

## I. PRINCIPAL ACCOUNTING POLICIES (Continued)

### i. Properties (Continued)

#### (v) Stocks of completed properties

Completed properties remaining unsold at year end are stated at the lower of cost and net realizable value.

Cost is determined by apportionment of the total land and development costs attributable to the unsold properties.

Net realizable 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.

#### (vi) Other properties

Other properties are properties held for production or administrative purposes and are included in fixed assets at cost less accumulated depreciation.

### j. Depreciation

#### (i) Investment properties

No depreciation is provided on investment property except where the unexpired term of the lease of the investment property is 20 years or less, in which case the then carrying amount is amortized on a straight line basis over the remaining unexpired term of the lease.

#### (ii) Hotel properties

No depreciation is provided on hotel property or on its integral fixed plant. It is the Group's policy to maintain these assets in a continual state of sound repair and maintenance and to extend and make improvements thereto from time to time, and accordingly the directors consider that given the estimated lives of these assets and their high residual values, any depreciation would be insignificant. The related repair and maintenance expenditure is charged to the profit and loss account in the year in which they are incurred. The costs of significant improvements are capitalized.

#### (iii) Properties under development

No depreciation is provided on properties under development.

#### (iv) Other properties

The cost of leasehold land and construction cost of buildings thereon are depreciated on a straight line basis over the term of the lease.

#### (v) Other fixed assets

Other fixed assets including equipment, furniture, fixtures and vehicles are stated at cost less depreciation calculated on a straight line method to write off the assets over their estimated useful lives at rates ranging from 10 per cent to 33.3 per cent per annum.

**I. PRINCIPAL ACCOUNTING POLICIES (Continued)****k. Capitalization of Borrowing Costs**

Borrowing costs are expensed as incurred, except to the extent that they are capitalized 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. Capitalization 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.

**l. Materials**

Materials comprising mainly building materials and hotel stocks are valued at cost, calculated on a weighted average cost basis, less provisions, if any.

**m. Translation of Foreign Currencies**

Foreign currency transactions during the year are converted into Hong Kong dollars at the market rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and financial statements of overseas subsidiaries, associates and jointly controlled entities expressed in foreign currencies are translated into Hong Kong dollars at the market rates of exchange ruling at the date of the balance sheet. Exchange differences arising from the translation of the financial statements of overseas subsidiaries, associates and jointly controlled entities are taken directly to reserves. All other exchange differences are dealt with in the profit and loss account.

**n. Deferred Taxation**

Deferred taxation is provided, using the liability method, on all material timing differences other than those which are not expected to crystallize in the foreseeable future. Deferred tax asset is not recognized unless its realization is certain.

**o. Financial Instruments and Derivatives**

Interest rate and currency swaps are used to manage the Group's exposure to interest rate and foreign exchange rate fluctuation. It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts of interest rate and currency swaps are recorded off balance sheet. Interest flows arising on the interest rate swaps are accounted for on an accrual basis.

(Expressed in millions of Hong Kong dollars)

## 2. TURNOVER AND PROFIT FROM OPERATIONS

The Group's turnover and contribution to profit from operations before finance cost by principal activities are analyzed as follows:

	Turnover		Profit from operations before finance cost	
	2001	2000	2001	2000
Property sales	8,218	16,957	3,625	4,078
Rental income	5,392	5,292	4,073	4,059
Property management	860	817	252	234
Hotel operation	590	542	195	150
Other business activities	2,641	2,218	122	263
	<b>17,701</b>	<b>25,826</b>	<b>8,267</b>	<b>8,784</b>
Other revenue			547	42
Unallocated administrative expenses			(485)	(486)
Profit from operations			<b>8,329</b>	<b>8,340</b>

Other business activities comprise revenue and profit derived from other activities including car parking and transport infrastructure management, logistics business, construction financial services, insurance, stock broking, IT infrastructure and e-commerce businesses.

Turnover and contribution to profit from operations outside Hong Kong are insignificant.

## 3. NET FINANCE COST

	2001	2000
Interest expense on		
Bank loans and overdrafts	1,551	1,077
Other loans wholly repayable within 5 years	568	691
Other loans wholly repayable after 5 years	96	55
	<b>2,215</b>	<b>1,823</b>
Less: Portion capitalized	(593)	(114)
	<b>1,622</b>	<b>1,709</b>
Interest income on bank deposits	(464)	(572)
	<b>1,158</b>	<b>1,137</b>

Interest is capitalized at an average annual rate of approximately 6.3 per cent (2000: 6.9 per cent).

(Expressed in millions of Hong Kong dollars)

**4. PROFIT BEFORE TAXATION**

	2001	2000
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	4,119	12,000
Depreciation	223	242
Staff costs (including the directors' emoluments and retirement schemes contributions)	1,865	1,607
Auditors' remuneration	7	6
and crediting:		
Dividend income from: listed investments	74	15
unlisted investments	3	10
Interest income from: listed investments	11	14
Profit on disposal of marketable securities	104	14
Net holding gain on marketable securities	42	155

**5. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS**

	2001	2000
Directors' emoluments: –		
Fees	1	1
Salaries, allowances and benefits in kind	17	16
Bonuses	28	11
Provident fund contributions	1	1
	47	29

Fees paid to independent non-executive directors amounted to HK\$200,000 (2000: HK\$250,000). They received HK\$700,000 (2000: nil) as other emoluments.

Number of directors whose emoluments fell within: –

Emoluments Band	2001 Number	2000 Number
HK\$M      HK\$M		
0 – 1.0	8	7
1.5 – 2.0	4	4
3.5 – 4.0	–	1
4.0 – 4.5	2	–
4.5 – 5.0	1	–
5.0 – 5.5	–	2
6.5 – 7.0	–	1
25.5 – 26.0	1	–
	16	15

The above analysis included two (2000: four) individuals whose emoluments were among the five highest in the Group. Details of the emoluments paid to the other three (2000: one) individuals are:

	2001	2000
Salaries, allowances and benefits in kind	10	9
Bonuses	10	1
	20	10