

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 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 31st March 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 disposal.

(iii) Goodwill/capital reserve arising on consolidation, representing the excess/shortfall of the cost of investments 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 associate, 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 or valuation less any provisions for diminution in value, which are 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.

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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 for goodwill arising on consolidation at the date of acquisition and 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 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 unrealised losses will be recognised immediately in the consolidated profit and loss account.

f) Properties

(i) Investment properties

Investment properties are defined as properties which are income producing and intended to be held for the long term, and such properties are included in the balance sheet at their open market value, on the basis of an annual professional valuation less depreciation where the investment properties are held on leases with unexpired periods of 20 years or less. Changes in the value of investment properties are dealt with as movements in the investment property 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 or deficit previously taken to the investment property revaluation reserve is included in calculating the profit or loss on disposal.

(ii) Properties under development for sale

Properties under development for sale are classified under current assets and stated at the lower of specifically identified cost, including capitalised borrowing costs plus attributable profit, and net realisable value. Net realisable value is determined by the Directors, based on prevailing market conditions.

Profit on pre-sale of properties under development for sale is recognised over the course of the development and is calculated each year as a proportion of the total estimated profit to completion; the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received and receivable at the balance sheet date to total estimated sales proceeds.

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Borrowing costs on loans relating to properties under development for sale are capitalised up to the date of practical completion of development.

(iii) **Properties held for sale**

Properties held for sale are classified under current assets and stated at the lower of specifically identified cost and net realisable value. Cost is determined by apportionment of the total development costs for that development, including borrowing costs capitalised, attributable to the unsold properties. Net realisable value is determined by the Directors, based on prevailing market conditions.

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. Investment properties held on leases with an unexpired period of 20 years or less are depreciated over the remaining portion of the leases.

(ii) **Other fixed assets**

Depreciation is provided on a straight line basis on the cost of other fixed assets at rates determined by the estimated useful lives of the assets of between 5 to 10 years.

h) Investments in securities

- (i) Non-trading securities are classified as long term investments and stated in the balance sheet at fair value. Change in fair value are recognised in the investment revaluation reserves 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 surplus or deficit is transferred from the investment revaluation reserves to the profit and loss account.

Transfers from the investment revaluation reserves to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment ceased to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Profits or losses on disposal of non-trading securities are determined as the difference between the net disposal proceeds and the carrying amount of the securities and are recognised in the profit and loss account as they arise. On disposal of non-trading securities, the relevant revaluation surplus or deficit previously taken to the investment revaluation reserves is also transferred to the profit and loss account for the year.

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

i) Foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the profit and loss account with the exception of those arising on the translation of the accounts of overseas subsidiaries and associates which are dealt with in the capital reserves. Gains or losses on outstanding forward contracts computed by reference to the forward rates at the balance sheet date are dealt with in the profit and loss account.

j) Recognition of revenue

(i) 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 leases.

(ii) Income from sale of completed property is recognised upon signing of the sale and purchase agreement and income from pre-sale of property under development is recognised over the course of development (see note 1 (f)(ii)).

(iii) Dividend and investment income is recognised at the time when the right to receive payment is established.

k) Deferred taxation

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

l) 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.

m) Related parties

For the purposes of these accounts, a party is 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.

NOTES TO THE ACCOUNTS

2. TURNOVER

The principal activities of the Group are property trading, property investment, treasury management and investment holding. Analysis of the Group's turnover and operating profit before borrowing costs and provision for properties by principal activities and geographical locations is as follows :

	Turnover		Operating profit (before borrowing costs and provision for properties)	
	2001 HK\$Million	2000 HK\$Million	2001 HK\$Million	2000 HK\$Million
a) Principal activities				
Sale of property	1,294.1	2,428.3	497.3	979.8
Property rental	264.0	280.8	176.0	202.0
Treasury management and investment	374.6	329.3	631.0	289.1
	<u>1,932.7</u>	<u>3,038.4</u>	<u>1,304.3</u>	<u>1,470.9</u>
b) Geographical locations of operations				
Hong Kong	593.2	689.3	527.9	578.1
Singapore	1,339.5	2,349.1	776.4	892.8
	<u>1,932.7</u>	<u>3,038.4</u>	<u>1,304.3</u>	<u>1,470.9</u>

3. OTHER NET INCOME

	Group	
	2001 HK\$Million	2000 HK\$Million
Net profit on disposal of non-trading securities	181.2	31.0
Net release of other provisions	84.0	100.3
Net provision for non-trading securities written back	11.0	-
Exchange differences/others	13.3	(12.0)
Profit on disposal of associates	-	41.3
	<u>289.5</u>	<u>160.6</u>

Included in the net profit on disposal of securities is a net surplus, before deduction of minority interests, of HK\$73.7 million (2000: HK\$4.9 million) transferred from the investment revaluation reserves.

NOTES TO THE ACCOUNTS

4. OPERATING PROFIT

	Group	
	2001 HK\$Million	2000 HK\$Million
Operating profit is arrived at: after charging:-		
Staff costs	15.1	23.0
Cost of properties sold	765.7	1,549.3
Depreciation	1.3	1.3
Auditors' remuneration	1.9	1.9
	193.5	215.5
after crediting :-		
Rental income from operating leases less outgoings - which includes gross rental income from investment properties	245.1	253.4
Dividend income from listed securities	195.0	174.7
	193.5	215.5

In addition, staff costs of HK\$10.0 million (2000: HK\$16.3 million) were capitalised in costs of properties under development.

5. BORROWING COSTS

	Group	
	2001 HK\$Million	2000 HK\$Million
Interest payable on Bank loans and overdrafts	271.4	251.4
Other loans repayable within 5 years	10.8	13.5
Other borrowing costs	15.4	9.8
Less: Amount capitalised	(12.7)	(57.2)
	284.9	217.5

6. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

a) Directors' emoluments

	Group	
	2001 HK\$Million	2000 HK\$Million
Fees	0.1	0.1
Salaries and other benefits	-	-
Retirement scheme contributions	-	-
Discretionary bonuses and / or performance- related bonuses	-	-
Compensation for loss of office	-	-
Inducement for joining the Group	-	-
	-	-

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For the year under review, total emoluments (including any reimbursement of expenses) amounting to HK\$40,000 (2000: HK\$20,000), being wholly in the form of Directors' fees, were paid/payable to Independent Non-executive Directors of the Company.

The aggregate emoluments paid or payable by the Company and /or its subsidiaries for the two financial years ended 31st March, 2001 and 31st March, 2000 in respect of each of the persons who was a Director of the Company at anytime during the years amounted to less than HK\$1,000,000.

b) Five highest paid employees

Set out below are analyses of the emoluments (excluding amounts paid or payable by way of commissions on sales generated by the employees concerned) for the year ended 31st March, 2001 of the five highest paid employees of the Group, none of whom is a Director of the Company :

i) Aggregate emoluments

	Group	
	2001	2000
	HK\$Million	HK\$Million
Basic salaries, housing allowances, other allowances and benefits in kind	6.1	6.2
Retirement scheme contributions	0.4	0.4
Discretionary bonuses and / or performance-related bonuses	2.0	2.4
Compensation for loss of office	-	-
Inducement for joining the Group	-	-
	8.5	9.0

ii) Bandings

Bands (in HK\$)	2001	2000
	Number	Number
Not more than \$1,000,000	3	1
\$1,000,001 - \$1,500,000	1	3
\$3,500,001 - \$4,000,000	-	1
\$4,500,001 - \$5,000,000	1	-
	5	5

NOTES TO THE ACCOUNTS

7. TAXATION

The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16% (2000: 16%). Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax. The taxation charge is made up as follows:

	Group	
	2001	2000
	HK\$Million	HK\$Million
The Company and subsidiaries		
Hong Kong profits tax for the year	13.6	8.1
Overseas taxation	(3.4)	19.6
Underprovisions in respect of prior years	-	157.4
Deferred taxation (Note 23)	95.5	191.7
	105.7	376.8
Associates		
Hong Kong profits tax for the year	1.7	(0.1)
Overseas taxation	5.8	11.9
	7.5	11.8
	113.2	388.6

The underprovision in respect of prior years relate to additional assessments received by a subsidiary from the Inland Revenue Department in respect of a dispute over the deductibility of certain interest payments for tax assessment purposes. The dispute was fully settled with the Inland Revenue Department in April 2000.

8. GROUP PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The group profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$45.3 million (2000: HK\$45.1 million).

9. DIVIDENDS

	2001	2000
	HK\$Million	HK\$Million
Interim dividend paid		
2.0 cents (2000: 2.0 cents) per share	41.4	41.4
Proposed final dividend		
5.0 cents (2000: 5.0 cents) per share	103.5	103.5
	144.9	144.9

NOTES TO THE ACCOUNTS

For the purpose of comparison, the dividends of the previous year are stated on the basis of all the former "A" shares and "B" shares of the Company being regarded as having been sub-divided and/or redesignated into ordinary shares as at 30th September, 1999 and 31st March, 2000. The actual interim and final dividends per share for the previous year were 10.0 cents and 25.0 cents per former "A" share and 2.0 cents and 5.0 cents per former "B" share respectively.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings for the year of HK\$242.5 million (2000: HK\$670.4 million) and 2,069,637,125 ordinary shares (equivalent to 363,449,250 former "A" shares and 252,390,875 former "B" shares) in issue throughout the two financial years ended 31st March, 2001.

The earnings per share for the previous year is stated on the same basis as that for the dividend per share described in the Note 9 above. The actual earnings per share for the previous year were 162.0 cents per former "A" share and 32.4 cents per former "B" share.

11. FIXED ASSETS

	Investment properties	Other fixed assets	Total
	HK\$Million	HK\$Million	HK\$Million
Group			
Cost or valuation			
At 1st April, 2000	4,726.6	13.9	4,740.5
Exchange differences	(111.9)	(0.4)	(112.3)
Additions	14.6	1.0	15.6
Disposals	-	(1.2)	(1.2)
Assets written off	-	(5.7)	(5.7)
Revaluation deficit	(400.2)	-	(400.2)
At 31st March, 2001	4,229.1	7.6	4,236.7
Accumulated depreciation			
At 1st April, 2000	-	10.3	10.3
Exchange differences	-	(0.2)	(0.2)
Charge for the year	-	1.3	1.3
Written back on disposal	-	(1.2)	(1.2)
Assets written off	-	(5.7)	(5.7)
At 31st March, 2001	-	4.5	4.5
Net book value			
At 31st March, 2001	4,229.1	3.1	4,232.2
At 31st March, 2000	4,726.6	3.6	4,730.2

NOTES TO THE ACCOUNTS

- a) The analysis of cost or valuation of the above assets is as follows:

	Investment properties	Other fixed assets	Total
	HK\$Million	HK\$Million	HK\$Million
Balance at 31st March, 2001			
2001 valuation	4,229.1	-	4,229.1
At cost	-	7.6	7.6
	4,229.1	7.6	4,236.7
Balance at 31st March, 2000			
2000 valuation	4,726.6	-	4,726.6
At cost	-	13.9	13.9
	4,726.6	13.9	4,740.5

- b) Tenure of title to properties :

	2001	2000
	HK\$Million	HK\$Million
Long lease		
Held in Hong Kong	2,155.5	2,519.5
Held outside Hong Kong	2,073.6	2,207.1
	4,229.1	4,726.6

- c) Properties revaluation

The Group's investment properties have been revalued as at 31st March, 2001 either by Chesterton Petty Limited, or CB Richard Ellis (Pte) Ltd, independent firms of property consultants, on an open market value basis, after taking into consideration the net income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

12. SUBSIDIARIES

	Company	
	2001	2000
	HK\$Million	HK\$Million
Shares listed in Hong Kong, at cost or valuation	643.5	643.5
Unlisted shares, at cost	483.5	483.5
	1,127.0	1,127.0
Amounts due from subsidiaries	1,174.9	1,313.8
	2,301.9	2,440.8
Market value of the above shares listed in Hong Kong	1,023.6	1,059.6

Details of principal subsidiaries at 31st March, 2001 are shown on page 19.

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13. ASSOCIATES

	Group	
	2001	2000
	HK\$Million	HK\$Million
Share of net (deficits)/assets other than goodwill	(99.7)	147.7
Amounts due from associates	5,093.3	4,448.8
Amounts due to associates	(20.7)	(1.4)
	4,972.9	4,595.1

- a) Included in the amounts due from an associate are loans of HK\$2,362.8 million (2000: HK\$2,054.6 million) advanced to an associate for property development projects. The loans bear interest at rates as determined by shareholders of the associate with reference to the prevailing market rates. Interest income in respect of loans to associate for the year ended 31st March, 2001 amounted to HK\$163.2 million (2000: HK\$121.7 million). The loans have no fixed term of repayment.
- b) Extracts of the consolidated balance sheets of significant associates of the Group, are as follows :-

	2001	2000
	HK\$Million	HK\$Million
Diamond Hill Development Holdings Limited		
Current assets	6,605.6	6,886.0
Current liabilities	(139.1)	(53.4)
Non-current liabilities	(7,165.5)	(6,832.6)
Hopfield Holdings Limited		
Current assets	6,009.7	5,213.6
Current liabilities	(102.7)	(77.1)
Non-current liabilities	(5,907.0)	(5,136.5)

- c) Details of principal associates at 31st March, 2001 are shown on page 19.

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14. LONG TERM INVESTMENTS

	Group	
	2001	2001
	HK\$Million	HK\$Million
Non-trading equity securities, at market value		
Listed in Hong Kong	3,922.5	3,419.1
Listed outside Hong Kong	733.4	321.0
	4,655.9	3,740.1

Included in the above equity securities are investments in a listed company the carrying value of which constituted more than 10% of the Group's total assets. Details of this listed company are shown as follows :

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Percentage of ordinary shares held</u>
The Wharf (Holdings) Limited	Hong Kong	7.0

15. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

16. PROPERTIES UNDER DEVELOPMENT

- a) Properties under development which are carried at net realisable value amounted to HK\$1,021.6 million (2000 : HK\$636.0 million).
- b) Properties under development in the amount of HK\$3,013.3 million (2000 : HK\$3,340.9 million) are expected to be completed after more than one year.
- c) At 31st March, 2001, no properties under development are pledged as security for bank loans (2000 : HK\$5,555.6 million).

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17. DEBTORS AND PREPAYMENTS

The Group maintains defined credit policies for its businesses and trade debtors are closely monitored in order to control credit risk associated with trade receivables.

Included in debtors and prepayments are trade debtors with an ageing analysis as at 31st March, 2001 as follows :

	2001	2000
	HK\$Million	HK\$Million
Current	27.5	70.6
31-60 days	0.2	0.1
61-90 days	0.2	2.3
Over 90 days	2.6	16.1
	30.5	89.1

18. BANK LOANS AND OVERDRAFTS

	Group		Company	
	2001	2000	2001	2000
	HK\$Million	HK\$Million	HK\$Million	HK\$Million
Bank loans and overdrafts				
Unsecured	124.3	840.4	-	200.0
Secured	133.0	339.3	-	294.3
	257.3	1,179.7	-	494.3
Current portion of long term bank loans (secured)	30.0	1,647.8	-	-
	287.3	2,827.5	-	494.3

19. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors with an ageing analysis as at 31st March, 2001 as follows :

	2001	2000
	HK\$Million	HK\$Million
Amounts payable in the next :		
0 - 30 days	177.4	224.1
31-60 days	18.0	2.3
61-90 days	13.0	2.2
Over 90 days	23.2	45.7
	231.6	274.3

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20. SHARE CAPITAL

	2001	2000	2001	2000
	No. of shares	No. of shares	HK\$Million	HK\$Million
	Million	Million	HK\$Million	HK\$Million
Authorised :				
Ordinary shares of HK\$0.20 each	<u>3,000.0</u>	<u>3,000.0</u>	<u>600.0</u>	<u>600.0</u>
Issued and fully paid :				
Ordinary shares of HK\$0.20 each	<u>2,069.6</u>	<u>2,069.6</u>	<u>413.9</u>	<u>413.9</u>

Unification and redesignation of "A" and "B" shares

Formerly, the capital structure of the Company comprised an authorised share capital of HK\$600 million, divided into 500,000,000 "A" shares of HK\$1.00 each and 500,000,000 "B" shares of HK\$0.20 each with the issued and fully paid up share capital being HK\$413.9 million, divided into 363,449,250 "A" shares of HK\$1.00 each and 252,390,875 "B" shares of HK\$0.20 each.

By resolutions passed at an extraordinary general meeting and two separate class meetings of the Company held on 28th July, 2000, each of the 500,000,000 issued and unissued "A" shares of HK\$1.00 each in the Company's authorised capital was sub-divided in five "A" shares of HK\$0.20 each ranking pari passu in all respects with each of the "B" share of HK\$0.20 each in the authorised capital of the Company and all of the issued and unissued "A" shares sub-divided as aforesaid and of the issued and unissued "B" shares were redesignated as ordinary shares of HK\$0.20 each, to rank pari passu in all respects.

As a result of the sub-division and redesignation, the authorised share capital of the Company has become HK\$600 million divided into 3,000,000,000 ordinary shares of HK\$0.20 each and the issued and fully paid up share capital has become 2,069,637,125 ordinary shares of HK\$0.20 each.

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21. RESERVES

	Capital redemption reserve HK\$Million	Investment property revaluation reserves HK\$Million	Investment revaluation reserves HK\$Million	Other capital reserves HK\$Million	Revenue reserves HK\$Million	Total HK\$Million
a) Group						
Company and subsidiaries						
Balance at 1st April, 2000	4.9	702.6	(547.4)	84.5	11,034.8	11,279.4
Revaluation surplus/(deficit)	-	(290.9)	962.6	-	-	671.7
Realised on disposal	-	-	(53.3)	-	-	(53.3)
Exchange difference	-	-	-	(169.5)	-	(169.5)
Capital reserve on consolidation	-	-	-	3.6	-	3.6
Reclassification	-	-	(20.0)	-	(78.1)	(98.1)
Net provision for non-trading securities written back	-	-	(7.9)	-	-	(7.9)
Profit for the year retained	-	-	-	-	326.3	326.3
Balance at 31st March, 2001	<u>4.9</u>	<u>411.7</u>	<u>334.0</u>	<u>(81.4)</u>	<u>11,283.0</u>	<u>11,952.2</u>
Associates						
Balance at 1st April, 2000	-	-	(20.0)	1.4	(58.0)	(76.6)
Revaluation surplus	-	-	12.7	-	-	12.7
Reclassification	-	-	20.0	-	78.1	98.1
Others	-	-	-	(0.7)	-	(0.7)
Loss for the year absorbed	-	-	-	-	(228.7)	(228.7)
Balance at 31st March, 2001	<u>-</u>	<u>-</u>	<u>12.7</u>	<u>0.7</u>	<u>(208.6)</u>	<u>(195.2)</u>
Total reserves at 31st March, 2001	<u>4.9</u>	<u>411.7</u>	<u>346.7</u>	<u>(80.7)</u>	<u>11,074.4</u>	<u>11,757.0</u>
Company and subsidiaries						
Balance at 1st April, 1999	4.9	763.0	(1,108.3)	49.3	10,521.0	10,229.9
Revaluation surplus/(deficit)	-	(60.4)	564.3	-	-	503.9
Realised on disposal	-	-	(3.4)	(3.0)	-	(6.4)
Exchange difference	-	-	-	38.2	-	38.2
Profit for the year retained	-	-	-	-	513.8	513.8
Balance at 31st March, 2000	<u>4.9</u>	<u>702.6</u>	<u>(547.4)</u>	<u>84.5</u>	<u>11,034.8</u>	<u>11,279.4</u>
Associates						
Balance at 1st April, 1999	-	2.1	(22.4)	-	(69.7)	(90.0)
Revaluation surplus	-	-	2.2	-	-	2.2
Realised on disposal	-	(2.1)	0.2	-	-	(1.9)
Others	-	-	-	1.4	-	1.4
Profit for the year retained	-	-	-	-	11.7	11.7
Balance at 31st March, 2000	<u>-</u>	<u>-</u>	<u>(20.0)</u>	<u>1.4</u>	<u>(58.0)</u>	<u>(76.6)</u>
Total reserves at 31st March, 2000	<u>4.9</u>	<u>702.6</u>	<u>(567.4)</u>	<u>85.9</u>	<u>10,976.8</u>	<u>11,202.8</u>
b) Company						
Balance at 1st April, 2000	4.9	-	-	361.5	1,059.6	1,426.0
Deficit for the year absorbed	-	-	-	-	(99.6)	(99.6)
Total reserves at 31st March, 2001	<u>4.9</u>	<u>-</u>	<u>-</u>	<u>361.5</u>	<u>960.0</u>	<u>1,326.4</u>
Balance at 1st April, 1999	4.9	-	-	361.5	1,159.4	1,525.8
Deficit for the year absorbed	-	-	-	-	(99.8)	(99.8)
Total reserves at 31st March, 2000	<u>4.9</u>	<u>-</u>	<u>-</u>	<u>361.5</u>	<u>1,059.6</u>	<u>1,426.0</u>

Reserves of the Company available for distribution to shareholders amount to HK\$960.0 million (2000 : HK\$1,059.6 million) The application of the capital redemption reserve account is governed by section 49H of the Hong Kong Companies Ordinance. The revaluation reserves and other capital reserves have been set up and will be dealt with in accordance with the accounting policies adopted by the Group.

NOTES TO THE ACCOUNTS

22. LONG TERM BANK LOANS

	Group		Company	
	2001	2000	2001	2000
	HK\$Million	HK\$Million	HK\$Million	HK\$Million
Secured bank loans				
Repayable after 1 year, but within 2 years	1,255.9	115.0	255.9	-
Repayable after 2 years, but within 5 years	718.0	1,765.0	-	-
	1,973.9	1,880.0	255.9	-
Unsecured bank loans				
Repayable after 2 years, but within 5 years	1,800.0	-	200.0	-
	3,773.9	1,880.0	455.9	-

23. DEFERRED TAXATION

	2001	2000
	HK\$Million	HK\$Million
At 1st April	732.5	547.7
Exchange differences	(37.2)	7.5
Deferred taxation relating to depreciation allowances	-	(14.4)
Transferred from profit and loss account (Note 7)	95.5	191.7
At 31st March	790.8	732.5

Major components of deferred taxation provided are set out below :-

Profit on pre-sale of properties	625.3	499.8
Surplus on revaluation of a property on acquisition of subsidiaries	165.5	232.7
	790.8	732.5

NOTES TO THE ACCOUNTS

24. CONTINGENT LIABILITIES

	Group		Company	
	2001	2000	2001	2000
	HK\$Million	HK\$Million	HK\$Million	HK\$Million
a) Guarantees given in respect of banking facilities available to : Subsidiaries	<u>-</u>	<u>-</u>	<u>2,103.0</u>	<u>1,505.0</u>
Associates	<u>1,936.1</u>	<u>955.3</u>	<u>680.0</u>	<u>440.0</u>

- b) The Company, a non wholly-owned subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms under an agreement for the property development project, MTRC Kowloon Station Package Two.

25. COMMITMENTS

	Group	
	2001	2000
	HK\$Million	HK\$Million
a) Acquisition of and future development expenditure relating to properties : Contracted but not provided for	<u>1,062.6</u>	<u>1,048.9</u>

- b) At 31st March, 2001, forward exchange contracts amounting to HK\$671.9 million (2000: HK\$74.7 million) were outstanding.

26. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group and the Company have not been a party to any material related party transaction during the year ended 31st March, 2001.

- a) Included in amounts due from associates as disclosed in note 13 to the accounts, are advances made by the Group to certain associates of HK\$4,750.9 million (2000: HK\$4,332.1 million) involved in the Sham Tseng and MTRC Kowloon Station Package Two projects which are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. Waivers were granted by the Stock Exchange in 1994 and 1997 from complying with the relevant connected transaction requirements.

NOTES TO THE ACCOUNTS

- b) The Company, a non wholly-owned subsidiary and the ultimate holding company together with its two associates have severally guaranteed bank loans facilities granted to a subsidiary of an associate, Hopfield Holdings Limited, to finance a property development project. The amount of guarantee given attributable to the Group and the Company were HK\$1,360.0 million (2000 : HK\$880.0 million) and HK\$680.0 million (2000 : HK\$440.0 million) respectively. Such guarantee given by the Company constitutes a connected transaction as defined under the Listing Rules, but a waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1997.
- c) As disclosed in note 24(b) to the accounts, the Company, a non wholly-owned subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms by the subsidiary of an associate under an agreement to develop the MTRC Kowloon Station Package Two project. Such guarantee given by the Company constitutes a connected transaction as defined under the Listing Rules, but a waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1997.
- d) The Group paid a General Managers' Commission to a related party of HK\$11.0 million (2000: HK\$22.4 million) for the provision of management services to the Group during the year. The payment of such an amount to the General Managers was in accordance with an agreement dated 31st March, 1992, which constitute connected transactions as defined under the Listing Rules, but are exempted from the requirements of the Listing Rules under paragraph 14.24(2) thereof relating to connected transactions.
- e) The Group received dividend income in the amount of HK\$134.1 million during the year ended 31st March, 2001 (2000: HK\$129.5 million) in respect of investments in a related company.

27. COMPARATIVE FIGURES

Certain comparative figures relating to details of the Company's share capital and per share amounts have been adjusted pursuant to the unification and redesignation of "A" and "B" shares as set out in note 20 above.

28. ULTIMATE HOLDING COMPANY

The ultimate holding company is Wheelock and Company Limited, incorporated in Hong Kong.

29. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 19th June, 2001.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES AT 31ST, MARCH, 2001

Subsidiaries	Place of incorporation/ operation	Issue share capital (all being ordinary shares and fully paid up)	Percentage of equity attributable to the Group	Principal activities
Actbilt Pte Limited	Singapore	2 S\$1 shares	75	Property
Charter Crown Enterprises Limited	Hong Kong	2 HK\$1 shares	72	Finance
Everbilt Developers Pte Ltd	Singapore	160,000,000 S\$1 shares	75	Property
Grannis Limited	Hong Kong	2 HK\$10 shares	72	Property
Grateful Enterprises Limited	Hong Kong	2 HK\$1 shares	72	Finance
Harriman Designs and Engineering Limited	Hong Kong	3 HK\$10 shares	100	Finance
High Pride Enterprises Limited	Hong Kong	2 HK\$1 shares	72	Investment
Janeworth Company Limited	Hong Kong	2 HK\$1 shares	72	Property
Keevil Company Limited	Hong Kong	2 HK\$1 shares	72	Property
Kennedy Town Service Company Limited	Hong Kong	50 HK\$100 shares	72	Finance
Lynchpin Limited	British Virgin Islands / International	500 US\$1 shares	72	Investment
Marco Polo Developments Limited	Singapore	398,853,292 S\$1 shares	75	Property
Marnav Holdings Limited	Hong Kong	1,000,000 HK\$1 shares	72	Property
MP-Bilt Pte Ltd	Singapore	1,000,000 S\$1 shares	75	Property
New Aspects Limited	British Virgin Islands / International	500 US\$1 shares	72	Investment
Pachino Limited	Hong Kong	2 HK\$10 shares	100	Property
Pizzicato Limited	Hong Kong	2 HK\$10 shares	72	Property
Python Company Limited	Hong Kong	2 HK\$1 shares	72	Property
Realty Development Corporation Limited (Note b)	Hong Kong	1,151,389,640 HK\$0.2 shares	72	Holding company
Rusticana Limited	Hong Kong	2 HK\$10 shares	72	Property
Samover Company Limited	Hong Kong	2 HK\$1 shares	72	Property
Sandsprings Limited	Hong Kong	2 HK\$10 shares	72	Property
Titano Limited	Hong Kong	2 HK\$1 shares	72	Property
Warhol Company Limited	Hong Kong	2 HK\$1 shares	72	Property
Wavatah Company Limited	Hong Kong	2 HK\$1 shares	72	Property
Whole Result Limited	Hong Kong	2 HK\$1 shares	72	Property
Woodenfield Limited	British Virgin Islands / International	500 US\$1 shares	100	Investment
Zarow Limited	Hong Kong	2 HK\$10 shares	72	Property
		Percentage of share capital (of the class of shares stated below) held by subsidiary(ies) of the Company	Percentage of equity attributable to the Group	Principal activities
Associates	Place of incorporation/ operation			
Diamond Hill Development Holdings Limited	British Virgin Islands	33 (ordinary shares)	33	Holding company
Dramstar Company Limited (Note a)	Hong Kong	100 ("B" shares)	32	Property
Grace Sign Limited (Note a)	Hong Kong	20 (ordinary shares)	15	Property
Hamptons Group Limited (Note a)	United Kingdom	33 (ordinary shares)	25	Property agency
Hopfield Holdings Limited	British Virgin Islands	40 (ordinary shares)	35	Holding company
Kim Realty Investment Pte Ltd (Note a)	Singapore	30 (ordinary shares)	22	Hotel investment
Kowloon Properties Company Limited	Hong Kong	40 (ordinary shares)	35	Property
Salisbury Company Limited	Hong Kong	33 (ordinary shares)	33	Property

Notes:

- a) The accounts of these associates have been audited by a firm of accountants other than KPMG.
- b) Unless otherwise stated, the subsidiaries and associates were held indirectly by the Company.
43.9% of this subsidiary were held directly by the Company.
- c) The above list gives the principal subsidiaries and associates of the Group which, in the opinion of the Directors, principally affected the profit and assets of the Group.
- d) The associates are unlisted corporate entities.