

22. SHARE PREMIUM

	Company	
	2000 HK\$'000	1999 HK\$'000
At 1 January	3,047,158	3,045,353
Arising from scrip dividend	156,591	2,797
Flotation expenses	-	(992)
At 31 December	3,203,749	3,047,158

23. OTHER RESERVES

	Group								
	Investment properties revaluation reserve HK\$'000	Hotel properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Properties under development revaluation reserve HK\$'000	Completed properties revaluation reserve HK\$'000	Share of post acquisition revaluation reserve of associated companies HK\$'000	Non-trading securities revaluation reserve HK\$'000	Others (note (a)) HK\$'000	Total HK\$'000
At 1 January 1999	4,258,697	-	402,296	194,684	-	478,578	857,856	8,019,468	14,211,579
Arising from purchase of an associated company	-	-	-	-	-	-	-	128,753	128,753
On revaluation of properties (note (b))	966,590	72,456	(51,802)	-	-	496,676	-	-	1,483,920
Arising from valuation of non-trading securities (note (c))	-	-	-	-	-	-	52,213	-	52,213
Reclassifications	149,065	-	113,654	(109,920)	109,920	-	-	(262,719)	-
Transfer to profit and loss account on disposal of properties	(503,868)	-	-	(84,764)	(51,228)	(1,942)	-	-	(641,802)
Transfer (to)/from retained profits (note (d))	-	-	(5,523)	-	-	(1,302)	-	2,147	(4,678)
Exchange differences arising from investments in the PRC and overseas subsidiaries/ associated companies	580	-	-	-	-	-	-	(7,111)	(6,531)
At 31 December 1999	4,871,064	72,456	458,625	-	58,692	972,010	910,069	7,880,538	15,223,454
Company and subsidiaries	4,871,064	72,456	458,625	-	58,692	-	910,069	7,876,877	14,247,783
Associated companies	-	-	-	-	-	972,010	-	3,661	975,671
At 31 December 1999	4,871,064	72,456	458,625	-	58,692	972,010	910,069	7,880,538	15,223,454

23. OTHER RESERVES (CONTINUED)

	Group								
	Investment properties revaluation reserve HK\$'000	Hotel properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Properties under development revaluation reserve HK\$'000	Completed properties revaluation reserve HK\$'000	Share of post acquisition revaluation reserve of associated companies HK\$'000	Non-trading securities revaluation reserve HK\$'000	Others (note (a)) HK\$'000	Total HK\$'000
At 1 January 2000	4,871,064	72,456	458,625	-	58,692	972,010	910,069	7,880,538	15,223,454
Arising from purchase of additional interest in an associated company	-	-	-	-	-	-	-	62,854	62,854
Arising from purchase of subsidiaries	-	-	-	-	-	-	-	(3,590)	(3,590)
On revaluation of properties (note (b))	(437,787)	-	(50,129)	-	-	(562,132)	-	-	(1,050,048)
Arising from valuation of non-trading securities (note (c))	-	-	-	-	-	-	57,745	-	57,745
Reclassifications	(208,719)	-	104,012	95,619	-	-	-	9,088	-
Transfer to profit and loss account on disposal of properties excluding warehouses	(402,968)	-	-	-	(45,275)	(51,385)	-	-	(499,628)
Transfer (to)/from retained profits (note (d))	-	-	(3,469)	-	-	(28,020)	-	2,864	(28,625)
Exchange differences arising from investments in the PRC and overseas subsidiaries/ associated companies	52,699	-	(1,864)	-	-	-	-	(202,157)	(151,322)
At 31 December 2000	3,874,289	72,456	507,175	95,619	13,417	330,473	967,814	7,749,597	13,610,840
Company and subsidiaries	3,874,289	72,456	507,175	95,619	13,417	-	967,814	7,743,227	13,273,997
Associated companies	-	-	-	-	-	330,473	-	6,370	336,843
At 31 December 2000	3,874,289	72,456	507,175	95,619	13,417	330,473	967,814	7,749,597	13,610,840

23. OTHER RESERVES (CONTINUED)

(a) Others

	Group				Total HK\$'000
	Capital reserve (note (e)) HK\$'000	Exchange fluctuation reserve HK\$'000	Enterprise expansion and general reserve funds (note (f)) HK\$'000	Capital redemption reserve (note (h)) HK\$'000	
At 1 January 1999	8,041,197	(35,956)	6,585	7,642	8,019,468
Arising from purchase of an associated company	128,753	-	-	-	128,753
Reclassifications	(262,719)	-	-	-	(262,719)
Transfer from retained profits	-	-	2,147	-	2,147
Exchange differences arising from investments in the PRC and overseas subsidiaries/ associated companies	-	(7,123)	12	-	(7,111)
At 31 December 1999	7,907,231	(43,079)	8,744	7,642	7,880,538
Company and subsidiaries	7,907,231	(43,358)	5,362	7,642	7,876,877
Associated companies	-	279	3,382	-	3,661
At 31 December 1999	7,907,231	(43,079)	8,744	7,642	7,880,538
At 1 January 2000	7,907,231	(43,079)	8,744	7,642	7,880,538
Arising from purchase of additional interest in an associated company	62,854	-	-	-	62,854
Arising from purchase of subsidiaries	(3,590)	-	-	-	(3,590)
Reclassifications	9,088	-	-	-	9,088
Transfer from retained profits	-	-	2,864	-	2,864
Exchange differences arising from investments in the PRC and overseas subsidiaries/ associated companies	-	(202,157)	-	-	(202,157)
At 31 December 2000	7,975,583	(245,236)	11,608	7,642	7,749,597
Company and subsidiaries	7,975,583	(245,360)	5,362	7,642	7,743,227
Associated companies	-	124	6,246	-	6,370
At 31 December 2000	7,975,583	(245,236)	11,608	7,642	7,749,597

23. OTHER RESERVES (CONTINUED)

- (b) These represent surplus/(deficit) arising from revaluation of properties at the balance sheet date. The accounting policies in respect of revaluation of properties are set out in notes 1(h)(i) to (iii) to the accounts.
- (c) This represents the surplus arising from valuation of the Group's non-trading securities at the balance sheet date (note 14).
- (d) Transfers from other properties revaluation reserve and share of post acquisition revaluation reserve of associated companies to retained profits represent additional annual depreciation charges arising from revaluation of land and buildings.
- (e) Capital reserve of the Group arose from the Group's reorganisation in preparation for its listing on the Stock Exchange of Hong Kong in August 1996, adjusted by the excess or deficit of the fair values of the net assets of subsidiaries and associated companies subsequently acquired over the cost of investment at the date of acquisition.
- (f) Enterprise expansion and general reserve funds represent funds set up by a subsidiary and an associated company established and operating in the PRC. According to the PRC Foreign Enterprise Accounting Standards, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.
- (g) Other reserves

	Company		Total HK\$'000
	Contributed surplus (note (i)) HK\$'000	Capital redemption reserve (note (h)) HK\$'000	
At 1 January 1999 and 31 December 1999	17,793,308	7,642	17,800,950
At 1 January 2000 and 31 December 2000	17,793,308	7,642	17,800,950

- (i) The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired. Under the 1981 Companies Act of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.
- (ii) As at 31 December 2000, the reserves of the Company available for distribution amounted to approximately HK\$18,004,997,000 (1999: HK\$17,976,003,000).
- (h) The capital redemption reserve arose from the purchase of the Company's shares for cancellation during 1998 and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.

24. RETAINED PROFITS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
At 1 January	5,323,734	4,533,717	182,695	93,520
Transfer from other reserves	28,625	4,678	-	-
Profit for the year retained	277,453	785,339	28,994	89,175
At 31 December	5,629,812	5,323,734	211,689	182,695
Company and subsidiaries	5,227,019	4,973,580	211,689	182,695
Associated companies	402,793	350,154	-	-
At 31 December	5,629,812	5,323,734	211,689	182,695

25. MINORITY INTERESTS AND LOANS

	Group	
	2000 HK\$'000	1999 HK\$'000
Share of equity	736,853	737,094
Loans from minority shareholders	2,266,201	2,217,387
	3,003,054	2,954,481

The loans from minority shareholders represent proportionate funding from the minority shareholders of joint venture projects, including an amount of approximately HK\$678,527,000 (1999: HK\$676,178,000) received from a subsidiary of Shangri-La Asia Limited, a related company whose shares are listed on the Stock Exchange of Hong Kong. These loans are unsecured, subordinated to the bank loans of the relevant subsidiaries, have no fixed terms of repayment and interest-free except for an amount of HK\$67,940,000 which bears interest at prevailing market rates.

26. LONG-TERM LIABILITIES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans – unsecured	7,045,763	6,279,950	6,918,915	6,110,951
Bank loans – secured (note 32)	1,883,733	1,993,263	-	-
Total bank loans (note (a))	8,929,496	8,273,213	6,918,915	6,110,951
Current portion of long-term liabilities (note (b))	(4,397,879)	(528,772)	(3,999,915)	(256,958)
	4,531,617	7,744,441	2,919,000	5,853,993
Convertible bonds (note (c))	1,831,677	1,738,303	-	-
	6,363,294	9,482,744	2,919,000	5,853,993

26. LONG-TERM LIABILITIES (CONTINUED)

- (a) At 31 December 2000, the Group's bank loans, of which HK\$3,962,867,000 (1999: HK\$3,990,013,000) are payable by instalments, were repayable as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Within one year	4,397,879	528,772	3,999,915	256,958
After one year				
In the second year	764,842	5,486,905	109,000	4,870,849
In the third to fifth year, inclusive	3,766,775	2,257,536	2,810,000	983,144
	4,531,617	7,744,441	2,919,000	5,853,993
	8,929,496	8,273,213	6,918,915	6,110,951

- (b) As at 31 December 2000, the Group had total available cash resources of approximately HK\$5.0 billion (1999: HK\$3.8 billion) comprising cash and bank balances and pledged bank deposits of approximately HK\$1.3 billion (1999: HK\$1.0 billion) and undrawn banking facilities of approximately HK\$3.7 billion (1999: HK\$2.8 billion).

- (c) Convertible bonds

	Group	
	2000 HK\$'000	1999 HK\$'000
Nominal value		
At 1 January	1,542,785	1,537,605
Exchange adjustment	5,220	5,180
At 31 December	1,548,005	1,542,785
Provision for premium on redemption		
At 1 January	215,980	137,452
Additions	79,060	78,528
At 31 December	295,040	215,980
Issue costs		
At 1 January	(20,462)	(29,556)
Amortised during the year	9,094	9,094
At 31 December	(11,368)	(20,462)
Carrying value as at 31 December	1,831,677	1,738,303

- (i) On 25 March 1997, Kerry Properties Capital Limited ("KPCL"), a wholly-owned subsidiary of the Company, issued US\$250,000,000 guaranteed redeemable convertible bonds (the "Bonds") at a price of 100% of their principal amount. The Bonds, which are guaranteed by the Company (note 31(b)(i)) and listed on the Luxembourg Stock Exchange, bear interest at 2% per annum payable semi-annually in arrears on 15 June and 15 December of each year.

26. LONG-TERM LIABILITIES (CONTINUED)

(c) Convertible bonds (Continued)

(ii) The Bonds are convertible at the option of the bondholders between 5 May 1997 and 1 June 2007, both days inclusive, unless previously redeemed, at an initial conversion price of HK\$21.50 per share at a fixed rate of exchange on conversion of HK\$7.7474 = US\$1. The conversion price is subject to adjustment in certain events as stipulated in the trust deed dated 25 March 1997 as amended by a supplemental trust deed dated 15 May 1999 (the "Trust Deed"). During the year, there had been no conversion of Bonds into shares of the Company by the bondholders.

(iii) Unless previously purchased and cancelled, redeemed or converted, the Bonds will be redeemed on 15 June 2007 at their principal amount. The bondholders have an option to require KPCL to redeem the Bonds (the "Bondholders' Option"), in whole, on 25 March 2002 at a redemption price of 129.712% of their principal amount. KPCL has an option to redeem the Bonds ("KPCL's Option"), in whole or in part, at any time after 25 March 1999 at the redemption prices set out below, except that the Bonds may not be so redeemed unless the closing price of the Company's shares on the Stock Exchange of Hong Kong is at least 130% of the conversion price for at least 20 dealing days in a period of 30 consecutive dealing days. During the year, there had been no redemption of Bonds by KPCL.

Period of redemption	Redemption prices
26 March 1999 – 25 March 2002	Principal plus premium to generate a yield of 7.06% per annum
26 March 2002 – 15 June 2007	100%

In addition, KPCL may redeem at any time in whole, but not in part, in the event of certain changes relating to taxation in the British Virgin Islands, Bermuda or Hong Kong as stipulated in the Trust Deed.

A provision of HK\$295,040,000 (1999: HK\$215,980,000) has been made for the estimated premium payable under the Bondholders' Option. In the opinion of the directors, it is unlikely that the Bonds will be redeemed under KPCL's Option.

27. DEFERRED TAXATION

	2000 HK\$'000	Group 1999 HK\$'000
At 1 January	(4,432)	(1,500)
Transfer from/(to) profit and loss account (note 5)		
– Hong Kong	5,106	(2,514)
– PRC	4,246	(418)
	<u>9,352</u>	<u>(2,932)</u>
At 31 December	<u>4,920</u>	<u>(4,432)</u>
Deferred taxation liability/(asset) provided for in respect of other timing differences (note (c))	<u>4,920</u>	<u>(4,432)</u>
The potential deferred taxation not provided for in the accounts amounts to:		
Accelerated depreciation allowances	36,616	77,534
Estimated tax losses	(122,875)	(148,535)
	<u>(86,259)</u>	<u>(71,001)</u>

27. DEFERRED TAXATION (CONTINUED)

- (a) No provision has been made in respect of that portion of the potential liability which is not expected to crystallise in the foreseeable future. No recognition of the potential deferred taxation asset relating to estimated tax losses has been made as the recoverability of this potential deferred taxation asset is uncertain.
- (b) The changes arising on revaluation of properties of subsidiaries and associated companies do not constitute a timing difference and accordingly there are no deferred tax implications.
- (c) Other timing differences represent the tax effect of timing differences arising from the use of different bases of recognition of revenue and expenses in respect of pre-sale of properties in Hong Kong and the PRC for financial reporting purposes and on the profits of a property investment vehicle attributable to the Group. The deferred taxation asset of HK\$4,432,000 at 31 December 1999 in respect of other timing differences had been included within accounts receivable, prepayments and deposits on the consolidated balance sheet.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2000 HK\$'000	Group 1999 HK\$'000
Profit before taxation	931,856	1,317,583
Amortisation of investment in a fixed return co-operative joint venture	62,160	62,160
Depreciation	41,773	39,178
Income from investment in a fixed return co-operative joint venture	(118,998)	(118,518)
Dividend income from listed and unlisted investments	(101,188)	(26,557)
Finance costs	407,059	208,850
Interest income	(78,155)	(64,424)
Gain on sale of fixed assets	(411,015)	(462,380)
Gain on sale of listed equity shares	(17,370)	(2,496)
Unrealised gain on valuation of listed equity shares	(515)	-
Provision in respect of properties held for sale	400,000	-
Share of profits less losses of associated companies	(140,917)	(271,059)
(Increase)/decrease in current assets, excluding tax reserve certificates, trading securities, pledged bank deposits and cash and bank balances	(399,648)	575,283
(Decrease)/increase in accounts payable, deposits received and accrued charges	(152,247)	115,848
Net cash inflow from operating activities	422,795	1,373,468

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Analysis of changes in financing during the year

	Share capital (including share premium)		Long-term borrowings (including current portion)		Minority interests and loans	
	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	4,165,397	4,163,269	10,011,516	10,413,957	2,954,481	2,826,568
Non-cash movement:						
Issue of scrip dividend	172,769	3,120	-	-	-	-
Share of profit	-	-	-	-	82,123	18,515
Share of revaluation reserves	-	-	-	-	(47,901)	(14,643)
Increase in interest in a subsidiary	-	-	-	-	(4,025)	-
Exchange adjustment	-	-	12,915	13,339	(3,711)	3,183
Provision of premium and amortisation of issue cost of convertible bonds	-	-	88,154	87,622	-	-
	172,769	3,120	101,069	100,961	26,486	7,055
Flotation expenses	-	(992)	-	-	-	-
Repayment of bank loans	-	-	(2,895,079)	(1,899,270)	-	-
Bank loans raised	-	-	3,543,667	1,395,868	-	-
Additional loans from minority shareholders	-	-	-	-	48,814	122,655
Dividends paid to minority shareholders in subsidiaries	-	-	-	-	(26,727)	(1,797)
At 31 December	4,338,166	4,165,397	10,761,173	10,011,516	3,003,054	2,954,481

(c) Acquisition of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net asset acquired:		
Fixed assets	126	-
Accounts and other receivables	6,786	-
Tax recoverable	70	-
Cash and bank balances	2,470	-
Accounts and other payables	(3,426)	-
Bank overdrafts	(1,439)	-
	4,587	-
Goodwill	3,590	-
	8,177	-
Satisfied by:		
Cash	8,177	-

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(d) Analysis of the net cash outflow in respect of the purchase of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Cash consideration	8,177	–
Cash and bank balances acquired	(2,470)	–
Bank overdrafts acquired	1,439	–
	<u>7,146</u>	<u>–</u>
Net cash outflow in respect of the purchase of subsidiaries	<u>7,146</u>	<u>–</u>

29. RELATED PARTY TRANSACTIONS

Significant related party transactions, in addition to those connected transactions (where applicable) disclosed in the Report of the Directors, which were carried out in the normal course of the Group's business during the year, are as follows:

	2000 HK\$'000	Group 1999 HK\$'000
Rental and storage income (note (a))	(3,040)	(1,467)
Project management and consultancy fees income (note (b))	(2,004)	(184)
Administration and management service fees expense (note (c))	446	935
Rent and related service charges (note (c))	1,527	2,881
Marketing, consultancy and administrative management fees expense (note (d))	7,459	5,834
Insurance premiums expense (note (e))	6,848	10,723

- (a) This represents rental and storage income arising from the leasing of commercial, residential, car parks and warehouse storage space to various subsidiaries and associated companies of Kerry Group Limited, the ultimate holding company of the Company, and other related parties at market rates.
- (b) The Group provided project management, project consultancy, leasing, renovation, refurbishment and maintenance services to various members of Kerry Group Limited and other related parties. The fees are determined on a cost reimbursement basis and also with reference to relevant industry practice.
- (c) Kerry Trading Co. Limited ("Kerry Trading"), a fellow subsidiary of the Company, provided administration and management services to certain members of the Group. In consideration for these services, members of the Group paid Kerry Trading a fee, which has been determined on a cost reimbursement basis. In addition, the Company reimbursed rent and related service charges to Kerry Trading for the use of office space, which has been determined on a cost reimbursement basis. Such fees are subject to review on an annual basis.
- (d) This represents payment of services fee to Shangri-La International Hotel Management Limited, a subsidiary of Shangri-La Asia Limited, a related company of the Group, which provided marketing, consultancy and administrative management services to a member of the Group. The service fees payable during the year were charged at either a fixed amount or a certain percentage of the gross operating revenue of the relevant company in accordance with the agreement for the provision of the above services.
- (e) This represents payment of insurance premiums at market rates to Jerneh Insurance (HK) Limited and Taishan Insurance Brokers Limited, related companies of the Group.

30. COMMITMENTS

- (a) At 31 December 2000, the Group had capital commitments in respect of committed investments and construction in progress not provided for in these accounts as follows:

	2000 HK\$'000	Group 1999 HK\$'000
Contracted but not provided for	994,250	978,701

- (b) At 31 December 2000, the Group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

	2000 HK\$'000	Group 1999 HK\$'000
Leases expiring:		
Within one year	-	-
In the second to fifth year, inclusive	10,389	14,618
	10,389	14,618

- (c) The Group has entered into a joint development agreement for the redevelopment of a site at Tuen Mun. Pursuant to the agreement, the Group is committed to pay HK\$48,000,000 as fitting out and relocation payment. The Group is further committed to make additional payments, totalling between HK\$100,000,000 and HK\$460,000,000 for the redevelopment project.

31. CONTINGENT LIABILITIES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
(a) Banking facilities				
Guarantees for banking and other facilities of certain subsidiaries, associated companies and investee companies (notes (i) and (ii))	1,927,994	2,299,958	3,275,821	3,825,458
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (iii))	97,127	88,806	44,221	61,456
	2,025,121	2,388,764	3,320,042	3,886,914

31. CONTINGENT LIABILITIES (CONTINUED)

(a) Banking facilities (Continued)

- (i) The Group has executed guarantees for banking and other facilities granted to certain associated companies and investee companies. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group at the balance sheet date amounted to approximately HK\$1,927,994,000 (1999: HK\$2,299,958,000). The total amount of such facilities covered by the Group's guarantees amounted to approximately HK\$2,223,294,000 (1999: HK\$3,160,769,000).
- (ii) The Company has executed guarantees to banks for facilities granted to certain subsidiaries, associated companies and investee companies. The utilised amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company at the balance sheet date amounted to approximately HK\$3,275,821,000 (1999: HK\$3,825,458,000). The total amount of such facilities covered by the Company's guarantees amounted to approximately HK\$4,340,354,000 (1999: HK\$5,559,854,000).
- (iii) The Group and the Company have executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC. The utilised amount of such facilities covered by the Group's and the Company's guarantees which also represented the financial exposure of the Group and the Company at the balance sheet date amounted to approximately HK\$97,127,000 (1999: HK\$88,806,000) and HK\$44,221,000 (1999: HK\$61,456,000), respectively. The total amount of such facilities covered by the Group's and the Company's guarantees amounted to approximately HK\$557,613,000 (1999: HK\$404,577,000) and HK\$258,469,000 (1999: HK\$237,624,000), respectively.

(b) Guarantees and undertakings

- (i) The Company had provided an unconditional guarantee to the holders of the Bonds for the payment of all sums due under the Trust Deed and the Bonds (note 26(c)).
- (ii) A wholly-owned subsidiary, through its associated company, has a 20% interest in a company which is engaged in the development of a site in the Olympic Mass Transit Railway Station Development. Another wholly-owned subsidiary, through its associated company, has a 32.5% interest in another company which is engaged in the development of an adjacent site. The companies developing the sites (the "Developers") were each granted exclusive rights to develop the relevant sites pursuant to separate development agreements (the "Development Agreements") entered into by each of the Developers and the Mass Transit Railway Corporation (the "MTRC").

Pursuant to two deeds of guarantee in relation to each of the above developments, the Company has provided several guarantees in favour of the MTRC for the due and punctual performance and observance by each of the Developers of 20% and 32.5%, respectively, of the Developer's obligations, liabilities, stipulations, acts and duties under or in connection with the respective Development Agreements and the due and punctual payment of 20% and 32.5%, respectively, of all monies and liabilities due, owing or payable to the MTRC from or by each of the Developers under or in connection with the respective Development Agreements.

- (iii) The Company has executed cost overrun funding deeds in favour of certain banks which have provided construction loan facilities to the Group. Under these deeds, the Company had agreed to pay its share of any cost overruns in respect of the development projects being undertaken by the Group.

31. CONTINGENT LIABILITIES (CONTINUED)

(b) Guarantees and undertakings (Continued)

- (iv) The Group has a 15% effective interest in Western Harbour Tunnel Company Limited ("WHTCL") which acquired a 30-year franchise from the Government of the Hong Kong Special Administrative Region (the "Government") to build and operate the Western Harbour Crossing (the "Crossing"). Pursuant to a deed of guarantee dated 2 September 1993 as amended by a deed of novation dated 27 June 1995 and a deed of novation dated 12 October 1998 (the "Guarantee"), the Company together with the other beneficial shareholders of WHTCL have jointly and severally undertaken to the Government that if the aggregate of all costs incurred by WHTCL up to the operating date of the Crossing and all maintenance and repair costs incurred by WHTCL after the operating date of the Crossing but before the issuance of the Maintenance Certificate exceeds HK\$7,534,000,000 then they will pay to WHTCL such excess amount.

Pursuant to a shareholders agreement dated 30 December 1992 as amended by a cross-indemnity deed dated 20 December 1993, a supplemental deed dated 8 September 1994 and a supplemental deed dated 12 October 1998 in respect of WHTCL, the Company together with the other beneficial shareholders have agreed that in relation to any claim made or asserted under the Guarantee, as between themselves, the total of all liabilities in respect of such claim and of all costs, charges and expenses suffered or incurred by any of them resulting therefrom or attributable thereto shall be shared by them in proportion to their respective ultimate ownership of the issued capital of WHTCL.

32 PLEDGE OF ASSETS – GROUP

- (a) At 31 December 2000, the Group's total bank loans of HK\$8,929,496,000 (1999: HK\$8,273,213,000) included an aggregate amount of HK\$7,045,763,000 (1999: HK\$6,279,950,000) which is unsecured and an aggregate amount of HK\$1,883,733,000 (1999: HK\$1,993,263,000) which is secured by the following:-
- (i) legal charges over certain fixed assets (note 11) and certain properties under development for sale (note 16);
 - (ii) charges on all assets, including bank balances amounting to HK\$149,238,000 (1999: HK\$48,623,000), of certain subsidiaries. Such bank balances can be used for payment of construction and other operating costs or for repayment of outstanding bank loans of the respective subsidiaries;
 - (iii) assignments of sale proceeds, insurance proceeds, rental income and deposits arising from the tenancy agreements of certain properties;
 - (iv) mortgages over the issued shares of certain subsidiaries;
 - (v) assignments and subordinations of shareholders' loans of certain subsidiaries; and
 - (vi) corporate guarantees from the Company and the respective parent companies of the shareholders of certain subsidiaries.
- (b) At 31 December 2000, the Group's shares in certain associated companies were pledged to banks for loan facilities granted to the aforesaid associated companies.

33 ULTIMATE HOLDING COMPANY

The directors regard Kerry Group Limited, a company incorporated in the Cook Islands, as being the ultimate holding company.

34 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 23 February 2001.