

NOTES TO THE ACCOUNTS

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. 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 investment properties and land and buildings, and the marking to market of 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 the subsidiaries (“the Group”) which are made up to 31st December each year.

(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 disposals.

(iii) The consolidated profit and loss account includes the Group’s share of the results of its associates for the year. In the consolidated balance sheet, interest in associates is stated at the Group’s share of their net assets.

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

d) Investment in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or control more than half of the voting power, or controls the composition of the board of directors.

Investment 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 TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

e) 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.

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

f) Fixed assets

(i) Investment properties

Investment properties are included in the balance sheet at their open market value on the basis of an annual professional valuation. Changes in the value of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account. On disposal of investment properties, the revaluation surplus previously taken to investment properties revaluation reserve is included in calculating the profit or loss on disposal.

(ii) Property held for redevelopment

Property held for redevelopment is stated at cost, including borrowing costs, less such provisions considered necessary by the Directors.

All development costs including borrowing costs are capitalised up to the date of practical completion of redevelopment.

(iii) Hotel properties

Hotel properties are stated at their open market existing use value based on an annual professional valuation. Changes in the value of the hotel properties are dealt with as movements in the hotel properties revaluation reserve. If the total of the reserve is insufficient to cover a deficit of each property, the excess of the deficit is charged to the profit and loss account.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

g) Depreciation of fixed assets

(i) Investment properties

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

(ii) Property held for redevelopment

No depreciation is provided on property held for redevelopment.

(iii) Hotel properties

No depreciation is provided on hotel properties on leases with 20 years or more to run at the balance sheet date or on their integral fixed plant. It is the Group's practice to maintain the buildings in a continuous state of sound repair and to make improvements thereto from time to time and, accordingly, the Directors consider that, given the estimated lives of these assets and their residual values, based on prices prevailing at the time of valuation, any depreciation would be immaterial. Such expenditure on repairs and improvements is dealt with through the planned maintenance provision account.

(iv) Other fixed assets

Leasehold improvements are depreciated over the unexpired terms of the leases.

Other assets are stated at cost less accumulated depreciation. Other assets comprising plant, machinery, furniture, fixtures and equipment are depreciated at annual rates of 10% to 20% on a straight line basis on cost.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

h) Investment in securities

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

Transfers from the investment 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 new circumstances and events will persist for the foreseeable future.

- (ii) Trading securities are classified as investments under current assets in the balance sheet and stated at fair value. Changes in fair value at each balance sheet date are recognised in the profit and loss account as they arise. Profits and losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

i) Inventories

Inventories comprise hotel consumables and are stated at the lower of cost, calculated on weighted average basis, and net realisable value. Net realisable value represents the estimated selling price less direct selling costs.

j) 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 purpose of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

k) Planned maintenance

The Group operates a planned maintenance scheme for its hotel which projects future maintenance requirements over a period of years. Within this scheme actual costs and/or projected costs of ensuing four year periods as estimated by the Group are equalised by annual provisions in the profit and loss account.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

l) Foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at exchange rates ruling at the transaction dates. Monetary foreign currency balances and the accounts of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Differences arising from the translation of the accounts of overseas subsidiaries are dealt with in capital reserves. All other exchange differences are dealt with in the profit and loss account.

m) Recognition of income

(i) Income from hotel operations is recognised when the services are rendered.

(ii) Rentals receivable from investment properties held for use under operating leases are accounted for on a straight line basis over the respective periods of the lease.

(iii) Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. Interest on a loan advanced to an associate involved in a property development project is recognised from when the associate starts to generate profit from property development project.

(iv) Investment income is recognised when the right to receive the income is established.

n) 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.

o) Deferred taxation

Deferred taxation is calculated at the current tax rate under the liability method in respect of the taxation effect arising from all timing differences which are expected with reasonable probability to crystallize in the foreseeable future.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

p) Pension schemes

The Group operates the following principal pension schemes:

(i) Defined contribution scheme

Contributions to the scheme are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(ii) Defined benefits scheme

The scheme provides benefits to the employees based on their final pay and number of years of service. Contributions to the scheme are charged against profit and loss account in the period in which they are payable to the scheme. The contributions are determined based on the value of the retirement scheme assets and estimates of the effects of future events on the actuarial present value of accrued pension obligations and are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The assets of the scheme are held separately from those of the Group in an independently administered fund.

NOTES TO THE ACCOUNTS

2. TURNOVER AND OPERATING PROFIT

The principal activity of the Company is investment holding and those of its principal subsidiaries and associates are set out on pages 19 and 20.

a. Analysis of the turnover and operating profit of the Group:

	Turnover		Operating profit	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million
Principal activities				
Hotel and restaurants	292.9	264.6	83.8	61.3
Investment property	56.2	71.0	48.6	62.8
Investments	48.7	46.8	21.3	15.7
	<u>397.8</u>	<u>382.4</u>	<u>153.7</u>	<u>139.8</u>

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

b. Other income

	2000	1999
	HK\$	HK\$
	Million	Million
Service charge	27.7	24.2
Sundry income	<u>5.9</u>	<u>5.7</u>
	<u>33.6</u>	<u>29.9</u>

NOTES TO THE ACCOUNTS

2. TURNOVER AND OPERATING PROFIT (CONTINUED)

c. Operating profit is arrived at after charging:

	2000 HK\$ <u>Million</u>	1999 HK\$ <u>Million</u>
Cost of inventories sold	33.5	30.3
Depreciation	6.8	6.5
Staff costs	98.6	98.3
Auditors' remuneration	0.6	0.6
and after crediting:		
Gross rental income from investment properties	56.2	71.0
Less: direct outgoings	<u>(7.4)</u>	<u>(7.4)</u>
	48.8	63.6
Interests on bank deposits	17.9	18.2
Dividend income from listed securities	<u>30.8</u>	<u>28.6</u>

d. Directors' emoluments

	2000 HK\$ <u>Million</u>	1999 HK\$ <u>Million</u>
Fees	0.1	0.1
Basic salaries, housing allowance, and other allowances and benefits in kind	0.7	0.7
Retirement scheme contributions	-	-
Discretionary bonuses and / or performance-related bonuses	-	-
Compensation for loss of office	-	-
Inducement for joining the Group	<u>-</u>	<u>-</u>
	<u>0.8</u>	<u>0.8</u>

For the year under review, total emoluments (including any reimbursement) amounting to HK\$20,000 (1999: HK\$20,000), being wholly in the form of Directors' fees, were paid / payable to Independent Non-executive Directors of the Company.

The remuneration of the directors is within the following bands:

	2000 <u>Number of directors</u>	1999 <u>Number of directors</u>
Bands (in HK\$)		
Nil - \$500,000	4	4
\$500,001 - \$1,000,000	1	1

NOTES TO THE ACCOUNTS

2. TURNOVER AND OPERATING PROFIT (CONTINUED)

e. 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. The aggregate of the emoluments in respect of the individuals are as follows:

	2000 HK\$ <u>Million</u>	1999 HK\$ <u>Million</u>
Basic salaries, housing allowances, and other allowances and benefits in kind	4.5	4.2
Retirement scheme contributions	0.4	0.4
Discretionary bonuses and / or performance-related bonuses	0.5	0.5
Compensation for loss of office	-	-
Inducement for joining the Group	-	-
	<u>5.4</u>	<u>5.1</u>

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

	2000 Number of <u>individuals</u>	1999 Number of <u>individuals</u>
Bands (in HK\$)		
Not more than \$1,000,000	3	3
\$1,000,001 - \$1,500,000	1	2
\$1,500,001 - \$2,000,000	1	-

3. BORROWING COSTS

	2000 HK\$ <u>Million</u>	1999 HK\$ <u>Million</u>
Interest paid on bank loan due within one year	19.8	18.5
Other borrowing costs	-	2.5
Less: Amount deferred (Note 11)	<u>(1.9)</u>	<u>(21.0)</u>
Net borrowing costs	<u>17.9</u>	<u>-</u>

NOTES TO THE ACCOUNTS

4. NON-OPERATING ITEMS

	2000 HK\$ Million	1999 HK\$ Million
Provision for investment in securities written back	247.0	-
Loss on disposal of securities, including revaluation deficits of HK\$49.2million previously recognised in the investment securities revaluation reserve	(92.6)	(33.7)
Provision for impairment in value of property held for redevelopment	(70.8)	-
	<u>83.6</u>	<u>(33.7)</u>

5. TAXATION

Hong Kong profits tax has been provided at the rate of 16.0% (1999: 16.0%) on the estimated assessable profit for the year.

	Group	
	2000 HK\$ Million	1999 HK\$ Million
Company and subsidiaries		
Hong Kong profits tax	22.3	6.1
10% tax rebate for 1997/1998	-	(2.0)
Underprovision / (overprovision) in respect of previous years	91.8	(0.6)
	<u>114.1</u>	<u>3.5</u>

Deferred taxation asset not included in the accounts relating to the planned maintenance provision:

	2000 HK\$ Million	1999 HK\$ Million
Balance at 1st January	8.9	8.4
Movement	0.9	0.5
Balance at 31st December	<u>9.8</u>	<u>8.9</u>

Subsequent to the balance sheet date, a subsidiary received additional assessments for taxation relating to previous years in the amount of HK\$90.0 million. The additional assessments, which relate to a dispute over the deductibility of certain interest payments for tax assessment purposes, have been formally objected to and tax reserve certificates for the tax demanded have been purchased. Having reviewed the current status of the case, the Directors consider that the outcome is uncertain. Accordingly, provisions of HK\$90.0 million have been made in the accounts to cover the possible full tax exposure that may arise from any adverse outcome of the case.

NOTES TO THE ACCOUNTS

5. TAXATION (CONTINUED)

Deferred taxation on the revaluation surplus of the investment and hotel properties has not been quantified as this does not constitute a timing difference for deferred taxation purposes.

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$55.8 million (1999: HK\$65.7 million).

7. DIVIDENDS

	2000 HK\$ <u>Million</u>	1999 HK\$ <u>Million</u>
Interim dividend paid of 5.0 cents (1999: 5.0 cents) per share	15.8	15.8
Final dividend proposed of 12.0 cents (1999: 12.0 cents) per share	<u>37.8</u> <u>53.6</u>	<u>37.8</u> <u>53.6</u>

8. EARNINGS PER SHARE

The calculation of earnings per share is based on earnings for the year of HK\$109.5 million (1999: HK\$107.8 million) and on 315.0 million (1999: 315.0 million) ordinary shares in issue throughout the year ended 31st December, 2000.

NOTES TO THE ACCOUNTS

9. FIXED ASSETS

	Group				
	Investment properties HK\$ Million	Property held for redeve- lopment HK\$ Million	Hotel properties HK\$ Million	Other fixed assets HK\$ Million	Total HK\$ Million
a) Cost or valuation					
Balance at 1st January, 2000	826.0	156.4	1,896.0	132.9	3,011.3
Additions	-	0.3	-	4.7	5.0
Disposals	-	-	-	(0.5)	(0.5)
Provision for impairment	-	(70.8)	-	-	(70.8)
Revaluation surplus	50.0	-	74.0	-	124.0
Balance at 31st December, 2000	876.0	85.9	1,970.0	137.1	3,069.0
Accumulated depreciation					
Balance at 1st January, 2000	-	-	-	113.5	113.5
Charge for the year	-	-	-	6.8	6.8
Written back on disposals	-	-	-	(0.5)	(0.5)
Balance at 1st December, 2000	-	-	-	119.8	119.8
Net book value					
at 31st December, 2000	876.0	85.9	1,970.0	17.3	2,949.2
at 31st December, 1999	826.0	156.4	1,896.0	19.4	2,897.8
b) The analysis of cost or valuation of the above assets is as follows:					
2000 valuation	876.0	-	1,970.0	-	2,846.0
Cost less provisions	-	85.9	-	137.1	223.0
	876.0	85.9	1,970.0	137.1	3,069.0

The carrying value of the hotel properties would have been HK\$71.1 million (1999: HK\$71.1 million) had they been stated at cost.

c) Tenure of title to properties:-

Long term lease held in Hong Kong

Over 50 years	876.0	85.9	1,970.0	-	2,931.9
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d) Properties valuation

The Group's investment properties in Hong Kong and The Marco Polo Hongkong Hotel have been revalued as at 31st December, 2000 on an open market existing use value basis by Chesterton Petty Limited, a company engaged in professional property valuation. The surplus and deficit arising from the revaluations have been dealt with in the relevant revaluation reserves.

NOTES TO THE ACCOUNTS

9. FIXED ASSETS (CONTINUED)

e) Properties schedule at 31st December, 2000

Address	Lot number	Year of Completion	Stage of Completion	Lease expiry	Site area (sq.ft.)	Approximate gross floor areas		Hotel (rooms)	Attributable Interest
						Office (sq.ft.)	Retail (sq.ft.)		
Investment property									
The Marco Polo Hongkong Hotel (Commercial section) Harbour City Tsimshatsui	KML 91 S.A. & KML 10 S.B.	1969	Completed	2863	(Note)	35,000	136,540	-	100%
Property held for Redevelopment									
60 Victoria Road Kennedy Town	IL 8079	N/A	Planning stage	2064	6,100	-	-	242	100%
Hotel property									
The Marco Polo Hongkong Hotel Harbour City Tsimshatsui	KML 91 S.A. & KML 10 S.B.	1969	Completed	2863	58,814	-	-	665	100%

Note: Part of The Marco Polo Hongkong Hotel building.

10. INVESTMENT IN SUBSIDIARIES

	Company	
	2000	1999
	HK\$	HK\$
	Million	Million
Unlisted shares, at cost less provision	50.0	50.0

Amounts due by / to subsidiaries are unsecured, interest free and repayable on demand.

Details of principal subsidiaries at 31st December, 2000 are shown on pages 19 and 20.

NOTES TO THE ACCOUNTS

11. INTEREST IN ASSOCIATES

	Group		Company	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million
Share of net tangible assets	39.0	93.9	-	-
Loan due by an associate	1,134.6	994.1	1,134.6	994.1
Amount due by an associate	-	28.4	-	-
Deferred interest income	(158.6)	(77.1)	(156.7)	(77.1)
Deferred interest expenses (Note 3)	22.9	21.0	21.0	21.0
	<u>1,037.9</u>	<u>1,060.3</u>	<u>998.9</u>	<u>938.0</u>

Details of principal associates at 31st December, 2000 are shown on pages 19 and 20.

- The loan advanced to an associate involved in a property development project bears interest at rates as determined by the shareholders of the associate with reference to the prevailing market rates. Interest income less directly attributable interest expenses arising from the loan has been deferred and will be recognised in the profit and loss account from when the associate starts to generate profit from the property development project.
- The following supplementary financial information is disclosed relating to an significant associate of the Group, Hopfield Holdings Limited:

	2000	1999
	HK\$	HK\$
	Million	Million
Consolidated balance sheet		
Current assets	5,780.7	5,096.3
Current liabilities	(107.7)	(125.6)
Non-current liabilities	<u>(5,673.0)</u>	<u>(4,970.7)</u>

12. INVESTMENT IN SECURITIES

	Group	
	2000	1999
	HK\$	HK\$
	Million	Million
Equity securities		
Listed in Hong Kong, at market value	376.4	675.2
Listed outside Hong Kong, at market value	513.6	253.9
	<u>890.0</u>	<u>929.1</u>

NOTES TO THE ACCOUNTS

13. DEBTORS

	Group		Company	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million
Trade debtors				
Due within 30 days	15.2	15.3	-	-
Due after 30 days but within 60 days	3.5	3.1	-	-
Due after 60 days but within 90 days	1.0	1.0	-	-
Over 90 days	0.2	-	-	-
	19.9	19.4	-	-
Other debtors	22.6	5.2	0.2	0.2
Amounts due by fellow subsidiaries	3.6	5.0	-	-
	46.1	29.6	0.2	0.2

The Group has a defined credit policy, the general credit terms allowed range from 0 to 60 days.

The amounts due by fellow subsidiaries are unsecured, interest free and repayable on demand.

14. CREDITORS

	Group		Company	
	2000	1999	2000	1999
	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million
Trade creditors				
Due within 30 days	14.1	15.1	-	-
Due after 30 days but within 60 days	-	-	-	-
Due after 60 days but within 90 days	-	-	-	-
Over 90 days	-	-	-	-
	14.1	15.1	-	-
Other creditors and provisions	70.3	133.5	1.5	1.5
Amounts due to fellow subsidiaries	3.0	3.8	0.2	-
	87.4	152.4	1.7	1.5

The amounts due to fellow subsidiaries are unsecured, interest free and repayable on demand.

NOTES TO THE ACCOUNTS

15. SHARE CAPITAL

	2000		1999	
	No. of shares Million	HK\$ Million	No. of Shares Million	HK\$ Million
Authorised				
Ordinary shares of HK\$0.50 each	<u>380.0</u>	<u>190.0</u>	<u>380.0</u>	<u>190.0</u>
Issued and fully paid				
Ordinary shares of HK\$0.50 each	<u>315.0</u>	<u>157.5</u>	<u>315.0</u>	<u>157.5</u>

16. RESERVES

	Share premium	Investment properties revaluation reserve	Hotel properties revaluation reserve	Investment securities revaluation reserve	Exchange and other capital reserves	Revenue reserves	Total
(HK\$ Million)							
a. The Group							
i Company and subsidiaries							
Balance at 1st January, 1999	542.0	772.1	1,846.9	(605.2)	5.4	1,563.4	4,124.6
Exchange reserve	-	-	-	-	1.7	-	1.7
Transferred to profit and loss account on disposal of investment in securities	-	-	-	83.2	-	-	83.2
Revaluation surplus/(deficit)							
Investment properties	-	10.0	-	-	-	-	10.0
Hotel properties	-	-	(22.0)	-	-	-	(22.0)
Investment in securities	-	-	-	243.4	-	-	243.4
Retained profit for the year	-	-	-	-	-	49.0	49.0
Balance at 31st December, 1999 and 1st January, 2000	542.0	782.1	1,824.9	(278.6)	7.1	1,612.4	4,489.9
Exchange reserve	-	-	-	-	4.0	-	4.0
Transferred to profit and loss account on disposal of investment in securities	-	-	-	49.2	-	-	49.2
Other capital reserve released upon liquidation of an associate	-	-	-	-	(0.1)	-	(0.1)
Revaluation Surplus/(deficit)							
Investment properties	-	50.0	-	-	-	-	50.0
Hotel properties	-	-	74.0	-	-	-	74.0
Investment in securities	-	-	-	(41.8)	-	-	(41.8)
Retained profit for the year	-	-	-	-	-	51.7	51.7
Balance at 31st December, 2000	<u>542.0</u>	<u>832.1</u>	<u>1,898.9</u>	<u>(271.2)</u>	<u>11.0</u>	<u>1664.1</u>	<u>4,676.9</u>
ii Associates							
Balance at 1st January, 1999	-	-	-	(21.0)	-	7.3	(13.7)
Revaluation surplus							
Investment in securities	-	-	-	21.0	-	-	21.0
Retained profit for the year	-	-	-	-	-	5.2	5.2
Balance at 31st December, 1999 and 1st January, 2000	-	-	-	-	-	12.5	12.5
Revaluation Surplus							
Investment in securities	-	-	-	7.7	-	-	7.7
Retained profit for the year	-	-	-	-	-	4.2	4.2
Balance at 31st December, 2000	<u>-</u>	<u>-</u>	<u>-</u>	<u>7.7</u>	<u>-</u>	<u>16.7</u>	<u>24.4</u>

NOTES TO THE ACCOUNTS

16. RESERVES (CONTINUED)

	Share premium	Investment properties revaluation reserve	Hotel properties revaluation reserve	Investment securities revaluation reserve	Exchange and other capital reserves	Revenue reserves	Total
(HK\$ Million)							
a. The Group (continued)							
Total reserves							
At 31st December, 1999	542.0	782.1	1,824.9	(278.6)	7.1	1,624.9	4,502.4
At 31st December, 2000	542.0	832.1	1,898.9	(263.5)	11.0	1,680.8	4,701.3
b. The Company							
Balance at 1st January, 1999	542.0	-	-	-	-	34.0	576.0
Retained profit for the year	-	-	-	-	-	12.1	12.1
Balance at 31st December, 1999							
and 1st January, 2000	542.0	-	-	-	-	46.1	588.1
Retained profit for the year	-	-	-	-	-	2.2	2.2
Balance at 31st December, 2000	542.0	-	-	-	-	48.3	590.3

Reserves of the Company available for distribution to shareholders at 31st December, 2000 amounted to HK\$48.3 million (1999: HK\$46.1 million)

17. PLANNED MAINTENANCE

	Group	
	2000	1999
	HK\$	HK\$
	Million	Million
Balance brought forward	(58.2)	(50.1)
Expenditure during the year	6.8	3.6
Amount provided during the year	(11.8)	(11.7)
Balance carried forward	(63.2)	(58.2)

18. RELATED PARTY TRANSACTIONS

The Group has a management agreement with a subsidiary of the ultimate holding company in respect of the management of hotel operations and the fee payable during this year amounted to HK\$19.1 million (1999: HK\$16.7 million) which included management fee of HK\$14.7 million (1999: HK\$12.7 million) and marketing fee of HK\$4.4 million (1999: HK\$4.0 million). The management fee includes a basic fee and an incentive fee which is calculated based on 3% and 5% of gross revenue and gross operating profit respectively. The marketing fee is calculated based on 1.5% of gross revenue. Such transactions also constitute connected transactions as defined under the Listing Rules, but are exempted from the requirements under paragraph 14.24(2) relating to connected transactions thereof.

NOTES TO THE ACCOUNTS

19. COMMITMENTS

Capital commitments for property, plant and equipment

	Group	
	2000	1999
	HK\$	HK\$
	Million	Million
Contracted but not provided for	2.9	1.9
Authorised but not contracted for	2.3	0.4
	<u>5.2</u>	<u>2.3</u>

20. CONTINGENCIES

The Company, together with its ultimate holding company, The Wharf (Holdings) Limited (“Wharf”), the principal shareholder of Wharf and two subsidiaries thereof (together “joint venturers”), have jointly and severally guaranteed the performance and observance of the terms under an agreement for a property development project undertaken by an associate (“project company”). The joint venturers also severally guaranteed loan facilities granted to the project company. The amount attributable to the Company is HK\$680 million (1999: HK\$440 million).

21. ULTIMATE HOLDING COMPANY

The ultimate holding company is The Wharf (Holdings) Limited, a company incorporated and listed in Hong Kong.

22. COMPARATIVE FIGURES

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

23. APPROVAL OF ACCOUNTS

The accounts were approved by the Directors on 19th March, 2001

NOTES TO THE ACCOUNTS

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

At 31st December, 2000

		SUBSIDIARIES		ASSOCIATES		
	Place of Incorporation/ Operation	Issued Share Capital (all being ordinary shares and fully paid unless stated otherwise)	Percentage of Equity Attributable to the Group	Class of Shares	Percentage of Equity Attributable to the Group	Principal Activities
Subsidiaries (held directly)						
Catalan Limited	British Virgin Islands	500 US\$1 shares	100			Investment holding
Harbour Centre (Hong Kong) Limited	British Virgin Islands	500 US\$1 shares	100			Investment holding
Subsidiaries and Associates (held indirectly)						
Algebra Assets Limited	British Virgin Islands	500 US\$1 shares	100			Investment
Billiard Investments Limited	British Virgin Islands	500 US\$1 shares	100			Investment
Easeoff Investments Limited	British Virgin Islands			Ordinary	50	Investment holding
Fine Growth Investment Limited	Bermuda/ International	12,000 US\$1 shares	100			Investment
HCDL Finance(International) Limited	Cayman Islands	500 US\$1 shares	100			Treasury operation

NOTES TO THE ACCOUNTS

PRINCIPAL SUBSIDIARIES AND ASSOCIATES (CONTINUED)

At 31st December, 2000

		SUBSIDIARIES		ASSOCIATES		
		Issued Share Capital (all being ordinary shares and fully paid unless stated otherwise)	Percentage of Equity Attributable to the Group		Percentage of Equity Attributable to the Group	Principal Activities
Subsidiaries and Associates (held indirectly) (Continued)						
Hopfield Holdings Limited	British Virgin Islands			Ordinary	20	Investment holding
Hoya International Limited	Hong Kong	2 HK\$1 shares	100			Finance
Hundred Tone Investments Limited	British Virgin Islands	500 US\$1 shares	100			Investment
Mandelson Investments Limited	British Virgin Islands	500 US\$1 shares	100			Investment
Manniworth Company Limited	Hong Kong	10,000 HK\$1 shares	100			Property develop- ment
Mercantile Investments Limited	Bermuda/ International	12 US\$1,000 shares (10% paid up)	100			Investment holding
Sidway Limited	British Virgin Islands	1 US\$1 shares	100			Investment
The Hongkong Hotel Limited	Hong Kong	100,000 HK\$1 shares	100			Hotel operation
Uxbridge Limited	Hong Kong	10,000 HK\$10 shares	100			Investment
Whitworth Investments Limited	British Virgin Islands	500 US\$1 shares	100			Investment holding

The above list gives the principal subsidiaries and associates of the Group which, in the opinion of the Directors, principally affect the profit and assets of the Group.