hotels operations is recognised at the time when the services are provided.

v. Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

1. PRINCIPAL ACCOUNTING POLICIES continued

l. Recognition of revenue continued

vi. Interest income is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

vii. Interest income from dated debt securities intended to be held to maturity is recognised as it accrues, as adjusted by the amortisation of the premium or discount on acquisition, so as to achieve a constant rate of return over the period from the date of purchase to the date of maturity.

viii. Deferred revenue
Income received in advance attributable to long term service contracts is deferred and recognised over the contract period on a straight line basis.

m. Borrowing costs

Borrowing costs are expensed in the consolidated profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

n. Deferred taxation

Deferred taxation is calculated at the current tax rate under the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

o. 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.

p. Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1. PRINCIPAL ACCOUNTING POLICIES continued

q. Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), or in providing products, or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group companies within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings, corporate and financing expenses.

r. Pension schemes

The Group operates the following principal pension schemes:

i. Defined contribution schemes

Contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

ii. Defined benefits schemes

The schemes provide benefits to the employees based on their final pay and number of years of service. Contributions to the schemes are charged against profit and loss account in the period in which they are payable to the schemes. The contributions are determined based on the value of the retirement schemes' assets and estimates of the effects of future events on the actuarial present value of accrued pension obligations and are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The assets of the schemes are held separately from those of the Group in independently administered funds.

iii. Mandatory provident funds

Contributions to the Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the consolidated profit and loss account when incurred.

2. SEGMENT INFORMATION

a. Business segments

i. Revenue and results	Segment Revenue 2001 HK$ Million	Segment Revenue 2000 HK$ Million	Segment Results 2001 HK$ Million	Segment Results 2000 HK$ Million Restated
Property investment	**3,889**	3,594	**2,736**	2,563
Property development	**827**	1,647	**(88)**	198
Communication, media and entertainment ("CME")	**3,157**	2,613	**312**	58
Pay television	**1,595**	1,541	**349**	210
Telecommunication	**1,089**	814	**8**	(68)
Internet, multimedia and others	**473**	258	**(45)**	(84)
Logistics	**3,348**	3,459	**1,846**	1,855
Terminals	**3,043**	3,077	**1,751**	1,756
Other logistics business	**305**	382	**95**	99
Hotels	**675**	733	**172**	179
Investment and others	**308**	420	**308**	874
	12,204	12,466	**5,286**	5,727
Inter-segment revenue (Note)	**(479)**	(443)	**–**	–
	11,725	12,023	**5,286**	5,727
Unallocated income and expenses			**(234)**	(184)
Operating profit			**5,052**	5,543
Borrowing costs			**(1,106)**	(1,593)
Net other charges				
Property development			**339**	(99)
Investment and others			**(438)**	(37)
Associates				
Property development			**(298)**	(175)
Investment and others			**17**	21
Profit before taxation			**3,566**	3,660

Note:

Inter-segment revenue eliminated on consolidation includes:

	2001 HK$ Million	2000 HK$ Million
Property investment	**298**	274
CME	**95**	78
Pay television	**35**	32
Telecommunication	**35**	23
Internet, multimedia and others	**25**	23
Logistics	**17**	17
Hotels	**35**	39
Investment and others	**34**	35
	479	443

2. SEGMENT INFORMATION continued

a. Business segments continued

ii. Assets and liabilities	Assets 2001 HK$ Million	Assets 2000 HK$ Million Restated	Liabilities 2001 HK$ Million	Liabilities 2000 HK$ Million Restated
Property investment	**61,714**	64,994	**7,033**	7,185
Property development	**6,151**	7,742	**273**	452
CME	**5,890**	4,990	**3,330**	3,146
Pay television	**1,727**	2,027	**2,351**	2,436
Telecommunication	**3,148**	2,375	**667**	482
Internet, multimedia and others	**1,015**	588	**312**	228
Logistics	**5,277**	5,622	**1,187**	951
Terminals	**4,659**	4,642	**1,141**	904
Other logistics business	**618**	980	**46**	47
Hotels	**3,738**	4,044	**115**	149
Unallocated	**7,494**	6,911	**19,951**	20,444
Inter-group transactions	**(1,800)**	(1,800)	**(1,800)**	(1,800)
Total assets and liabilities	**88,464**	92,503	**30,089**	30,527

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings, corporate and financing expenses.

Included in the property development segment is the Group's share of property under development undertaken by associates of HK$3,276 million (2000: HK$4,499 million).

iii. Other information	Capital expenditure 2001 HK$ Million	Capital expenditure 2000 HK$ Million	Depreciation and amortisation 2001 HK$ Million	Depreciation and amortisation 2000 HK$ Million
Property investment	**320**	1,456	**42**	34
CME	**1,552**	1,055	**759**	720
Pay television	**417**	407	**388**	503
Telecommunication	**841**	442	**210**	181
Internet, multimedia and others	**294**	206	**161**	36
Logistics	**682**	164	**256**	254
Terminals	**674**	146	**236**	236
Other logistics business	**8**	18	**20**	18
Hotels	**34**	10	**29**	24
Total capital expenditure and depreciation and amortisation	**2,588**	2,685	**1,086**	1,032

The Group has no significant non-cash expenses other than depreciation and amortisation.

b. Geographical segments

During the year, more than 90% of the operations and assets and liabilities of the Group in terms of the above items was in Hong Kong.

3. TURNOVER AND OPERATING PROFIT

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 108 and 109.

a. An analysis of the Group's turnover and operating profit for the financial year is as follows:

	Turnover		Operating profit/(loss)	
	2001 *HK$ Million*	2000 *HK$ Million*	**2001** *HK$ Million*	2000 *HK$ Million* Restated
Property investment	**3,591**	3,320	**2,625**	2,489
Property development	**827**	1,647	**(88)**	198
Communications, media and entertainment	**3,062**	2,535	**200**	(46)
Logistics	**3,331**	3,442	**1,835**	1,849
Hotels	**640**	694	**172**	179
Investment and others	**274**	385	**308**	874
	11,725	12,023	**5,052**	5,543

Property investment included gross rental income from investment properties of HK$2,804 million (2000: HK$2,631 million).

b. Operating profit is arrived at after charging:

	2001 *HK$ Million*	2000 *HK$ Million*
Depreciation		
– assets held for use under operating leases	**45**	21
– other assets	**901**	891
Amortisation of prepaid expenses and programming library	**118**	120
Amortisation/write off of goodwill	**22**	37
Staff costs, including retirement scheme costs HK$103 million (2000: HK$87 million)	**1,987**	1,977
Auditors' remuneration	**9**	10
Cost of properties sold during the year	**869**	1,512
and crediting:		
Rental income less direct outgoings, including contingent rentals HK$72 million (2000: HK$74 million)	**2,977**	2,697
Interest income	**246**	276
Dividend income from listed securities	**41**	129
Dividend income from unlisted securities	**35**	35

3. TURNOVER AND OPERATING PROFIT continued

c. Directors' emoluments

	2001 HK$ Million	2000 HK$ Million
Fees	–	–
Basic salaries, housing and other allowances, and benefits in kind	13	12
Deemed profit on share option exercise	3	–
Retirement scheme contributions	1	1
Discretionary bonuses and/or performance related bonuses	13	11

For the year under review, total emoluments (including any reimbursement of expenses) amounting to HK$0.1 million (2000: HK$0.1 million), being wholly in the form of Directors' fees, were paid/payable to Independent Non-executive Directors of the Company.

The emoluments in respect of the year ended December 31, 2001 of all the Directors of the Company in office during the year were in the following ranges:

Bands (in HK$)	2001 Number	2000 Number
Not more than $1,000,000	8	5
$1,500,001 – $2,000,000	1	1
$2,500,001 – $3,000,000	–	1
$3,000,001 – $3,500,000	2	1
$4,000,001 – $4,500,000	1*	–
$7,500,001 – $8,000,000	1	2*
$9,500,001 – $10,000,000	1*	–
	14	10

Note: The emoluments of a Director in the band marked * above include deemed profit on share option exercise totalling HK$2.9 million (2000: HK$0.4 million).

3. TURNOVER AND OPERATING PROFIT continued

d. Emoluments of the highest paid employees

Set out below are analyses of the emoluments (excluding amounts, if any, paid or payable by way of commissions on sales generated by the employees concerned) for the year ended December 31, 2001 of one employee (2000: two) of the Group who, not being a Director of the Company, is among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group.

Aggregate Emoluments	2001 HK$ Million	2000 HK$ Million
Basic salaries, housing and other allowances, and benefits in kind	3	5
Contributions to pension schemes	–	–
Discretionary bonuses and/or performance related bonuses	1	2
Total	4	7

Bandings Bands (in HK$)	2001 Number	2000 Number
$3,000,001 – $3,500,000	–	1
$3,500,001 – $4,000,000	1	1
	1	2

4. OTHER NET (LOSS)/INCOME

Other net (loss)/income represents a net loss (2000: net profit) on disposal of investments and interests in associates and includes net revaluation deficits of HK$107 million (2000: surpluses of HK$791 million) which were previously recognised in the investments revaluation reserves.

5. BORROWING COSTS

	2001 HK$ Million	2000 HK$ Million
Interest on:		
Bank loans and overdrafts	622	991
Other loans repayable within five years	475	708
Other loans repayable after more than five years	168	201
Other borrowing costs	30	39
	1,295	1,939
Less: Amount capitalised *	(189)	(346)
Net borrowing costs for the year	1,106	1,593

* The borrowing costs have been capitalised at annual rates of between 3.6% and 7.6% (2000: 7.0% to 7.9%)

6. NET OTHER CHARGES

	2001 HK$ Million	2000 HK$ Million
Net provisions for impairment in value of non-trading securities	**(438)**	(37)
Net write-back/(charge) of provisions for properties under development and for sale	**339**	(99)
	(99)	(136)

Net provisions for impairment in value of non-trading securities include a deficit of HK$358 million transferred from the investments revaluation reserves of which HK$343 million was brought forward from previous years in accordance with the Group's accounting policy on accounting for investments in securities.

7. TAXATION

a. The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16% (2000: 16%).

b. Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.

c. Taxation in the consolidated profit and loss account represents:

	2001 HK$ Million	2000 HK$ Million
Hong Kong profits tax for the year	**409**	382
Underprovision for Hong Kong profits tax relating to prior years	**–**	60
Overseas taxation for the year	**2**	22
Deferred taxation (Note 28a)	**(11)**	(29)
	400	435
Share of associates' Hong Kong profits tax for the year	**3**	–
	403	435

d. None of the taxation payable in the balance sheet is expected to be settled after more than one year.

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of HK$2,016 million (2000: HK$2,037 million).

9. DIVIDENDS

a. Dividends attributable to the year

	2001 HK$ Million	2000 HK$ Million
Interim dividend declared and paid of 28 cents (2000: 28 cents) per share	685	685
Final dividend of 50 cents proposed after the balance sheet date (2000: 50 cents) per share	1,223	1,223
	1,908	1,908

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

b. Dividends attributable to the previous financial year, approved and paid during the year

	2001 HK$ Million	2000 HK$ Million
Final dividend in respect of the previous financial year, approved and paid during the year, of 50 cents (2000: 50 cents) per share	1,223	1,223

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the earnings for the year of HK$2,519 million (2000: HK$2,494 million as restated) and the weighted average of 2,446 million ordinary shares (2000: 2,446 million ordinary shares) in issue during the year.

The calculation of diluted earnings per share is based on earnings for the year of HK$2,519 million (2000: HK$2,494 million as restated) and the weighted average of 2,446 million ordinary shares (2000: 2,446 million ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares as shown below:

	2001 No. of shares Million	2000 No. of shares Million
Weighted average number of ordinary shares used in calculating basic earnings per share	2,446	2,446
Deemed issue of ordinary shares for no consideration	–	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,446	2,446

The existence of unexercised options during the year ended December 31, 2001 (see note 25) has no dilutive effect on the calculation of diluted earnings per share for the year ended December 31, 2001.

11. CHANGE IN ACCOUNTING POLICIES

a. Goodwill/negative goodwill

In prior years, goodwill/negative goodwill arising on consolidation, representing the excess/shortfall of the cost of investments in subsidiaries and associates over the appropriate share of the fair value of the identifiable assets and liabilities acquired, was taken to reserves in the year in which it arose. On disposal of a subsidiary or an associate, the attributable amount of goodwill/negative goodwill was included in calculating the profit or loss on disposal.

With effect from January 1, 2001, the Group adopted an accounting policy to recognise goodwill/negative goodwill as set out in note 1(c) in order to comply with Hong Kong Statement of Standard Accounting Practice 30 ("SSAP 30") "Business combinations" issued by the Hong Kong Society of Accountants.

By adoption of SSAP 30, goodwill arising during the year ended December 31, 2001 of HK$441 million was capitalised as an asset in the balance sheet as at December 31, 2001 and amortisation of HK$22 million was charged to the consolidated profit and loss account for the year ended December 31, 2001.

The Group has taken advantage of the transitional provisions set out in paragraph 88 of SSAP 30 which do not require restatement of positive/negative goodwill taken to reserves prior to January 1, 2001.

Goodwill arising in prior periods and not restated for the reasons noted above has been assessed for indications of impairment as required by Statement of Standard Accounting Practice 31 "Impairment of assets" ("SSAP 31") issued by the Hong Kong Society of Accountants. As a result of this review upon adoption of SSAP 31 and SSAP 30, which has been applied retrospectively, goodwill arising in prior years has been considered to have been impaired in prior years, and, consequently, revenue reserves as at January 1, 2000 were restated and reduced by HK$237 million whilst other capital reserves at January 1, 2000 were increased by a corresponding amount, representing impairment of goodwill arising in prior years.

b. Planned maintenance provision

In prior years, the Group operated a planned maintenance scheme for its hotels which projected future maintenance requirements over a period of four years. Within this scheme actual costs and/or projected costs of the ensuing four year period, as estimated by the Group, were equalised by annual provisions in the profit and loss account. With effect from January 1, 2001, maintenance costs are expensed in the profit and loss account in the year in which they are incurred in accordance with Statement of Standard Accounting Practice 28 "Provisions, contingent liabilities and contingent assets" ("SSAP 28") issued by the Hong Kong Society of Accountants. The effects of this new accounting policy has been adopted retrospectively. In adjusting prior years' figures, revenue reserves as at January 1, 2000 were restated and increased by HK$106 million representing the reversal of the previous provision for planned maintenance.

As a result of the adoption of SSAP 28 and restating the prior years' results and reserves, the Group's profit for the year attributable to shareholders has increased by HK$19 million (2000: HK$14 million) as a net result of not making provisions for planned maintenance and writing off the actual maintenance costs incurred during the period.

11. CHANGE IN ACCOUNTING POLICIES continued

c. Proposed dividends

In prior years, dividends proposed after balance sheet date were accrued as liabilities at the balance sheet date. With effect from January 1, 2001, dividends proposed after balance sheet date are shown as a separate component of shareholders' funds in accordance with the revised Statement of Standard Accounting Practice 9 "Events after the balance sheet date" ("SSAP 9") issued by the Hong Kong Society of Accountants. The new accounting policy has been adopted retrospectively. In adjusting prior years' figures, shareholders' funds as at January 1, 2001 were restated and increased by HK$1,223 million (January 1, 2000: HK$1,223 million) representing the proposed final dividend for the year ended December 31, 2000.

As a result of the adoption of SSAP 9 and restating the prior years' reserves, the Group's shareholders' funds at December 31, 2001 have increased by HK$1,223 million (2000: HK$1,223 million).

d. Segment reporting

A segment is distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Inter-segment pricing is based on similar terms as those available to other external parties.

In note 2 to the consolidated accounts, the Group has disclosed segment revenue and results as defined under Statement of Standard Accounting Practice 26 "Segment reporting" ("SSAP 26") issued by the Hong Kong Society of Accountants. In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

12. FIXED ASSETS

		Group					
		Investment properties *HK$ Million*	Properties under or held for redevelop-ment *HK$ Million*	Hotel and club properties *HK$ Million*	Broad-casting & communi-cations equipment *HK$ Million*	Other properties and fixed assets *HK$ Million*	Total *HK$ Million*
a.	Cost or valuation						
	Balance at January 1, 2001	60,333	4,182	3,942	6,194	8,465	83,116
	Additions	29	457	–	1,280	300	2,066
	Disposals	(5)	(34)	–	(17)	(46)	(102)
	Reclassification	1,162	(690)	–	(6)	(7)	459
	Write back of provisions for impairment	–	379	–	–	–	379
	Provisions for impairment	–	(52)	–	–	–	(52)
	Revaluation deficits	(4,372)	–	(299)	–	–	(4,671)
	Balance at December 31, 2001	57,147	4,242	3,643	7,451	8,712	81,195
	Accumulated depreciation						
	Balance at January 1, 2001	–	–	–	2,411	3,468	5,879
	Charge for the year	–	–	12	546	388	946
	Written back on disposals	–	–	–	(14)	(40)	(54)
	Reclassification	–	–	–	(2)	(7)	(9)
	Written back on revaluation	–	–	(12)	–	–	(12)
	Balance at December 31, 2001	–	–	–	2,941	3,809	6,750
	Net book value						
	at December 31, 2001	57,147	4,242	3,643	4,510	4,903	74,445
	at December 31, 2000	60,333	4,182	3,942	3,783	4,997	77,237
b.	The analysis of cost or valuation of the above assets is as follows:						
	2001 valuation	57,147	–	3,643	–	–	60,790
	1994 valuation	–	288	–	–	–	288
	Cost less provisions	–	3,954	–	7,451	8,712	20,117
		57,147	4,242	3,643	7,451	8,712	81,195

If the hotel and club properties had not been revalued, the carrying value of these assets on the basis of cost less accumulated depreciation would be HK$366 million (2000: HK$378 million).

12. FIXED ASSETS continued

	Group					
	Investment properties HK$ Million	Properties under or held for redevelopment HK$ Million	Hotel and club properties HK$ Million	Broadcasting & communications equipment HK$ Million	Other properties and fixed assets HK$ Million	Total HK$ Million
c. Tenure of title to properties (at cost or valuation):						
Held in Hong Kong						
Long lease	44,907	383	3,583	–	3	48,876
Medium lease	8,630	2,913	–	–	4,496	16,039
Short lease	–	–	60	–	1	61
	53,537	3,296	3,643	–	4,500	64,976
Held outside Hong Kong						
Freehold	18	–	–	–	–	18
Long lease	–	–	–	–	11	11
Medium lease	3,592	946	–	–	–	4,538
	57,147	4,242	3,643	–	4,511	69,543

d. Properties revaluation

The Group's investment properties together with its hotel and club properties have been revalued as at December 31, 2001 by Chesterton Petty Limited, an independent firm of professional surveyors, on an open market value basis, after taking into consideration the net income allowing for reversionary potential.

Certain properties under or held for redevelopment were valued at December 31, 1994 by Chesterton Petty Limited, an independent firm of professional surveyors, on an open market value basis, after taking into account the development potential of the properties where appropriate.

The surplus or deficit arising on revaluation less minority interests is dealt with in capital reserves.

e. Impairment of fixed assets

The value of properties, other than investment properties and hotel and club properties which are revalued annually, is assessed at each balance sheet date for indications of impairment with reference to valuations undertaken by management. Such valuations assess the recoverable amount of each property based on its value in use (using relevant discount rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the property. As a consequence of this exercise, at December 31, 2001 impairment losses previously recognised in the consolidated profit and loss account of HK$379 million were reversed principally due to the change in expected use of a property and impairment losses of HK$52 million were recognised in the consolidated profit and loss account principally to reflect the current prevailing property market conditions.

f. The gross amounts of fixed assets of the Group held for use in operating leases were HK$58,400 million (2000: HK$61,153 million).

12. FIXED ASSETS continued

g. The Group leases out properties under operating leases, which generally run for an initial period of two to six years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenants' sales receipts.

h. The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	Group	
	2001	2000
	HK$ Million	*HK$ Million*
Within 1 year	**3,006**	2,534
After 1 year but within 5 years	**3,300**	3,218
After 5 years	**47**	44
	6,353	5,796

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK$ Million	*HK$ Million*
Unlisted shares, at cost less provision	**20,682**	20,682
Amounts due by subsidiaries	**35,271**	36,803
	55,953	57,485
Amounts due to subsidiaries	**(43,151)**	(42,840)
	12,802	14,645

Details of principal subsidiaries at December 31, 2001 are shown on pages 108 and 109.

The amounts due to and by subsidiaries are non-current as these are not expected to be paid within the next twelve months.

14. GOODWILL

	Group HK$ Million
Cost	
Balance at January 1, 2001	–
Addition through acquisition of subsidiaries	441
Balance at December 31, 2001	441
Amortisation	
Balance at January 1, 2001	–
Charge for the year	(22)
Balance at December 31, 2001	(22)
Carrying amount	
At December 31, 2001	419
At December 31, 2000	–

The addition of positive goodwill during the year under review related to the acquisition of an additional 4.5% interest in Modern Terminals Limited ("MTL") which increased the Group's equity holding in MTL from 50.8% to 55.3%.

15. LONG TERM DEPOSITS

The Group has placed deposits with a financial institution maturing in 2003 and 2006 at a margin above market rates. The deposits are credit-linked to the Group's investment grade debt securities.

16. INTEREST IN ASSOCIATES

	Group	
	2001 HK$ Million	2000 HK$ Million
Share of net tangible assets		
Shares listed in Hong Kong	–	347
Unlisted shares	(455)	(157)
	(455)	190
Amounts due by associates	3,883	4,792
Amounts due to associates	(39)	(10)
	3,389	4,972
Market value of listed shares	–	174

Details of principal associates at December 31, 2001 are shown on page 109.

The amounts due to and by associates are non-current as these are not expected to be paid within the next twelve months.

16. INTEREST IN ASSOCIATES continued

Included in the amount due from associates are loans totalling HK$3,697 million (2000: HK$4,622 million) advanced to certain associates involved in property developments projects, of which HK$1,730 million (2000: HK$2,269 million) is interest bearing and HK$1,967 million (2000: HK$2,353 million) is interest-free. The annual interest rates are determined by the shareholders of the associate with reference to prevailing market rates which were between 3.6% and 7.4% for the current year (2000: 6.1% to 8.1%). The loans are unsecured and are repayable as may from time to time be agreed among the shareholders.

17. LONG TERM INVESTMENTS

	Group	
	2001 **HK$ Million**	2000 HK$ Million
Non-trading securities		
Equity securities		
Listed in Hong Kong	**474**	1,283
Listed outside Hong Kong	**524**	514
	998	1,797
Unlisted	**90**	104
	1,088	1,901
Market value of listed securities	**998**	1,797

18. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

19. DEFERRED ITEMS

	Group	
	2001 **HK$ Million**	2000 HK$ Million
Prepaid revenue expenses	**322**	338
Programming library	**211**	232
	533	570

20. INVENTORIES

	Group	
	2001 HK$ Million	2000 HK$ Million
Properties under development for sale, less pre-sale proceeds received and receivable	**1,996**	1,983
Properties held for sale	**751**	1,156
Spare parts and consumables	**135**	118
	2,882	3,257

The properties under development for sale are expected to be completed and recovered after more than one year.

The amount of properties held for sale/under development for sale carried at net realisable value is HK$827 million (2000: HK$2,527 million). In 2001, the amount of reversals of write down of properties held for sale/under development for sale charged to the profit and loss account in prior years was HK$51 million (2000: HK$Nil).

21. TRADE AND OTHER RECEIVABLES

Included in this item are trade debtors (net of provision for bad and doubtful debts) with an ageing analysis as at December 31, 2001 as follows:

	Group	
	2001 HK$ Million	2000 HK$ Million
0 – 30 days	**442**	462
31 – 60 days	**157**	59
61 – 90 days	**41**	17
Over 90 days	**52**	82
	692	620

The Group has a defined credit policy. The general credit terms allowed range from 0 to 60 days, except for pre-sale proceeds of properties under development, which are receivable upon completion of the properties under development.

22. PLEDGED DEPOSITS

Deposits are pledged as security for certain bonds and notes. Deposits pledged as security for obtaining a letter of credit for issue of a surety bond at December 31, 2000 (Note 31d) have been discharged in full during the year.

23. TRADE AND OTHER PAYABLES

Included in this item are trade creditors with an ageing analysis as at December 31, 2001 as follows:

	Group	
	2001	2000
	HK$ Million	*HK$ Million*
0 – 30 days	**745**	437
31 – 60 days	**99**	101
61 – 90 days	**74**	132
Over 90 days	**311**	247
	1,229	917

24. SHORT TERM LOANS AND OVERDRAFTS

	Group		Company	
	2001	2000	**2001**	2000
	HK$ Million	*HK$ Million*	***HK$ Million***	*HK$ Million*
Floating rate notes	**1,417**	–	**–**	–
Secured bank loans	**91**	373	**–**	–
Unsecured bank loans and overdrafts	**5,346**	5,473	**314**	103
Unsecured other loans	**20**	–	**–**	–
	6,874	5,846	**314**	103

25. SHARE CAPITAL

	2001	2000		
	No. of shares	*No. of shares*	**2001**	2000
	Million	*Million*	***HK$ Million***	*HK$ Million*
Authorised				
Ordinary shares of HK$1 each	**3,600**	3,600	**3,600**	3,600
Issued and fully paid				
Balance at January 1	**2,446**	2,446	**2,446**	2,446
Exercise of share options	**1**	–	**1**	–
Balance at December 31	**2,447**	2,446	**2,447**	2,446

Executive share incentive scheme

As at December 31, 2001, options to subscribe for 3.3 million (2000: 3.8 million) ordinary shares of the Company at prices ranging from HK$12.0 to HK$25.0 per share granted to a number of executives under the Company's executive share incentive scheme were unexercised. These options are exercisable before July 31, 2006.

During the year, options were exercised to subscribe for 480,000 (2000: 70,000) ordinary shares of HK$1.00 each at a consideration between HK$9.5 and HK$19.0 (2000: between HK$7.6 and HK$9.5) per share.

26. RESERVES

	Share premium HK$ Million	Capital redemption reserve HK$ Million	Investment properties revaluation reserves HK$ Million	Investments revaluation reserves HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million (Restated)	Total HK$ Million
a. The Group							
i. Company and subsidiaries							
Balance at January 1, 2000							
– as previously reported	7,729	7	38,292	468	(758)	6,057	51,795
– prior year adjustments in respect of							
– goodwill (Note 11a)	–	–	–	–	237	(237)	–
– planned maintenance provision (Note 11b)	–	–	–	–	–	106	106
– dividends proposed (Note 11c)	–	–	–	–	–	1,223	1,223
– as restated	7,729	7	38,292	468	(521)	7,149	53,124
Dividends approved in respect of the previous year (Note 9b)	–	–	–	–	–	(1,223)	(1,223)
Exchange reserve	–	–	–	–	(26)	–	(26)
Exercise of share options	1	–	–	–	–	–	1
Reserve on acquisition of subsidiaries and an associate	–	–	–	–	118	–	118
Goodwill written off on disposal of subsidiaries and associates	–	–	–	–	51	–	51
Transferred to the profit and loss account on disposal of non-trading securities	–	–	–	(791)	–	–	(791)
Revaluation surplus/(deficit)							
– investment properties	–	–	2,216	–	–	–	2,216
– other properties	–	–	–	–	89	–	89
– non-trading securities	–	–	–	(67)	–	–	(67)
Reclassification	–	–	9	–	(9)	–	–
Profit for the year	–	–	–	–	–	2,811	2,811
Dividends declared in respect of the current year (Note 9a)	–	–	–	–	–	(685)	(685)
Balance at December 31, 2000 and January 1, 2001 (Restated)	7,730	7	40,517	(390)	(298)	8,052	55,618

26. RESERVES continued

	Share premium HK$ Million	Capital redemption reserve HK$ Million	Investment properties revaluation reserves HK$ Million	Investments revaluation reserves HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million (Restated)	Total HK$ Million
a. The Group continued							
i. Company and subsidiaries continued							
Balance at December 31, 2000 and January 1, 2001 (Restated)	7,730	7	40,517	(390)	(298)	8,052	55,618
Dividends approved in respect of the previous year (Note 9b)	–	–	–	–	–	(1,223)	(1,223)
Exercise of share options	5	–	–	–	–	–	5
Goodwill written off on disposal of an associate	–	–	–	–	301	–	301
Transferred to the profit and loss account on disposal of non-trading securities	–	–	–	107	–	–	107
Revaluation surplus/(deficit)							
– investment properties	–	–	(4,361)	–	–	–	(4,361)
– other properties	–	–	–	–	(244)	–	(244)
– non-trading securities	–	–	–	(85)	–	–	(85)
Transferred to the profit and loss account on impairment of non-trading securities	–	–	–	358	–	–	358
Others	–	–	–	–	6	–	6
Profit for the year	–	–	–	–	–	2,859	2,859
Dividends declared in respect of the current year (Note 9a)	–	–	–	–	–	(685)	(685)
Balance at December 31, 2001	7,735	7	36,156	(10)	(235)	9,003	52,656

26. RESERVES continued

	Share premium HK$ Million	Capital redemption reserve HK$ Million	Investment properties revaluation reserves HK$ Million	Investments revaluation reserves HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million (Restated)	Total HK$ Million
a. The Group continued							
ii. Associates							
Balance at January 1, 2000	–	–	–	(19)	–	190	171
Transferred to the profit and loss account on disposal of non-trading securities	–	–	–	16	–	–	16
Transferred to the profit and loss account on impairment of non-trading securities	–	–	–	13	–	–	13
Revaluation surplus – non-trading securities	–	–	–	3	–	–	3
Loss absorbed for the year	–	–	–	–	–	(317)	(317)
Balance at December 31, 2000 and January 1, 2001	–	–	–	13	–	(127)	(114)
Transferred to the profit and loss account on disposal of non-trading securities	–	–	–	(2)	–	–	(2)
Revaluation deficit – non-trading securities	–	–	–	(2)	–	–	(2)
Loss absorbed for the year	–	–	–	–	–	(340)	(340)
Balance at December 31, 2001	–	–	–	9	–	(467)	(458)
Total reserves							
At December 31, 2001	7,735	7	36,156	(1)	(235)	8,536	52,198
At December 31, 2000 (Restated)	7,730	7	40,517	(377)	(298)	7,925	55,504

26. RESERVES continued

	Share premium HK$ Million	Capital redemption reserve HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million (Restated)	Total HK$ Million
b. The Company					
Balance at January 1, 2000					
– as previously reported	7,729	7	306	1,578	9,620
– prior year adjustments in respect of					
– dividends proposed (Note 11c)	–	–	–	1,223	1,223
– as restated	7,729	7	306	2,801	10,843
Exercise of share options	1	–	–	–	1
Dividends approved in respect of the previous year (Note 9b)	–	–	–	(1,223)	(1,223)
Profit for the year	–	–	–	2,037	2,037
Dividends declared in respect of the current year (Note 9a)	–	–	–	(685)	(685)
Balance at December 31, 2000 and January 1, 2001 (Restated)	7,730	7	306	2,930	10,973
Exercise of share options	5	–	–	–	5
Dividend approved in respect of the previous year (Note 9b)	–	–	–	(1,223)	(1,223)
Profit for the year	–	–	–	2,016	2,016
Dividend declared in respect of the current year (Note 9a)	–	–	–	(685)	(685)
Balance at December 31, 2001	7,735	7	306	3,038	11,086

Reserves of the Company available for distribution to shareholders at December 31, 2001 amounted to HK$3,038 million (2000: HK$2,930 million as restated).

The application of the share premium account and capital redemption reserves are governed by Section 48B and Section 49 of the Hong Kong Companies Ordinance respectively. The revaluation reserves have been set up and will be dealt with in accordance with the accounting policies adopted for the revaluation of investment properties, hotel and club properties and non-trading securities.

After the balance sheet date the Directors proposed a final dividend of 50 cents per share (2000: 50 cents per share) amounting to HK$1,223 million (2000: HK$1,223 million). This dividend has not been recognised as a liability at the balance sheet date.

27. LONG TERM LOANS

	Group		Company	
	2001 *HK$ Million*	2000 *HK$ Million*	2001 *HK$ Million*	2000 *HK$ Million*
Bonds and notes (secured and due February 21, 2005)				
US dollar floating rate notes	**2,743**	2,743	**–**	–
HK dollar floating rate notes	**1,049**	1,049	**–**	–
HK dollar floating rate notes	**665**	665	**–**	–
	4,457	4,457	**–**	–
Bonds and notes (unsecured)				
HK dollar floating rate notes due July 16, 2002	**1,417**	1,417	**–**	–
HK dollar guaranteed notes due March 15, 2004	**500**	–	**–**	–
US dollar notes due November 1, 2004	**1,560**	1,560	**–**	–
US dollar notes due March 13, 2007	**2,730**	2,730	**–**	–
	6,207	5,707	**–**	–
Bank loans (secured)				
Due less than 1 year	**91**	373	**–**	–
Due after more than 1 year but not exceeding 2 years	**–**	742	**–**	–
Due after more than 2 years but not exceeding 5 years	**287**	2,407	**–**	–
	378	3,522	**–**	–
Bank loans (unsecured)				
Due less than 1 year	**5,346**	5,473	**314**	103
Due after more than 1 year but not exceeding 2 years	**406**	3,126	**–**	–
Due after more than 2 years but not exceeding 5 years	**7,079**	393	**–**	–
	12,831	8,992	**314**	103
Other loans (unsecured)				
Due less than 1 year	**20**	–	**–**	–
Due after more than 1 year but not exceeding 2 years	**–**	20	**–**	–
	20	20	**–**	–
Total loans	**23,893**	22,698	**314**	103
Less: Amounts due within 1 year (Note 24)	**(6,874)**	(5,846)	**(314)**	(103)
Total long term loans	**17,019**	16,852	**–**	–

27. LONG TERM LOANS continued

(a) As at December 31, 2001, the Group's net debts, representing the total loans less deposits, listed debt securities and cash, are analysed as follows:

	2001 HK$ Million	2000 HK$ Million
Secured	**4,835**	7,979
Bonds and notes	**4,457**	4,457
Bank loans	**378**	3,522
Unsecured	**19,058**	14,719
Bonds and notes	**6,207**	5,707
Bank loans and other loans	**12,851**	9,012
Total loans	**23,893**	22,698
Long term deposits	**(468)**	–
Listed debt securities	**(514)**	–
Deposits and cash	**(2,852)**	(2,213)
Pledged deposits	**(288)**	(981)
	19,771	19,504

(b) As the Group's borrowings are primarily denominated in Hong Kong and US dollars and the US dollar loans have been effectively swapped into Hong Kong dollar loans by forward exchange contracts, there is no significant exposure to foreign exchange rate fluctuations.

(c) Over 90% of the bonds and notes either bear interest at floating rates or have been swapped to floating rates determined by reference to the Hong Kong Interbank Offered Rate or the London Interbank Offered Rate.

(d) Included in the Group's total loans are bank loans totalling HK$992 million (2000: HK$490 million) borrowed by two non-wholly owned subsidiaries, Modern Terminals Limited and Harbour Centre Development Limited. These loans are without recourse to the Company and other subsidiaries.

(e) No amount included in long term loans is expected to be settled within one year (2000: HK$3,010 million).

(f) The banking facilities of the Group are secured by mortgages over certain investment properties with carrying value of HK$19,171 million (2000: HK$20,413 million).

28. DEFERRED TAXATION

(a) Movements on deferred taxation comprise:

	Group 2001 HK$ Million	Group 2000 HK$ Million
Balance at January 1	**478**	507
Transfer to the profit and loss account (Note 7c)	**(11)**	(29)
Balance at December 31	**467**	478

(b) Major components of deferred taxation are set out below:

	Group			
	2001		2000	
	Provided HK$ Million	**Potential liabilities/ (assets) unprovided HK$ Million**	Provided HK$ Million	Potential liabilities/ (assets) unprovided HK$ Million
Depreciation allowances in excess of the related depreciation	**467**	**821**	478	300
Unutilised tax losses	**–**	**(1,618)**	–	(1,271)
Others	**–**	**(110)**	–	–
	467	**(907)**	478	(971)

The major part of the unprovided potential liabilities represents the maximum taxation arising from balancing charges in the event of a future realisation of investment and other properties at an amount equal to the valuations or carrying values recorded in the balance sheet.

The deferred tax assets arising from the Group's unutilised tax losses have not been recognised in the accounts as it is not certain that the future benefits thereof will crystallise in the foreseeable future.

(c) No deferred taxation has been provided in the accounts of the Company as the net effect of all timing differences is considered to be immaterial.

29. OTHER DEFERRED LIABILITIES

	Group 2001 HK$ Million	Group 2000 HK$ Million Restated
Club debentures (non-interest bearing) due after more than 5 years	**220**	220
Deferred revenue (Note 1(l)(viii))	**127**	–
Others	**75**	84
	422	304

30. MATERIAL RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group and the Company have not been a party to any material related party transaction during the year ended December 31, 2001:

(a) As disclosed in Note 16, loans totalling HK$3,697 million (2000: HK$4,622 million) advanced by the Group to certain associates involved in the Sorrento and Bellagio property developments projects (as described in more detail in (b) and (c) below) are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. Waivers were granted by the Stock Exchange in 1994 and 1997 from complying with the relevant connected transaction requirements (as set out in further detail under (b) and (c) hereunder). The net interest earned by the Group from these loans during the year is not material in the context of these accounts.

(b) As disclosed in Note 31(b), the Company and a subsidiary, together with its controlling shareholder and two of its subsidiaries, have jointly and severally guaranteed the performance and observance of the terms by a subsidiary of the associate under an agreement to develop the Sorrento property.

The same parties have also severally guaranteed loans granted to a subsidiary of the above associate to finance the property development project. The amount attributable to the Company and a subsidiary was HK$866 million (2000: HK$1,360 million).

Such guarantees given by the Company constitute connected transactions as defined under the Listing Rules, but a waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1997.

(c) As disclosed in Note 31(c), the Company together with its controlling shareholder and one of its subsidiaries, have jointly and severally guaranteed the performance and observance of the terms by a subsidiary of an associate under an agreement to develop the Bellagio property.

The same parties have also severally guaranteed loans granted to a subsidiary of the above associate to finance the property development project. The amount attributable to the Company was HK$1,267 million (2000: HK$Nil).

Such guarantees given by the Company constitute connected transactions as defined under the Listing Rules, but a waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1997.

(d) In 2001, the Group acquired a 100% effective interest in several sites at Yau Tong (the "Properties") for a proposed development to be undertaken by a joint-venture company from its controlling shareholder for a consideration of HK$753 million. The consideration was calculated on the basis of the value of the Properties as assessed by an independent valuer at July 16, 2001 and the outstanding balance of a shareholder's loan. The Properties will be injected into the joint-venture company in which the Group will have an effective interest of 15.6% if the proposed development plan is finalised.

(e) In respect of the year ended December 31, 2001, the Group earned rental income amounting to HK$134 million (2000: HK$125 million) from affiliated companies of its controlling shareholder.

31. CONTINGENT LIABILITIES

As at December 31, 2001:

(a) There were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdraft, short term loan and credit facilities, bonds and notes of up to HK$29,849 million (2000: HK$27,706 million).

(b) The Company and a subsidiary together with its principal shareholder and two subsidiaries thereof, have jointly and severally guaranteed the performance and observance of the terms under an agreement for a property development project by the subsidiary of an associate. Also, all the parties have severally guaranteed loans granted to a subsidiary of the associate to finance its property development project. The amount attributable to the Company and a subsidiary is HK$866 million (2000: HK$1,360 million).

(c) The Company together with its controlling shareholder and one of its subsidiaries, have jointly and severally guaranteed the performance and observance of the terms under an agreement for a property development project by a subsidiary of another associate. Also, all the parties have severally guaranteed loans granted to a subsidiary of the associate to finance its property development project. The amount attributable to the Company was HK$1,267 million (2000: HK$Nil).

(d) In previous years claims for unspecified damages for alleged breach of contract were brought by a third party against the Company and certain subsidiaries and a director of the Company based on an alleged option to invest in the Group's cable television franchise. On May 21, 2001, the United States Supreme Court affirmed the judgments of the District Court and the Court of Appeals in Denver in the case of United International Holdings, Inc. ("UIH") and UIH Asia Investment Company v. The Wharf (Holdings) Limited.

The judgments were entered in an action brought by UIH arising out of an alleged breach of contract involving the Group's cable television business, in respect of which the jury in the abovementioned District Court rendered a verdict against The Wharf (Holdings) Limited et al. awarding US$67 million (HK$523 million) in compensatory damages plus US$59 million (HK$456 million) in exemplary (or punitive) damages and interest thereon. The abovementioned Court of Appeals affirmed the judgment of District Court in May 2000. The Group had made full provision in its accounts in prior years in respect of the amount required to discharge all its liabilities. By September 30, 2001, the Group had settled in full the judgment sum plus interest thereon and all UIH's legal fee claims in a total amount of HK$1,569 million.

Accordingly, the Company has discharged a bond totalling HK$1,513 million (US$194 million) which was posted as surety for the payment of the damages, costs and interest. The posting of the surety bond was secured by an investment property, certain listed share investments and fixed deposits of the Group, which had an aggregate carrying amount of HK$4,594 million at December 31, 2000.

(e) Forward exchange contracts amounting to HK$6,537 million (2000: HK$5,304 million) will mature in 2002 (2000: HK$4,914 million and HK$390 million mature in 2001 and 2002 respectively).

32. COMMITMENTS

	Group 2001 HK$ Million	Group 2000 HK$ Million
(a) Capital commitments		
No provision has been made in the accounts for planned capital expenditure of	**4,966**	5,913
In respect of which contracts have been entered into for	**1,858**	1,783

(b) The Company's subsidiary, Modern Terminals Limited, together with certain other third parties, have entered into a Joint Development Agreement ("JDA") to jointly procure the construction of Container Terminal 9. The total cost of construction is estimated to be HK$4.8 billion and will be shared by respective parties at an agreed ratio as stipulated in the JDA. The financing of the construction cost is without recourse to the Company and other subsidiaries.

The joint developers have received notification from the contractor of claims for additional costs in respect of the construction. The claims have been considered by the project director and consultant engineers who consider them to be substantially invalid based on information currently available and who also note that the joint developers have right to significant liquidated damages from the contractor.

33. POST BALANCE SHEET EVENTS

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 9.

34. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of changes in accounting policies for goodwill/negative goodwill, planned maintenance provision, proposed dividends and segment reporting in order to comply with SSAPs 30, 28, 9 and 26 respectively, details of which are set out in Note 11. In addition, the presentation of certain comparative figures in the consolidated profit and loss account has been amended to conform to the current year's presentation which management consider gives a better indication of the results of the Group for the year.

35. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the Directors on March 18, 2002.