

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.

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

(i) *SSAP 1 (revised): Presentation of financial statements*

Certain presentational changes have been made upon the adoption of SSAP 1 (revised).

(ii) *SSAP 11 (revised): Foreign currency translation*

On adoption of SSAP 11 (revised), the profit and loss accounts 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 the weighted average exchange rates during the year. This is a change in accounting policy from previous years where these were translated at the rates of exchange ruling at the balance sheet date. The new accounting policy has been adopted prospectively and the effects of the change relating to prior years and current year are not significant.

(iii) *SSAP 15 (revised): Cash flow statements*

In accordance with SSAP 15 (revised), the cash and cash equivalents are presented by means of cash flow statement which classifies cash flows during the year according to operating, investing and financing activities. Consolidated cash flow statement for the year ended 31 December 2001 has been presented on a consistent basis.

(iv) *SSAP 34: Employee benefits*

In accordance with SSAP 34, cost of accumulating compensated absences is recognised as an expense and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date. This change in accounting policy has been applied retrospectively and accordingly, the Group's and the Company's opening retained profits as at 1 January 2002 and 1 January 2001 have been both decreased by HK\$23,285,000 and HK\$2,010,000 respectively. Consequently, a corresponding increase in the Group's and the Company's provision under current liabilities as at 31 December 2002 by HK\$28,700,000 (2001: HK\$31,221,000) and HK\$2,594,000 (2001: HK\$2,010,000) respectively and also a decrease in minority interests as at 31 December 2002 by HK\$13,459,000 (2001: HK\$7,936,000). There is no significant impact on the profit attributable to shareholders for both years presented.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of consolidation

- (i) The consolidated financial statements include the audited financial statements of the Company and all its 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 is capitalised and amortised on a straight line basis over its estimated useful life not exceeding 20 years. In respect of 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.

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 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 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.

All goodwill and negative goodwill arising from earlier acquisitions before 1 January 2001 continued to be held in reserve and no reinstatement has been made.

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 or which has previously been dealt with as a movement in reserve is included in the calculation of the profit and loss on disposal.

d) Subsidiaries

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.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Associates

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.

(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.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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, 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.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Fixed assets (continued)

(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%

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 impairment loss 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 under development

Properties 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 under development. Properties 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.

If any of the convertible guaranteed bonds are repurchased and cancelled prior to the bondholders' redemption date, any such redemption premium previously provided in respect of the convertible guaranteed bonds repurchased will be taken to the profit and loss account. The gain or loss on repurchase of convertible guaranteed bonds is recognised in the profit and loss account.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

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.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Foreign currencies

Monetary assets and liabilities in currencies other than Hong Kong dollars and the balance sheets 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. The profit and loss accounts 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 the weighted average exchange rates during the year. Exchange differences arising from translation of financial statements of subsidiaries, associates and joint ventures are dealt with as a movement in reserve. All other exchange differences are included in the determination of operating profit.

s) Employee benefits

- (i) Cost of accumulating compensated absences is recognised as an expense in the profit and loss account and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.
- (ii) Obligations for contributions to defined contribution retirement plans, including contributions payable under the Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.

t) 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.

u) Impairment of assets

At each balance sheet date, assets 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 limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years and credited to the profit and loss account.

v) 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.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) 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 comprise 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	
	2002	2001
	(HK\$'000)	(HK\$'000)
Turnover		
Revenue from sale of properties	3,337,967	3,822,202
Revenue from ship passenger operations	1,376,461	1,322,961
Revenue from sale of fuel	7,323	8,100
Revenue from club operations	27,917	35,520
Rental income	100,544	36,163
Dividends from unlisted investments	25,174	14,693
Interest income from mortgage loans receivable	1,127	1,252
Management fees and others	138,175	97,759
	5,014,688	5,338,650
Other revenues		
Interest income	20,649	48,870
Claims received	12,239	18,065
Others	32,078	58,034
	64,966	124,969
Total	5,079,654	5,463,619

NOTE 3 OPERATING PROFIT

	Group	
	2002 (HK\$'000)	2001 (HK\$'000)
After crediting:		
Interest income	32,196	59,954
Less: Amount capitalised in properties under development	(10,420)	(9,832)
	21,776	50,122
Rental income from investment properties	94,659	31,215
Less: Outgoings	(3,083)	(546)
	91,576	30,669
Surplus on revaluation of investment properties	—	2,367
Dividends from unlisted investments		
- STDM	18,331	14,322
- others	6,843	371
Profit on disposal of fixed assets	—	848
Gain on repurchase of convertible guaranteed bonds	6,444	—
After charging:		
Cost of inventories	3,238,737	3,637,002
Staff costs	505,699	501,794
Amortisation and depreciation		
- assets held for use under operating leases	2,946	2,684
- other assets	149,455	155,025
Auditors' remuneration	3,072	2,777
Deficit on revaluation of investment properties	35,024	—
Loss on disposal of fixed assets	923	—
Minimum lease payments of properties under operating leases	5,743	6,491
Provident fund contribution	20,519	21,202

NOTE 4 DIRECTORS' REMUNERATION

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

	Group	
	2002 (HK\$'000)	2001 (HK\$'000)
Directors' remuneration		
Fees		
Executive directors	280	280
Independent non-executive directors	400	400
Non-executive directors	10	15
Other emoluments		
Salaries and allowances	14,528	13,014
Company portion of provident fund contribution	618	566
	15,836	14,275

Other emoluments included allowances of HK\$200,000 (2001: HK\$200,000) paid to independent non-executive directors.

NOTE 4 DIRECTORS’ REMUNERATION (Continued)

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

Specified bands of directors’ remuneration	Number of directors	
	2002	2001
HK\$0 - HK\$1,000,000	5	7
HK\$1,000,001 - HK\$1,500,000	1	1
HK\$1,500,001 - HK\$2,000,000	3	3
HK\$2,000,001 - HK\$2,500,000	2	1
HK\$4,000,001 - HK\$4,500,000	1	1

No directors have waived remuneration in respect of the year ended 31 December 2002.

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	
	2002 (HK\$’000)	2001 (HK\$’000)
Interest on bank loans and overdraft		
- wholly repayable within 5 years	82,470	233,767
Interest on other loans		
- wholly repayable within 5 years	4,123	15,093
Interest on convertible guaranteed bonds	16,788	23,376
Provision for premium on redemption of convertible guaranteed bonds	25,832	35,751
Interest on loans from minority shareholders	52,349	137,146
Less: Amount capitalised in properties under development	(80,163)	(322,393)
	101,399	122,740

NOTE 6 NET INVESTMENT GAIN

Net investment gain comprises profit on disposal of an associate of HK\$177,828,000 (2001: nil), impairment loss on investment of HK\$100,000,000 (2001: nil) and impairment loss on goodwill of a jointly controlled entity of HK\$6,307,000 (2001: nil).

NOTE 7 TAXATION

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

	Group 2002 (HK\$'000)	2001 (HK\$'000)
Company and subsidiaries		
Hong Kong profits tax		
- provision for the year	78,692	79,876
- overprovision in prior years	(13,189)	(70)
- deferred tax	(39,847)	(6,445)
Overseas taxation	(965)	467
Associates		
Hong Kong profits tax	82	974
Overseas taxation	(29)	254
	24,744	75,056

Hong Kong profits tax is provided for at the rate of 16% (2001: 16%) on the estimated assessable profits for the year.

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

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

	Group 2002 (HK\$'000)	2001 (HK\$'000)
At 1 January	58,707	65,152
Transfer to taxation	(39,847)	(6,445)
At 31 December	18,860	58,707

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

	2002 (HK\$'000)	2001 (HK\$'000)
Accelerated depreciation allowances	18,860	19,802
Profit recognised in respect of properties under development for sale prior to completion	—	38,905
	18,860	58,707

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 8 DIVIDENDS

	Group and Company	
	2002	2001
	(HK\$'000)	(HK\$'000)
Interim dividend of 3.5 HK cents on 1,942,433,910 shares (2001: 2.0 HK cents on 1,553,947,128 shares)	67,985	31,079
Proposed final dividend of 3.5 HK cents on 1,942,433,910 shares (2001: 3.0 HK cents on 1,553,947,128 shares)	67,985	46,618
2001 final dividend of 3.0 HK cents on 388,486,782 rights shares	11,655	—
	147,625	77,697

NOTE 9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of HK\$382,566,000 (2001: HK\$276,304,000) and the weighted average number of 1,843,202,631 shares (2001: 1,674,141,933 shares, as restated for the rights issue) in issue during the year. The calculation of diluted earnings per share is based on profit attributable to shareholders of HK\$382,566,000 and the weighted average number of 1,846,842,345 shares in issue after adjusting for the effects of all dilutive potential ordinary shares. For the year ended 31 December 2001, the diluted earnings per share was not shown as there was no dilutive effect.

A reconciliation of profit attributable to shareholders and the weighted average number of shares used in calculating the basic earnings per share and the diluted earnings per share is as follows:

For the year ended 31 December 2002

	Profit attributable to shareholders (HK\$'000)	Weighted average number of shares
Profit/number of shares for the purpose of basic earnings per share	382,566	1,843,202,631
Effect of dilutive potential ordinary shares - share options	—	3,639,714
Profit/number of shares for the purpose of diluted earnings per share	382,566	1,846,842,345

NOTE 10 FIXED ASSETS

Group

	Investment properties (HK\$'000)	Land and buildings (HK\$'000)	Properties under development (HK\$'000)	Vessels and pontoon (HK\$'000)	Other assets (HK\$'000)	Total (HK\$'000)
Cost or valuation						
At 1 January 2002	1,929,279	566,838	—	1,905,803	750,888	5,152,808
Exchange adjustment	(62)	—	—	—	—	(62)
Additions through acquisition of a subsidiary	—	—	—	—	402	402
Additions/transfers	344,153	500,000	186,165	18,022	11,380	1,059,720
Disposals/transfers	(1,533)	—	—	—	(2,176)	(3,709)
Cost adjustments	(22,648)	—	—	—	—	(22,648)
Deficit on revaluation	(36,427)	—	—	—	—	(36,427)
At 31 December 2002	2,212,762	1,066,838	186,165	1,923,825	760,494	6,150,084
Amortisation and depreciation						
At 1 January 2002	—	219,179	—	976,509	506,526	1,702,214
Through acquisition of a subsidiary	—	—	—	—	340	340
Charge for the year	—	6,710	—	86,866	58,825	152,401
Written back on disposal	—	—	—	—	(1,526)	(1,526)
At 31 December 2002	—	225,889	—	1,063,375	564,165	1,853,429
Net book value						
At 31 December 2002	2,212,762	840,949	186,165	860,450	196,329	4,296,655
At 31 December 2001	1,929,279	347,659	—	929,294	244,362	3,450,594

Company

	Other assets (HK\$'000)
Cost	
At 1 January 2002	3,126
Additions	240
Disposals	(44)
At 31 December 2002	3,322
Depreciation	
At 1 January 2002	1,753
Charge for the year	406
Written back on disposal	(44)
At 31 December 2002	2,115
Net book value	
At 31 December 2002	1,207
At 31 December 2001	1,373

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

NOTE 10 FIXED ASSETS (Continued)

Analysis of cost and valuation of the Group’s investment properties, land and buildings and properties under development at 31 December 2002 is as follows:

	Held in Hong Kong		Held outside Hong Kong		
	(long lease)	(medium lease)	(medium lease)	(freehold)	Total
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Investment properties					
Based on 2002 professional valuation	192,000	1,611,816	360,946	48,000	2,212,762
Land and buildings					
Based on directors’ valuation in 1989	80,080	—	—	—	80,080
At cost	13,369	451,213	522,176	—	986,758
	93,449	451,213	522,176	—	1,066,838
Properties under development					
At cost	—	186,165	—	—	186,165

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 2002 by FPD Savills (Hong Kong) Limited and Chesterton Petty Limited, independent professional valuers.

All other assets are stated at cost less accumulated depreciation.

The gross carrying amounts of vessels held for use in operating lease were HK\$59,672,000 (2001: HK\$16,104,000) and the related accumulated depreciation charges were HK\$48,545,000 (2001: HK\$8,052,000).

Investment properties and properties under development included finance cost capitalised during the year of HK\$1,926,000 and HK\$1,562,000 respectively (2001: HK\$19,606,000 and nil).

NOTE 11 SUBSIDIARIES

	Company	
	2002	2001
	(HK\$'000)	(HK\$'000)
Unlisted shares, at cost	20,100	20,100
Amount due by subsidiaries less provision	5,558,575	4,904,062
Amount due to subsidiaries	(850,777)	(818,447)
	4,727,898	4,105,715

Particulars regarding the principal subsidiaries are set out on pages 76 to 77.

NOTE 12 ASSOCIATES

	Company	
	2002	2001
	(HK\$'000)	(HK\$'000)
Unlisted shares, at cost	678	678
Amount due by an associate less provision	1,954	9,704
	2,632	10,382
	Group	
	2002	2001
	(HK\$'000)	(HK\$'000)
Share of net assets	297,072	316,299
Subordinated loans	49,957	59,651
Amount due by associates	616,320	661,044
Amount due to associates	(2,851)	(12,851)
	663,426	707,844
	960,498	1,024,143

Particulars regarding the principal associates are set out on pages 76 to 77.

NOTE 13 JOINT VENTURES

a) Jointly controlled entities

	Group	
	2002	2001
	(HK\$'000)	(HK\$'000)
Share of net assets	23,005	244,837
Goodwill, unamortised	2,230	10,446
Amount due by jointly controlled entities	47,779	167,261
	73,014	422,544

The Group's share of results of jointly controlled entities included amortisation of goodwill of HK\$1,107,000 (2001: HK\$550,000).

NOTE 13 JOINT VENTURES (Continued)

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	
	2002	2001
	(HK\$'000)	(HK\$'000)
Assets		
Properties under development	1,380,569	1,901,106
Sale proceeds of properties held by stakeholders	780,846	—
Debtors and deposits	36,514	64,126
Cash and bank balances	28,507	23,123
	2,226,436	1,988,355
Liabilities		
Loan from joint venture partner	—	266,481
Creditors and accrued charges	1,325,552	180,879
Bank loan	—	818,011
	1,325,552	1,265,371

Particulars regarding principal joint ventures are set out on pages 76 to 77.

NOTE 14 INVESTMENTS

	Group		Company	
	2002	2001	2002	2001
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Investment securities				
Listed shares in Hong Kong				
less impairment losses	4,694	25,694	—	—
Unlisted shares less impairment losses	926,395	426,057	244,892	255,352
	931,089	451,751	244,892	255,352
Others				
Interest in joint venture in Mainland				
China less impairment losses	2,629	2,629	—	—
Club debentures, at cost	140	140	—	—
	2,769	2,769	—	—
Amount due by investee companies	65,105	28,316	125	125
Amount due to investee companies	(4,104)	—	(4,104)	—
	61,001	28,316	(3,979)	125
Total	994,859	482,836	240,913	255,477
Market value of listed shares	5,346	9,112	—	—

NOTE 15 INVENTORIES

	Group	
	2002	2001
	(HK\$'000)	(HK\$'000)
Properties	3,306,621	1,105,256
Spare parts	123,132	131,889
Others	2,816	1,786
	3,432,569	1,238,931
Work-in-progress	—	191
	3,432,569	1,239,122

The gross carrying amounts of properties held for use in operating leases were HK\$20,020,000 (2001: HK\$25,483,000).

NOTE 16 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	
	2002	2001	2002	2001
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
0 - 30 days	56,573	98,227	—	—
31 - 60 days	18,359	16,589	—	—
61 - 90 days	788	3,983	—	—
over 90 days	47,028	113,691	—	—
	122,748	232,490	—	—

The ageing analysis of trade creditors was as follows:

	Group		Company	
	2002	2001	2002	2001
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
0 - 30 days	173,853	314,320	—	—
31 - 60 days	3,956	3,063	—	—
61 - 90 days	735	491	—	—
over 90 days	37,885	15,997	—	—
	216,429	333,871	—	—

NOTE 17 PROVISION FOR EMPLOYEE BENEFITS

Provision for employee benefits represents cost of accumulating compensated absences that the Group expects to pay.

	Group (HK\$'000)	Company (HK\$'000)
At 1 January 2002		
- as originally stated	—	—
- effect of adopting SSAP 34 (note 1(a)(iv))	31,221	2,010
- as restated	31,221	2,010
Net amount (used)/provided during the year	(1,577)	775
Amount paid during the year	(944)	(191)
At 31 December 2002	28,700	2,594

NOTE 18 SHARE CAPITAL

	Number of shares	2002 (HK\$'000)	2001 (HK\$'000)
Authorised			
Ordinary shares of HK\$0.25 each			
At 1 January	2,000,000,000	500,000	500,000
Increase in authorised share capital	2,000,000,000	500,000	—
At 31 December	4,000,000,000	1,000,000	500,000
Issued and fully paid			
Ordinary shares of HK\$0.25 each			
At 1 January	1,553,947,128	388,486	388,486
Shares issued under the rights issue	388,486,782	97,122	—
At 31 December	1,942,433,910	485,608	388,486

By an ordinary resolution passed by the shareholders of the Company on 29 April 2002, the authorised share capital of the Company was increased from HK\$500,000,000 to HK\$1,000,000,000 by the creation of 2,000,000,000 new ordinary shares of HK\$0.25 each.

During the year, 388,486,782 ordinary shares were issued under the rights issue at the subscription price of HK\$1.00 per rights share. The net proceeds from the rights issue were used to repay the Group's debts.

The Company had a share option scheme which was adopted on 18 May 1993 (the old share option scheme) and terminated on 31 May 2002. A new share option scheme was adopted on 31 May 2002. During the year, no options to subscribe for ordinary shares in the Company were granted under both the old and new share option schemes.

NOTE 18 SHARE CAPITAL (Continued)

Pursuant to the old share option 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 old share option 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 2002, the outstanding options under the old share option scheme were:

Date of options granted	Exercise price	Number of share options
10 June 1993	HK\$4.98	31,204,819
24 March 1995	HK\$3.35	5,401,791
3 January 2000	HK\$1.15	25,669,565

Other details of the share option schemes are also disclosed under Disclosure of Interests (paragraph (d)) in the Report of the Directors on pages 37 to 38.

NOTE 19 RESERVES

	Group		Company	
	2002	2001	2002	2001
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Capital reserve account				
At 1 January				
- as originally stated	130,302	125,569	—	—
- effect of adopting SSAP 31	—	4,733	—	—
- as restated	130,302	130,302	—	—
Restatement of goodwill previously charged upon dilution of interests in subsidiaries	22,748	—	—	—
Released upon realisation of assets	(39,400)	—	—	—
At 31 December	113,650	130,302	—	—
Investment property revaluation reserve account				
At 1 January	8,758	—	—	—
(Deficit)/surplus on revaluation	(8,758)	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	3,510,565	3,510,565	3,510,565
Shares issued under the rights issue	291,365	—	291,365	—
Expenses on issuance of shares	(6,272)	—	(6,272)	—
At 31 December	3,795,658	3,510,565	3,795,658	3,510,565
Capital redemption reserve account				
At 1 January and 31 December	5,019	5,019	5,019	5,019
Exchange reserve account				
At 1 January	4,389	4,294	—	—
Exchange translation differences	(2,449)	95	—	—
At 31 December	1,940	4,389	—	—

NOTE 19 RESERVES (Continued)

	Group		Company	
	2002	2001	2002	2001
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Profit and loss account				
At 1 January				
- as originally stated	1,590,980	1,221,591	569,477	611,450
- effect of adopting SSAP 34 (note 1(a)(iv))	(23,285)	(23,285)	(2,010)	(2,010)
- effect of adopting SSAP 18 (revised)	—	(14,322)	—	(14,322)
- effect of adopting SSAP 28	—	189,837	—	—
- effect of adopting SSAP 31	—	(4,733)	—	—
- as restated	1,567,695	1,369,088	567,467	595,118
Profit for the year	382,566	276,304	382,884	50,046
	1,950,261	1,645,392	950,351	645,164
Dividends	(147,625)	(77,697)	(147,625)	(77,697)
At 31 December	1,802,636	1,567,695	802,726	567,467
	5,718,903	5,226,728	4,603,403	4,083,051

At the balance sheet date, goodwill and negative goodwill included in the capital reserve account amounted to HK\$34,121,000 and HK\$10,199,000 respectively (2001: 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\$802,726,000 (2001: HK\$567,467,000 as restated).

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

	Company and subsidiaries	Associates	Jointly controlled entities	Total
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Retained profits/(losses) at 31 December 2002	1,672,291	158,335	(27,990)	1,802,636
Retained profits/(losses) at 31 December 2001 (restated)	1,453,058	150,562	(35,925)	1,567,695

NOTE 20 LONG-TERM BORROWINGS

	Group	
	2002 (HK\$'000)	2001 (HK\$'000)
Bank loans repayable within a period		
Not exceeding 1 year	323,271	506,417
More than 1 year but not exceeding 2 years	121,593	1,013,021
More than 2 years but not exceeding 5 years	1,741,639	1,732,493
Less: Current portion included in current liabilities	(323,271)	(506,417)
Subtotal	1,863,232	2,745,514
Other loans repayable within a period		
More than 2 years but not exceeding 5 years	—	266,481
More than 5 years	5,000	5,000
Subtotal	5,000	271,481
Convertible guaranteed bonds	308,460	543,200
Total	2,176,692	3,560,195
Represented by:		
Bank loans (Note a)	2,186,503	3,251,931
Other loans (Note b)	5,000	271,481
Convertible guaranteed bonds (Note c)	308,460	543,200
Less: Current portion included in current liabilities	(323,271)	(506,417)
Total	2,176,692	3,560,195

Notes:

- a) Bank loans to the extent of HK\$327,503,000 (2001: HK\$1,441,931,000) are secured by charges on certain assets of the Group including vessels of HK\$622,257,000 (2001: investment properties of HK\$1,675,279,000, properties under development of HK\$5,731,534,000, inventories of properties of HK\$1,053,738,000 and vessels of HK\$677,189,000).
- The balance is secured by corporate guarantee of the Company. Bank loans to the extent of HK\$577,503,000 (2001: HK\$1,311,920,000) are repayable by instalments.
- b) Other loans are unsecured and non-interest bearing (2001: amount to the extent of HK\$266,481,000 was interest bearing at HIBOR + 1.25%).
- 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\$2.33 per share as adjusted following the rights issue, 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 redemption premium payable has been made in the accounts so as to provide a constant periodic rate of charge over the term of the bonds.
- During the year, the subsidiary repurchased the convertible guaranteed bonds with an aggregate principal amount of US\$30.25 million (2001: nil) for a total consideration of HK\$271,329,000 and these bonds were then cancelled. An amount of HK\$36,589,000 representing the difference between the consideration paid and the principal amount of the bonds repurchased together with the redemption premium of these bonds previously provided of HK\$43,033,000 have been accounted for in the profit and loss account.

NOTE 21 MINORITY INTERESTS AND LOANS

	2002 (HK\$'000)	Group (Restated) 2001 (HK\$'000)
Share of equity	1,415,192	743,996
Loans from minority shareholders	3,250,569	4,488,652
	4,665,761	5,232,648

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\$1,584,365,000 (2001: HK\$2,973,916,000) is interest bearing at HIBOR + 0.58% (2001: HIBOR + 0.58% to HIBOR + 1.25%) while the balance is non-interest bearing.

NOTE 22 CONSOLIDATED CASH FLOW STATEMENT

a) Acquisition of interest in a subsidiary

	2002 (HK\$'000)	2001 (HK\$'000)
Net assets acquired		
Fixed assets	62	—
Properties	337,661	—
Trade & other debtors, deposits and prepayments	22,484	—
Cash and bank balances	13,482	—
Trade & other creditors, deposits and accrued charges	(4,562)	—
	369,127	—
Interest in a jointly controlled entity originally held by the Group	(369,127)	—
	—	—
Purchase consideration	—	—
Cash and cash equivalents acquired	13,482	—
Cash flow on acquisition of interest in a subsidiary	13,482	—

b) Cash and cash equivalents

Cash and cash equivalents comprise time deposits, and cash and bank balances. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2002 (HK\$'000)	2001 (HK\$'000)
Time deposits	809,510	523,204
Cash and bank balances	89,534	64,150
	899,044	587,354
Time deposits pledged to a bank	(1,200)	—
Cash and cash equivalents in the cash flow statement	897,844	587,354

Cash and cash equivalents at balance sheet date include deposits with banks of HK\$17,936,000 (2001: HK\$685,000) held by subsidiaries which are not freely remissible to the Group because of currency exchange restrictions.

c) Major non-cash transaction

The consideration for the acquisition of the investment securities which took place during the year comprised shares in certain subsidiaries of shipping division.

NOTE 23 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 2002 were HK\$20,519,000 (2001: HK\$21,202,000). Under the defined contribution fund schemes, no forfeitures of employer's contributions resulting from leaving scheme members were applied to reduce the Group's contribution for the both years. At the balance sheet date, forfeited contributions of HK\$13,577,000 (2001: HK\$14,902,000) were available to the Group to reduce the contributions to the scheme in future.

NOTE 24 COMMITMENTS

a) Capital commitments

	Group		Company	
	2002	2001	2002	2001
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Contracted but not provided for				
Capital expenditure	13,188	1,306	—	—
Authorised but not contracted for				
Capital expenditure	24,511	3,469	—	—

b) Lease commitments

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

	Group		Company	
	2002	2001	2002	2001
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Within one year	3,905	12,330	—	—
In the second to fifth year inclusive	3,154	1,792	—	—
	7,059	14,122	—	—

The Group's operating leases are for terms ranging from 2 to 3 years.

NOTE 24 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	
	2002	2001	2002	2001
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Within one year	68,808	71,185	—	—
In the second to fifth year inclusive	158,131	194,134	—	—
Over five years	14,308	37,505	—	—
	241,247	302,824	—	—

The Group’s operating leases are for terms ranging from 2 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\$687,122,000 (2001: HK\$1,194,362,000) out of which approximately HK\$657,171,000 (2001: HK\$1,085,276,000) was related to the jointly controlled assets.

NOTE 25 CONTINGENT LIABILITIES

	Group		Company	
	2002	2001	2002	2001
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Guarantees issued by the Company for credit facilities granted by third parties to subsidiaries	—	—	1,998,500	3,285,120
Guarantees issued by the Company for convertible guaranteed bonds issued by a subsidiary	—	—	308,460	543,200
Letters of credit outstanding	930	1,432	—	—

NOTE 26 RELATED PARTY TRANSACTIONS

- a) 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:

	Note	2002 (HK\$'000)	2001 (HK\$'000)
Significant transactions with the STDM Group	(i)		
Dividend received from STDM		18,331	14,322
Subsidies received from STDM		11,460	29,879
Ship tickets sold to the STDM Group		344,130	358,978
Discount and commission paid to the STDM Group for sale of ship tickets		43,112	59,246
Management and incentive fees received from STDM for management of hotel and Macau Tower Convention & Entertainment Centre (MTCEC)		24,593	21,723
Fuel purchased from the STDM Group in Macau for shipping operations		80,490	77,596
Income collected by the STDM Group for sale of ship tickets and related services in Macau		285,017	292,022
Amount reimbursed to the STDM Group for expenses incurred in respect of TurboJET operations in Macau		149,889	150,156
Amount reimbursed by STDM for expenses and resources shared by MTCEC		111,524	55,293
Gross operating revenue of MTCEC collected for STDM		44,624	—
Bank accounts maintained with Seng Heng Bank Ltd., a subsidiary of STDM		6,857	7,795
Charter hire income received from STDM		106,726	93,075
Significant transactions with China Travel Services (Hong Kong) Ltd. (CTSHK)	(ii)		
Commission paid to CTSHK for sale of ship tickets		25,243	24,725
Net income collected by CTSHK for sale of ship tickets and related services		138,880	141,594
Amount reimbursed by Shun Tak Shipping Co., Ltd. (STS), STDM and its associates for expenses and resources shared by them	(i)	37,709	34,420
Rental and related service fees for lease of land and buildings received from an associate		4,719	4,950
Rental and related service fees for lease of land and buildings paid to Shun Tak Centre Ltd. (STC)	(iii)	3,569	6,010
Interest income received from associates		1,962	28,270
Interest expenses paid to minority shareholders of a subsidiary		52,349	137,145
Interest expenses paid to a joint venture partner of a subsidiary		4,123	15,093
Sales commission paid to a minority shareholder of a subsidiary		8,904	18,171
Sales commission paid to a joint venture partner of a subsidiary		12,709	—
Insurance premium paid to an associate		27,733	21,880
Construction cost paid to a joint venture		405,022	160,159

NOTE 26 RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (i) Dr. Stanley Ho, Dr. Cheng Yu Tung and Ms. Pansy Ho, directors of the Company, are directors of STD and STS. Ms. Daisy Ho, director of the Company, is a director of STS. Dr. Stanley Ho and Dr. Cheng Yu Tung also have beneficial interests in STD and STS. Mrs. Mok Ho Yuen Wing, Louise, director of the Company, is a director of STD and has beneficial interests in STS. STS is a substantial shareholder of the Company.*
 - (ii) CTSHK is a subsidiary of China Travel International Investment Hong Kong Limited which is a minority shareholder of a subsidiary.*
 - (iii) STC is beneficially owned by Dr. Stanley Ho, STD and New World Development Company Limited (NWD). Dr. Cheng Yu Tung is the Chairman and a principal shareholder of NWD.*
- b) Certain related party transactions are also disclosed under Connected Transactions in the Report of the Directors on pages 31 to 35.
 - c) Amounts due to/by subsidiaries, associates, joint ventures and minority shareholders are disclosed in notes 11 to 13 and 21 to the financial statements.

NOTE 27 SEGMENT INFORMATION

Business segments

Group 2002

	Shipping (HK\$'000)	Property (HK\$'000)	Hospitality (HK\$'000)	Investment and others (HK\$'000)	Eliminations (HK\$'000)	Consolidated (HK\$'000)
Turnover and revenue						
External turnover	1,413,834	3,491,302	83,710	25,842	—	5,014,688
Inter-segment turnover	2,728	1,517	—	—	(4,245)	—
Other revenues	34,848	8,097	1,336	36	—	44,317
	1,451,410	3,500,916	85,046	25,878	(4,245)	5,059,005
Segment results	192,192	391,207	5,865	21,223	—	610,487
Unallocated income						30,628
Unallocated expenses						(86,472)
Interest income						20,649
Operating profit						575,292
Finance costs						(101,399)
Net investment gain						71,521
Share of results of associates	—	4,669	19,294	(2,639)	—	21,324
Share of results of jointly controlled entities	—	17,209	(4,727)	(10,507)	—	1,975
Profit before taxation						568,713
Taxation						(24,744)
Minority interests						(161,403)
Net profit for the year						382,566
Assets						
Segment assets	1,669,278	10,805,568	608,562	998,233	(50)	14,081,591
Associates	—	587,883	369,369	3,246	—	960,498
Joint ventures	2,004	17,744	16,913	36,353	—	73,014
Unallocated assets						261,823
Total assets						15,376,926
Liabilities						
Segment liabilities	164,515	2,996,986	12,800	129	(50)	3,174,380
Unallocated liabilities						4,514,858
Total liabilities						7,689,238
Other information						
Capital expenditure	24,385	532,187	503,178	132		
Depreciation and amortisation	140,366	4,768	6,677	184		

NOTE 27 SEGMENT INFORMATION (Continued)

Business segments (continued)

Group						
2001 (Restated)						
	Shipping (HK\$'000)	Property (HK\$'000)	Hospitality (HK\$'000)	Investment 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	164,976	482,432	4,906	12,392	—	664,706
Unallocated income						22,086
Unallocated expenses						(81,630)
Interest income						48,870
Operating profit						654,032
Finance costs						(122,740)
Net investment gain						—
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	190,758	5,728,975	36,857	113	(681)	5,956,022
Unallocated liabilities						3,555,393
Total liabilities						9,511,415
Other information						
Capital expenditure	58,646	331,016	4,219	88		
Depreciation and amortisation	146,260	4,612	6,219	189		

NOTE 27 SEGMENT INFORMATION (Continued)

Geographical segments

Group 2002

	Hong Kong (HK\$'000)	Macau (HK\$'000)	Others (HK\$'000)	Consolidated (HK\$'000)
Turnover and revenue	4,294,528	676,492	87,985	5,059,005
Segment assets	12,297,159	2,184,166	895,601	15,376,926
Capital expenditure	206,696	507,739	345,687	

2001

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	

NOTE 28 SIGNIFICANT SUBSEQUENT EVENTS

- a) On 14 November 2002, the Group entered into a conditional agreement with STDM for the sale to STDM of its 20% interest in a subsidiary, whose sole asset comprises the development rights of a 99,000 square metre hotel and commercial site in Taipa, Macau. The consideration shall comprise cash payments by STDM to the Group of (i) MOP200,000 (HK\$194,000) for the 20% equity interest in the subsidiary and (ii) HK\$100 million for the assignment by the Group to STDM of 20% (by value) of the outstanding shareholder loan owed by the subsidiary to the Group totalling HK\$500 million. The transactions were duly completed on 30 January 2003 and the disposal would not have significant financial effect to the Group for the year ending 31 December 2003.
- b) On 27 February 2003, the Group entered into a conditional sale agreement to dispose of its 15% beneficial interest in a property development project in Shanghai, China for HK\$342 million. The estimated profit arising from the sale amounted to HK\$29.7 million.

NOTE 29 COMPARATIVE FIGURES

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

NOTE 30 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 26 March 2003.