

NOTES ON THE ACCOUNTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT 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. A summary of the significant 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 marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Basis of consolidation

(i) The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 December each year. All material intercompany transactions and balances are eliminated on consolidation.

(ii) Results of new subsidiaries are included from the respective dates of acquisition. Results of subsidiaries disposed of during the year are included up to the respective dates of the disposal.

(iii) Goodwill/capital reserve arising on consolidation, representing the excess /shortfall of the cost of investments in subsidiaries, associates and jointly controlled entities over the appropriate share of the fair value of the net tangible assets at date of acquisition, is taken to reserves in the year in which it arises. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill/capital reserve is included in calculating the profit or loss on disposal.

(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 provision 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 Company's profit and loss account.

NOTES ON THE ACCOUNTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Interest in associates

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

An investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated profit and loss account reflects the Group's share of the post acquisition results of the associates for the year.

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

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable, providing the dividend is in respect of a period ending on or before that of the Company and the Company's right to receive the dividend is established before the accounts of the Company are approved by the Directors. In the Company's balance sheet, investments in associates are stated at cost less any provision for diminution in value which is other than temporary as determined by the Directors.

(f) Jointly controlled entities

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

The Group's interests in jointly controlled entities are accounted for in the consolidated accounts under the equity method and are initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the jointly controlled entities and goodwill. The consolidated profit and loss account includes the Group's share of the post acquisition results of operations of the jointly controlled entities for the year.

(g) Fixed assets

All fixed assets are stated in the balance sheet at cost less accumulated depreciation.

NOTES ON THE ACCOUNTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Depreciation

The cost of leasehold land is depreciated over its remaining lease term on a straight line basis.

The cost of buildings is depreciated over the remaining term or the expected renewable period of the leases up to a maximum of 10 years on a straight line basis.

The charge for depreciation on the cost of other fixed assets is calculated on a straight line basis at the following rates per annum: -

Furniture, fixtures and equipment	10% to 33-1/3%
Motor vehicles	20%

(i) Investments in securities

(i) Non-trading securities are classified as non-current assets and are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment 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 investment revaluation reserve to the profit and loss account.

Transfers from the investment 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.

(ii) Trading securities are classified as current assets and are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

(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 investment revaluation reserve in respect of that security.

(j) 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.

NOTES ON THE ACCOUNTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Recognition of income

- (i) The principal source of income from motoring school operations is driving course fee income which is recognised in the profit and loss account upon the completion of the relevant training lessons.
- (ii) The principal source of income from tunnel operations is toll income which is recognised in the profit and loss account upon the passage of vehicles through tunnels.
- (iii) Interest income from bank deposits is accrued on a time apportioned basis based on the principal amounts outstanding and at the applicable interest rates.
- (iv) Dividends from listed investments are recognised when the share price of such investments goes ex-dividend.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined by the Directors, based on prevailing market conditions.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(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 denominated in foreign currencies are translated into Hong Kong dollars at the market rates of exchange ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

NOTES ON THE ACCOUNTS

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Deferred taxation

Provision is made for deferred taxation, using 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) Retirement scheme costs

Contributions to retirement schemes are assessed based on independent actuarial valuations and assessments of the funding requirements of retirement benefits over the service lives of schemes' members. The costs of providing these benefits are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. Where actuarial valuations indicate a shortfall of net assets over the aggregate vested liabilities of any scheme, the shortfall is provided for in full and paid in accordance with the recommendations of the actuaries.

(p) Related parties

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

(q) Borrowing costs

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

(r) Cash equivalents

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

NOTES ON THE ACCOUNTS (Expressed in Hong Kong dollars)

2. TURNOVER AND OPERATING PROFIT

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in Note 12 on the accounts. Given below is an analysis of the turnover and operating profit of the Group:

	Turnover		Operating profit	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Principal activities				
Motoring school operations	275,630	302,039	46,152	55,879
Investment and other activities	41,810	43,205	45,205	57,177
Tunnel operations (net of passage tax)	-	253,969	-	167,262
	<u>317,440</u>	<u>599,213</u>	<u>91,357</u>	<u>280,318</u>

Turnover and operating profits included discontinued tunnel operations following the expiry of the franchise on 31 August, 1999.

During the financial year, more than 90% of the trading operations of the Company and its subsidiaries in terms of both turnover and operating profit were carried on in Hong Kong.

3. OTHER REVENUE AND NET INCOME

	Group	
	2000 \$'000	1999 \$'000
Interest income from loan to an associate	8,468	7,689
Net gain on sale of fixed assets	488	8,929
Net realised gain on disposal of investments	49,398	42,012
Provision for impairment in value of investments	(48,248)	(13,655)
	<u>10,106</u>	<u>44,975</u>

The net realised gain on disposal of investments includes a surplus of \$43,693,000 (1999: deficit of \$8,106,000) which was previously recognised in investment revaluation reserve.

NOTES ON THE ACCOUNTS (Expressed in Hong Kong dollars)

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

	Group	
	2000	1999
	\$'000	\$'000
Profit from ordinary activities before taxation is arrived at after charging:-		
(a) Finance costs		
Interest on bank overdrafts	3	1
Interest on other loans	-	100
	3	101
(b) Other items		
Depreciation	18,493	23,460
Auditors' remuneration	744	635
Operating lease charges – land and buildings	20,751	21,966
Retirement scheme costs	4,202	3,482
Staff costs	129,866	173,649
Cost of inventories consumed	12,931	13,506
	12,468	12,394
and after crediting:-		
Dividend income from listed investments	12,468	12,394

The Group profit attributable to shareholders includes a profit of \$55,660,000 (1999: \$282,855,000) which has been dealt with in the accounts of the Company.

5. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Sections 161 and 161A of the Hong Kong Companies Ordinance is as follow:

	Group	
	2000	1999
	\$'000	\$'000
Directors' fees	300	300
Salaries and other benefits	75	75
Pension scheme contributions	-	-
Discretionary bonuses and/or performance-related bonuses	-	-
Compensation for loss of office	-	-
Inducement for joining the Group	-	-
	375	375

NOTES ON THE ACCOUNTS (Expressed in Hong Kong dollars)

5. DIRECTORS' REMUNERATION (CONTINUED)

For the year under review, total emoluments (including any reimbursement of expenses) of \$235,000 (1999: \$235,000), of which \$160,000 (1999: \$160,000) was in the form of Directors' fees and \$75,000 (1999: \$75,000) was in respect of other emoluments, were paid and/or payable to Independent Non-executive Directors of the Company.

The aggregate emoluments paid or payable by the Company and/or its subsidiaries for the year ended 31st December, 2000 in respect of each of the persons who was a Director of the Company at any time during the year amounted to less than \$1,000,000.

6. FIVE HIGHEST PAID EMPLOYEES

Set out below are analyses of the emoluments (excluding amounts, if any, paid or payable by way of commissions on sales generated by the employees concerned) for the year ended 31st December, 2000 of the five highest paid employees of the Group, none of whom is a Director of the Company.

(a) Aggregate emoluments

	Group	
	2000	1999
	\$'000	\$'000
Salaries and other benefits	3,779	4,217
Pension scheme contributions	149	334
Discretionary bonuses and/or performance-related bonuses	505	1,267
Compensation for loss of office	-	-
Inducement for joining the Group	-	-
	4,433	5,818

(b) Bandings

	Group	
	2000	1999
	Number	Number
Bands (in HK\$)		
Not more than \$1,000,000	4	2
\$1,000,001 - \$1,500,000	1	2
\$1,500,001 - \$2,000,000	-	-
\$2,000,001 - \$2,500,000	-	1
	5	5

NOTES ON THE ACCOUNTS (Expressed in Hong Kong dollars)

7. TAXATION

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

	Group	
	2000 \$'000	1999 \$'000
Company and its subsidiaries:		
Provision for Hong Kong profits tax at 16.0% (1999: 16.0%) of the estimated assessable profits for the year	6,328	37,392
Over provision in respect of prior years	(169)	(28)
Rebate of 10% of profits tax for year of assessment 1997/98	-	(6,016)
Deferred taxation (Note 8)	1,032	(1,800)
	7,191	29,548
Associates:		
(Over provision)/provision for Hong Kong profits tax	(44)	44
Jointly controlled entity:		
Over provision in respect of prior year	-	(203)
	7,147	29,389

(b) Taxation in the balance sheets represents: -

	Group		Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Provision for Hong Kong profits tax for the year	6,328	37,392	351	27,868
Provisional profits tax paid	(3,618)	(25,254)	(177)	(17,758)
	2,710	12,138	174	10,110

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

NOTES ON THE ACCOUNTS (Expressed in Hong Kong dollars)

8. DEFERRED TAXATION

The amount provided for deferred taxation represents principally capital allowances in excess of the related depreciation.

The movement on deferred taxation comprises: -

	Group		Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Balance at 1st January	1,268	3,068	-	-
Transferred from/(to) the profit and loss account	1,032	(1,800)	-	-
Balance at 31st December	2,300	1,268	-	-

There is no significant deferred tax liability for which provision has not been made.

9. DIVIDENDS

	Group and Company	
	2000 \$'000	1999 \$'000
Interim dividends of \$0.15 (1999:\$0.45) per share paid/payable	28,745	86,237
Proposed final dividend of \$0.05 (1999:\$0.10) per share	9,582	19,164
	38,327	105,401

10. EARNINGS PER SHARE

The calculation of earnings per share is based on earnings of \$59,619,000 (1999: \$179,069,000) and on ordinary shares of 191,638,401 in issue during the year (1999:191,638,401).

NOTES ON THE ACCOUNTS (Expressed in Hong Kong dollars)

11. FIXED ASSETS

	Group			
	Leasehold Land and Buildings \$'000	Furniture, Fixtures and Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Cost:				
At 1st January, 2000	104,211	34,036	81,227	219,474
Additions	50,007	3,940	2,483	56,430
Disposals	(24,870)	(6,882)	(3,817)	(35,569)
At 31st December, 2000	129,348	31,094	79,893	240,335
Accumulated depreciation:				
At 1st January, 2000	53,948	31,196	62,491	147,635
Charge for the year	11,325	1,737	5,431	18,493
Written back on disposals	(24,859)	(6,839)	(3,705)	(35,403)
At 31st December, 2000	40,414	26,094	64,217	130,725
Net book value:				
At 31st December, 2000	88,934	5,000	15,676	109,610
At 31st December, 1999	50,263	2,840	18,736	71,839

Included within "Leasehold Land and Buildings" above is leasehold land of the Group, with a net book value of \$43,546,000 (1999: \$49,731,000), held in Hong Kong under a long lease.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2000 \$'000	1999 \$'000
Unlisted shares at cost	539,753	540,455
Amounts due by subsidiaries	4	24
	539,757	540,479
Amounts due to subsidiaries	(114,677)	(72,786)
Loans from subsidiaries	(14,700)	(11,200)
	410,380	456,493

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

NOTES ON THE ACCOUNTS (Expressed in Hong Kong dollars)

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of principal subsidiaries are as follows: -

Name of Company	Country/ place of incorporation and operation	Issued and fully paid up share capital (all being ordinary shares except where otherwise stated)	Percentage of equity attributable to the Group		Principal activities
			Directly	Indirectly	
Beckworth International Limited	British Virgin Islands/ International	500 shares of US\$1 each	-	100%	Investment
Centre Court Profits Limited	British Virgin Islands/ International	500 shares of US\$1 each	-	100%	Investment
Clear Path Limited	British Virgin Islands/ International	500 shares of US\$1 each	-	100%	Investment
Cumberworth Investments Limited	British Virgin Islands/ International	500 shares of US\$1 each	-	70%	Investment
HKSM Yuen Long Driving School Limited	Hong Kong	2 shares of HK\$10 each	-	70%	Operation of a driver training centre
Hong Kong Driving School Management Limited	Hong Kong	2 shares of HK\$10 each	-	70%	Provision of services for the manage- ment of the HKSM group

NOTES ON THE ACCOUNTS (Expressed in Hong Kong dollars)

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of principal subsidiaries are as follows: -

Name of Company	Country/ place of incorporation and operation	Issued and fully paid up share capital (all being ordinary shares except where otherwise stated)	Percentage of equity attributable to the Group		Principal activities
			Directly	Indirectly	
Hong Kong Tunnel Management Limited	Hong Kong	2 shares of HK\$10 each	100%	-	Finance company
Kempsford International Limited	British Virgin Islands/ International	500 shares of US\$1 each	-	100%	Investment
The Autopass Company Limited	Hong Kong	70,000 'A' shares of HK\$10 each	100%	-	Holding company
		30,000 'B' shares of HK\$10 each	-	-	
The Hong Kong School of Motoring Limited ("HKSM")	Hong Kong	2,000,000 shares of HK\$1 each	70%	-	Operation of driver training centres

NOTES ON THE ACCOUNTS (Expressed in Hong Kong dollars)

13. INTEREST IN ASSOCIATES

	Group		Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Unlisted shares at cost	-	-	169,267	170,024
Share of net liabilities other than goodwill	(136,273)	(124,505)	-	-
Amounts due to associates	(370)	(1,238)	(370)	(1,238)
Loan to and interest receivable from an associate	868,075	830,007	868,075	830,007
	<u>731,432</u>	<u>704,264</u>	<u>1,036,972</u>	<u>998,793</u>

The loan to including interest receivable thereon, and amounts due to associates are non-current as these are not repayable within the next twelve months.

(a) Details of the Group's principal associate at 31st December, 2000 are as follows:-

Name	Place of incorporation	Percentage of issued ordinary shares held directly by the Company	Principal activity	Financial year end
Western Harbour Tunnel Company Limited ("WHTCL")	Hong Kong	37%	Operation of the Western Harbour Crossing	31st July

(b) The Group's interest in WHTCL is accounted for under the equity method based on the accounts of WHTCL as at 31st December, 2000.

(c) WHTCL was granted a thirty year franchise to construct and operate the Western Harbour Crossing in accordance with the Western Harbour Crossing Ordinance enacted on 22nd July, 1993.

NOTES ON THE ACCOUNTS (Expressed in Hong Kong dollars)

13. INTEREST IN ASSOCIATES (CONTINUED)

(d) The loan to an associate (“the Loan”) bears interest at a rate of 1% per annum as determined by the shareholders of that associate. Interest earned by the Group from WHTCL for the year ended 31st December, 2000 totalled \$8.5 million (1999:\$7.7million). The Loan is repayable on demand as may from time to time be agreed among WHTCL’s shareholders, subject to a syndicated loan (which will be due for full and final repayment on 31st December, 2007) having been fully repaid by WHTCL before any repayment of the Loan.

(e) The following supplementary financial information is disclosed relating to the principal associate, WHTCL:

	2000 \$’000	1999 \$’000
(i) Turnover	585,571	504,479
Finance costs	410,152	450,615
Depreciation charge	119,196	111,542
Loss before taxation	31,789	134,971
(ii) Fixed assets	6,418,005	6,536,194
Bank loans	4,346,000	4,571,000
Loan from shareholders	2,110,000	2,030,000

14. INTEREST IN JOINTLY CONTROLLED ENTITY

	Group		Company	
	2000 \$’000	1999 \$’000	2000 \$’000	1999 \$’000
Share of net assets/(liabilities) other than goodwill	3,697	(2,751)	-	-
Amount due from/(to) jointly controlled entity	2,927	(444)	-	-
Loan from jointly controlled entity	(5,085)	(2,500)	-	-
	1,539	(5,695)	-	-

NOTES ON THE ACCOUNTS (Expressed in Hong Kong dollars)

14. INTEREST IN JOINTLY CONTROLLED ENTITY (CONTINUED)

(a) Details of the Group's significant interests in a jointly controlled entity are as follows: -

Name	Form of business structure	Place of incorporation and operation	Percentage of equity share attributable to the Group	Average percentage of profit attributable to the Group	Principal activity	Financial year end
Autotoll Limited	Corporation	Hong Kong	35%	39.9%	Operation of an electronic toll collection system	30th Sept.

(b) The Autopass Company Limited and Electronic Toll Systems Limited formed the above equal equity joint venture to operate an electronic toll collection system in Hong Kong on 1st October, 1998.

(c) The loan from a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.

(d) The following supplementary financial information is disclosed relating to the interest in a jointly controlled entity, Autotoll Limited:

	2000 \$'000	1999 \$'000
Turnover	64,910	56,514
Depreciation and amortisation charges	7,050	5,350
Profit/(loss) before taxation	11,897	(7,361)

15. INVESTMENTS

	Group	
	2000 \$'000	1999 \$'000
Shares listed in Hong Kong	326,998	395,781
Shares listed outside Hong Kong	36,537	42,636
	<u>363,535</u>	<u>438,417</u>
Market value of listed shares	<u>363,535</u>	<u>438,417</u>

NOTES ON THE ACCOUNTS (Expressed in Hong Kong dollars)

16. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors with an aging analysis as at the year end as follows:

	Group		Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Amounts receivable within:				
0-30 days	713	224	-	-
31-60 days	206	130	-	-
61-90 days	58	2	-	-
Over 90 days	769	2,264	-	-
	<u>1,746</u>	<u>2,620</u>	<u>-</u>	<u>-</u>

Debts are normally due within one month from the date of billing while further credit may be granted to individual customers when appropriate.

17. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors with an aging analysis as at the year end as follows:

	Group		Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Amounts payable within:				
0-30 days	6,387	4,676	40	58
31-60 days	954	3	67	1
61-90 days	-	-	-	-
Over 90 days	-	8	-	8
	<u>7,341</u>	<u>4,687</u>	<u>107</u>	<u>67</u>

18. SHARE CAPITAL

	2000 \$'000	1999 \$'000
Authorised:		
236,000,000 shares of \$1 each	<u>236,000</u>	<u>236,000</u>
Issued and fully paid:		
191,638,401 shares of \$1 each	<u>191,638</u>	<u>191,638</u>

NOTES ON THE ACCOUNTS (Expressed in Hong Kong dollars)

19. RESERVES

	Group		Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Non-distributable reserves (see note (a) below)	751,584	781,259	747,029	747,029
Distributable reserves (see note (b) below)	334,590	313,298	664,563	647,230
	<u>1,086,174</u>	<u>1,094,557</u>	<u>1,411,592</u>	<u>1,394,259</u>

(a) Non-distributable reserves:-

	Group		Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
(i) Share premium				
Balance at 1st January and 31st December	747,029	747,029	747,029	747,029
(ii) Capital reserve				
Balance at 1st January and 31st December	1,984	1,984	-	-
(iii) Investment revaluation reserve				
Balance at 1st January	32,246	(95,634)	-	-
Revaluation (deficits)/surpluses	(34,230)	106,119	-	-
Realised on disposal of investments	(43,693)	8,106	-	-
Transfer to the profit and loss account on impairment	48,248	13,655	-	-
Balance at 31st December	<u>2,571</u>	<u>32,246</u>	<u>-</u>	<u>-</u>
Total of non-distributable reserves at 31st December	<u>751,584</u>	<u>781,259</u>	<u>747,029</u>	<u>747,029</u>

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance. The capital reserve and investment revaluation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for goodwill arising on subsidiaries, associates and jointly controlled entities and the revaluation of investments in securities (Note 1).

NOTES ON THE ACCOUNTS (Expressed in Hong Kong dollars)

19. RESERVES (CONTINUED)

- (b) Distributable reserves: -
Revenue reserve

	Group		Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Balance at 1st January	313,298	239,630	647,230	469,776
Transfer from the profit and loss account	21,292	73,668	17,333	177,454
Balance at 31st December	334,590	313,298	664,563	647,230

At 31st December, 2000, the aggregate amount of reserves available for distribution to shareholders of the Company was \$664,563,000 (1999: \$647,230,000).

20. CAPITAL COMMITMENTS

Capital commitments outstanding at 31st December, 2000 not provided for in the accounts were as follows: -

	Group		Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Contracted for	15,239	40,334	-	-
Authorised but not contracted for	-	1,299	-	-

21. OPERATING LEASE COMMITMENTS

At 31st December, 2000 the Group had commitments under operating leases in respect of land and buildings to make payments in the next year as follows:-

	2000	1999
	\$'000	\$'000
Leases expiring:		
Within 1 year	3,534	4,499
After 1 year but within 5 years	9,355	15,470
	12,889	19,969

22. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group was involved in the following material related party transactions, none of which is regarded as a "connected transaction" as defined under the Listing Rules.

- (a) The Group received dividends from listed investments in related parties totalling \$6.8 million (1999:\$6.5 million).

NOTES ON THE ACCOUNTS

(Expressed in Hong Kong dollars)

22. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) The Group received consultancy fees from a jointly controlled entity of \$14.5 million (1999:\$9.4 million).
- (c) The Group extended a loan to and received interest from an associate, details of which are set out in Note 13.

23. CONTINGENT LIABILITIES

At 31st December, 2000, the Group had the following contingent liabilities:-

- (a) In respect of Western Harbour Tunnel Company Limited (“WHTCL”)
A joint and several guarantee given by the Company and the other shareholders of WHTCL, namely, High Fortune Group Limited, as well as by the ultimate shareholders of High Fortune Group Limited, namely, China Merchants Holdings (International) Company Limited and Adwood Company Limited, as well as by the ultimate shareholders of Adwood Company Limited, namely, CITIC Pacific Limited and Kerry Properties Limited (collectively “the guarantors”) to the Hong Kong Government to advance to WHTCL by way of share capital injection and/or subordinated debt an amount equal to any excess of the total costs over the budgeted cost of \$7,534 million, incurred by WHTCL in connection with the construction, financing, administration and maintenance of the Western Harbour Crossing (“the Crossing”) up to the date the Crossing opened for used by the public (“the operating date”) and with the replacement or repair of any of the works after the operating date but prior to the issuance of the maintenance certificate in relation to the Crossing. The maintenance certificate had not been issued at 31st December, 2000.
- (b) In respect of Hong Kong Tunnels and Highways Management Company Limited (“HKTHMCL”)
The Group has given a guarantee to the extent of \$11.1million (1999: \$11.1million) to a bank in return for it providing a guarantee in favour of the Hong Kong Government on behalf of HKTHMCL to secure the performance of an agreement in relation to the operation and management of the Cross-Harbour Tunnel and the operation and maintenance of the tunnel equipment by HKTHMCL.
- (c) In respect of The Hong Kong School of Motoring Limited (“HKSM”)
There is arrangement between HKSM and its banker where the bank provides guarantees in favour of third parties. Under this arrangement, HKSM has a charge over a time deposit with that bank amounting to not less than \$2.4million (1999: \$10.4million).