annual report 2006
年報

香港小輪(集團)有限公司
HONG KONG FERRY (HOLDINGS) CO. LTD.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

*Mr. Colin K. Y. Lam *(Chairman)*
#Mr. Norman H. C. Ho
#Mr. Michael Y. L. Kan
Mr. Edmond T. C. Lau
Mr. Eddie Y. C. Lau
Dr. Lee Shau Kee
Mr. Leung Hay Man
*Mr. Li Ning
Mr. Peter M. K. Wong
#Dr. Alex S. C. Wu

COMPANY SECRETARY

Mr. Richard C. W. Law

AUDITORS

KPMG

PRINCIPAL BANKERS

Jardine Fleming Bank Limited
The Fuji Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited
The Sanwa Bank Limited

REGISTERED OFFICE

98 Tam Kon Shan Road
Ngau Kok Wan
North Tsing Yi
New Territories
Hong Kong

Telephone : (852) 2394 4294
Facsimile : (852) 2786 9001
Internet : http://www.hkf.com
E-Mail : hkferry@hkf.com

REGISTRARS

Standard Registrars Limited
5/F, Wing On Centre
111 Connaught Road Central
Hong Kong

** Executive Director*
 # Independent Non-executive Director

Hong Kong Ferry (Holdings) Co. Ltd.

DIRECTORS

The current Directors of the Company are as follows :

Executive directors
Mr. Colin K. Y. Lam *(Chairman)*
Mr. Li Ning

Non-executive directors
Mr. Edmond T. C. Lau
Mr. Eddie Y. C. Lau
Dr. Lee Shau Kee
Mr. Leung Hay Man
Mr. Peter M. K. Wong

Independent non-executive directors
Mr. Norman H. C. Ho
Mr. Michael Y. L. Kan
Dr. Alex S. C. Wu

DIRECTORS' PROFILE

The details of the Directors are as follows :

Mr. Lam Ko Yin, Colin (Chairman)

Mr. Lam Ko Yin, Colin, BSc(Hon), ACIB, MBIM, FCIT, aged 49, appointed on 1 July 1986, is the Chairman of the Company. Mr. Lam has over 27 years' experience in banking and property development. He is also the Vice-Chairman of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited ("Henderson Investment"), an Executive Director of Henderson China Holdings Limited and Henderson Cyber Limited as well as a Director of The Hong Kong and China Gas Company Limited, Miramar Hotel and Investment Company, Limited, Wiselin Investment Limited ("Wiselin"), Max-mercan Investment Limited ("Max-mercan"), Henderson Development Limited ("Henderson Development"), Hopkins (Cayman) Limited ("Hopkins") and Rimmer (Cayman) Limited ("Rimmer"). Henderson Land, Henderson Investment, Wiselin, Max-mercan, Henderson Development, Hopkins and Rimmer have discloseable interests under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance in the Company.

DIRECTORS' & SENIOR MANAGEMENT'S PROFILE

Mr. Li Ning

Mr. Li Ning, BSc, MBA, aged 44, appointed on 20 October 1989, is now an Executive Director of the Company. He is also an Executive Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited ("Henderson Investment"). Both Henderson Land and Henderson Investment have discloseable interests under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance in the Company. Mr. Li is the son-in-law of Dr. Lee Shau Kee, a Director of the Company.

Mr. Lau Ting Chung, Edmond

Mr. Lau Ting Chung, Edmond, JP, BA, MBA, FCIT, ARINA, aged 61, appointed on 5 April 1972, is now a Non-Executive Director of the Company. Mr. Lau has worked over 32 years with the Company. He is the brother-in-law of Mr. Kan Yuet Loong, Michael, a Director of the Company. He was appointed as a Hong Kong Affairs Advisor to the State in 1993. He is also a Director of the Kowloon-Canton Railway Corporation.

Mr. Lau Yum Chuen, Eddie

Mr. Lau Yum Chuen, Eddie, aged 54, appointed on 5 May 1988, is a Non-Executive Director of the Company. He has over 30 years of experience in banking, finance and investment. He is an Executive Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited ("Henderson Investment") and a Director of Miramar Hotel and Investment Company, Limited. Both Henderson Land and Henderson Investment have discloseable interests under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance in the Company.

Hong Kong Ferry (Holdings) Co. Ltd.

Dr, Lee Shau Kee

Dr. Lee Shau Kee, DBA(Hon), DSocSc(Hon), LLD(Hon), aged 73, appointed on 15 December 1981, is a Non-Executive Director of the Company. He has been engaged in property development in Hong Kong for more than 45 years. He is the founder, Chairman and Managing Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited ("Henderson Investment"). He is also the Chairman of The Hong Kong and China Gas Company Limited and Henderson Cyber Limited, an Executive Director of Henderson China Holdings Limited, the Vice-Chairman of Sun Hung Kai Properties Limited, a Director of Miramar Hotel and Investment Company, Limited, The Bank of East Asia, Limited, Pataca Enterprises Limited ("Pataca"), Wiselin Investment Limited ("Wiselin"), Max-mercan Investment Limited ("Max-mercan"), Kingslee S.A. ("Kingslee"), Henderson Development Limited ("Henderson Development"). Henderson Land, Henderson Investment, Pataca, Wiselin, Max-mercan, Kingslee and Henderson Development have discloseable interests under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance in the Company. Dr. Lee is the father-in-law of Mr. Li Ning, a Director of the Company.

Mr. Leung Hay Man

Mr. Leung Hay Man, FRICS, FHKIS, FCIArb., MCIT, aged 66, appointed on 15 December 1981, is now a Non-Executive Director of the Company. Mr. Leung is also a Director of Henderson Land Development Company Limited ("Henderson Land"), Henderson Investment Limited ("Henderson Investment") and The Hong Kong and China Gas Company Limited. Both Henderson Land and Henderson Investment have discloseable interests under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance in the Company.

DIRECTORS' & SENIOR MANAGEMENT'S PROFILE

Mr. Wong Man Kong, Peter

Mr. Wong Man Kong, Peter, JP, BSc, FCIT, MRINA, aged 52, Director of the Company from 9 March 1992. Mr. Wong was President & Chief Executive Officer of the Company from 1 January 1992 to 31 December 1995. Mr. Wong has over 29 years of industrial, commercial and public service experience, having served as Managing Director of Chung Wah Shipbuilding & Engineering (Holdings) Company Limited, a Director of First Pacific Bank and Kowloon-Canton Railway Corporation and a member in Hong Kong Government's Transport Advisory Board, Industry Development Board and Trade Advisory Board. He is currently serving as a deputy to the State's 9th National People's Congress, a Member of the Hong Kong Special Administrative Region Preparatory Committee, a member in the Estate Agents Authority and the Task Force on Unemployment in the HKSAR Government. Currently he holds Directorship of Glorious Sun Enterprises Limited and of China Travel International Investment H.K. Ltd.

Mr. Ho Hau Chong, Norman

Mr. Ho Hau Chong, Norman, BA, ACA, FHKSA, aged 45, appointed on 28 March 1995, is an Independent Non-Executive Director of the Company. Mr. Ho is an Executive Director of Honorway Investments Limited and Tak Hung (Holdings) Company Limited and has over 19 years of experience in management and property development. He is also a Director of Lee Hing Development Company Limited, CITIC Pacific Limited and a few other listed companies.

Mr, Kan Yuet Loong, Michael

Mr. Kan Yuet Loong, Michael, JP, BSc, MBA, aged 66, appointed on 6 April 1974, is an Independent Non-Executive Director of the Company. He has over 34 years' experience in banking and investment. Mr. Kan is the brother-in-law of Mr. Lau Ting Chung, Edmond, a Director of the Company.

Hong Kong Ferry (Holdings) Co. Ltd.

Dr. Wu Shu Chih, Alex

Dr. Wu Shu Chih, Alex, CBE, LLD, JP, aged 80, appointed on 24 April 1976, is an Independent Non-Executive Director of the Company. He was a member of the Legislative Council, the Vice-Chairman of the Hong Kong Stock Exchange and a member of the Advisory Committee of the Securities and Futures Commission. He is the Chairman of Fidelity Management Limited and the Vice-Chairman of Dai Nippon Printing Company (Hong Kong) Limited and Non-Executive Director of a number of listed companies including Hong Kong Aircraft Engineering Company Limited, National Electronics (Holdings) Limited, Parliburg Holdings Limited and Hung Hing Printing Group Limited. He is also the Life Honorary President of Hong Kong Printers Association. Dr. Wu was appointed a Hong Kong Affairs Adviser in April 1995 and a member of The Selection Committee for the First Government of the Hong Kong Special Administrative Region in November 1996.

SENIOR MANAGEMENT

The Senior Management of the Company is as follows :

Mr. Ho Chi Shing, David	Group General Manager and General Manager – Ferry Operations
Mr. Lai Yu Hung, Francis	General Manager – Travel
Mr. Lau Mo Kaye, Francis	General Manager – Property
Mr. Law Cho Wa, Richard	Company Secretary and Group Accounting Manager
Ms. Leung Chui Ying, Nancy	Corporate Communications Manager
Mr. Leung Shu Keung, Brian	Internal Audit Manager
Mr. Ling Chen Shen, Peter	General Manager – Shipyard and General Manager – Planning & Marketing
Mr. Tse Chuen Chi, Pollux	Chief Financial Officer
Mr. Wong Kam On, Frandie	General Manager – Hotel

SENIOR MANAGEMENT'S PROFILE

Mr. Ho Chi Shing, David, *MA, MBA, FCIT, MRAPI, MIHT, MCIArb,* aged 44, joined the Company in 1981 and has been the Group General Manager since 1996. He has over 20 years of experience in ferry operations. Mr. Ho was appointed as a member of the Provisional Local Vessel Advisory Committee in 1991, representing the ferry industry. He was also the Chairman of the Chartered Institute of Transport in Hong Kong for 1995 - 1996 and 1996 - 1997. Mr. Ho is a member of the Hong Kong Port Operations Committee. Besides, he is a member of the Safety Committee of Hong Kong Outward Bound School, a member of the Transport and Physical Distribution Training Board and a member of Maritime Services Training Board of The Vocational Training Council.

Mr. Lai Yu Hung, Francis, aged 42, joined the Company in 1977 and has been the General Manager of the Travel Division since 1993. He has more than 24 years of experience in travel business. Mr. Lai was a Chairman of the Hong Kong Association of Registered Tour Co-ordinators and is a Honorary Secretary of Hong Kong Outbound Tour Operators' Association Limited. He is also an Executive Committee member of the International Chinese Tourist Association, The Federation of Hong Kong Chinese Travel Agents Limited and a member of the Outbound Committee and the Consumer Relations Committee of the Travel Industry Council of Hong Kong.

Mr. Lau Mo Kaye, Francis, *MBA, CPA(Aust.), FHKSA, ACIArb,* aged 58, joined the Company in 1989 and has been the General Manager and Director of the Property Division since 1990. Mr. Lau has over 20 years of working experience in the property and construction industries. He was the General Manager of a listed company before he joined the Company. Mr. Lau is an unofficial member of the Interdepartment Working Group of the Hong Kong Government for setting up the Building Management Resources Centres in Hong Kong and a serving Panel Member of the Assessment Review Board - Clearance of Kowloon Walled City of the Hong Kong Housing Authority. He is an Executive Accountant Ambassador and a member of the Communication Committee and the Public Sector Committee of Hong Kong Society of Accountants. He is also a council member of the Hong Kong Association of Property Management Companies and a member of the Course and Examining Committee of Property Management of the City University of Hong Kong. Mr. Lau is also an international volunteer advisor of the United Nations International Short Term Advisors Resources Program.

Mr. Law Cho Wa, Richard, *MBA, FCCA, FHKSA, FCS, FCIS,* aged 35, has been the Secretary of the Company since 1997. He joined the Company in 1992 and has over 13 years of experience in accounting, auditing, corporate advisory services and company secretarial practice. He is also the Group Accounting Manager of the Company.

Ms. Leung Chui Ying, Nancy, *PgD(BA), DMS,* aged 40, joined the Company in 1997 as the Corporate Communications Manager. She is currently also the head of the Fuel Oil Division. She has over 22 years of extensive experience in marketing, administration, general management and interactive communications.

Mr. Leung Shu Keung, Brian, *BA, CFE,* aged 39, is the Internal Audit Manager of the Company. He joined the Company in 1992.

Mr. Ling Chen Shen, Peter, *BSc, ACIB, MSNAME,* aged 50, joined the Company in 1995. He has been the General Manager of the Planning & Marketing Department, and the Director and General Manager of the Shipyard Division since 1996. He has over 27 years of experience in banking, finance, China trade, ship repairs and maintenance and general management.

Mr. Tse Chuen Chi, Pollux, *MBA*, aged 47, has been the Chief Financial Officer of the Company since 1992. He has over 20 years of experience in accounting, corporate finance and corporate development in Hong Kong and overseas.

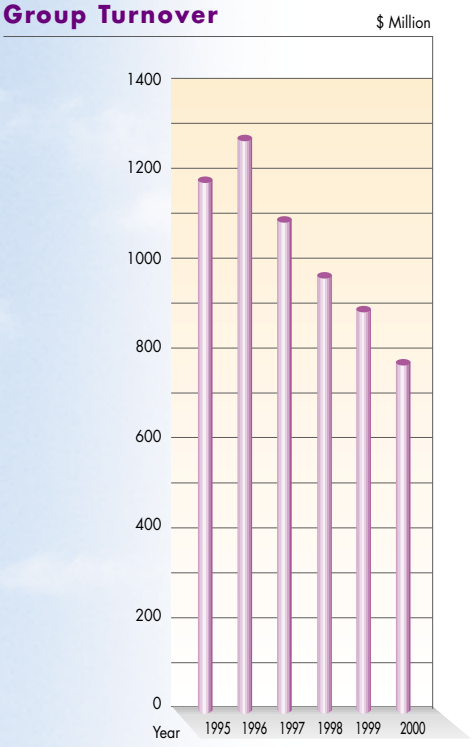
Mr. Wong Kam On, Frandie, *CHA, CRDE, MBIM, MIMGT, MHCIMA*, aged 47, joined the Company in 1993. He has been the General Manager of the Hotel Operation since 1996. He has over 28 years of extensive experience in hotel management.

FINANCIAL HIGHLIGHTS

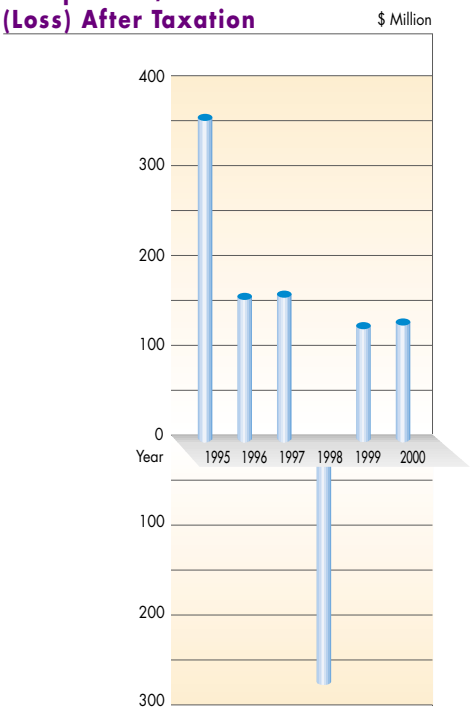
		2000	1999	Variance
Turnover	$M	777	889	-12.6%
Profit attributable to shareholders	$M	127	121	5.0%
Dividends	$M	100	100	—
Shareholders' funds	$M	3,732*	3,899*	-4.3%
Basic earnings per share	Cents	35.5	34.0	4.4%
Dividend per share	Cents	28.0	28.0	—
Dividend cover	Times	1.3	1.2	8.3%
Return on equity	%	3.4*	3.1*	9.7%
Net assets per share	$	10.5*	11.0*	-4.5%

* These items have been affected by property revaluation.

Group Turnover



Group Profit/ (Loss) After Taxation



Hong Kong Ferry (Holdings) Co. Ltd.

I have pleasure in presenting to the shareholders my report on the operations of the Group.

PROFIT

The Group's consolidated profit after taxation for the year ended 31 December 2000 amounted to HK$126.6 million, representing an increase of 4.5% from the consolidated profit after taxation of HK$121.1 million in 1999. The profit per share was 35.5 cents for the year as compared to 34.0 cents in the previous year.

DIVIDENDS

The Board of Directors recommended a final dividend of 20 cents per share. This dividend, together with the interim dividend of 8 cents per share already paid, will make a total distribution of 28 cents for the full year.

BUSINESS REVIEW

Property Operations

201 Tai Kok Tsui Road

As previously reported, a profit of HK$133.1 million was recorded in the first half of the year out of the second instalment received of HK$397.5 million in respect of the disposal of the entitlement to 50% of the sales proceeds of the domestic portion of the redevelopment at 201 Tai Kok Tsui Road. The remaining proceeds from the disposal of HK$900 million will be received in year 2001.

Construction of the superstructure of Phase I and foundation work of Phase II are in satisfactory progress.

222 Tai Kok Tsui Road

Demolition of the former staff quarters at 222 Tai Kok Tsui Road has already been completed during the year. Negotiation with Government over land premium payable for change in land use is still in progress.

Cho Yuen Street, Yau Tong

Rental income for the year from the Kingsford Industrial Centre at the site amounted to HK$10.9 million, representing a decrease of about 10% over last year. The average occupancy rate remained at more than 80%. The Group is currently negotiating with Government on the terms of the proposed change in land use. The site is planned to be redeveloped into a residential and commercial complex with a total gross floor area of about 150,000 sq. ft.

Ferry Operations

In January 2000, the Group discontinued its passenger ferry operations after transferring the relevant ferry licences to New World First Ferry Services Limited. The remaining businesses of dangerous goods vehicular ferry service, vessel chartering, floating restaurants and marine diesel trading were satisfactory and recorded an operating profit of HK$13.6 million for the year.

CHAIRMAN'S STATEMENT

Shipyard Operations

The Shipyard Operations turned around from a loss in 1999 to an operating profit of HK$10.1 million for the year. This was mainly due to the increase in vessels modification and repair works, non-marine construction works, and various cost-saving measures.

Travel and Hotel Operations

The ticketing business of the Travel Division improved as a result of the significant improvement in public order in Macau after the return of sovereignty to China. The operating profit of the Travel and Hotel Operations was HK$9.0 million, an increase of about 170% from HK$3.3 million in 1999.

Trading Operation

The wholesale business of the Trading Division was closed down during the year and recorded a loss of HK$4.5 million after taken into account assets written off and severance payment made.

PROSPECTS

The various measures taken by Government recently have helped to stabilize property prices. The continuing reductions in bank interest rates and favourable mortgage terms created more incentives for home buyers, bringing positive effect on residential property prices.

Pre-sale of the residential units of Phase I of the redevelopment at 201 Tai Kok Tsui Road will commence in mid 2001. It is expected that the project will continue to be the major source of revenue for the Group in the year 2001.

ACKNOWLEDGEMENT

On behalf of the shareholders and the Board, I would like to take this opportunity to express appreciation to all our staff for their dedication and hard work during the past year.

Colin K. Y. Lam
Chairman

Hong Kong, 16 March 2001

The following comments should be read in conjunction with the Audited Consolidated Financial Statements of Hong Kong Ferry (Holdings) Company Limited and the related notes on the accounts.

RESULTS OF OPERATIONS

Total turnover of the Group for the year amounted to HK$776.5 million, showing a decrease of 13% as compared to that recorded in the previous year. The decrease in total turnover was attributed to the discontinuance of the passenger ferry and wholesale businesses.

Profit after taxation, which increased by 4.5% to HK$126.6 million compared to that recorded in the previous year, mainly consisted of the profit realised out of the second instalment of HK$397.5 million received in respect of the disposal of 50% of the sales proceeds of the domestic portion of the 201 Tai Kok Tsui Road Redevelopment (the "Disposal").

The operating profit of the Ferry Operations improved significantly as a result of the discontinuance of the loss-making passenger ferry services. The Shipyard Operations turned around after restructuring the work force. The operating profit of the Travel Operations increased by about 120% while the Silvermine Beach Hotel nearly broke even for the year.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2000, shareholders' funds of the Group showed a decrease of 4.3% from that recorded in 1999 and amounted to HK$3,732 million. Such decrease was mainly attributed to the write-down in revaluation reserve on properties under development of the Group.

Funding for the Group's activities in the year under review was mainly generated from proceeds received from the Disposal. Bank borrowings included under current liabilities as at 31 December 2000 were HK$600 million.

Current assets of the Group were recorded at HK$284 million as compared to the Group's current liabilities of HK$806 million as of 31 December 2000. Current ratio of the Group depleted from 0.5 as of 31 December 1999 to 0.35 as of 31 December 2000. The bank loans of HK$600 million included in current liabilities will be met by the third and final instalment from the Disposal of HK$900 million to be received in the year 2001.

The directors have pleasure in submitting their report and audited accounts for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activities of the Group were property development and investment, ferry and related businesses, travel business and hotel operation. During the year, the Group ceased its passenger ferry and wholesale operations.

The analyses of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 3 on the accounts.

MAJOR SUPPLIERS AND CUSTOMERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	31%	
Five largest customers in aggregate	60%	
The largest supplier		15%
Five largest suppliers in aggregate		31%

Henderson Land Development Company Limited ("HL") was the Group's largest customer during the financial year. HL through its subsidiaries beneficially owns 64.28% of the entire issued share capital of Henderson Investment Limited, a substantial shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, hereinafter referred to as the "Listing Rules") of the Company.

Apart from the foregoing, at no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2000 are set out in note 14 on the accounts.

ACCOUNTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2000, the state of affairs of the Company and of the Group at that date and the related notes are set out in the accounts on pages 20 to 56.

An interim dividend of 8 cents per share was paid on 13 October 2000. The directors now recommend a final dividend of 20 cents per share to shareholders whose names appear in the Register of Members on 20 April 2001.

CHARITABLE DONATIONS

The Group's charitable donations during the year amounted to HK$9,695 (1999: HK$23,380).

FIXED ASSETS

Movements in fixed assets are set out in note 12 on the accounts.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2000, the following interests in shares in the Company were recorded in the register required to be kept under section 16(1) of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"):

Name of company	No. of shares in which interested
Henderson Investment Limited *(Note 1)*	108,588,090
Pataca Enterprises Limited *(Note 1)*	70,200,000
Wiselin Investment Limited *(Note 2)*	39,743,090
Max-mercan Investment Limited *(Note 2)*	39,743,090
Henderson Development Limited *(Note 3)*	108,588,090
Henderson Land Development Company Limited *(Note 3)*	108,588,090
Kingslee S.A. *(Note 3)*	108,588,090
Hopkins (Cayman) Limited *(Note 4)*	108,588,090
Rimmer (Cayman) Limited *(Note 4)*	108,588,090

Notes:

All shares referred to below, unless otherwise stated, form part of the same parcel of 108,588,090 shares.

1. These 108,588,090 shares are beneficially owned by some of the subsidiaries of Henderson Investment Limited ("HI"). Of these 108,588,090 shares, 70,200,000 shares are owned by some of the subsidiaries of Pataca Enterprises Limited, which is itself a subsidiary of HI.

2. The 39,743,090 shares held by both Wiselin Investment Limited and Max-mercan Investment Limited refer to the same lot of shares. Wiselin Investment Limited, a subsidiary of Max-mercan Investment Limited which is a subsidiary of HI, beneficially owns 39,743,090 shares of which 38,388,090 shares constitute part of the said 108,588,090 shares.

3. These 108,588,090 shares are duplicated or included in the interests described in Notes 1 and 2. Henderson Development Limited ("HD") beneficially owns more than one-third of the issued share capital in Henderson Land Development Company Limited which is, in turn, the holding company of Kingslee S.A.. Kingslee S.A. has a controlling interest in HI.

4. These 108,588,090 shares are duplicated or included in the interests described in Notes 1, 2 and 3. Rimmer (Cayman) Limited as trustee of a discretionary trust holds a majority of units in a unit trust ("the Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owns all the issued ordinary shares which carry the voting rights in the share capital of HD.

SUBSTANTIAL SHAREHOLDERS

5. Dr. Lee Shau Kee beneficially owns all the issued share capital of Rimmer (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SDI Ordinance, Dr. Lee Shau Kee is taken to be interested in 110,363,090 shares (disclosed as "Corporate Interests" under "Directors' and Chief Executive's Interests in Securities" in this Report) which include the shares described in Notes 1, 2, 3 and 4 and additional shares which do not represent interests required to be disclosed for the purposes of sections 3 to 7 of the SDI Ordinance and therefore are not recorded in the register kept under section 16(1) of the SDI Ordinance as at 31 December 2000.

DIRECTORS

The directors during the financial year were:

Executive directors
Mr. Colin K. Y. Lam *(Chairman)*
Mr. Li Ning

Non-executive directors
Mr. Edmond T. C. Lau
Mr. Eddie Y. C. Lau
Dr. Lee Shau Kee
Mr. Leung Hay Man
Mr. Peter M. K. Wong

Independent non-executive directors
Sir Kenneth P. F. Fung (resigned on 17 March 2000)
Mr. Norman H. C. Ho
Mr. Michael Y. L. Kan
Dr. Alex S. C. Wu

In accordance with Article 103(A) of the Company's Articles of Association, Messrs. Li Ning, Edmond T.C. Lau and Peter M.K. Wong retire by rotation and are eligible for re-election. Owing to personal engagements, Mr. Edmond T.C. Lau declines to seek re-election at the forthcoming Annual General Meeting.

The non-executive directors have not been appointed for specific terms and they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Company's Articles of Association.

Hong Kong Ferry (Holdings) Co. Ltd.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 31 December 2000, the interests of the directors and chief executive in securities of the Company as recorded in the register maintained under section 29 of the SDI Ordinance were as follows:

	Personal interests *Number of shares*	Corporate interests *Number of shares*
Mr. Colin K.Y. Lam	150,000	—
Mr. Norman H.C. Ho	3,313,950	—
Mr. Michael Y.L. Kan	22,965	—
Mr. Edmond T.C. Lau	1,000	—
Mr. Eddie Y.C. Lau	—	—
Dr. Lee Shau Kee	7,799,220	110,363,090 (see note 5 on page 16)
Mr. Leung Hay Man	2,250	—
Mr. Li Ning	—	—
Mr. Peter M.K. Wong	1,151,000	—
Dr. Alex S.C. Wu	186,030	—

Other than as stated above, no director or chief executive held any interest, whether beneficial or non-beneficial, in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance).

INTERESTS IN CONTRACTS

Except for the "Connected Transactions" as disclosed in this Report, no other contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

None of the directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment other than statutory compensation.

RESERVES

Movements in reserves of the Company and of the Group during the year are set out in note 23 on the accounts.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

ARRANGEMENT TO PURCHASE SHARES, WARRANTS, OPTIONS OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, options, debentures or warrants of the Company or any other body corporate.

BANK LOANS AND OVERDRAFT

Particulars of bank loans and overdraft of the Company and the Group as at 31 December 2000 are set out in note 19 on the accounts.

FINANCIAL SUMMARIES

The five years' summary of assets and liabilities and ten years' financial summary of the Group are set out on pages 57 to 59.

GROUP PROPERTIES

A summary of the Group's properties is set out on page 60.

CONNECTED TRANSACTIONS

Pursuant to the transactions and arrangements entered into by the Group in 1999 with persons who are "connected persons" for the purposes of the Listing Rules, the Group recorded the transactions as described in note 27 on the accounts.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, except that the independent non-executive directors have not been appointed for specific terms and are subject to retirement by rotation and re-election at the Annual General Meetings in accordance with the Company's Articles of Association.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

Colin K.Y. Lam
Chairman

Li Ning
Director

Hong Kong, 16 March 2001

KPMG

Auditors' report to the shareholders of
Hong Kong Ferry (Holdings) Company Limited
(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 20 to 56 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view of the state of the Company's and the Group's affairs as at 31 December 2000 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

Hong Kong, 16 March 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2000

	Note	2000		1999	
		HK$'000	HK$'000	HK$'000	HK$'000
Turnover	3				
Continuing operations		733,415		506,621	
Discontinued operations		43,110		382,602	
			776,525		889,223
Cost of sales			(549,042)		(665,896)
			227,483		223,327
Other revenue	4		11,130		48,070
Other net income	4		20,710		24,682
Distribution costs			(2,290)		(4,945)
Administrative expenses			(73,087)		(109,544)
Deficit on revaluation of investment properties	12		(19,638)		(7,193)
Other operating expenses			(35,620)		(42,612)
Profit from operations			128,688		131,785
Finance cost	5		(101)		(6,972)
Profit/(loss) from ordinary activities before taxation	3,5				
Continuing operations		128,689		143,833	
Discontinued operations		(102)		(19,020)	
			128,587		124,813
Taxation	8(a)		(1,974)		(3,673)
Profit attributable to shareholders	9		126,613		121,140
Retained profits at 1 January			363,046		341,663
			489,659		462,803
Dividends	10		(99,757)		(99,757)
Retained profits at 31 December	23		389,902		363,046
Basic earnings per share (cent)	11		35.5		34.0

The notes on pages 29 to 56 form part of these accounts.

Hong Kong Ferry (Holdings) Co. Ltd.

For the year ended 31 December 2000

	Note	2000 HK$'000	1999 HK$'000
Diminution in value of properties under development	23	(42,586)	(434,295)
(Deficit)/surplus on revaluation of securities	23	(9,546)	6,924
Surplus on revaluation of properties	23	—	1,000
Net losses not recognised in the consolidated profit and loss account		(52,132)	(426,371)
Net profit for the year as reported in the consolidated profit and loss account		126,613	121,140
Less: Net transfer to the consolidated profit and loss account from reserves		(141,877)	(57,870)
Total recognised gains and losses		(67,396)	(363,101)

The notes on pages 29 to 56 form part of these accounts.

CONSOLIDATED BALANCE SHEET

As at 31 December 2000

	Note	2000		1999	
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Fixed assets					
Investment properties			179,500		188,000
Property, plant and equipment			425,791		611,691
	12		605,291		799,691
Properties under development	13		3,610,494		3,868,511
Non-current financial assets	15		53,409		85,783
			4,269,194		4,753,985
Current assets					
Inventories	16	20,135		33,281	
Debtors and prepayments	17	108,040		69,637	
Tax recoverable	8(b)	29,108		37,372	
Cash and cash equivalents	18	126,936		90,778	
		284,219		231,068	
Current liabilities					
Bank overdraft	19	1,459		2,266	
Creditors and accrued charges	20	130,305		184,624	
Current portion of long term bank loans	19	600,000		200,000	
Tax payable	8(c)	3,164		1,525	
Proposed final dividend	10	71,254		71,254	
		806,182		459,669	

Hong Kong Ferry (Holdings) Co. Ltd.

	Note	2000		1999	
		HK$'000	HK$'000	HK$'000	HK$'000
Net current liabilities			(521,963)		(228,601)
Total assets less current liabilities			3,747,231		4,525,384
Non-current liabilities					
Bank loans	19	—		600,000	
Deferred taxation	21	15,500		26,500	
			(15,500)		(626,500)
NET ASSETS			3,731,731		3,898,884
CAPITAL AND RESERVES					
Share capital	22		356,274		356,274
Reserves	23		3,375,457		3,542,610
			3,731,731		3,898,884

Approved by the board of directors on 16 March 2001.

Colin K.Y. Lam
Chairman

Li Ning
Director

The notes on pages 29 to 56 form part of these accounts.

BALANCE SHEET

As at 31 December 2000

	Note	2000		1999	
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Fixed assets					
Property, plant and equipment	12		333,082		434,872
Interest in subsidiaries	14		4,437,562		4,460,573
Non-current financial assets	15		3,752		7,297
			4,774,396		4,902,742
Current assets					
Debtors and prepayments	17	39,264		21,114	
Tax recoverable	8(b)	25,120		34,120	
Cash and cash equivalents	18	444		1,772	
		64,828		57,006	
Current liabilities					
Bank overdraft	19	1,271		—	
Creditors and accrued charges	20	7,241		22,343	
Proposed final dividend	10	71,254		71,254	
		79,766		93,597	
Net current liabilities			(14,938)		(36,591)
Total assets less current liabilities			4,759,458		4,866,151
Non-current liability					
Deferred taxation	21		(15,000)		(26,000)
NET ASSETS			4,744,458		4,840,151

Hong Kong Ferry (Holdings) Co. Ltd.

	Note	2000		1999	
		HK$'000	HK$'000	HK$'000	HK$'000
CAPITAL AND RESERVES					
Share capital	22		356,274		356,274
Reserves	23		4,388,184		4,483,877
			4,744,458		4,840,151

Approved by the board of directors on 16 March 2001.

Colin K.Y. Lam
Chairman

Li Ning
Director

The notes on pages 29 to 56 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2000

	Note	2000		1999	
		HK$'000	HK$'000	HK$'000	HK$'000
Net cash inflow/(outflow) from operating activities	(a)		151,977		(1,792,850)
Returns on investments and servicing of finance					
Interest received		7,419		56,412	
Interest paid		(101)		(6,942)	
Dividends received		1,609		1,728	
Dividends paid		(99,757)		(99,757)	
Net cash outflow from returns on investments and servicing of finance			(90,830)		(48,559)
Taxation					
Profits tax paid		(3,816)		(21,232)	
Profits tax refunded		745		9,902	
Tax paid			(3,071)		(11,330)
Investing activities					
Increase in unlisted investments		(1,303)		—	
Purchase of fixed assets		(11,311)		(27,676)	
Decrease in advances to investee companies		2,621		98	
Receipts from sale of fixed assets		167,864		6,913	
Receipts from sale of listed investments		21,018		—	
Net cash inflow/(outflow) from investing activities			178,889		(20,665)
Net cash inflow/(outflow) before financing			236,965		(1,873,404)

Hong Kong Ferry (Holdings) Co. Ltd.

	Note	2000		1999	
		HK$'000	HK$'000	HK$'000	HK$'000
Financing	(b)				
New bank loans		—		800,000	
Repayment of bank loans		(200,000)		—	
Net cash (outflow)/inflow from financing			(200,000)		800,000
Increase/(decrease) in cash and cash equivalents			36,965		(1,073,404)
Cash and cash equivalents at 1 January			88,512		1,161,916
Cash and cash equivalents at 31 December			125,477		88,512
Analysis of the balances of cash and cash equivalents					
Cash at bank and in hand			31,936		18,778
Short term deposits			95,000		72,000
Bank overdraft and loans repayable within three months			(1,459)		(2,266)
			125,477		88,512

The notes on pages 29 to 56 form part of these accounts.

Notes to the Consolidated Cash Flow Statement:

(a) Reconciliation of the profit from operations to net cash inflow/(outflow) from operating activities

	2000	1999
	HK$'000	*HK$'000*
Profit from operations	**128,688**	131,785
Depreciation	**24,419**	48,253
Profit on sale of fixed assets	**(5,560)**	(6,650)
Write back of provision for diminution in value of listed investments	**—**	(5,377)
Deficit on revaluation of investment properties	**19,638**	7,193
Interest income	**(7,202)**	(50,445)
Dividend income	**(1,609)**	(1,728)
Realisation of inter-company profits	**(2,352)**	(511)
Profit on sale of listed investments	**(5,939)**	—
Decrease/(increase) in properties under development	**82,337**	(1,947,358)
Decrease in inventories	**13,146**	6,452
(Increase)/decrease in debtors and prepayments	**(39,270)**	6,835
(Decrease)/increase in creditors and accrued charges	**(54,319)**	18,701
Net cash inflow/(outflow) from operating activities	**151,977**	(1,792,850)

(b) Analysis of changes in financing during the year

	Long term bank loans	
	2000	1999
	HK$'000	*HK$'000*
At 1 January	**800,000**	—
Cash flows from financing	**(200,000)**	800,000
At 31 December	**600,000**	800,000

1. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation of the accounts

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

(c) Basis of consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 December each year. All material inter-company transactions and balances are eliminated on consolidation.

Goodwill arising on consolidation, representing the excess of the cost of investments in subsidiaries over the Group's share of the fair value of the separable net assets of the subsidiaries at the respective acquisition dates, is written off directly to capital reserves in the year in which it arises. The excess of the Group's share of the fair value of the separable net assets of subsidiaries acquired over the cost of investments in subsidiaries is credited to capital reserves.

(d) Investments in subsidiaries

A subsidiary 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.

Investments in subsidiaries in the Company's balance sheet are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the profit and loss account.

(e) Revenue recognition

(i) Sale of properties under development

Revenue from the sale of properties under development is recognised upon the fulfilment of the conditions stipulated in the relevant sales agreements.

(ii) Rental income

Rental in respect of properties is recognised on an accruals basis evenly over the periods of the respective tenancies.

(iii) Sale of goods

Revenue is recognised when goods are delivered to customers. This is taken to be the point in time when the customers have accepted the goods and the related risks and rewards of ownership.

1. PRINCIPAL ACCOUNTING POLICIES

(e) Revenue recognition

(iv) Ferry operations and related services

Revenue relating to ferry operations is recognised when the relevant ferry services are provided.

(v) Travel Business

Revenue arising from the travel business is recognised on the completion date of the tours or when the relevant services are provided.

(vi) Interest income

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

(vii) Dividends

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

(f) Investment properties

Investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by qualified valuers.

Changes arising on the revaluation of investment properties are generally dealt with in reserve. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties had previously been charged to the profit and loss account.

On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is transferred to the profit and loss account for the year.

When an investment property is substantially ready for redevelopment, it is reclassified as properties under development and any revaluation surplus relating thereto transferred to "other property revaluation reserve".

No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years since the valuation takes into account the state of each property at the date of valuation.

Hong Kong Ferry (Holdings) Co. Ltd.

1. PRINCIPAL ACCOUNTING POLICIES

(g) Hotel properties

In accordance with normal practice in the hotel industry, no depreciation is provided on hotel properties held on leases with more than 20 years to run at the balance sheet date. It is the Group's policy to maintain the hotel properties in such condition that their value is not diminished by the passage of time so that any element of depreciation would be immaterial. Routine maintenance expenditure is charged to the profit and loss account in the year in which it is incurred. In addition, an annual provision based on the projected maintenance cost for the next five years under the planned maintenance scheme is charged to the profit and loss account.

(h) Properties held for development

Properties held for development are carried at professional valuation. Surpluses arising on revaluation are credited to "other property revaluation reserve"; deficits arising on revaluation are firstly set off against any previous revaluation surpluses and thereafter taken to the profit and loss account. These properties are reclassified as properties under development when they are substantially ready for development.

(i) Properties under development

Properties under development for investment purposes are stated at carrying value less provision for diminution in value. Properties under development for sale are stated at the lower of carrying value and net realisable value. Carrying value includes amounts transferred from properties held for development and investment properties, premium paid for land and other development costs, including any related borrowing costs. Any subsequent reduction in carrying value is firstly set off against any previous revaluation surpluses and thereafter charged to the profit and loss account.

When properties under development for investment purposes are completed, they will be transferred to investment properties and the revaluation surplus relating thereto will be transferred to the investment property revaluation reserve.

When properties under development for sale are completed, they will be transferred to completed properties for sale; the revaluation surplus relating thereto will be credited to the profit and loss account upon sale of the properties.

When properties under development for sale are sold, revenue and the related costs are recognised after taking into account the outstanding risks and obligations of the Group under the relevant sales agreements.

1. PRINCIPAL ACCOUNTING POLICIES

(j) Fixed assets and depreciation

(i) Fixed assets other than investment properties, properties held for development and hotel properties are stated in the balance sheet at cost less aggregate depreciation.

(ii) Depreciation is provided at rates calculated to write off the cost of fixed assets, other than investment properties, properties held for development and hotel properties, over their estimated useful lives on a straight line basis as follows:

Land	Over the unexpired terms of the leases
Buildings	40 years or over the unexpired terms of the leases, if shorter
Ferry vessels and other crafts	8 to 15 years
Machinery, furniture and other fixed assets	
Dry dock	40 years
Others	4 to 10 years

(iii) The carrying amount of fixed assets carried at depreciated cost is reviewed periodically to determine whether they are in excess of their recoverable amounts. If the carrying amount exceeds the recoverable amount, the asset is written down to the recoverable amount. In assessing the recoverable amount, the expected cash flows generated by the fixed assets are not discounted to their present value.

(k) Inventories

Inventories principally include trading stocks, spare parts and consumables.

(i) Trading stocks are stated at the lower of cost and net realisable value. Cost includes the cost of materials computed using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(ii) Spare parts and consumables are stated at cost, computed using the weighted average method, less provision for obsolescence.

Hong Kong Ferry (Holdings) Co. Ltd.

1. PRINCIPAL ACCOUNTING POLICIES

(l) Other investments in securities

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

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

(iii) Profits or losses on disposal of investments in securities are accounted for in the profit and loss account as they arise. In the case of non-trading securities, the profit or loss includes any amount previously held in the securities revaluation reserve in respect of that security.

(m) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses on foreign currency translation are dealt with in the profit and loss account.

(n) Deferred taxation

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

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

(o) Operating leases

Payments under operating leases are charged to the profit and loss account on a straight line basis over the periods of the respective leases.

(p) Borrowing costs

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

1. PRINCIPAL ACCOUNTING POLICIES

(q) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

(r) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents include advances from banks repayable within three months from the date of the advance.

2. DISCONTINUED OPERATIONS

Passenger ferry operations

On 2 November 1999 and 14 January 2000, the Group entered into sales and purchase agreements with an independent third party for the transfer of its passenger ferry operation licence and the disposal of its ferry vessels and other related assets for a cash consideration of HK$167 million. The transactions were completed on 15 January 2000.

The gain on disposal of discontinued operation, amounting to HK$5,616,000, represents the profit realised upon the disposals of the vessels, office building, depot and related assets, plus the surplus recoverable from the termination of the Outdoor Staff Retirement Scheme less redundancy payments made to the staff of the operation.

The turnover and profit from ordinary activities attributable to the disposed ferry operations are disclosed in note 3 on the accounts.

Wholesale operation

On 31 August 2000, the Group terminated its wholesale operation in Hong Kong. The results of this operation were included in the "Trading and services" segment in previous annual reports. The turnover and loss from ordinary activities attributable to the ceased wholesale operation are disclosed in note 3 on the accounts.

Hong Kong Ferry (Holdings) Co. Ltd.

3. TURNOVER AND SEGMENTAL INFORMATION

The principal activities of the Group were property development and investment, ferry and related businesses, travel business and hotel operation. Group turnover represented gross income from sales and services provided to third parties.

The turnover and contribution to profit from ordinary activities of the principal activities of the Group are as follows:

	Group turnover		Contribution to profit from ordinary activities	
	2000	1999	2000	1999
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*
Continuing operations				
Property development and investment	**407,589**	259,820	**96,794**	77,432
Ferry and related businesses	**192,370**	138,447	**23,716**	23,270
Travel and hotel operations	**124,841**	100,848	**9,055**	3,293
Others	**8,615**	7,506	**(7,974)**	(3,422)
Net interest income	**—**	—	**7,098**	43,260
	733,415	506,621	**128,689**	143,833
Discontinued operations				
Passenger ferry operations	**10,548**	292,860	**4,437**	(16,698)
Wholesale operation	**32,562**	89,742	**(4,539)**	(2,322)
	43,110	382,602	**(102)**	(19,020)
	776,525	889,223	**128,587**	124,813

	Group turnover	
	2000	1999
	HK$'000	*HK$'000*
Geographical locations of operations		
Hong Kong	**682,787**	816,058
Mainland China and Macau	**93,738**	73,165
	776,525	889,223

4. INCOME

	2000	1999
	HK$'000	*HK$'000*
Other revenue		
Management fee income	**9,877**	2,197
Other interest income	**203**	44,676
Rental receivable from operating leases, other than those relating to investment properties	**1,050**	1,197
	11,130	48,070
Other net income		
Gain on discontinuance of passenger ferry operations	**5,616**	—
Profit on sale of listed investments	**5,939**	—
Profit on sale of fixed assets	**330**	6,650
Other ferry income	**277**	1,543
Write-back of provision for diminution in value of listed investments	**—**	5,377
Sundry income	**8,548**	11,112
	20,710	24,682

5. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) from ordinary activities before taxation is arrived at after charging/(crediting):

	2000	1999
	HK$'000	*HK$'000*
(a) Finance cost:		
Interest on bank advances and other borrowings repayable within five years	**52,263**	34,562
Other borrowing costs	**1,573**	1,000
	53,836	35,562
Less: Borrowing costs capitalised into properties under development	**(53,735)**	(28,590)
	101	6,972

The borrowing costs have been capitalised at a rate of 6.56% - 9.5% per annum (1999: 7.65% - 8.5% per annum) in respect of properties under development.

Hong Kong Ferry (Holdings) Co. Ltd.

5. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

	2000 HK$'000	1999 HK$'000
(b) Other items:		
Cost of inventories	116,168	183,086
Staff costs including retirement costs of HK$3,329,000 (1999: HK$11,688,000)	131,782	252,077
Auditors' remuneration	1,456	1,521
Depreciation	24,419	48,253
Operating lease charges in respect of		
Premises	2,413	2,381
Vessels	2,273	19,297
Rental receivable from investment properties net of outgoings of HK$5,101,000 (1999: HK$12,805,000)	(4,904)	(43,171)
Rental receivable from operating leases, other than those relating to investment properties, net of outgoings	(3,283)	(13,013)
Interest income	(7,202)	(50,445)
Dividend income from listed investments	(1,609)	(1,728)
(Profit)/loss on sale of fixed assets		
Continuing operations	(330)	185
Discontinued operations	(5,230)	(6,835)

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2000 HK$'000	1999 HK$'000
Fees		
Executive directors	150	150
Independent non-executive directors	150	200
Other non-executive directors	250	250
Other emoluments	—	—
	550	600

The remuneration of each of the eleven (1999: eleven) directors falls within the band of below HK$1,000,000.

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments is a director of the Company. The emoluments of the five highest paid employees are as follows:

	2000 HK$'000	1999 HK$'000
Salaries and other emoluments	7,245	7,042
Retirement scheme contributions	382	707
	7,627	7,749

The emoluments of the five individuals with the highest emoluments are within the following bands:

HK$	2000 Number of individuals	1999 Number of individuals
1,000,001 – 1,500,000	3	4
1,500,001 – 2,000,000	1	—
2,000,001 – 2,500,000	1	1

8. TAXATION

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

	2000 HK$'000	1999 HK$'000
Provision for Hong Kong profits tax for the year	13,035	2,490
(Over)/underprovision in respect of prior years	(61)	51
Tax refund relating to prior year	—	(3,868)
	12,974	(1,327)
Deferred taxation *(Note 21(a))*	(11,000)	5,000
	1,974	3,673

The provision for Hong Kong profits tax is based on an estimate of the assessable profits for the year ended 31 December 2000 less relief for available tax loss where applicable at 16% (1999: 16%).

Hong Kong Ferry (Holdings) Co. Ltd.

8. TAXATION

(b) Tax recoverable in the balance sheets represents:

	Group		Company	
	2000	1999	2000	1999
	HK$'000	HK$'000	**HK$'000**	HK$'000
Provision for Hong Kong profits tax for the year	**9,039**	529	**9,000**	—
Provisional profits tax paid	**(478)**	(3,028)	**—**	—
	8,561	(2,499)	**9,000**	—
Balance of profits tax recoverable relating to prior years	**(37,669)**	(34,873)	**(34,120)**	(34,120)
	(29,108)	(37,372)	**(25,120)**	(34,120)

The Inland Revenue Department is currently contesting the deductibility of depreciation allowances on certain fixed assets of the Company of approximately HK$160 million in previous years' tax computations. The tax effect of the amount in dispute is approximately HK$25.6 million. As at the balance sheet date, the outcome of the case remained undetermined. The Company opines that it has reasonable ground to support the deductibility of these depreciation allowances and no provision has been made in the accounts.

(c) Tax payable in the consolidated balance sheet represents:

	2000	1999
	HK$'000	HK$'000
Provision for Hong Kong profits tax for the year	**3,996**	1,961
Provisional profits tax paid	**(1,255)**	(712)
	2,741	1,249
Balance of profits tax provision relating to prior year	**423**	43
Provision for overseas tax	**—**	233
	3,164	1,525

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group's profit attributable to shareholders includes a profit of HK$4,064,000 (1999: HK$2,546,996,000) which has been dealt with in the accounts of the Company.

10. DIVIDENDS

	2000 HK$'000	1999 HK$'000
Interim dividend paid of 8 cents per share (1999: 8 cents)	28,503	28,503
Proposed final dividend of 20 cents per share (1999: 20 cents)	71,254	71,254
	99,757	99,757

11. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on a profit of HK$126,613,000 (1999: a profit of HK$121,140,000) and 356,273,883 (1999: 356,273,883) ordinary shares in issue during the year.

There were no potential ordinary shares in existence during 1999 and 2000.

12. FIXED ASSETS

Group

	Property, plant and equipment						
	Hotel properties HK$'000	Leasehold land and buildings HK$'000	Ferry vessels and other crafts HK$'000	Machinery, furniture and others HK$'000	Sub-total HK$'000	Investment properties HK$'000	Total HK$'000
Cost or valuation:							
At 1 January 2000	63,761	298,421	857,611	311,320	1,531,113	188,000	1,719,113
Additions	—	819	9,110	1,382	11,311	—	11,311
Disposals	—	(57,518)	(303,587)	(44,872)	(405,977)	—	(405,977)
Reclassification	—	(12,222)	—	(347)	(12,569)	11,138	(1,431)
Revaluation deficit	—	—	—	—	—	(19,638)	(19,638)
At 31 December 2000	63,761	229,500	563,134	267,483	1,123,878	179,500	1,303,378
Representing:							
Cost	63,761	229,500	563,134	267,483	1,123,878	—	1,123,878
Valuation	—	—	—	—	—	179,500	179,500
	63,761	229,500	563,134	267,483	1,123,878	179,500	1,303,378
Aggregate depreciation:							
At 1 January 2000	—	62,131	712,228	145,063	919,422	—	919,422
Charge for the year	—	5,124	6,970	12,325	24,419	—	24,419
Written back on disposal	—	(26,552)	(181,777)	(35,994)	(244,323)	—	(244,323)
Reclassification	—	(1,379)	—	(52)	(1,431)	—	(1,431)
At 31 December 2000	—	39,324	537,421	121,342	698,087	—	698,087
Net book value:							
At 31 December 2000	63,761	190,176	25,713	146,141	425,791	179,500	605,291
At 31 December 1999	63,761	236,290	145,383	166,257	611,691	188,000	799,691

12. FIXED ASSETS

Company

	Property, plant and equipment			
	Leasehold land and buildings *HK$'000*	Ferry vessels and other crafts *HK$'000*	Machinery, furniture and others *HK$'000*	Total *HK$'000*
Cost:				
At 1 January 2000	221,721	583,265	198,272	1,003,258
Disposals	(8,876)	(244,593)	(588)	(254,057)
At 31 December 2000	212,845	338,672	197,684	749,201
Aggregate depreciation:				
At 1 January 2000	28,276	489,335	50,775	568,386
Charge for the year	4,628	2,582	9,425	16,635
Written back on disposal	(8,840)	(159,496)	(566)	(168,902)
At 31 December 2000	24,064	332,421	59,634	416,119
Net book value:				
At 31 December 2000	188,781	6,251	138,050	333,082
At 31 December 1999	193,445	93,930	147,497	434,872

(a) Leasehold land and buildings previously used by a subsidiary with a net book value of HK$11,138,000 were rented out to third parties during the year. Accordingly, the above amount has been transferred to investment properties.

(b) Investment properties held by the Group were revalued by a firm of surveyors, DTZ Debenham Tie Leung Limited, at HK$179,500,000 as at 31 December 2000 (1999: HK$188,000,000) on an open market value basis.

12. FIXED ASSETS

(c) The analysis of the net book value of all the properties, which are all held in Hong Kong, is as follows:

	Group		Company	
	2000	1999	2000	1999
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*
Medium-term lease	**433,437**	457,071	**188,781**	193,445
Short lease	**—**	30,980	**—**	—
	433,437	488,051	**188,781**	193,445

13. PROPERTIES UNDER DEVELOPMENT

	2000	1999
	HK$'000	*HK$'000*
At 1 January	**3,868,511**	—
Transfer from investment properties	**—**	893,567
Transfer from properties held for development	**—**	1,092,138
Additions	**182,069**	2,085,306
Disposals	**(397,500)**	(202,500)
Diminution in value *(Note 23)*	**(42,586)**	—
At 31 December	**3,610,494**	3,868,511
Analysis of properties under development:		
For sale	**2,956,941**	3,249,921
For investment	**653,553**	618,590
	3,610,494	3,868,511

The above properties are situated in Hong Kong and held under medium-term leases.

14. INTEREST IN SUBSIDIARIES

	Company	
	2000	1999
	HK$'000	*HK$'000*
Unlisted shares, at cost	167,278	167,278
Amounts due from subsidiaries	4,644,683	4,667,718
Provision for diminution in value	(373,734)	(373,734)
	4,438,227	4,461,262
Amounts due to subsidiaries	(665)	(689)
	4,437,562	4,460,573

Details of principal subsidiaries, which materially affect the results or assets of the Group, are as follows:

	Ordinary share capital			
	Issued *(HK$)*	% held by the Company	% held by a subsidiary	Principal activities
HYFCO Development Company Limited	12,000,030	100	—	Property investment
The Hong Kong Shipyard Limited	17,000,000	100	—	Shipbuilding and repairs
HYFCO Trading and Investments Company Limited	2	100	—	Trading
HYFCO Estate Management & Agency Limited	25,000,000	100	—	Property management
HYFCO Properties Limited	21,700,000	100	—	Hotel investment
HYFCO Travel Agency Limited	3,500,000	100	—	Travel business

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14. INTEREST IN SUBSIDIARIES

	Ordinary share capital			
	Issued *(HK$)*	% held by the Company	% held by a subsidiary	Principal activities
The Hongkong and Yaumati Ferry Company Limited	100,000,000	100	—	Ferry operations
Fine Time Development Limited	2	100	—	Property investment
Galaxy Hotel Management Company Limited	1,350,000	—	100	Floating restaurant business
World Fame Shipping Limited	2	100	—	Ship management
Genius Star Development Limited	2	100	—	Godown business
Hong Kong Ferry Finance Company Limited	2	100	—	Group financing
Pico International Limited	6,000,000	100	—	Investment holding
Thommen Limited	20	100	—	Investment holding
Lenfield Limited	2	100	—	Property development
HKF Property Investment Limited	2	100	—	Property investment

Except for HYFCO Travel Agency Limited which operates outbound tours in the Mainland China and Macau, all the other subsidiaries are incorporated and operate in Hong Kong.

15. NON-CURRENT FINANCIAL ASSETS

	Group		Company	
	2000	1999	2000	1999
Non-trading securities	**HK$'000**	*HK$'000*	**HK$'000**	*HK$'000*
Unlisted shares, at cost	**17,564**	16,261	**16,256**	16,256
Less: Provision for diminution in value	**(16,140)**	(16,140)	**(16,140)**	(16,140)
	1,424	121	**116**	116
Advances to investee companies less provision	**5,061**	7,682	**3,636**	7,181
	6,485	7,803	**3,752**	7,297
Listed shares				
in Hong Kong	**46,096**	77,627	**—**	—
outside Hong Kong	**828**	353	**—**	—
	46,924	77,980	**—**	—
Total investments	**53,409**	85,783	**3,752**	7,297
Market value of listed shares at 31 December	**46,924**	77,980	**—**	—

Included in unlisted investments are interests in two companies, namely, Authian Estates Limited and Celelight Company Limited, both incorporated in Hong Kong, in which the Group respectively holds 50% and 33⅓% of equity interest. The equity method of accounting for these companies is not adopted as the results and net assets of these companies are not material to the Group.

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16. INVENTORIES

	Group	
	2000	1999
	HK$'000	*HK$'000*
Trading stocks	**2,856**	11,016
Spare parts and consumables	**12,417**	17,920
Work in progress	**4,862**	4,345
	20,135	33,281

The amount of spare parts and consumables carried at cost less provision is HK$2,354,000 (1999: HK$4,476,000).

17. DEBTORS AND PREPAYMENTS

	Group		Company	
	2000	1999	2000	1999
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*
Trade debtors	**62,974**	51,487	**—**	—
Other debtors and prepayments	**45,066**	18,150	**11,264**	3,999
Dividends receivable from subsidiaries	**—**	—	**28,000**	17,115
	108,040	69,637	**39,264**	21,114

All of the debtors and prepayments except for HK$8,207,000 (1999:HK$ Nil) included in other debtors and prepayments are expected to be recovered within one year.

17. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors (net of specific provisions for bad and doubtful debts) with the following aging analysis:

	Group	
	2000	1999
	HK$'000	*HK$'000*
Current	**35,949**	12,795
1 to 3 months overdue	**17,570**	25,289
More than 3 months overdue but less than 12 months overdue	**2,351**	7,100
More than 12 months overdue	**7,104**	6,303
	62,974	51,487

Debts are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are required to settle all outstanding balances before any further credit is granted.

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2000	1999	2000	1999
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*
Deposits with banks and other financial institutions	**95,000**	72,000	**—**	—
Cash at bank and in hand	**31,936**	18,778	**444**	1,772
	126,936	90,778	**444**	1,772

19. BANK LOANS AND OVERDRAFT

At 31 December 2000, the bank loans and overdraft were repayable as follows:

	Group		Company	
	2000	1999	2000	1999
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year or on demand	**601,459**	202,266	**1,271**	—
After 1 year but within 2 years	**—**	600,000	**—**	—
	601,459	802,266	**1,271**	—
These are analysed as follows:				
Unsecured bank overdraft	**1,459**	2,266	**1,271**	—
Long term bank loans (secured)	**600,000**	800,000	**—**	—
	601,459	802,266	**1,271**	—

The banking facilities are secured by pledging the shares in the subsidiaries which hold the properties under development with an aggregate carrying value of HK$3,610,494,000 (1999: HK$3,868,511,000).

20. CREDITORS AND ACCRUED CHARGES

All of the creditors and accrued charges are expected to be settled within one year.

Included in creditors and accrued charges are trade creditors with the following aging analysis:

	Group	
	2000	1999
	HK$'000	HK$'000
Due within 1 month or on demand	**38,168**	20,817
Due after 1 month but within 3 months	**39,157**	5,784
Due after 3 months but within 6 months	**3,768**	1,992
	81,093	28,593

21. DEFERRED TAXATION

(a) Movement on deferred taxation is as follows:

	Group		Company	
	2000	1999	2000	1999
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*
Balance at 1 January	**26,500**	21,500	**26,000**	21,000
Transfer (to)/from the profit and loss account	**(11,000)**	5,000	**(11,000)**	5,000
Balance at 31 December	**15,500**	26,500	**15,000**	26,000

(b) Major components of deferred tax of the Group and the Company are set out below:

	Group			
	2000		1999	
	Provided HK$'000	**Potential liabilities unprovided HK$'000**	Provided *HK$'000*	Potential liabilities unprovided *HK$'000*
Depreciation allowances in excess of related depreciation	**15,500**	**3,448**	26,500	6,806
Future benefit of tax losses	**—**	**(62,000)**	—	(50,983)
	15,500	**(58,552)**	26,500	(44,177)

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21. DEFERRED TAXATION

	Company			
	2000		1999	
	Provided HK$'000	**Potential liabilities unprovided HK$'000**	Provided HK$'000	Potential liabilities unprovided HK$'000
Depreciation allowances in excess of related depreciation	**15,000**	**3,108**	26,000	4,106
Future benefit of tax losses	**—**	**—**	—	(825)
	15,000	**3,108**	26,000	3,281

22. SHARE CAPITAL

	Number of shares		Nominal value	
	2000	1999	2000 HK$'000	1999 HK$'000
Authorised:				
Ordinary shares of HK$1 each	**550,000,000**	550,000,000	**550,000**	550,000
Issued and fully paid:				
Ordinary shares of HK$1 each	**356,273,883**	356,273,883	**356,274**	356,274

There was no movement in share capital during 1999 and 2000.

23. RESERVES

	Share premium HK$'000	Investment property revaluation reserve HK$'000	Other property revaluation reserve HK$'000	Securities revaluation reserve HK$'000	Other capital reserves HK$'000	Retained profits HK$'000	Total HK$'000
Group							
At 1 January 1999	1,398,527	962,825	1,293,986	—	8,467	341,663	4,005,468
Diminution in value prior to transfer to properties under development	—	(195,433)	(238,862)	—	—	—	(434,295)
Reclassification	—	(775,585)	775,585	—	—	—	—
Revaluation surplus	—	1,000	—	6,924	—	—	7,924
Net deficit on revaluation charged to the profit and loss account	—	7,193	—	—	—	—	7,193
Realisation of revaluation reserve	—	—	(64,552)	—	—	—	(64,552)
Realisation of inter-company profits	—	—	—	—	(511)	—	(511)
Profit for the year	—	—	—	—	—	121,140	121,140
Dividends	—	—	—	—	—	(99,757)	(99,757)
At 31 December 1999	1,398,527	—	1,766,157	6,924	7,956	363,046	3,542,610
At 1 January 2000	1,398,527	—	1,766,157	6,924	7,956	363,046	3,542,610
Diminution in value of properties under development *(Note 13)*	—	—	(42,586)	—	—	—	(42,586)
Revaluation deficit	—	—	—	(9,546)	—	—	(9,546)
Realisation of revaluation reserve	—	—	(133,094)	(6,431)	—	—	(139,525)
Realisation of inter-company profits	—	—	—	—	(2,352)	—	(2,352)
Profit for the year	—	—	—	—	—	126,613	126,613
Dividends	—	—	—	—	—	(99,757)	(99,757)
At 31 December 2000	1,398,527	—	1,590,477	(9,053)	5,604	389,902	3,375,457
Company							
At 1 January 1999	1,398,527	—	2,267,900	—	—	638,111	4,304,538
Realisation of revaluation reserve	—	—	(2,267,900)	—	—	—	(2,267,900)
Profit for the year	—	—	—	—	—	2,546,996	2,546,996
Dividends	—	—	—	—	—	(99,757)	(99,757)
At 31 December 1999	1,398,527	—	—	—	—	3,085,350	4,483,877
At 1 January 2000	1,398,527	—	—	—	—	3,085,350	4,483,877
Profit for the year	—	—	—	—	—	4,064	4,064
Dividends	—	—	—	—	—	(99,757)	(99,757)
At 31 December 2000	1,398,527	—	—	—	—	2,989,657	4,388,184

Hong Kong Ferry (Holdings) Co. Ltd.

23. RESERVES

The distributable reserves of the Company at 31 December 2000 amounted to HK$668,176,000 (1999: HK$566,223,000), representing part of its retained profits at that date. The Company's other reserves are not distributable.

The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

The investment property and other property revaluation reserves, securities revaluation reserve and other capital reserves have been set up and dealt with in accordance with the accounting policies adopted for the revaluation of investment properties and properties held for development and under development, and revaluation of securities (note 1) and other capital reserves arising on consolidation.

24. CAPITAL AND OTHER COMMITMENTS

(a) Capital commitments outstanding at 31 December 2000 not provided for in the accounts were as follows:

	Group	
	2000	1999
	HK$'000	*HK$'000*
Contracted for	**346,018**	37,884
Authorised but not contracted for	**—**	293,622

(b) At 31 December 2000, the Group had commitments for future development expenditure relating to properties under development for sale amounting to HK$1,937,315,000 (1999: HK$2,083,330,000), 50% of which was recoverable under the arrangement referred to in note 27.

(c) At 31 December 2000, the Group had commitments under operating leases to make payments in the next year as follows:

	Group			
	2000		1999	
	Properties	**Vessels**	Properties	Vessels
	HK$'000	**HK$'000**	*HK$'000*	*HK$'000*
Leases expiring within 1 year	**789**	**—**	914	689
Leases expiring after 1 year but within 5 years	**1,410**	**—**	1,096	—
	2,199	**—**	2,010	689

25. RETIREMENT SCHEMES

On 1 December 2000, the Group established Mandatory Provident Fund Schemes ("MPF Schemes") for employees not previously covered by any of the Group's Occupational Retirement Schemes ("ORSO Schemes"). Members of the three ORSO Schemes, all defined benefit schemes, were given an option to join the MPF Schemes or to stay in the ORSO Schemes. Out of the total of 253 ORSO Schemes members, 89 members had elected to join the MPF Schemes.

Contributions to the ORSO Schemes are made in accordance with recommendations of independent actuaries who value the schemes at regular intervals. Contributions to the MPF Schemes are based on 5% of the relevant income of the relevant staff and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related guidelines. Contributions payable to all schemes are charged to the profit and loss account. Retirement costs for the year were HK$3,329,000 (1999: HK$11,688,000).

The latest actuarial valuation of the Outdoor Staff Retirement Scheme was as at 30 November 2000. The market value of its assets was HK$34.4 million, representing 440% of the scheme's past service liabilities as at that date.

The latest actuarial valuation of the Office Staff Retirement Scheme was as at 30 November 2000. The market value of its assets was HK$52.9 million, representing 149% of the scheme's past service liabilities as at that date.

The latest actuarial valuation of the Group Staff Retirement Scheme was as at 30 April 2000. The market value of its assets was HK$16.4 million, representing 194% of the scheme's past service liabilities as at that date.

The above actuarial valuations were prepared by qualified staff of Watson Wyatt Hong Kong Limited, who are members of recognised actuarial bodies, using the Attained Age Method. The actuarial bases used included investment yield, salary escalation, expected retirement age, withdrawal rates and mortality rates.

In order to streamline the Group's retirement schemes administration, the three ORSO Schemes were combined into one by transferring all the members and their relevant accrued rights of the Outdoor Staff and the Office Staff Retirement Schemes to the Group Staff Retirement Scheme in December 2000. With the consent of the trustees, the Outdoor Staff and the Office Staff Retirement Schemes were subsequently terminated in December 2000 and January 2001 respectively.

Based on actuarial valuations of the Outdoor Staff and the Office Staff Retirement Schemes as at 30 November 2000, the market value of their assets exceeded the aggregate past service liabilities to their relevant members. Upon the transfer of sums equivalent to the aggregate past service liabilities of the relevant members to the Group Staff Retirement Scheme or relevant MPF Schemes, the surpluses in the Outdoor Staff and the Office Staff Retirement Schemes amounting to approximately HK$26 million and HK$17 million respectively will be refunded to the Company. As the Outdoor Staff Retirement Scheme was terminated in December 2000, the surplus of approximately HK$26 million was recognised in the consolidated profit and loss account as part of the gain on discontinuance of ferry operations.

Hong Kong Ferry (Holdings) Co. Ltd.

26. CONTINGENT LIABILITIES

At 31 December 2000, there were contingent liabilities in respect of the following:

(a) A statement of claim was filed at the High Court of Hong Kong by the Secretary for Justice, representing the Hong Kong Government, against The Hongkong and Yaumati Ferry Company Limited ("HYF"), a wholly-owned subsidiary of the Company, and the Company in November 1999. The claim was for the sum of approximately HK$55 million and other extra expenses in respect of a dispute over the reimbursement of certain costs incurred by the Hong Kong Government on the implementation of certain piling design to cater for the proposed redevelopment of the re-provided ferry piers in Central into new commercial and residential premises, which proposed redevelopment was not pursued due to high premium requested by the Government Lands Department. It is the Group's intention based on legal advice to contest this claim. The directors are of the opinion that there are grounds for HYF and the Company to resist the claim. In addition, HYF and the Company have made a counterclaim against the Government for the sum of approximately HK$284 million, being costs relating to the redevelopment of the Central piers. Therefore, except for legal costs which have been incurred and charged to the profit and loss account, no provision for the claim or related legal cost to be incurred has been made in the accounts.

(b) Guarantees given to banks by the Company in respect of banking facilities extended to certain subsidiaries amounting to HK$600,000,000 (1999: HK$801,285,000).

27. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

In 1999, the Group entered into a development agreement ("the Agreement") with Henderson Land Development Company Limited ("HL") and two wholly-owned subsidiaries of HL ("HL Sub"), whereby HL Sub acquired the right to 50% of any proceeds from the future sale of the part of the redevelopment intended for domestic use of Kowloon Inland Lot No. 11127 ("the Property").

At 31 December 2000, the Group had received two instalments totalling HK$600 million (1999: HK$202.5 million). The remaining balance of HK$900 million will be received upon the fulfilment by the Group of the conditions set out in the Agreement.

As part of the Agreement, HL Sub agreed to reimburse the Group 50% of its development expenditures relating to the domestic portion of the Property. The amount recoverable from HL Sub in this regard amounted to HK$61 million for the year ended 31 December 2000 (1999: HK$18 million). As at 31 December 2000, an amount of HK$37 million (1999: HK$18 million) remained unpaid and was included in debtors and prepayments.

The Group also engaged another wholly-owned subsidiary of HL as the main contractor for a fee of 5% on all works relating to the redevelopment of the Property. No fee had been charged to the Group as at 31 December 2000. However, an amount of HK$15.7 million (1999: HK$Nil) was charged by the main contractor during the year for the superstructure work of the development. As at 31 December 2000, an amount of HK$11.2 million remained unpaid and was included in creditors and accrued charges.

27. MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

HL through its subsidiaries beneficially owns 64.28% of the entire issued share capital of Henderson Investment Limited, a substantial shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company.

Dr. Lee Shau Kee, a director of the Company, is interested in the above transactions as a substantial shareholder of HL.

The above transactions constituted connected transactions as defined in the Listing Rules and in respect of which the Group had complied with relevant requirements under Chapter 14 of the Listing Rules.

28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified as a result of the change in segment analysis by operating activities, details of which have been set out in note 3.

Hong Kong Ferry (Holdings) Co. Ltd.

SUMMARY OF ASSETS AND LIABILITIES OF THE GROUP

Year	1996	1997	1998	1999	2000
	HK$Million	*HK$Million*	*HK$Million*	*HK$Million*	***HK$Million***
Fixed assets	4,693	4,810	3,240	799	**605**
Properties under development	—	—	—	3,869	**3,610**
Central pier & other development costs	250	258	—	—	**—**
Investments	8	120	74	86	**54**
Current assets	1,546	1,409	1,563	231	**284**
Total assets	6,497	6,597	4,877	4,985	**4,553**
Liabilities	633	488	515	1,086	**821**
Net assets employed	5,864	6,109	4,362	3,899	**3,732**

TEN YEARS' FINANCIAL SUMMARY

Year		1991	1992	1993	1994	1995	1996	1997	1998	1999	**2000**
Turnover	$M	891	920	1,035	1,125	1,173	1,280	1,094	964	889	**777**
Profit/(loss) attributable to shareholders	$M	134	88	100	130	# 356	151	152	# (275)	121	**127**
Dividends	$M	62	75	81	122	132	132	132	100	100	**100**
Shareholders' funds	$M	*1,352	*1,593	*1,992	*5,333	*4,761	*5,864	*6,109	*4,362	*3,899	***3,732**
Basic earnings /(loss) per share @ (Adjusted)	Cent	55.3	36.5	41.2	47.2	# 99.9	42.3	42.7	# (77.2)	34.0	**35.5**
Dividend per share @ (Adjusted)	Cent	25.7	30.9	31.8	37.0	37.0	37.0	37.0	28.0	28.0	**28.0**
Dividend cover	Times	2.1	1.2	1.2	1.1	#2.7	1.1	1.2	N/A	1.2	**1.3**
Return/(loss) on equity	%	*9.9	*5.5	*5.0	*2.4	#*7.5	*2.6	*2.5	#*(6.3)	*3.1	***3.4**
Net assets per share @ (Adjusted)	$	*5.6	*6.6	*8.3	*15.0	*13.4	*16.5	*17.1	*12.2	*11.0	***10.5**

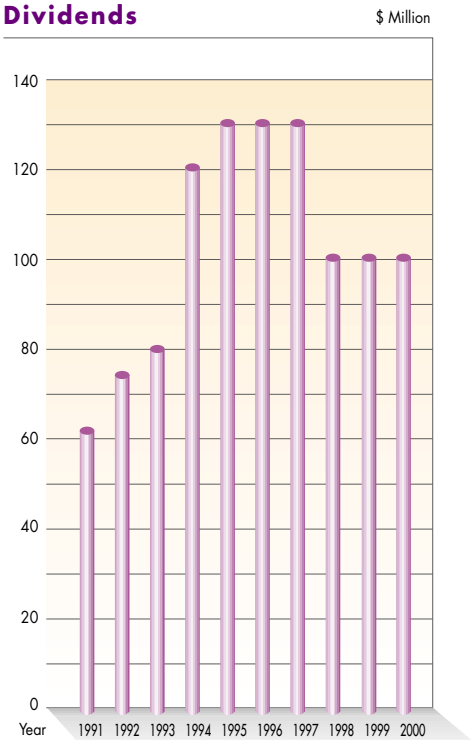
* These items have been affected by property revaluation.

\# These items have been affected by exceptional item.

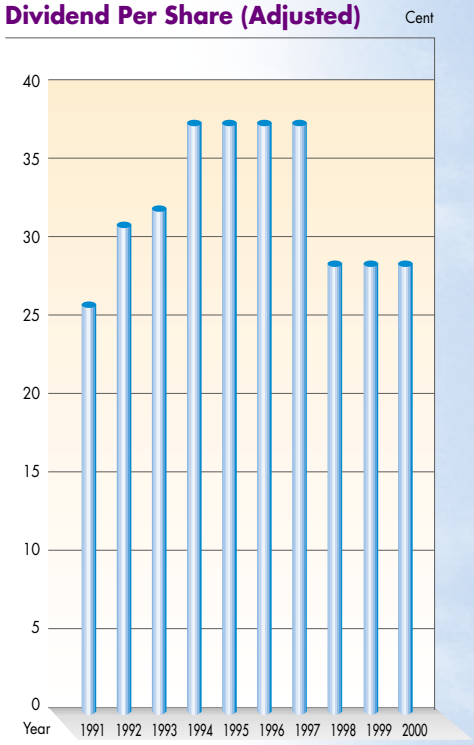
@ These items have been adjusted for the rights issue of shares in 1994.

Hong Kong Ferry (Holdings) Co. Ltd.

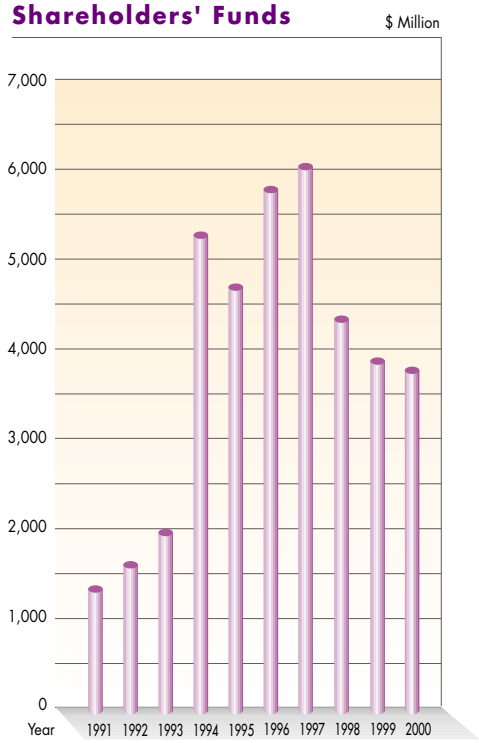
Dividends



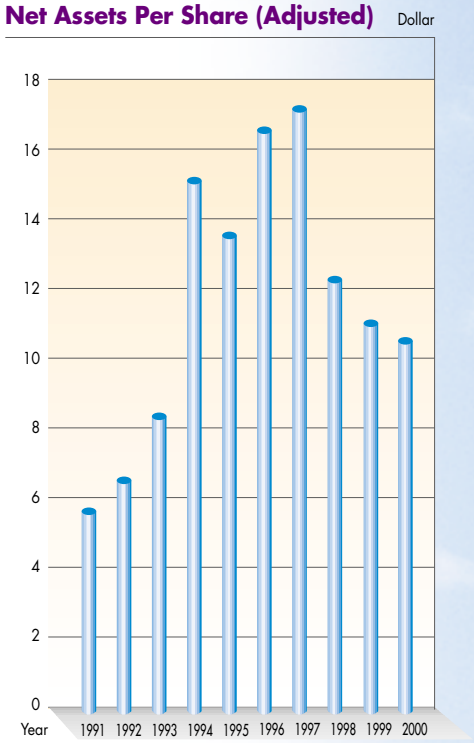
Dividend Per Share (Adjusted)



Shareholders' Funds



Net Assets Per Share (Adjusted)



GROUP PROPERTIES

Location	Lot No.	Lease expiry	Floor area (sq.m.)	Site area (sq.m.)	Equity	Description
Kowloon						
222 Tai Kok Tsui Road	KIL 6698	2033	—	3,250	100%	Vacant land
201 Tai Kok Tsui Road	KIL 11127	2047	— **	21,237	100%	Properties under development
6 Cho Yuen Street, Yau Tong	Yau Tong Inland Lot No.38 *	2047	22,949	2,329	100%	Industrial buildings
New Territories						
20 Tin Dai Yan Road, Chung Uk Tsuen, Hung Shui Kiu	Lot Nos.3039A, 3039RP & 3042 in DD124 Hung Shui Kiu*	2047	1,912	3,035	100%	Godown
98 Tam Kon Shan Road Ngau Kok Wan North Tsing Yi	Tsing Yi Town Lot No.102	2047	5,619	19,740	100%	Shipyard
Lantau Island						
Cheung Sha	DD332 Lot No.695 *	2047	1,320	—	100%	10 villa houses
Mui Wo	DD2 Lot No.648	2047	5,467	7,544	100%	Hotel
Mui Wo	DD2 Lot Nos.431-487, 569 and 635-637	2047	—	28,617	50%	Agricultural land

* The Cheung Sha, Yau Tong and Hung Shui Kiu properties are held for investment purposes.

** The development will provide a total gross floor area of approximately 191,135 sq. m.. It comprises two phases, Phase I and II, which are expected to be completed by early 2003 and early 2004 respectively. Pursuant to the Agreement as mentioned in note 27 on the accounts, 50% of the sales proceeds that may be derived from the domestic portion of the development was disposed of to a related party in 1999.

Hong Kong Ferry (Holdings) Co. Ltd.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of the Company will be held on board the vessel, Harbour Cruise - Bauhinia, at the new Wan Chai Pier, Wan Chai, Hong Kong on Friday, 4 May 2001 at 12:00 noon for the following purposes:-

(1) To receive and consider the audited accounts and reports of the Directors and Auditors for the year ended 31 December 2000.

(2) To declare a final dividend.

(3) To re-elect Directors.

(4) To re-appoint KPMG as Auditors and to authorize the Directors to fix their remuneration.

As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:-

(5) "**THAT**:-

(a) subject to paragraph (c) and pursuant to section 57B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares of HK$1 each in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue, or (ii) an issue of shares in the Company upon the exercise of the subscription rights under any securities which are convertible into shares of the Company, or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:-

"Relevant Period" means the period from the passing of the Resolution until whichever is the earliest of:-

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to be held; and

(iii) the date upon which the authority set out in this Resolution is revoked or varied by way of ordinary resolution in any general meeting of the Company; and

"Rights Issue" means an offer of shares in the capital of the Company open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

(6) "**THAT**:-

(a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase its own securities subject to the conditions set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby approved generally and unconditionally;

(b) the aggregate nominal amount of share capital which may be purchased by the Directors of the Company pursuant to the approval in paragraph (a) shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution:-

"Relevant Period" means the period from the passing of the Resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to be held; and

(iii) the date upon which the authority set out in this Resolution is revoked or varied by way of ordinary resolution in any general meeting of the Company."

(7) "**THAT** conditional upon the passing of Ordinary Resolutions numbered (5) and (6) as set out in the notice of this meeting of which this Resolution forms part, the aggregate nominal amount of the share capital of the Company which shall have been purchased by the Company after the date hereof pursuant to and in accordance with the said Ordinary Resolution numbered (6) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to the general mandate to allot, issue and deal with additional shares granted to the Directors of the Company by the said Ordinary Resolution numbered (5)."

By Order of the Board
Richard C.W. Law
Company Secretary

Hong Kong, 16 March 2001

Notes:-

1. The register of members will be closed from Wednesday, 18 April 2001 to Friday, 20 April 2001, both days inclusive during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars, Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later that 4:00 p.m. on Tuesday, 17 April 2001.

2. A member entitled to attend and vote at the meeting is entitled to appoint proxies to attend and, on a poll, vote for him. A proxy need not be a member of the Company. Proxy forms together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's Registrars, Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. With respect to items (5) and (6) above, the Directors wish to state that they have no immediate plans to issue any new shares of the Company or to repurchase any existing shares of the Company.

4. An explanatory statement containing further details regarding items (5) to (7) above will be sent to members together with the 2000 Annual Report.

大角咀道201號重建項目
Tai Kok Tsui Road Redevelopment

This is a major property development project of the Group with a total commercial/residential gross floor area of approximately 1.95 million sq. ft., being 1.71 million sq. ft. in residential and 240,000 sq. ft. in commercial use. The site is located at the intersection of Tai Kok Tsui Road and Fuk Lee Street in Tai Kok Tsui, Kowloon and within walking distance to the Prince Edward Station and Olympic Station of the MTR, as well as the terminal of the Western Railway.

The development consists of 10 blocks of residential buildings, divided into 3,520 residential units with an average size of about 490 sq. ft., plus a 2-storey commercial arcade and about 1,100 car parking spaces. Residents' facilities include outdoor swimming pool, indoor sport hall, gymnasium, sauna room, etc.

Phase I of the development comprises 5 residential blocks with gross floor area of around 800,000 sq. ft.. Superstructure construction work is in progress and completion of Phase I is expected by early 2003. Pre-sale of Phase I is scheduled in 2nd half of 2001. Foundation work of Phase II comprising the remaining 5 residential blocks and the commercial arcade is in progress and completion of Phase II is expected by early 2004. Pre-sale of the residential units of Phase II is scheduled in mid 2002.

此乃本集團之主要物業發展項目，總商業/住宅樓宇面積約為一百九十五萬平方呎，當中一百七十一萬平方呎作住宅用途及二十四萬平方呎作商業用途。 該址位於九龍大角咀大角咀道及福利街交界，鄰近地下鐵路太子站及奧運站，以及西鐵終點站。

該發展項目包括十幢住宅大廈，分為3,520個住宅單位，每單位平均為四百九十平方呎，以及兩層商場及約1,100個汽車泊位。 住宅設施包括室外游泳池、室內運動場、健身室及桑拿浴室等。

第一期發展項目包括五幢住宅大廈總樓宇面積約八十萬平方呎。 上蓋建築正在進行中，預計第一期將可於二零零三年初完成。 第一期住宅預計於二零零一年下半年預售。 第二期發展餘下之五幢住宅大廈及商場之地基工程正在進行中， 預計第二期將可於二零零四年初完成。 第二期之住宅則預算在二零零二年中預售。

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