

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 ("SSAP") 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 accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties, certain other properties and investments in securities as explained in the accounting policies set out below.

c) Basis of consolidation

(i) The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 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 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 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. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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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 and deferred to the extent of the Group's interest in the associate until the concerned assets are on-sold to third parties. 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 previously taken to 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 are stated at the lower of 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.

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

NOTES TO THE ACCOUNTS

(iii) Properties held for sale

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

(iv) Other properties

Other properties are stated at cost or valuation at 31 March 1995 less accumulated depreciation and such provisions for diminution in value considered necessary by the Directors. The Group places reliance on paragraph 72 of SSAP17 which provides exemption from the need to make regular revaluations for those properties stated at valuation at 31 March 1995.

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. The carrying amount of investment properties with unexpired lease terms of 20 years or less is depreciated on a straight line basis over the remaining term of the leases.

(ii) Properties under or held for development

No depreciation is provided on properties under or held for development.

(iii) Other properties

Depreciation is provided on the carrying amount of the leasehold land over the unexpired term of the lease. Buildings are depreciated on a straight line basis whereby their carrying amount is written off in equal annual instalments over the shorter of 50 years and the remaining term of the lease.

(iv) 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 3 and 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. Changes in fair value are recognised in the investment revaluation reserve until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative surplus or deficit is transferred from the investment revaluation reserve to the profit and loss account.

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

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 reserve is also transferred to the profit and loss account for the year.

- (ii) Trading securities are classified 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) Inventories

Inventories comprising goods for resale are stated at the lower of cost, including an element of overheads, where applicable, and net realisable value which is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date, or to management estimates based on prevailing market conditions.

Cost is calculated based on the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, their carrying amounts are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

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

j) 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 and associates are translated into Hong Kong dollars at the market rates 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 reserve account.

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Gains or losses on outstanding speculative forward contracts computed by reference to the forward rates at the balance sheet date are dealt with in the profit and loss account. No profit or loss is recognised on outstanding non-speculative forward contracts which are used as hedges of firm commitments.

k) Recognition of revenue

- (i) Income from sale of goods is recognised when the title of the goods is transferred to the customers.
- (ii) Income from management services is recognised upon provision of services.
- (iii) Rental receivable from investment properties held for use under operating leases is accounted for on a straight line basis over the respective periods of the leases.
- (iv) Dividend and investment income is recognised at the time when the right to receive payment is established.
- (v) 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)).
- (vi) Interest income is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

l) 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.

m) 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 prepare for its intended use or sale.

n) Operating leases

Payment obligations in respect of operating leases on property with fixed rentals are accounted for on a straight line basis over the periods of the respective leases; payment obligations in respect of operating leases on property with rentals which vary with the sales of the Group are charged to the profit and loss account as incurred.

o) 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 entities.

NOTES TO THE ACCOUNTS

2. TURNOVER

The principal activities of the Group are retailing and trading, property investment and sale, treasury management, investment holding and rendering of financial and commercial services. Analysis of the Group's turnover and operating profit by principal activities and geographical locations for the year ended 31 March 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 :				
Retailing and trading	1,865.7	1,388.3	56.8	61.8
Sale of property	1,294.1	2,428.3	553.5	977.5
Property rental	282.3	321.5	224.9	267.6
Treasury management, investment and others	319.4	412.9	518.3	412.0
	<u>3,761.5</u>	<u>4,551.0</u>	<u>1,353.5</u>	<u>1,718.9</u>
b) Geographical locations of operations :				
Hong Kong	2,329.6	2,123.6	568.3	795.8
Singapore	1,349.5	2,377.9	778.2	914.8
Others	82.4	49.5	7.0	8.3
	<u>3,761.5</u>	<u>4,551.0</u>	<u>1,353.5</u>	<u>1,718.9</u>

3. OTHER NET INCOME

	2001 HK\$ Million	2000 HK\$ Million
Net profit on disposal of non-trading securities	231.5	154.3
Net provision for non-trading securities	(16.6)	-
Net other provision released / (charged)	84.0	(44.4)
Deferred profits realised	56.2	71.8
Profit on disposal of subsidiaries	-	78.3
Profit on disposal of interest in associates	-	108.7
Others	87.1	(41.1)
	<u>442.2</u>	<u>327.6</u>

Included in the net profit on disposal of non-trading securities is a net surplus, before deduction of minority interests, of HK\$144.5 million (2000 : HK\$28.1 million) transferred from investment revaluation reserves.

NOTES TO THE ACCOUNTS

4. OPERATING PROFIT

	2001 HK\$ Million	2000 HK\$ Million
Operating profit is arrived at:		
after charging: -		
Staff costs	360.1	293.5
Cost of properties sold	765.7	1,549.4
Cost of inventories sold	1,057.7	806.3
Depreciation	56.2	34.3
Auditors' remuneration	5.0	4.2
Operating lease rentals		
- Land and building	229.3	123.6
and after crediting: -		
Rental income from operating leases less outgoings	205.8	243.0
- which includes gross rental income from investment properties	263.4	294.0
Dividend income from listed investments	140.9	139.4
Dividend income from unlisted investments	0.3	0.3

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

	2001 HK\$ Million	2000 HK\$ Million
Interest payable on		
Bank loans and overdrafts	1,063.8	1,013.6
Other loans repayable within five years	241.8	242.2
Other borrowing costs	102.5	106.0
Less: Amount capitalised *	(510.4)	(428.3)
	897.7	933.5

* Borrowing costs have been capitalised at rates between 4.0% to 7.7% per annum (2000: 4.0% to 7.0%).

NOTES TO THE ACCOUNTS

6. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

	2001 HK\$ Million	2000 HK\$ Million
a) Directors' emoluments		
Fees	0.4	0.4
Basic salaries, housing allowances, other allowances and benefits in kind	3.4	3.2
Deemed profit on share option exercise	-	-
Retirement scheme contributions	-	-
Discretionary bonuses and/or performance - related bonuses	2.9	2.9
Compensation for loss of office	-	-
Inducement for joining the Group	-	-
	6.7	6.5

For the year under review, total emoluments (including any reimbursement) amounting to HK\$105,000 (2000: HK\$105,000), being wholly in the form of Directors' fees, were paid or payable to Independent Non-executive Directors of the Company.

The emoluments in respect of the year ended 31 March 2001 of all the Directors of the Company in office during the year were in the following ranges:

	2001 Number	2000 Number
Bands (in HK\$)		
Not more than \$1,000,000	10	11
\$1,500,001 - \$2,000,000	1	1
\$4,500,001 - \$5,000,000	1	1
	12	13

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 31 March 2001 of four employees (2000 : four) of the Group who, not being Directors of the Company, are among the top five highest paid individuals (including persons who held the office of Directors of the Company at any time during the year as well as other employees of the Group) employed by the Group.

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(i) Aggregate emoluments

	2001 HK\$ Million	2000 HK\$ Million
Basic salaries, housing allowances, other allowances and benefits in kind	8.7	7.5
Deemed profit on share option exercise	-	1.4
Pension scheme contributions	0.5	0.3
Discretionary bonuses and/or performance - related bonuses	3.7	4.0
Compensation for loss of office	-	-
Inducement for joining the Group	-	-
	12.9	13.2

(ii) Bandings

Bands (in HK\$)	2001 Number	2000 Number
\$2,000,001 - \$2,500,000	1	2
\$2,500,001 - \$3,000,000	2	-
\$3,500,001 - \$4,000,000	-	1
\$4,500,001 - \$5,000,000	-	1
\$5,000,001 - \$5,500,000	1	-
	4	4

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:

	2001 HK\$ Million	2000 HK\$ Million
Company and subsidiaries		
Hong Kong profits tax for the year	19.3	13.0
Overseas taxation (credit)/charge for the year	(2.7)	20.1
Underprovisions in prior years	-	157.5
Deferred taxation (Note 25)	93.1	188.8
	109.7	379.4
Associates		
Hong Kong profits tax for the year	111.2	116.6
Overseas taxation for the year	16.8	11.9
Underprovisions in prior years	30.0	-
Tax refund in prior years	-	(28.5)
Deferred taxation	(14.5)	(12.4)
	143.5	87.6
	253.2	467.0

NOTES TO THE ACCOUNTS

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\$169.5 million (2000: HK\$168.0 million).

9. DIVIDENDS

	2001 HK\$ Million	2000 HK\$ Million
Interim dividend of 2.5 cents (2000 : 2.5 cents) per share	50.8	50.8
Proposed final dividend of 5.0 cents (2000 : 5.0 cents) per share	<u>101.5</u>	<u>101.5</u>
	<u>152.3</u>	<u>152.3</u>

10. EARNINGS PER SHARE

The calculation of earnings per share is based on earnings for the year of HK\$516.6 million (2000: HK\$864.4 million) and on the weighted average of 2,030.8 million (2000: 2,030.6 million) ordinary shares in issue during the year.

No figure for diluted earnings per share is shown as the exercise of the subscription rights attached to the share options referred to in Note 22 to the Accounts would not have a diluting effect on the earnings per share.

11. CHANGE IN ACCOUNTING POLICIES

In prior years, pre-operating and pre-maturity expenses of the Group's associates in relation to cable television and telecommunications operations were deferred and amortised over the respective licence periods and pre-operating expenses in relation to other projects under development were deferred and amortised over a period, not exceeding five years from the dates the projects came into operation. With effect from 1 April 2000, a new accounting policy was adopted to write off all these expenses as they are incurred in accordance with Interpretation 9 issued by the Hong Kong Society of Accountants. The new accounting policy has been adopted retrospectively. In adjusting prior years' figures, revenue reserves as at 1 April 1999 were restated and decreased by HK\$838.2 million representing the Group's share of unamortised balance of pre-operating and pre-maturity expenses charged to the prior year's consolidated profit and loss account.

As a result of the adoption of Interpretation 9 and restating the prior years' results and reserves, the Group's profit for the year attributable to shareholders has increased by HK\$78.5 million (2000: HK\$141.4 million) as a result of no amortisation of pre-operating and pre-maturity expenses and the write-off of related expenses incurred during the year and the Group's net assets at 31 March 2001 have decreased by HK\$633.9 million (2000: HK\$706.8 million).

NOTES TO THE ACCOUNTS

12. FIXED ASSETS

Group	Investment properties HK\$ Million	Other properties HK\$ Million	Other fixed assets HK\$ Million	Total HK\$ Million
Cost or valuation				
At 1 April 2000	5,158.6	554.3	202.5	5,915.4
Exchange differences	(111.9)	-	(0.4)	(112.3)
Additions	14.9	-	35.6	50.5
Acquisition of subsidiaries	-	-	301.7	301.7
Disposals	-	-	(62.0)	(62.0)
Revaluation deficit	(400.5)	-	-	(400.5)
Net provision written-back	-	29.3	-	29.3
At 31 March 2001	<u>4,661.1</u>	<u>583.6</u>	<u>477.4</u>	<u>5,722.1</u>
Accumulated depreciation				
At 1 April 2000	-	25.6	124.9	150.5
Exchange differences	-	-	(0.2)	(0.2)
Acquisition of subsidiaries	-	-	205.5	205.5
Charge for the year	-	6.3	49.9	56.2
Written back on disposals	-	-	(41.4)	(41.4)
At 31 March 2001	<u>-</u>	<u>31.9</u>	<u>338.7</u>	<u>370.6</u>
Net Book Value				
At 31 March 2001	<u>4,661.1</u>	<u>551.7</u>	<u>138.7</u>	<u>5,351.5</u>
At 31 March 2000	<u>5,158.6</u>	<u>528.7</u>	<u>77.6</u>	<u>5,764.9</u>

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

At valuation in 2001	4,661.1	-	-	4,661.1
At valuation in 1995				
less provision	-	484.8	-	484.8
At cost less provision	<u>-</u>	<u>98.8</u>	<u>477.4</u>	<u>576.2</u>
	<u>4,661.1</u>	<u>583.6</u>	<u>477.4</u>	<u>5,722.1</u>

b) Tenure of title to properties:

Held in Hong Kong				
- Long lease	2,587.5	470.3	-	3,057.8
- Medium lease	-	98.8	-	98.8
Held outside Hong Kong				
- Long lease	2,073.6	-	-	2,073.6
- Medium lease	-	14.5	-	14.5
	<u>4,661.1</u>	<u>583.6</u>	<u>-</u>	<u>5,244.7</u>

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c) Properties revaluation

- (i) The Group's investment properties have been revalued as at 31 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.

The surplus or deficit arising on revaluation less minority interests is dealt with in investment property reserves.

- (ii) Certain other properties were valued at 31 March 1995 by Chesterton Petty Limited, on an open market value basis, after taking into account the development potential of the properties where appropriate.

- (iii) Included in other properties are properties amounting to HK\$484.8 million which are stated at professional valuations at 31 March 1995 less subsequent provisions for diminution in value.

13. SUBSIDIARIES

	Company	
	2001 HK\$ Million	2000 HK\$ Million
Unlisted shares, at cost	3,495.0	3,495.0
Amounts due from subsidiaries	11,212.2	12,966.4
Amounts due to subsidiaries	-	(62.8)
	<u>14,707.2</u>	<u>16,398.6</u>

Details of principal subsidiaries at 31 March 2001 are shown on pages 35 and 36.

14. ASSOCIATES

	Group	
	2001 HK\$ Million	Restated 2000 HK\$ Million
Share of net assets other than goodwill	28,869.7	27,687.0
Amounts due from associates	576.0	221.6
Loans from associates (Note b)	(2,362.8)	(2,054.6)
Amounts due to associates (Note c)	(2,411.0)	(2,283.1)
	<u>24,671.9</u>	<u>23,570.9</u>

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a) Analysis of the cost of investment of the above:

	Group	
	2001 HK\$ Million	2000 HK\$ Million
Shares listed in Hong Kong	11,529.7	11,663.6
Unlisted shares	<u>95.9</u>	<u>255.0</u>
	<u>11,625.6</u>	<u>11,918.6</u>
Market value of listed shares	<u>24,991.1</u>	<u>18,376.8</u>

b) Loans from associates are interest bearing at rates as determined with reference to prevailing market rates. Interest expenses in respect of loans from associates for the year ended 31 March 2001 amounted to HK\$163.3 million (2000: HK\$121.1 million).

c) Amounts due to associates are unsecured and interest free.

d) Extracts of the consolidated profit and loss account and consolidated balance sheet of The Wharf (Holdings) Limited, the significant associate of the Group, are shown on page 37.

e) Details of principal associates at 31 March 2001 are shown on page 36.

15. LONG-TERM INVESTMENTS

	Group	
	2001 HK\$ Million	2000 HK\$ Million
Non-trading equity securities, at market value		
Listed in Hong Kong	2,590.6	2,950.2
Listed outside Hong Kong	733.4	650.7
Unlisted shares	<u>11.5</u>	<u>12.2</u>
	<u>3,335.5</u>	<u>3,613.1</u>

16. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

17. PROPERTIES UNDER DEVELOPMENT

a) The amount of properties under development carried at net realisable value at 31 March 2001 is HK\$7,190.6 million (2000: HK\$7,717.2 million).

b) The amount of properties under development pledged as security for bank loans is HK\$6,009.7 million (2000: HK\$10,769.1 million).

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18. INVENTORIES

The amount of inventories carried at net realisable value at 31 March 2001 is HK\$68.1 million (2000: HK\$73.8 million).

19. DEBTORS AND PREPAYMENTS

The Group maintains defined credit policies for the respective 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 31 March 2001 as follows:

	Group	
	2001 HK\$ Million	2000 HK\$ Million
Current	58.7	103.1
31 - 60 days	5.8	4.4
61 - 90 days	5.0	4.6
Over 90 days	8.2	22.6
	<u>77.7</u>	<u>134.7</u>

20. SHORT-TERM LOANS AND OVERDRAFTS

	Group		Company	
	2001 HK\$ Million	2000 HK\$ Million	2001 HK\$ Million	2000 HK\$ Million
Bank loans and overdrafts				
Unsecured	399.5	1,119.7	264.9	279.2
Secured	135.2	339.3	-	-
Current portion of long-term bank loans				
Unsecured	3,500.0	1,200.0	3,500.0	1,200.0
Secured	30.0	1,647.8	-	-
Notes and bonds (Unsecured)				
Notes (Note a)	500.0	-	-	-
Bonds (Note b)	-	500.0	-	-
	<u>4,564.7</u>	<u>4,806.8</u>	<u>3,764.9</u>	<u>1,479.2</u>

- a) The unsecured notes, bearing interest at 8.75 per cent per annum, will mature on 17 December 2001 and have been reclassified under current liabilities at 31 March 2001.
- b) The unsecured bonds, bearing interest at 7.25 per cent per annum, matured on 30 November 2000.

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21. CREDITORS AND ACCRUALS

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

	Group	
	2001	2000
	HK\$ Million	HK\$ Million
Amounts payable in the next:		
0 - 30 days	387.6	374.1
31 - 60 days	152.3	103.1
61 - 90 days	29.5	2.3
Over 90 days	134.1	74.3
	<u>703.5</u>	<u>553.8</u>

22. SHARE CAPITAL

	2001	2000	2001	2000
	No. of shares Million	No. of shares Million	HK\$ Million	HK\$ Million
Authorised				
Ordinary shares of HK\$0.50 each				
Balance at 1 April	2,420.0	2,420.0	1,210.0	1,210.0
Increase in authorised ordinary share capital	<u>380.0</u>	<u>-</u>	<u>190.0</u>	<u>-</u>
Balance at 31 March	<u>2,800.0</u>	<u>2,420.0</u>	<u>1,400.0</u>	<u>1,210.0</u>
Issued and fully paid				
Balance at 1 April	2,030.8	2,030.2	1,015.4	1,015.1
Exercise of share options granted under the Executive Share Incentive Scheme	<u>0.1</u>	<u>0.6</u>	<u>-</u>	<u>0.3</u>
Balance at 31 March	<u>2,030.9</u>	<u>2,030.8</u>	<u>1,015.4</u>	<u>1,015.4</u>

By a resolution passed at the annual general meeting held on 28 September 2000, the authorised share capital of the Company was increased from HK\$1,210.0 million to HK\$1,400.0 million by the creation of 380 million new ordinary shares of HK\$0.50 each.

As at 31 March 2001, options to subscribe for 1.0 million ordinary shares of the Company at prices ranging from HK\$5.20 to HK\$10.60 per share granted to a number of executives under the Company's Executive Share Incentive Scheme were unexercised. These options are exercisable between 13 August 1994 and 29 September 2003 subject to the terms of the grants.

During the year, options were exercised to subscribe for 0.1 million shares of HK\$0.50 each at considerations of HK\$5.20 and HK\$5.50 per share.

NOTES TO THE ACCOUNTS

23. RESERVES

	Share premium HK\$ Million	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 1 April 2000	1,908.6	19.5	1.9	183.8	246.3	8,159.9	10,520.0
Premium on shares issued	0.5	-	-	-	-	-	0.5
Revaluation surplus	-	-	-	7.4	-	-	7.4
Net provision	-	-	-	21.7	-	-	21.7
Realised on disposal	-	-	-	(110.4)	-	-	(110.4)
Exchange differences	-	-	-	-	(123.0)	-	(123.0)
Provision for other properties written back	-	-	-	-	36.9	-	36.9
Reserves arising on consolidation	-	-	-	-	4.3	-	4.3
Reclassification	-	-	-	(14.8)	-	(57.9)	(72.7)
Others	-	-	-	-	1.2	-	1.2
Deficit for the year absorbed	-	-	-	-	-	(100.9)	(100.9)
Balance at 31 March 2001	<u>1,909.1</u>	<u>19.5</u>	<u>1.9</u>	<u>87.7</u>	<u>165.7</u>	<u>8,001.1</u>	<u>10,185.0</u>
Associates							
Balance at 1 April 2000	-	-	13,676.6	200.8	(348.5)	2,884.9	16,413.8
As previously reported	-	-	13,676.6	200.8	(348.5)	2,884.9	16,413.8
Prior period adjustment (Note 11)	-	-	-	-	(10.0)	(696.8)	(706.8)
As restated	-	-	13,676.6	200.8	(358.5)	2,188.1	15,707.0
Revaluation surplus	-	-	1,009.1	50.5	-	-	1,059.6
Revaluation of hotel and club properties	-	-	-	-	56.3	-	56.3
Realised on disposal	-	-	-	(364.6)	-	-	(364.6)
Reserves arising on consolidation	-	-	-	-	76.5	-	76.5
Reclassification	-	-	4.4	14.8	(4.4)	57.9	72.7
Others	-	-	-	-	(12.8)	-	(12.8)
Profit for the year retained	-	-	-	-	-	465.2	465.2
Balance at 31 March 2001	<u>-</u>	<u>-</u>	<u>14,690.1</u>	<u>(98.5)</u>	<u>(242.9)</u>	<u>2,711.2</u>	<u>17,059.9</u>
Total reserves at 31 March 2001	<u>1,909.1</u>	<u>19.5</u>	<u>14,692.0</u>	<u>(10.8)</u>	<u>(77.2)</u>	<u>10,712.3</u>	<u>27,244.9</u>
Company and subsidiaries							
Balance at 1 April 1999	1,905.2	19.5	4.1	(303.2)	32.8	8,389.1	10,047.5
Premium on shares issued	3.4	-	-	-	-	-	3.4
Revaluation (deficit)/surplus	-	-	(2.2)	503.6	-	-	501.4
Realised on disposal	-	-	-	(16.6)	-	-	(16.6)
Exchange differences	-	-	-	-	29.5	-	29.5
Reserves arising on consolidation	-	-	-	-	186.7	-	186.7
Transfers	-	-	-	-	(12.7)	12.7	-
Others	-	-	-	-	10.0	-	10.0
Deficit for the year absorbed	-	-	-	-	-	(241.9)	(241.9)
Balance at 31 March 2000	<u>1,908.6</u>	<u>19.5</u>	<u>1.9</u>	<u>183.8</u>	<u>246.3</u>	<u>8,159.9</u>	<u>10,520.0</u>
Associates							
Balance at 1 April 1999	-	-	9,259.7	(449.4)	5,599.1	2,076.2	16,485.6
As previously reported	-	-	9,259.7	(449.4)	5,599.1	2,076.2	16,485.6
Prior period adjustment (Note 11)	-	-	-	-	-	(838.2)	(838.2)
As restated	-	-	9,259.7	(449.4)	5,599.1	1,238.0	15,647.4
Revaluation (deficit)/surplus	-	-	(995.0)	460.6	-	-	(534.4)
Provision for impairment of other properties	-	-	-	-	(540.2)	-	(540.2)
Transfer	-	-	5,506.2	-	(5,506.2)	-	-
Reserves arising on consolidation	-	-	-	-	127.0	-	127.0
Realised on disposal	-	-	-	189.6	-	-	189.6
Disposal of interests in associates	-	-	(94.3)	-	(51.2)	-	(145.5)
Others	-	-	-	-	13.0	(3.9)	9.1
Profit for the year retained	-	-	-	-	-	954.0	954.0
Balance at 31 March 2000	<u>-</u>	<u>-</u>	<u>13,676.6</u>	<u>200.8</u>	<u>(358.5)</u>	<u>2,188.1</u>	<u>15,707.0</u>
Total reserves at 31 March 2000	<u>1,908.6</u>	<u>19.5</u>	<u>13,678.5</u>	<u>384.6</u>	<u>(112.2)</u>	<u>10,348.0</u>	<u>26,227.0</u>

NOTES TO THE ACCOUNTS

23. RESERVES

	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
b) Company					
Balance at 1 April 2000	1,908.6	19.5	77.2	1,459.8	3,465.1
Premium on shares issued	0.5	-	-	-	0.5
Profit for the year retained	-	-	-	17.2	17.2
Balance at 31 March 2001	<u>1,909.1</u>	<u>19.5</u>	<u>77.2</u>	<u>1,477.0</u>	<u>3,482.8</u>
Balance at 1 April 1999	1,905.2	19.5	77.2	1,444.1	3,446.0
Premium on shares issued	3.4	-	-	-	3.4
Profit for the year retained	-	-	-	15.7	15.7
Balance at 31 March 2000	<u>1,908.6</u>	<u>19.5</u>	<u>77.2</u>	<u>1,459.8</u>	<u>3,465.1</u>

Reserves of the Company available for distribution to shareholders at 31 March 2001 amounted to HK\$1,477.0 million (2000: HK\$1,459.8 million).

24. LONG-TERM LOANS

	Group		Company	
	2001	2000	2001	2000
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Bank loans (Secured)				
Repayable after 1 year, but within 2 years	1,255.9	115.0	-	-
Repayable after 2 years, but within 5 years	718.0	1,764.9	-	-
	<u>1,973.9</u>	<u>1,879.9</u>	<u>-</u>	<u>-</u>
Bank loans (Unsecured)				
Repayable after 1 year, but within 2 years	6,325.0	5,000.0	6,325.0	5,000.0
Repayable after 2 years, but within 5 years	4,100.0	5,325.0	-	5,325.0
	<u>10,425.0</u>	<u>10,325.0</u>	<u>6,325.0</u>	<u>10,325.0</u>
Notes (Unsecured) (Note 20a)	-	500.0	-	-
	<u>12,398.9</u>	<u>12,704.9</u>	<u>6,325.0</u>	<u>10,325.0</u>

NOTES TO THE ACCOUNTS

25. DEFERRED TAXATION

	Group	
	2001 HK\$ Million	2000 HK\$ Million
At 1 April	734.9	562.0
Exchange differences	(37.2)	7.5
Transferred from profit and loss account (Note 7)	93.1	188.8
Deferred taxation relating to depreciation allowances	-	(14.4)
Released on disposal of subsidiaries	-	(9.0)
	<u>790.8</u>	<u>734.9</u>
At 31 March	<u>790.8</u>	<u>734.9</u>

Major components of deferred taxation provided are set out below:

Surplus on revaluation of a property on acquisition of subsidiaries	165.5	232.7
Profit on pre-sale of properties	625.3	499.8
Others	-	2.4
	<u>790.8</u>	<u>734.9</u>
	<u>790.8</u>	<u>734.9</u>

26. CONTINGENT LIABILITIES

At 31 March 2001

- a) There were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities and unsecured notes up to HK\$6,172.3 million (2000: HK\$3,182.4 million).
- b) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$595.3 million (2000 : Nil).
- c) The Company together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms by another subsidiary under an agreement for the property development of the MTRC Kowloon Station Package Two.

NOTES TO THE ACCOUNTS

27. COMMITMENTS

- a) Commitments in respect of property developments and capital expenditures

	Group	
	2001 HK\$ Million	2000 HK\$ Million
Contracted but not provided for	<u>4,379.5</u>	<u>2,873.9</u>
Authorised but not contracted for	<u>-</u>	<u>5.2</u>

- b) Capital commitments in respect of investments in China projects

	Group	
	2001 HK\$ Million	2000 HK\$ Million
Contracted but not provided for	<u>1,504.6</u>	<u>1,501.9</u>

- c) Lease commitments

At 31 March 2001, the Group has future commitments under operating leases to make payments in respect of leasehold properties in the ensuing year as follows:

	Group	
	2001 HK\$ Million	2000 HK\$ Million
Expiring in the first year	2.0	2.8
Expiring in the second to fifth years inclusive	<u>125.8</u>	<u>122.6</u>
	<u>127.8</u>	<u>125.4</u>

- d) Forward exchange contracts

	Group	
	2001 HK\$ Million	2000 HK\$ Million
Forward exchange contracts outstanding	<u>798.2</u>	<u>2,120.5</u>

NOTES TO THE ACCOUNTS

28. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transactions during the year ended 31 March 2001:

- a) Loans and advances in the amount of HK\$4,750.8 million (2000: HK\$4,332.1 million) were made from certain associates for the Sham Tseng and MTRC Kowloon Station Package Two developments, further details of which are disclosed in Note 14 to the accounts.
- b) As disclosed in Note 26(c), the Company together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms by another subsidiary under an agreement for the property development of the MTRC Kowloon Station Package Two.

29. APPROVAL OF ACCOUNTS

The accounts were approved by the Directors on 26 June 2001.

NOTES TO THE ACCOUNTS

PRINCIPAL SUBSIDIARIES AND ASSOCIATES AT 31 MARCH 2001

Subsidiaries	Place of incorporation/ operation	Issued & fully paid up share capital (all being ordinary shares except otherwise stated)	Percentage of equity attributable to the Group	Principal activities
Actbilt Pte Limited	Singapore	2 S\$1 shares	55	Property
Ad Hoc (Hong Kong) Limited	Hong Kong	1,000,000 HK\$1 shares	52	Retailing
Ad Hoc (Taiwan) Limited	Hong Kong	10,000 HK\$1 shares	52	Retailing
Everbilt Developers Pte Ltd	Singapore	160,000,000 S\$1 shares	55	Property
* Glegg Company Limited	Hong Kong	2 HK\$1 shares	100	Finance
Grannis Limited	Hong Kong	2 HK\$10 shares	54	Property
Harriman Designs and Engineering Limited	Hong Kong	3 HK\$10 shares	74	Finance
Harriman Leasing Limited	Hong Kong	100,049 HK\$10 shares 50 non-voting HK\$10 shares	50 100	Letting agent
* Harriman Realty Company, Limited	Hong Kong	100,000 HK\$10 "A" shares 102,000 HK\$0.1 "B" shares	100 2	Property management
Janeworth Company Limited	Hong Kong	2 HK\$1 shares	54	Property
Joyce Beauty (Hong Kong) Limited	Hong Kong	10,000 HK\$1 shares	52	Retailing
Joyce Boutique Holdings Limited	Bermuda	1,600,000,000 HK\$0.1 shares	52	Holding Company
Joyce Boutique Limited	Hong Kong	100 HK\$100 shares Non-voting deferred - 5,000 HK\$100 shares	52	Retailing
Joyce Cafe (Hong Kong) Limited	Hong Kong	2 HK\$1 shares	52	Restaurant
Keevil Company Limited	Hong Kong	2 HK\$1 shares	54	Property
Kennedy Town Service Company Limited	Hong Kong	50 HK\$100 shares	54	Finance
Kowloon Properties Company Limited	Hong Kong	10,000 HK\$1 shares	61	Property
* Lane Crawford International Limited	Bermuda/ International	2,000,000 HK\$0.05 shares	100	Holding company
* Lane Crawford (Hong Kong) Limited	Hong Kong	2 HK\$10 shares	100	Retailing
* Lane Crawford (Singapore) Pte Ltd	Singapore	25,000 S\$1 shares	100	Retailing
* Lawley International Limited	British Virgin Islands/ International	500 US\$1 shares	100	Finance
Marco Polo Developments Limited	Singapore	398,853,292 S\$1 shares	55	Property
Marnav Holdings Limited	Hong Kong	1,000,000 HK\$1 shares	54	Property
MP-Bilt Pte Ltd	Singapore	1,000,000 S\$1 shares	55	Property
New Asia Realty and Trust Company, Limited	Hong Kong	2,069,637,125 HK\$0.2 shares	74	Holding company
* Office Buildings Management Limited	Hong Kong	198 HK\$100 shares	99	Property management
Pizzicato Limited	Hong Kong	2 HK\$10 shares	54	Property

NOTES TO THE ACCOUNTS

PRINCIPAL SUBSIDIARIES AND ASSOCIATES AT 31 MARCH 2001

Subsidiaries	Place of incorporation/ operation	Issued & fully paid up share capital (all being ordinary shares except otherwise stated)	Percentage of equity attributable to the Group	Principal activities
Realty Development Corporation Limited	Hong Kong	1,151,389,640 HK\$0.2 shares	54	Holding company
* Ridge Limited	Hong Kong	2 HK\$1 shares	100	Property
Salisbury Company Limited	Hong Kong	2 HK\$1 shares	74	Property
Samover Company Limited	Hong Kong	2 HK\$1 shares	54	Property
Sandsprings Limited	Hong Kong	2 HK\$10 shares	54	Property
Titano Limited	Hong Kong	2 HK\$1 shares	54	Property
Wavatah Company Limited	Hong Kong	2 HK\$1 shares	54	Property
Webhouse Limited	Hong Kong	10,000 HK\$1 shares	52	Retailing
* Wheelock Capital Limited (held directly)	Hong Kong	2 HK\$1 shares	100	Investment
* Wheelock China Limited (held directly)	Hong Kong/China	2 HK\$1 shares	100	Holding company
* Wheelock International Limited	British Virgin Islands/ International	500 US\$1 shares	100	Management services
* Wheelock Pacific Limited (held directly)	Hong Kong	10 HK\$100 shares	100	Commercial services
* Wheelock Properties (China) Limited	Hong Kong/China	2 HK\$10 shares	100	Property development in China
* Wheelock Properties Limited (held directly)	Hong Kong	10,000,000 HK\$1 shares	100	Property development services
* Wheelock Travel Limited	Hong Kong	50,000 HK\$10 shares	100	Travel agency
Zarow Limited	Hong Kong	2 HK\$10 shares	54	Property
Associates	Place of incorporation/ operation	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
City Super Limited	Hong Kong	39 (ordinary shares)	39	Retailing
Dramstar Company Limited	Hong Kong	100 ("B" shares)	23	Property
Grace Sign Limited	Hong Kong	20 (ordinary shares)	11	Property
Hamptons Group Limited	United Kingdom	33 (ordinary shares)	18	Property agency
The Wharf (Holdings) Limited	Hong Kong	48 (ordinary shares)	48	Holding company

Notes

1) * The accounts of these companies have been audited by PricewaterhouseCoopers.

2) Unless otherwise stated, the subsidiaries and associates were held indirectly by the Company.

3) 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.

4) All associates are corporate entities.