

Notes to the Financial Statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (HKSA). The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties and certain fixed assets.

The following new and revised Statements of Standard Accounting Practice (SSAPs) issued by the HKSA have been adopted for the first time in the preparation of the current year's financial statements together with a summary of their major effects, where applicable.

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 10 (revised)	:	Accounting for investments in associates
SSAP 14 (revised)	:	Leases
SSAP 18 (revised)	:	Revenue
SSAP 21 (revised)	:	Accounting for interests in joint ventures
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

(i) SSAP 9 (revised) : Events after the balance sheet date

In accordance with SSAP 9 (revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy. A separate component of equity, 'Proposed dividends' has been added on the face of the balance sheet to specify the provision for the 2000 proposed final dividend of HK\$46,618,000 which was previously recorded as a liability as at 31 December 2000. A corresponding decrease of HK\$46,618,000 in current liabilities has been reflected in the comparative figures presented in 31 December 2000 balance sheet.

(ii) SSAP 14 (revised): Leases

As a result of the adoption of SSAP 14 (revised), information relating to disclosure of operating leases in notes 22(b) and 22(c) to the financial statements has been prepared to conform with the new disclosure requirements. Accordingly, certain comparative figures have been restated to conform with current year's presentation.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Basis of preparation (Continued)

(iii) SSAP 18 (revised): Revenue

SSAP 18 (revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from investee companies that are declared and approved by the investee companies after the balance sheet date are no longer recognised in the financial statements for the year.

To comply with the revised SSAP, a prior period adjustment has been made to the comparative amounts of the financial statements for 2000, resulting in a debit of HK\$6,726,000 to the Group's profit attributable to shareholders for that year, and a net credit of the same amount to the Group's net assets. The prior period adjustment reversed a dividend from an investee company which was declared and approved by the investee company after the prior year's balance sheet date, but which was recognised by the Group as revenue in its financial statements for that year.

The effect of this change in accounting policy on the Group's profit attributable to shareholders for the current year, was to reduce the profit by HK\$4,009,000, representing the effect of recognising the dividend of HK\$14,322,000 declared by the investee company abovementioned as revenue in the financial statements for the current year.

(iv) SSAP 26: Segment reporting

In note 25 to the financial statements, the Group has disclosed segment information as required under SSAP 26. 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. Comparative figures have been presented.

(v) SSAP 28: Provisions, contingent liabilities and contingent assets

In prior years, deferred items comprising reimbursement of the reinstatement cost and compensation received from the SAR Government were credited to the profit and loss account on the same basis as the related assets were depreciated and amortised. With the adoption of SSAP 28 and Interpretation 5 which are effective for accounting periods commencing on or after 1 January 2001, the Group changed its accounting policy on deferred items by transferring the unamortised balance of deferred items to retained profits.

As a result of the new accounting policy, the Group's profit attributable to shareholders for the year has been decreased by HK\$24,495,000 (2000: HK\$24,495,000) and the Group's net assets as at the year end have been increased by HK\$165,342,000 (2000: HK\$189,837,000). The new accounting policy has been adopted retrospectively, with the opening balance of reserves and the comparative information adjusted for the amounts relating to prior years.

Notes to the Financial Statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Basis of preparation (Continued)

(vi) SSAP 30: Business combinations

Goodwill arising on consolidation represents the excess of cost of acquisition of subsidiaries, associates and jointly controlled entities over the Group's share of the fair value ascribed to the identifiable assets and liabilities acquired at the date of acquisition. In previous years, goodwill was charged to reserve in the year in which it arose. With the introduction of SSAP 30, the Group has adopted the transitional provisions prescribed therein. All goodwill and negative goodwill arising from earlier acquisitions before 1 January 2001 will continue to be held in reserve and no reinstatement has been made. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of assets".

New goodwill incurred on or after 1 January 2001 is capitalised in the balance sheet and is amortised to the profit and loss account on a straight line basis over its estimated useful economic life. Subsequent impairment loss arising on such goodwill will be recognised in the profit and loss account.

(vii) SSAP 31: Impairment of assets

In accordance with SSAP 31, the carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Under this new accounting standard, the Group is also required to assess any impairment in goodwill previously charged against reserve. This is a change in accounting policy and accordingly, impairment losses of HK\$4,733,000 related to years prior to 1 January 2000 have been dealt with retrospectively. There is no impact in the Group's net assets as at 31 December 2001 and its profit attributable to shareholders for both years presented.

b) Basis of consolidation

- (i) The consolidated financial statements include the audited financial statements of the Company and all its controlled subsidiaries made up to 31 December each year.
- (ii) Results of subsidiaries acquired or disposed of during the year are included from the dates of acquisition or up to the dates of disposal respectively. Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits, but only to the extent that there is no evidence of impairment.

c) Goodwill or negative goodwill

Goodwill or negative goodwill arising on consolidation represents the excess or deficit of cost of acquisition of subsidiaries, associates and jointly controlled entities over the Group's share of the fair value ascribed to the identifiable assets and liabilities acquired at the date of acquisition.

Goodwill incurred on or after 1 January 2001 is capitalised and amortised on a straight line basis over its estimated useful life not exceeding 20 years. In respect of controlled subsidiaries, goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses. In respect of associates and jointly controlled entities, cost of goodwill less any accumulated amortisation and any impairment losses is included in the carrying amount of interests in associates or jointly controlled entities.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) **Goodwill or negative goodwill** (Continued)

Negative goodwill incurred on or after 1 January 2001 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 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 profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable or amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account. In respect of controlled subsidiaries, any negative goodwill not yet recognised in the consolidated profit and loss account is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as goodwill. In respect of associates and jointly controlled entities, such negative goodwill is included in the carrying amount of the interests in associates or jointly controlled entities.

On disposal of interests in subsidiaries, associates and jointly controlled entities, any attributable amount of purchased goodwill not previously amortised through the profit and loss account is included in the calculation of the profit and loss on disposal.

d) **Subsidiaries**

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 of the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, interests in subsidiaries are stated at cost less any impairment loss.

e) **Associates**

An associate is an enterprise, other than a subsidiary or a joint venture, in which the Group's interest is held long-term and has significant influence including participation in financial and operation policy decisions.

The consolidated profit and loss account reflects the Group's share of the post-acquisition results of its associates for the year, including any amortisation of goodwill or negative goodwill charged or credited during the year. In the consolidated balance sheet, interests in associates are initially recorded at cost and adjusted thereafter for the post acquisition changes in the Group's share of net assets of the associates. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, interests in associates are stated at cost less any impairment loss.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

f) **Joint ventures**

A joint venture is a contractual arrangement whereby the Group and at least one other party undertake an economic activity which is subject to joint control and none of the parties involved unilaterally has control over the economic activity.

Notes to the Financial Statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Joint ventures (Continued)

(i) Jointly controlled entities

Jointly controlled entities involve the establishment of a separate entity in which the Group has a long-term interest and over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements.

The consolidated profit and loss account reflects the Group's share of the post-acquisition results of its jointly controlled entities for the year, including any amortisation of goodwill or negative goodwill charged or credited during the year. In the consolidated balance sheet, interests in jointly controlled entities are initially recorded at cost and adjusted thereafter for the post acquisition changes in the Group's share of net assets of the jointly controlled entities. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, interests in jointly controlled entities are stated at cost less any impairment loss.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

(ii) Jointly controlled assets

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets.

The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers is recognised in the balance sheet and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred by the joint ventures, are recognised in the profit and loss account when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

g) Revenue recognition

Major categories of revenue are recognised in the financial statements on the following bases:

Revenues from ship passenger operations are recognised upon the departure of each trip of vessel. Revenue from the sale of fuel is recognised upon delivery to the customer. Revenues from club operations and repairing services are recognised upon provision of services. Management fees, rental income, subsidies from travel services and interest income are recognised on the accrual basis. Dividend income is recognised when the right to receive payment is established. Revenue and profit from sale of completed properties are recognised upon execution of the sale agreements. Revenue and profit on properties under development are recognised under a percentage of completion method when construction has progressed beyond the preliminary stages. The percentage used being the proportion of construction costs incurred at the balance sheet date to estimated total construction costs. Profit recognised on this basis is limited to the amount of sale proceeds received.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work has been completed and are intended to be held for long-term rental income generating purposes. Investment properties are stated at their open market values based on an annual professional valuation at the balance sheet date. Surpluses arising on revaluations are credited to the investment property revaluation reserve account and deficits arising on revaluations are firstly set off against any previous revaluation surpluses and thereafter taken to the profit and loss account on a portfolio basis. Any subsequent revaluation surpluses are credited to the profit and loss account to the extent of the deficits previously charged. On disposal of an investment property, related revaluation surpluses or deficits previously taken to the revaluation reserve account are transferred to the profit and loss account.

(ii) Other assets

Land and buildings are stated at cost or directors' valuation less accumulated depreciation and any accumulated impairment losses. Surplus on revaluation is transferred to capital reserve account. The Group has placed reliance on the provision as permitted by paragraph 72 of SSAP 17 and therefore regular revaluations on land and buildings stated at valuation are not made. Vessels and other fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets.

The gain or loss arising from the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account. Any revaluation reserve balance attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserve.

(iii) Depreciation

No amortisation or depreciation is provided on investment properties with an unexpired lease of over 20 years or property held on freehold since the valuation takes into account the state of each building at the date of valuation.

Land held on long-term or medium-term lease is amortised over the unexpired term of the lease. Buildings are depreciated on a straight line basis over 50 years or the remaining term of the lease, if shorter.

Vessels and other fixed assets are depreciated over their anticipated useful lives on a straight line basis as follows:

	Annual rates
Vessels and pontoons	5% - 16.7%
Other assets	6.7% - 33.3%

Notes to the Financial Statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Investment securities

Investment securities are securities which are intended to be held on a continuing basis, and which are held for an identified long-term purpose documented at the time of acquisition or change of purpose and are clearly identifiable for the documented purpose.

Investment securities are recognised as assets from the date on which the Group is bound by the contract which gives rise to them and are included in the balance sheet at cost less provision for diminution in value which is other than temporary. Such provision is determined for each investment individually. Provisions are recognised as an expense immediately and are written back to the profit and loss account when the circumstances and events that lead to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future. The amount written back is limited to the amount of the write-downs or write-offs.

The profit or loss on disposal is accounted for in the period in which the disposal occurs as the difference between the sale proceeds and the carrying amount of the investments.

j) Properties for / under development

Properties held for / under development for long-term purposes are shown as fixed assets and are stated at cost less any accumulated impairment losses. No depreciation is provided on properties held for / under development. Properties held for / under development are included under current assets when they are developed for sale and are stated at cost less provision for any anticipated losses. Cost includes cost of land and development, construction expenditure incurred and attributable finance costs capitalised during the development period.

k) Convertible guaranteed bonds

Convertible guaranteed bonds are separately disclosed and regarded as liabilities unless conversion actually occurs. The finance costs, including the premium payable upon the final redemption of the convertible guaranteed bonds, are recognised in the profit and loss account so as to produce a constant periodic rate of charge on the remaining balance of the convertible guaranteed bonds for each accounting period.

l) Inventories

Inventories are stated at the lower of cost and net realisable value. In respect of unsold properties, cost is determined by apportionment of the total development costs, including land and development cost, construction expenditure incurred and finance costs capitalised, attributable to the unsold properties. Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates based on prevailing market conditions. In respect of other inventories, cost, comprising purchase cost from suppliers, is determined on first-in-first-out basis and on the weighted average method. In the case of work-in-progress, cost comprises direct material, labour and overheads attributable to bringing the work-in-progress to its present location and condition. Net realisable value is 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.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Trade debtors

Provision is made against trade debtors to the extent that they are considered to be doubtful. Trade debtors in the balance sheet are stated net of such provision.

n) Cash equivalents

Cash equivalents are defined as short-term, highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

o) Deferred tax

Deferred tax is provided using the liability method in respect of the taxation effect arising from all timing differences which are expected with reasonable probability to crystallise in the foreseeable future.

p) Operating leases

Rental income and expenses under operating leases are credited or charged to the profit and loss account on a straight line basis over the terms of the leases. Contingent rental income and expenses are credited or charged to the profit and loss account in the financial year in which they are earned or incurred.

q) Capitalisation of borrowing costs

Borrowing costs are expensed as incurred, except to the extent that they are capitalised as being directly attributable to the construction or production of assets which necessarily take a substantial period of time to get ready for their intended use or sale. Capitalisation of such borrowing costs begins when construction or production activities commence and ceases when the assets are substantially ready for their intended use or sale. The capitalisation rate for the year is based on the cost of the related borrowings less related interest income.

r) Foreign currencies

Monetary assets and liabilities in currencies other than Hong Kong dollars and the financial statements of subsidiaries, associates and joint ventures established outside Hong Kong, which are expressed in currencies other than Hong Kong dollars, are translated into Hong Kong dollars at approximately the market rates of exchange ruling at the balance sheet date. Transactions in currencies other than Hong Kong dollars during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Exchange differences arising from translation of financial statements of subsidiaries, associates and joint ventures established outside Hong Kong, which are expressed in currencies other than Hong Kong dollars, are dealt with as a movement in reserve. All other exchange differences are included in the determination of operating profit.

s) Related parties

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

Notes to the Financial Statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Impairment of assets

Assets, including fixed assets other than investment properties, and investments in subsidiaries, associates and joint ventures, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss, representing the difference between the carrying amount and the recoverable amount, is recognised in the profit and loss account. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the disposal of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the profit and loss account.

u) Share options

Options granted to directors and employees over the Company's shares are recognised in the balance sheet at the time when the options are exercised. Share capital is credited at par for each share issued upon the exercise of options, with share premium credited at the excess of net proceeds received over total share capital credited.

v) Segment reporting

A segment is a 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.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's principal activities and the Group's management structure and internal financial reporting system.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment revenues, expenses, results, assets and liabilities are determined before intra-group balances and transactions and are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are within a single segment. Inter-segment pricing is determined on an arm's length basis.

Segment capital expenditure is the total costs incurred during the year to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprised financial and corporate revenues, expenses and assets, interest-bearing loans, borrowings and deferred tax.

NOTE 2 TURNOVER AND REVENUE

The Group is principally engaged in the businesses of properties development, investment and management, shipping and related services, hospitality and investment holding.

	Group	
	2001	(Restated) 2000
	(HK\$'000)	(HK\$'000)
Turnover		
Revenue from sale of properties	3,822,202	1,712,498
Revenue from ship passenger operations	1,322,961	1,373,469
Revenue from sale of fuel	8,100	7,704
Revenue from club operations	35,520	44,695
Rental income	36,163	22,502
Dividends from unlisted investments	14,693	7,967
Interest income from mortgage loans receivable	1,252	1,367
Management fees and others	97,759	68,032
	5,338,650	3,238,234
Other revenues		
Interest income	48,870	51,018
Claims received	18,065	1,009
Others	58,034	37,762
	124,969	89,789
Total	5,463,619	3,328,023

Notes to the Financial Statements

NOTE 3 OPERATING PROFIT

	Group	
	2001 (HK\$'000)	(Restated) 2000 (HK\$'000)
After crediting:		
Interest income	59,954	108,650
Less: Amount capitalised in properties for / under development	(9,832)	(56,265)
	50,122	52,385
Rental income from investment properties	31,215	17,403
Less: Outgoings	(546)	(174)
	30,669	17,229
Surplus on revaluation of investment properties	2,367	6,500
Dividends from unlisted investments		
– STDM	14,322	7,596
– Others	371	371
Profit on disposal of fixed assets	848	—
After charging:		
Cost of inventories	3,637,002	1,701,525
Staff costs	501,794	497,722
Amortisation and depreciation	157,709	180,274
Auditors' remuneration	2,777	2,990
Loss on disposal of fixed assets	—	3,314
Minimum lease payments of properties under operating leases	15,992	17,301
Provident fund contribution	21,202	17,872
Provision for diminution in value of investment	—	1,500

NOTE 4 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

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

	Group	
	2001 (HK\$'000)	2000 (HK\$'000)
Directors' remuneration		
Fees		
Executive directors	280	275
Independent non-executive directors	400	400
Non-executive directors	15	20
Other emoluments		
Salaries and allowances	13,014	11,555
Company portion of provident fund contribution	566	487
	14,275	12,737

NOTE 4 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

Other emoluments included allowances of HK\$200,000 (2000: HK\$200,000) paid to independent non-executive directors.

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

Specified bands of directors' remuneration	Number of directors	
	2001	2000
HK\$0 - HK\$1,000,000	7	7
HK\$1,000,001 - HK\$1,500,000	1	1
HK\$1,500,001 - HK\$2,000,000	3	4
HK\$2,000,001 - HK\$2,500,000	1	—
HK\$3,500,001 - HK\$4,000,000	—	1
HK\$4,000,001 - HK\$4,500,000	1	—

No directors have waived remuneration in respect of the year ended 31 December 2001.

Among the five highest paid individuals in the Group, all are directors of the Company and the details of their remuneration have already been disclosed above.

NOTE 5 FINANCE COSTS

	Group	
	2001 (HK\$'000)	2000 (HK\$'000)
Interest on bank loans and overdraft		
– wholly repayable within 5 years	233,767	371,516
– not wholly repayable within 5 years	—	23,388
Interest on other loans		
– wholly repayable within 5 years	15,093	17,433
Interest on convertible guaranteed bonds	23,376	23,149
Provision for premium on redemption of convertible guaranteed bonds	35,751	35,405
Interest on loans from minority shareholders	137,146	207,732
Less: Amount capitalised in properties for / under development	(322,393)	(636,921)
	122,740	41,702

Notes to the Financial Statements

NOTE 6 TAXATION

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

	Group 2001 (HK\$'000)	2000 (HK\$'000)
Company and subsidiaries		
Hong Kong profits tax	26,796	4,816
Overseas taxation	466	268
Deferred tax	46,566	50,642
Associates		
Hong Kong profits tax	974	5,191
Overseas taxation	254	4,114
	75,056	65,031

Hong Kong profits tax is provided for at the rate of 16% (2000: 16%) on the estimated assessable profits for the year.

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

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

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

	Group 2001 (HK\$'000)	2000 (HK\$'000)
At 1 January	65,152	74,494
Net debit for the year	(6,445)	(9,342)
At 31 December	58,707	65,152

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

	2001 (HK\$'000)	2000 (HK\$'000)
Accelerated depreciation allowances	19,802	14,510
Profit recognised in respect of properties under development for sale prior to completion	38,905	50,642
	58,707	65,152

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

NOTE 7 DIVIDENDS

	Group and Company	
	2001	2000
	(HK\$'000)	(HK\$'000)
Interim dividend of 2 cents on 1,553,947,128 shares (2000: 2 cents on 1,553,947,128 shares)	31,079	31,079
Proposed final dividend of 3 cents on 1,553,947,128 shares (2000: 3 cents on 1,553,947,128 shares)	46,618	46,618
	77,697	77,697

NOTE 8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders and on 1,553,947,128 shares (2000: weighted average of 1,546,750,696 shares) in issue during the year.

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

NOTE 9 FIXED ASSETS

Group	Investment properties	Land and buildings	Properties under development	Vessels and pontoons	Other assets	Total
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Cost or valuation						
At 1 January 2001	269,000	534,269	1,318,538	1,991,857	770,573	4,884,237
Additions/transfers	—	32,569	330,616	12,102	19,124	394,411
Disposals/transfers	—	—	—	(98,156)	(38,809)	(136,965)
Reclassification	1,649,154	—	(1,649,154)	—	—	—
Surplus on revaluation	11,125	—	—	—	—	11,125
At 31 December 2001	1,929,279	566,838	—	1,905,803	750,888	5,152,808
Amortisation and depreciation						
At 1 January 2001	—	212,468	—	914,637	477,498	1,604,603
Charge for the year	—	6,711	—	91,314	59,684	157,709
Written back on disposal	—	—	—	(29,442)	(30,656)	(60,098)
At 31 December 2001	—	219,179	—	976,509	506,526	1,702,214
Net book value						
At 31 December 2001	1,929,279	347,659	—	929,294	244,362	3,450,594
At 31 December 2000	269,000	321,801	1,318,538	1,077,220	293,075	3,279,634

Notes to the Financial Statements

NOTE 9 FIXED ASSETS (Continued)

Company	Other assets (HK\$'000)
Cost	
At 1 January 2001	2,712
Additions	442
Disposals	(28)
At 31 December 2001	3,126
Depreciation	
At 1 January 2001	1,350
Charge for the year	429
Written back on disposal	(26)
At 31 December 2001	1,753
Net book value At 31 December 2001	1,373
At 31 December 2000	1,362

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

Analysis of cost and valuation of the Group's investment properties and land and buildings at 31 December 2001 is as follows:

	Held in Hong Kong		Held outside Hong Kong		Total (HK\$'000)
	(long lease) (HK\$'000)	(medium lease) (HK\$'000)	(medium lease) (HK\$'000)	(freehold) (HK\$'000)	
Investment properties					
Based on 2001 professional valuation	200,000	1,685,279	—	44,000	1,929,279
Land and buildings					
Based on directors' valuation in 1989	80,080	—	—	—	80,080
At cost	13,369	451,213	22,176	—	486,758
	93,449	451,213	22,176	—	566,838

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

The investment properties were revalued on the open market value basis at 31 December 2001 by FPD Savills (Hong Kong) Limited and Chesterton Petty Limited, independent professional valuers.

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

NOTE 9 FIXED ASSETS (Continued)

Investment properties reclassified from properties under development, included finance costs capitalised during the year of HK\$19,606,000 (2000:HK\$58,425,000).

NOTE 10 SUBSIDIARIES

	Company	
	2001 (HK\$'000)	2000 (HK\$'000)
Unlisted shares, at cost	20,100	20,100
Amount due by subsidiaries less provision	4,904,062	4,522,946
Amount due to subsidiaries	(818,447)	(808,845)
	4,105,715	3,734,201

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

NOTE 11 ASSOCIATES

	Company	
	2001 (HK\$'000)	2000 (HK\$'000)
Unlisted shares, at cost	678	678
Amount due by an associate less provision	9,704	9,704
	10,382	10,382
	Group	
	2001 (HK\$'000)	2000 (HK\$'000)
Share of net assets	316,299	365,443
Subordinated loans	59,651	64,499
Amount due by associates	661,044	697,920
Amount due to associates	(12,851)	(22,851)
	707,844	739,568
	1,024,143	1,105,011

Share of results of associates included an associate's prior period adjustments of HK\$18,449,000 in respect of the adoption of SSAP 17 (revised) and SSAP 28.

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

Notes to the Financial Statements

NOTE 12 JOINT VENTURES

a) Jointly controlled entities

	Group 2001 (HK\$'000)	2000 (HK\$'000)
Share of net assets	244,837	220,915
Goodwill, unamortised	10,446	—
Amount due by jointly controlled entities	167,261	148,264
	422,544	369,179

The Group's share of results of jointly controlled entities included amortisation of goodwill of HK\$550,000 (2000: nil).

b) Jointly controlled assets

At the balance sheet date, the aggregate amounts of assets and liabilities recognised in the financial statements relating to the Group's interests in jointly controlled assets are as follows:

	Group 2001 (HK\$'000)	2000 (HK\$'000)
Assets		
Properties under development	1,901,106	1,458,566
Debtors and deposits	64,126	3,784
Cash and bank balances	23,123	10,978
	1,988,355	1,473,328
Liabilities		
Loan from joint venture partner	266,481	251,388
Creditors and accrued charges	180,879	26,717
Bank loan	818,011	545,505
	1,265,371	823,610

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

NOTE 13 INVESTMENTS

	Group		Company	
	2001 (HK\$'000)	2000 (HK\$'000)	2001 (HK\$'000)	2000 (HK\$'000)
Investment securities				
Listed shares	25,694	—	—	—
Unlisted shares less provision	426,057	406,167	255,352	255,352
Interest in joint venture in Mainland China less provision	2,629	2,629	—	—
Loans	28,316	28,389	125	125
	482,696	437,185	255,477	255,477
Club debentures, at cost	140	140	—	—
Total	482,836	437,325	255,477	255,477
Market value of listed shares	9,112	—	—	—

NOTE 14 INVENTORIES

	Group	
	2001 (HK\$'000)	2000 (HK\$'000)
Properties	1,105,256	51,518
Spare parts	131,889	122,606
Others	1,786	2,769
	1,238,931	176,893
Work-in-progress	191	106
	1,239,122	176,999

The gross carrying amounts of properties held for use in operating leases were HK\$25,483,000 (2000: HK\$35,153,000).

Notes to the Financial Statements

NOTE 15 TRADE DEBTORS AND CREDITORS - AGEING ANALYSIS

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

	Group		Company	
	2001 (HK\$'000)	2000 (HK\$'000)	2001 (HK\$'000)	2000 (HK\$'000)
0 - 30 days	98,227	70,850	3,007	3,152
31 - 60 days	16,589	15,313	1,560	1,785
61 - 90 days	3,983	7,581	167	136
over 90 days	113,691	46,023	378	749
	232,490	139,767	5,112	5,822

The ageing analysis of trade creditors was as follows:

	Group		Company	
	2001 (HK\$'000)	2000 (HK\$'000)	2001 (HK\$'000)	2000 (HK\$'000)
0 - 30 days	314,320	238,549	—	—
31 - 60 days	3,063	8,485	—	—
61 - 90 days	491	46	—	—
over 90 days	15,997	1,123	—	—
	333,871	248,203	—	—

NOTE 16 SHARE CAPITAL

	Number of share	2001 (HK\$'000)	2000 (HK\$'000)
Authorised			
Ordinary shares of HK\$0.25 each	2,000,000,000	500,000	500,000
Issued and fully paid			
Ordinary shares of HK\$0.25 each			
At 1 January	1,553,947,128	388,486	384,576
Repurchase of share	—	—	(244)
Issue of scrip dividends	—	—	4,154
At 31 December	1,553,947,128	388,486	388,486

Pursuant to the approved share option scheme (the scheme), options to purchase ordinary shares in the Company were granted to eligible directors and employees. The options were granted at an exercise price equal to 80% of the average closing price of the existing shares of the Company on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of such options. The options granted under the scheme are exercisable within a period of 5 years for those granted to employees and a period of 10 years for those granted to directors from the date of grant. At 31 December 2001, the outstanding options were:

Date of options granted	Exercise price	Number of share options
10 June 1993	HK\$ 5.18	30,000,000
24 March 1995	HK\$ 3.48	5,200,000
3 January 2000	HK\$ 1.20	24,600,000

Notes to the Financial Statements

NOTE 17 RESERVES

	Group		Company	
	2001 (HK\$'000)	2000 (HK\$'000)	2001 (HK\$'000)	2000 (HK\$'000)
Capital reserve account				
At 1 January				
– as originally stated	125,569	125,322	—	—
– effect of adopting SSAP 31 (note 1(a)(vii))	4,733	4,733	—	—
– as restated	130,302	130,055	—	—
Reserve on acquisition of subsidiaries	—	247	—	—
At 31 December	130,302	130,302	—	—
Investment property revaluation reserve account				
At 1 January	—	—	—	—
Surplus on revaluation	11,125	—	—	—
Reversal of deficit on revaluation previously charged to profit and loss account	(2,367)	—	—	—
At 31 December	8,758	—	—	—
Share premium account				
At 1 January	3,510,565	3,497,120	3,510,565	3,497,120
Issue of scrip dividend	—	13,445	—	13,445
At 31 December	3,510,565	3,510,565	3,510,565	3,510,565
Capital redemption reserve account				
At 1 January	5,019	4,775	5,019	4,775
Transfer from profit and loss account	—	244	—	244
At 31 December	5,019	5,019	5,019	5,019
Exchange reserve account				
At 1 January	4,294	3,871	—	—
Exchange translation differences	95	423	—	—
At 31 December	4,389	4,294	—	—
Profit and loss account				
At 1 January				
– as originally stated	1,221,591	1,021,853	611,450	518,377
– effect of adopting SSAP 18 (revised) (note 1 (a)(iii))	(14,322)	(7,596)	(14,322)	(7,596)
– effect of adopting SSAP 28 (note 1 (a)(v))	189,837	214,332	—	—
– effect of adopting SSAP 31 (note 1 (a)(vii))	(4,733)	(4,733)	—	—
– as restated	1,392,373	1,223,856	597,128	510,781
Profit for the year	276,304	247,107	50,046	164,937
Transfer to capital redemption reserve account	—	(244)	—	(244)
Premium and brokerage expenses paid on shares repurchased	—	(649)	—	(649)
Dividends	(77,697)	(77,697)	(77,697)	(77,697)
At 31 December	1,590,980	1,392,373	569,477	597,128
	5,250,013	5,042,553	4,085,061	4,112,712

NOTE 17 RESERVES (Continued)

At the balance sheet date, goodwill and negative goodwill included in the capital reserve account amounted to HK\$56,869,000 and HK\$10,199,000 respectively (2000: HK\$56,869,000 and HK\$10,199,000).

At the balance sheet date, reserves of the Company available for distribution to shareholders, as calculated under Section 79B of the Companies Ordinance, amounted to HK\$569,477,000 (2000: HK\$597,128,000).

The profits / (losses) retained by the Group are analysed as follows :

	Company and subsidiaries (HK\$'000)	Associates (HK\$'000)	Jointly controlled entities (HK\$'000)	Total (HK\$'000)
Retained profits / (losses) at 31 December 2001	1,476,343	150,562	(35,925)	1,590,980
Retained profits / (losses) at 31 December 2000 (restated)	1,248,494	159,444	(15,565)	1,392,373

Notes to the Financial Statements

NOTE 18 LONG - TERM BORROWINGS

	Group 2001 (HK\$'000)	2000 (HK\$'000)
Bank loans repayable within a period		
Not exceeding 1 year	506,417	259,792
More than 1 year but not exceeding 2 years	1,013,021	3,354,800
More than 2 years but not exceeding 5 years	1,732,493	2,073,650
More than 5 years	—	49,226
Less: Current portion included in current liabilities	(506,417)	(259,792)
Subtotal	2,745,514	5,477,676
Other loans repayable within a period		
More than 2 years but not exceeding 5 years	266,481	251,388
More than 5 years	5,000	5,000
Subtotal	271,481	256,388
Convertible guaranteed bonds	543,200	543,200
Total	3,560,195	6,277,264
Represented by:		
Bank loans (Note a)	3,251,931	5,737,468
Other loans (Note b)	271,481	256,388
Convertible guaranteed bonds (Note c)	543,200	543,200
Less: Current portion included in current liabilities	(506,417)	(259,792)
Total	3,560,195	6,277,264

Notes:

- a) Bank loans to the extent of HK\$1,441,931,000 (2000: HK\$4,017,468,000) are secured by charges on certain assets of the Group including investment properties of HK\$1,675,279,000 (2000: nil), properties for / under development of HK\$5,731,534,000 (2000: HK\$10,214,438,000), stocks of properties of HK\$1,053,738,000 (2000: nil) and vessels of HK\$677,189,000 (2000: HK\$804,863,000).

The balance is secured by corporate guarantee of the Company. Bank loans to the extent of HK\$1,311,920,000 (2000: HK\$1,245,963,000) are repayable by instalments.

- b) Other loans are unsecured and amount to the extent of HK\$266,481,000 (2000: HK\$251,388,000) is interest bearing at HIBOR + 1.25% while the balance is non-interest bearing.
- c) In July 1999, a subsidiary issued US\$70 million convertible guaranteed bonds to finance the land premium and development costs of Cheung Sha Wan Shipyards redevelopment project. The bonds carry interest at 4.25% per annum payable annually in arrear. The bonds are guaranteed by the Company and listed on the Luxembourg Stock Exchange. Each holder of the bonds has the option to convert the bonds into shares of HK\$0.25 each of the Company at a conversion price of HK\$2.425 per share, subject to adjustment, with a fixed exchange rate of US\$1.00 = HK\$7.76 at any time between 27 July 1999 and 20 July 2004. Unless previously purchased and cancelled, redeemed or converted, the bonds will be redeemed on 27 July 2004 at 132.5% of their principal amount plus accrued interest. Provision for the premium payable has been made in the accounts so as to provide a constant periodic rate of charge over the term of the bonds.

NOTE 19 MINORITY INTERESTS AND LOANS

	Group	
	2001 (HK\$'000)	2000 (HK\$'000)
Share of equity	751,932	579,434
Loans from minority shareholders	4,488,652	4,017,660
	5,240,584	4,597,094

Loans from minority shareholders are unsecured and have no specific repayment terms. The Group has not provided any guarantee in favour of the minority shareholders in respect of the loans advanced. Amount to the extent of HK\$2,973,916,000 (2000: HK\$2,886,362,000) is interest bearing at HIBOR + 0.58% to HIBOR + 1.25% while the balance is non-interest bearing.

NOTE 20 CONSOLIDATED CASH FLOW STATEMENT

a) Reconciliation of profit before taxation to net cash inflow from operating activities

	2001 (HK\$'000)	(Restated) 2000 (HK\$'000)
Profit before taxation	526,296	478,419
Amortisation and depreciation	157,709	180,274
Provision for diminution in value of investment	—	1,500
Interest expenses and finance costs	122,740	41,702
Interest income	(50,122)	(52,385)
(Profit) / loss on disposal of fixed assets	(848)	3,314
Surplus on revaluation of investment properties	(2,367)	(6,500)
Share of results of associates	(12,920)	(69,791)
Share of results of jointly controlled entities	17,916	3,755
Dividends from investments	(14,693)	(7,967)
Decrease in properties for / under development, excluding net finance costs capitalised	2,378,835	221,374
Increase in inventories	(4,883)	(8,616)
Increase in trade & other debtors, deposits and prepayments	(328,876)	(386,077)
Decrease in sale proceeds of properties held by stakeholders	212,737	738,612
Increase / (decrease) in trade & other creditors, deposits and accrued charges	91,431	(631,290)
Net cash inflow from operating activities	3,092,955	506,324

Notes to the Financial Statements

NOTE 20 CONSOLIDATED CASH FLOW STATEMENT (Continued)

b) Acquisition of interests in subsidiaries

	2001 (HK\$'000)	2000 (HK\$'000)
Net assets acquired		
Fixed assets	—	12,525
Joint venture	—	5,420
Trade & other debtors, deposits and prepayments	—	2,570
Cash and bank balances	—	819
Trade & other creditors, deposits and accrued charges	—	(1,409)
Taxation	—	(20)
Other loans	—	(5,000)
	—	14,905
Interests in associates originally held by the Group	—	(7,253)
	—	7,652
Capital reserve on acquisition	—	(247)
	—	7,405
Satisfied by		
Cash consideration	—	3,000
Offset of amount due by the vendor to the Group	—	4,405
	—	7,405
Analysis of net outflow of cash and cash equivalents in respect of acquisition of interests in subsidiaries		
Cash consideration	—	(3,000)
Cash and bank balances acquired	—	819
	—	(2,181)

NOTE 20 CONSOLIDATED CASH FLOW STATEMENT (Continued)

c) Analysis of changes in financing

	Share capital and share premium (HK\$'000)	Bank loans (HK\$'000)	Other loans (HK\$'000)	Minority interests and loans (HK\$'000)	Total (HK\$'000)
At 31 December 1999	3,881,696	5,312,324	233,955	4,156,070	13,584,045
Share of profit	—	—	—	166,281	166,281
Share of exchange reserve	—	—	—	359	359
New loans	—	2,265,505	—	124,111	2,389,616
Repayment of loans	—	(1,840,361)	—	(44,989)	(1,885,350)
Interest payable	—	—	17,433	207,732	225,165
Acquisition of interests in subsidiaries	—	—	5,000	—	5,000
Shares repurchased	(244)	—	—	—	(244)
Issue of scrip dividends	17,613	—	—	—	17,613
Dividends paid to minority shareholders	—	—	—	(12,470)	(12,470)
Expenses for issue of scrip dividends	(14)	—	—	—	(14)
At 31 December 2000	3,899,051	5,737,468	256,388	4,597,094	14,490,001
Share of profit	—	—	—	174,936	174,936
Share of exchange reserve	—	—	—	63	63
New loans	—	1,046,426	—	395,450	1,441,876
Repayment of loans	—	(3,531,963)	—	(61,604)	(3,593,567)
Interest payable	—	—	15,093	137,146	152,239
Dividends paid to minority shareholders	—	—	—	(2,501)	(2,501)
At 31 December 2001	3,899,051	3,251,931	271,481	5,240,584	12,663,047

d) Analysis of cash and cash equivalents

	2001 (HK\$'000)	2000 (HK\$'000)
Time deposits	523,204	758,626
Cash and bank balances	64,150	113,967
	587,354	872,593

Notes to the Financial Statements

NOTE 21 PROVIDENT FUND SCHEME

Pursuant to the Mandatory Provident Fund Schemes Ordinance, the Group has established a mandatory provident fund (MPF) scheme in December 2000. Since the Group has obtained exemption for its existing provident fund 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 scheme, both the Group 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.

Apart from the MPF scheme, the Group has two defined contribution fund schemes covering all qualified staff who joined the Group before 2 August 2000 and elected not to switch to the MPF scheme. The Group and its employees are each required to make contributions to the schemes calculated at 5% of the employees' basic salaries on a monthly basis.

The assets held under the MPF scheme and other defined contribution fund schemes are managed by independent trustees. The Group's contributions charged to the profit and loss account for the year ended 31 December 2001 were HK\$21,202,000 (2000: HK\$17,872,000). Under the defined contribution fund schemes, no forfeiture of employer's contributions (2000: HK\$902,000) resulting from leaving scheme members were applied to reduce the Group's contribution for the year. At the balance sheet date, forfeited contributions of HK\$15,491,000 (2000: HK\$17,584,000) were available to the Group to reduce the contributions to the scheme in future.

NOTE 22 COMMITMENTS

a) Capital commitments

	Group		Company	
	2001 (HK\$'000)	2000 (HK\$'000)	2001 (HK\$'000)	2000 (HK\$'000)
Contracted but not provided for				
Capital expenditure	1,306	2,271	—	—
Authorised but not contracted for				
Capital expenditure	3,469	3,159	—	—

b) Lease commitments

The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Group		Company	
	2001 (HK\$'000)	(Restated) 2000 (HK\$'000)	2001 (HK\$'000)	(Restated) 2000 (HK\$'000)
within one year	8,573	10,852	—	—
in the second to fifth year inclusive	1,166	8,174	—	—
	9,739	19,026	—	—

The Group's operating leases are for terms ranging from 1 to 3 years.

NOTE 22 COMMITMENTS (Continued)

c) Future minimum lease payments receivable

The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2001 (HK\$'000)	2000 (HK\$'000)	2001 (HK\$'000)	2000 (HK\$'000)
within one year	71,186	12,603	—	—
in the second to fifth year inclusive	194,135	4,414	—	—
over five years	37,506	—	—	—
	302,827	17,017	—	—

The Group's operating leases are for terms ranging from 1 to 9 years.

- d) At the balance sheet date, the Group had commitments under various contracts, entered into in the normal course of business, to complete property development projects to a total value of approximately HK\$1,194,362,000 (2000: HK\$519,073,000) out of which approximately HK\$1,085,276,000 (2000: HK\$65,827,000) was related to the jointly controlled assets.

NOTE 23 CONTINGENT LIABILITIES

	Group		Company	
	2001 (HK\$'000)	2000 (HK\$'000)	2001 (HK\$'000)	2000 (HK\$'000)
Guarantees issued by the Company for credit facilities granted by third parties to subsidiaries	—	—	3,285,120	3,757,800
Guarantees issued by the Company for convertible guaranteed bonds issued by a subsidiary	—	—	543,200	543,200
Letters of credit outstanding	1,432	799	—	—
Deferred tax liabilities not provided for	—	6,773	—	—

Notes to the Financial Statements

NOTE 24 RELATED PARTY TRANSACTIONS

- i) Details of significant related party transactions which were carried out on normal commercial terms and in the ordinary course of the Group's business are as follows:

	Notes	2001 (HK\$'000)	(Restated) 2000 (HK\$'000)
Significant transactions with STD M	(a)		
Dividend received from STD M		14,322	7,596
Subsidies received from STD M		29,879	24,708
Ship tickets sold to STD M		358,978	334,260
Discount and commission paid to STD M for sale of ship tickets		59,246	57,503
Management and incentive fees received from STD M for hotel management		21,723	17,804
Fuel purchased from STD M in Macau for shipping operations		77,596	83,933
Income collected by STD M for sale of ship tickets and related services in Macau		292,022	337,385
Amount reimbursed to STD M for expenses incurred in respect of TurboJET operations in Macau		150,156	150,641
Amount reimbursed by STD M for expenses and resources shared by Macau Tower Convention & Entertainment Centre		55,293	—
Bank accounts maintained with Seng Heng Bank Ltd., a subsidiary to STD M		7,795	150,000
Charter hire received from STD M		93,075	45,672
Significant transactions with China Travel Services (Hong Kong) Ltd. (CTSHK)	(b)		
Commission paid to CTSHK for sale of ship tickets		24,725	25,736
Net income collected by CTSHK for sale of ship tickets and related services		141,594	175,978
Amount reimbursed by Shun Tak Shipping Co., Ltd. and its associates (STS) for expenses and resources shared by STS	(a)	34,420	36,887
Rental and related service fees for lease of land and buildings received from an associate		4,950	4,915
Rental and related service fees for lease of land and buildings paid to Shun Tak Centre Ltd. (STC)	(c)	6,010	8,645
Interest income received from associates		28,270	29,682
Interest expenses paid to minority shareholders of a subsidiary		137,145	207,732
Interest expenses paid to a joint venture partner		15,093	17,432
Sales commission paid to a minority shareholder of a subsidiary		18,171	2,946
Insurance premium paid to an associate		21,880	15,976
Construction cost paid to a joint venture		160,159	—

NOTE 24 RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (a) Dr. Stanley Ho, Dr. Cheng Yu Tung and Madam Winnie Ho Yuen Ki, directors of the Company, are also directors and have direct and/or indirect beneficial interests in STDM and STS. Mrs. Mok Ho Yuen Wing, Louise, director of the Company, has beneficial interests in STS. STS is a substantial shareholder of the Company.*
 - (b) CTSHK is a subsidiary of China Travel International Investment Hong Kong Limited which is a minority shareholder of a subsidiary.*
 - (c) STC is beneficially owned by Dr. Stanley Ho, STDM and New World Development Company Limited (NWD). Dr. Cheng Yu Tung is the Chairman and a principal shareholder of NWD.*
- ii) Certain related party transactions are also disclosed under Connected Transactions in the Report of Directors on pages 31 to 34.
 - iii) Amounts due to/by subsidiaries, associates, joint-ventures, joint venture partner and minority shareholders are disclosed in notes 10 to 12 and 19 to the financial statements.

Notes to the Financial Statements

NOTE 25 SEGMENT INFORMATION

Business segments

Group 2001

	Shipping (HK\$'000)	Property (HK\$'000)	Hospitality (HK\$'000)	Investments and others (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
Turnover and revenue						
External turnover	1,357,803	3,895,961	70,192	14,694	—	5,338,650
Inter-segment turnover	1,791	964	—	—	(2,755)	—
Other revenues	61,444	13,805	404	12	—	75,665
	1,421,038	3,910,730	70,596	14,706	(2,755)	5,414,315
Segment results						
Unallocated income	164,976	482,432	4,906	12,392	—	664,706
Unallocated expenses						22,086
Interest income						(81,630)
						48,870
Operating profit						654,032
Finance costs						(122,740)
Share of results of associates	—	(13,732)	16,191	10,461	—	12,920
Share of results of jointly controlled entities	—	(3,096)	(4,741)	(10,079)	—	(17,916)
Profit before taxation						526,296
Taxation						(75,056)
Minority interests						(174,936)
Net profit for the year						276,304
Assets						
Segment assets	1,750,887	11,856,976	124,517	486,986	(681)	14,218,685
Associates	—	620,377	366,605	37,161	—	1,024,143
Joint ventures	—	364,314	15,892	42,338	—	422,544
Unallocated assets						251,871
Total assets						15,917,243
Liabilities						
Segment liabilities	162,388	5,728,134	36,857	113	(681)	5,926,811
Unallocated liabilities						3,553,383
Total liabilities						9,480,194
Other information						
Capital expenditure	58,646	331,016	4,219	88		
Depreciation and amortisation	146,260	4,612	6,219	189		

NOTE 25 SEGMENT INFORMATION (Continued)

Business segments

Group 2000 (Restated)

	Shipping (HK\$'000)	Property (HK\$'000)	Hospitality (HK\$'000)	Investments and others (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
Turnover and revenue						
External turnover	1,408,794	1,754,709	66,763	7,968	—	3,238,234
Inter-segment turnover	2,746	964	—	—	(3,710)	—
Other revenues	37,129	666	500	29	—	38,324
	1,448,669	1,756,339	67,263	7,997	(3,710)	3,276,558
Segment results						
Unallocated income	117,497	335,680	1,111	7,402	—	461,690
Unallocated expenses						23,947
Interest income						(82,570)
						51,018
Operating profit						454,085
Finance costs						(41,702)
Share of results of associates	—	(8,401)	6,770	71,422	—	69,791
Share of results of jointly controlled entities	—	(2,755)	(1,000)	—	—	(3,755)
Profit before taxation						478,419
Taxation						(65,031)
Minority interests						(166,281)
Net profit for the year						247,107
Assets						
Segment assets	1,892,995	12,803,925	82,645	473,539	(312)	15,252,792
Associates	—	672,134	364,908	67,969	—	1,105,011
Joint ventures	—	359,919	9,260	—	—	369,179
Unallocated assets						639,114
Total assets						17,366,096
Liabilities						
Segment liabilities	214,857	10,274,991	8,930	90	(312)	10,498,556
Unallocated liabilities						810,449
Total liabilities						11,309,005
Other information						
Capital expenditure	32,911	359,334	23,188	995		
Depreciation and amortisation	169,354	6,604	3,861	—		

Notes to the Financial Statements

NOTE 25 SEGMENT INFORMATION (Continued)

Geographical segments

Group 2001

	Hong Kong (HK\$'000)	Macau (HK\$'000)	Others (HK\$'000)	Consolidated (HK\$'000)
Turnover and revenue	4,670,450	682,276	61,589	5,414,315
Segment assets	13,657,614	1,106,414	1,153,215	15,917,243
Capital expenditure	394,323	—	88	

2000 (Restated)

Turnover and revenue	2,512,992	710,803	52,763	3,276,558
Segment assets	14,951,572	1,246,463	1,168,061	17,366,096
Capital expenditure	415,086	759	995	

NOTE 26 SIGNIFICANT SUBSEQUENT EVENTS

- i) The Group disposed of its interest in AHK Air Hong Kong Limited for HK\$194 million resulting in a profit on disposal of approximately HK\$177.8 million.
- ii) The Group acquired the development rights of a 99,000 square metre hotel and commercial site in Taipa-Macau for HK\$500 million.
- iii) On 21 March 2002, the Company proposed to raise approximately HK\$388.5 million by way of a rights issue of not less than 388,486,782 rights shares at HK\$1 per rights share. As the rights shares are also entitled to the 2001 final dividend of 3 cents per share, the final dividend as stated in note 7 to the financial statements would be increased by approximately HK\$11.7 million subject to the issue of the rights shares.

NOTE 27 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

NOTE 28 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 23 April 2002.