

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 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 reserves. 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 the investment property revaluation reserves 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 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. Changes 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 estimated 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 material 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	2000	2001	2000
	HK\$Million	HK\$Million	HK\$Million	HK\$Million
a) Principal activities				
Sales of property	130.2	224.9	44.8	150.6
Property rental	135.9	144.8	82.2	92.7
Treasury management and investment	179.3	155.4	361.3	170.7
	<u>445.4</u>	<u>525.1</u>	<u>488.3</u>	<u>414.0</u>
b) Geographical locations of operations				
Hong Kong	394.0	504.3	260.5	394.2
Singapore	51.4	20.8	227.8	19.8
	<u>445.4</u>	<u>525.1</u>	<u>488.3</u>	<u>414.0</u>

3. OTHER NET INCOME

	Group	
	2001	2000
	HK\$Million	HK\$Million
Net profit on disposal of non-trading securities	181.2	31.0
Net release of other provisions	-	100.3
Net provision for non-trading securities written back	11.0	-
Others	-	(4.6)
	<u>192.2</u>	<u>126.7</u>

Included in the net profit on disposal of securities is a net surplus 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 : -		
Cost of properties sold	71.0	144.7
Depreciation	-	0.1
Auditors' remuneration	<u>0.9</u>	<u>0.9</u>
after crediting : -		
Rental income from operating leases less outgoings	96.1	105.1
- which includes gross rental income from investment properties	125.5	123.5
Interest income from deposits and advances	93.6	86.5
Dividend income from listed securities	<u>85.7</u>	<u>68.9</u>

5. BORROWING COSTS

	Group	
	2001 HK\$Million	2000 HK\$Million
Interest payable on		
Bank loans and overdrafts	75.7	57.2
Other loans repayable within 5 years	7.3	8.5
Other borrowing costs	4.1	1.9
	<u>87.1</u>	<u>67.6</u>

NOTES TO THE ACCOUNTS

6. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

a) Directors' emoluments

	Group	
	2001	2000
	HK\$ Million	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	-	-

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

The Group has no employees and the Group's management services are provided by the General Managers under the agreement mentioned in the section headed "Management Contracts" in the Report of the Directors.

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%). The taxation charge is made up as follows:

	Group	
	2001	2000
	HK\$ Million	HK\$ Million
Company and subsidiaries		
Hong Kong profits tax for the year	13.6	8.1
Underprovisions in respect of prior years	-	157.4
	<u>13.6</u>	<u>165.5</u>
Associates		
Hong Kong profits tax for the year	1.7	0.4
	<u>15.3</u>	<u>165.9</u>

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The underprovisions 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.

There are no timing differences which would give rise to a material provision for deferred taxation in the Company and its subsidiaries.

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\$150.4 million (2000 - HK\$401.2 million).

9. DIVIDENDS

	2001 HK\$Million	2000 HK\$Million
Interim dividend paid 3.0 cents (2000: 3.0 cents) per share	34.5	34.5
Proposed final dividend 6.0 cents (2000: 6.0 cents) per share	<u>69.1</u>	<u>69.1</u>
	<u>103.6</u>	<u>103.6</u>

For the purpose of comparison, the dividends of 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 15.0 cents and 30.0 cents per former "A" share and 3.0 cents and 6.0 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\$62.6 million (2000: HK\$158.9 million) and 1,151,389,640 ordinary shares (equivalent to 208,646,364 former "A" shares and 108,157,820 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 70.0 cents per former "A" share and 14.0 cents per former "B" share.

NOTES TO THE ACCOUNTS

11. FIXED ASSETS

	Long leasehold investment properties in Hong Kong HK\$Million	Other fixed assets HK\$Million	Total HK\$Million
Group			
Cost or valuation			
At 1st April 2000	2,509.0	5.7	2,514.7
Additions	6.4	-	6.4
Assets written off	-	(5.7)	(5.7)
Revaluation deficit	(368.9)	-	(368.9)
At 31st March, 2001	2,146.5	-	2,146.5
Accumulated depreciation			
At 1st April 2000	-	5.7	5.7
Assets written off	-	(5.7)	(5.7)
At 31st March, 2001	-	-	-
Net book value			
At 31st March, 2001	2,146.5	-	2,146.5
At 31st March, 2000	2,509.0	-	2,509.0
a) The analysis of cost or valuation of the above assets is as follows:			
Balance at 31st March, 2001			
At 2001 valuation	2,146.5	-	2,146.5
Balance at 31st March, 2000			
At 2000 valuation	2,509.0	-	2,509.0
At cost	-	5.7	5.7
	2,509.0	5.7	2,514.7

b) Properties revaluation

The Group's investment properties have been revalued as at 31st March, 2001 by Chesterton Petty Limited, an independent firm of chartered surveyors, 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 is dealt with in investment property revaluation reserves.

NOTES TO THE ACCOUNTS

12. SUBSIDIARIES

	Company	
	2001	2000
	HK\$Million	HK\$Million
Unlisted shares, at cost	1,469.7	1,469.7
Amounts due from subsidiaries	498.8	452.5
	<u>1,968.5</u>	<u>1,922.2</u>

Details of principal subsidiaries at 31st March, 2001 are shown on page 16.

13. ASSOCIATES

	Group		Company	
	2001	2000	2001	2000
	HK\$Million	HK\$Million	HK\$Million	HK\$Million
Unlisted shares, at cost	-	-	0.5	0.5
Share of net assets other than goodwill	69.5	129.3	-	-
	<u>69.5</u>	<u>129.3</u>	<u>0.5</u>	<u>0.5</u>
Amounts due from associates	1,492.7	1,100.5	-	-
Amounts due to associates	<u>(11.1)</u>	<u>(1.4)</u>	<u>(1.3)</u>	<u>(1.3)</u>
	<u>1,551.1</u>	<u>1,228.4</u>	<u>(0.8)</u>	<u>(0.8)</u>

a) Included in the amounts due from associates is a loan of HK\$1,181.4 million (2000: HK\$1,027.3 million) advanced to an associate for a property development project. The loan bears interest at rates as determined by shareholders of the associate with reference to the prevailing market rates. Interest income in respect of loan to an associate for the year ended 31st March, 2001 amounted to HK\$81.6 million (2000 : HK\$56.9 million). The loan has no fixed terms of repayment.

b) Extracts of the consolidated balance sheet of Hopfield Holdings Limited, a significant associate of the Group, are as follows :

	2001	2000
	HK\$Million	HK\$Million
Consolidated balance sheet		
Current assets	6,009.7	5,213.6
Current liabilities	(102.7)	(77.1)
Non-current liabilities	<u>(5,907.0)</u>	<u>(5,136.5)</u>

Details of principal associates at 31st March, 2001 are shown on page 16.

NOTES TO THE ACCOUNTS

14. LONG TERM INVESTMENTS

	Group	
	2001	2000
	HK\$Million	HK\$Million
Non-trading equity securities, at market value		
Listed in Hong Kong	1,055.4	1,329.0
Listed outside Hong Kong	733.4	321.0
	<u>1,788.8</u>	<u>1,650.0</u>

15. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

16. PROPERTIES UNDER DEVELOPMENT

a) The amount of properties under development carried at net realisable value is HK\$1,021.6 million (2000: HK\$636.0 million).

b) Properties under development in the amount of HK\$1,290.5 million (2000: HK\$1,553.8 million) are expected to be completed after more than one year.

17. DEBTORS AND PREPAYMENTS

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

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

	Group	
	2001	2000
	HK\$Million	HK\$Million
Current	15.2	6.2
31 - 60 days	0.2	0.1
61 - 90 days	0.2	-
Over 90 days	0.4	0.1
	<u>16.0</u>	<u>6.4</u>

18. BANK LOANS AND OVERDRAFTS

	Group	
	2001	2000
	HK\$Million	HK\$Million
Bank loans and overdrafts		
Secured	133.0	45.0
Unsecured	-	241.4
	<u>133.0</u>	<u>286.4</u>
Current portion of long term bank loans (secured)	30.0	598.0
	<u>163.0</u>	<u>884.4</u>

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19. CREDITORS AND ACCRUALS

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

	Group	
	2001	2000
	HK\$Million	HK\$Million
Amounts payable in the next:		
0 - 30 days	9.4	1.1
31 - 60 days	14.5	2.2
61 - 90 days	12.9	2.2
Over 90 days	5.6	31.1
	42.4	36.6

20. SHARE CAPITAL

	2001	2000	2001	2000
	No. of	No. of		
	shares	shares		
	Million	Million	HK\$Million	HK\$Million
Authorised :				
Ordinary shares of HK\$0.2 each	1,500.0	1,500.0	300.0	300.0
Issued and fully paid :				
Ordinary shares of HK\$0.2 each	1,151.4	1,151.4	230.3	230.3

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

Formerly, the capital structure of the Company comprised an authorised share capital of HK\$300 million, divided into 250,000,000 "A" shares of HK\$1.0 each and 250,000,000 "B" shares of HK\$0.2 each with the issued and fully paid up share capital being HK\$230.3 million, divided into 208,646,364 "A" shares of HK\$1.0 each and 108,157,820 "B" shares of HK\$0.2 each.

By resolutions passed at an extraordinary general meeting and two separate class meetings of the Company held on 27th July, 2000, each of the 250,000,000 issued and unissued "A" shares of HK\$1.0 each in the Company's authorised capital was sub-divided into five "A" shares of HK\$0.2 each ranking pari passu in all respects with each of the "B" share of HK\$0.2 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\$0.2 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\$300 million divided into 1,500,000,000 ordinary shares of HK\$0.2 each and the issued and fully paid up share capital has become 1,151,389,640 ordinary shares of HK\$0.2 each.

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21. RESERVES

	Capital redemption reserve	Investment property revaluation reserves	Investment revaluation reserves	Other capital reserves	Revenue reserves	Total
	HK\$Million	HK\$Million	HK\$Million	HK\$Million	HK\$Million	HK\$Million
a) Group						
Company and subsidiaries						
Balance at 1st April, 2000	0.5	1,250.0	(493.9)	392.0	5,376.6	6,525.2
Revaluation surplus/(deficit)	-	(368.9)	256.4	-	-	(112.5)
Realised on disposal	-	-	(73.7)	-	-	(73.7)
Reclassification	-	-	(27.5)	-	(107.8)	(135.3)
Net provision for non-trading securities written back			(11.0)			(11.0)
Deficit for the year absorbed	-	-	-	-	(51.1)	(51.1)
Balance at 31st March, 2001	0.5	881.1	(349.7)	392.0	5,217.7	6,141.6
Associates						
Balance at 1st April, 2000			(27.5)		(95.0)	(122.5)
Reclassification	-	-	27.5	-	107.8	135.3
Revaluation surplus	-	-	7.4	-	-	7.4
Profit for the year retained	-	-	-	-	10.1	10.1
Balance at 31st March, 2001	-	-	7.4	-	22.9	30.3
Total reserves at 31st March, 2001	0.5	881.1	(342.3)	392.0	5,240.6	6,171.9
Company and subsidiaries						
Balance at 1st April, 1999	0.5	1,377.0	(738.7)	392.0	5,330.2	6,361.0
Revaluation surplus/(deficit)	-	(127.0)	249.7	-	-	122.7
Realised on disposal	-	-	(4.9)	-	-	(4.9)
Profit for the year retained	-	-	-	-	46.4	46.4
Balance at 31st March, 2000	0.5	1,250.0	(493.9)	392.0	5,376.6	6,525.2
Associates						
Balance at 1st April, 1999	-	-	(30.9)	-	(103.9)	(134.8)
Revaluation surplus	-	-	3.1	-	-	3.1
Realised on disposal	-	-	0.3	-	-	0.3
Profit for the year retained	-	-	-	-	8.9	8.9
Balance at 31st March, 2000	-	-	(27.5)	-	(95.0)	(122.5)
Total reserves at 31st March, 2000	0.5	1,250.0	(521.4)	392.0	5,281.6	6,402.7
b) Company						
Balance at 1st April, 2000	0.5	-	-	156.6	1,422.1	1,579.2
Profit for the year retained	-	-	-	-	46.8	46.8
Total reserves at 31st March, 2001	0.5	-	-	156.6	1,468.9	1,626.0
Balance at 1st April, 1999	0.5	-	-	156.6	1,124.5	1,281.6
Profit for the year retained	-	-	-	-	297.6	297.6
Total reserves at 31st March, 2000	0.5	-	-	156.6	1,422.1	1,579.2

Reserves of the Company available for distribution to shareholders amount to HK\$1,468.9 million (2000: HK\$1,422.1 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.

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22. LONG TERM BANK LOANS

	Group	
	2001	2000
	HK\$Million	HK\$Million
Bank loans (secured)		
- Repayable after 1 year, but within 2 years	28.0	-
- Repayable after 2 years, but within 5 years	718.0	-
	<u>746.0</u>	<u>-</u>

23. 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	-	-	1,426.0	1,348.0
Associates	<u>1,180.8</u>	<u>440.0</u>	<u>1,180.8</u>	<u>440.0</u>

- b) The Company, a fellow 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.

24. COMMITMENTS

	Group	
	2001	2000
	HK\$Million	HK\$Million
Acquisition of and future development expenditure relating to properties:		
Contracted but not provided for	<u>356.7</u>	<u>135.7</u>

25. 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) As disclosed in note 13 to the accounts, a loan in the amount of HK\$1,181.4 million (2000: HK\$1,027.3 million) advanced by the Group to an associate involved in the MTRC Kowloon Station Package Two project (as described in more detail in (b) below) is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules. A waiver was granted by the Stock Exchange in 1997 from complying with the relevant connected transaction requirements (as set out in further details under (b) hereunder).

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- b) The Company, a fellow subsidiary and the ultimate holding company together with its two associates have severally guaranteed loans granted to a subsidiary of an associate, Hopfield Holdings Limited, to finance a property development project. The amount of guarantee given attributable to the Company was HK\$680.0 million (2000: HK\$440.0 million). 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 23(b) to the accounts, the Company, a fellow 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 to a related party a General Managers' Commission of HK\$4.1 million (2000: HK\$15.5 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 the agreements dated 31st March, 1992 and 3rd March, 2000 respectively, 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.

26. 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.

27. ULTIMATE HOLDING COMPANY

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

28. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 18th June, 2001.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES AT 31ST MARCH, 2001

Subsidiaries	Place of incorporation/ operation	Issued share capital (all being ordinary shares and fully paid up)	Percentage of of equity attributable to the Group	Principal activities
Charter Crown Enterprises Limited	Hong Kong	2 HK\$1 shares	100	Finance
Grannis Limited	Hong Kong	2 HK\$10 shares	100	Property
Grateful Enterprises Limited	Hong Kong	2 HK\$1 shares	100	Finance
High Pride Enterprises Limited	Hong Kong	2 HK\$1 shares	100	Investment
Janeworth Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Keevil Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Kennedy Town Service Company Limited	Hong Kong	50 HK\$100 shares	100	Finance
Lynchpin Limited	British Virgin Islands/ International	500 US\$1 shares	100	Investment
Marnav Holdings Limited	Hong Kong	1,000,000 HK\$1 shares	100	Property
New Aspects Limited	British Virgin Islands/ International	500 US\$1 shares	100	Investment
Pizzicato Limited	Hong Kong	2 HK\$10 shares	100	Property
Python Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Rusticana Limited	Hong Kong	2 HK\$10 shares	100	Property
Samover Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Sandsprings Limited	Hong Kong	2 HK\$10 shares	100	Property
Titano Limited	Hong Kong	2 HK\$1 shares	100	Property
Warhol Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Wavatah Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Whole Result Limited	Hong Kong	2 HK\$1 shares	100	Property
Zarow Limited	Hong Kong	2 HK\$10 shares	100	Property

Associates	Place of incorporation/ operation	Percentage of share (of the class of shares stated below) held by subsidiary(ies) of the Company	Percentage of equity attributable to the Group	Principal activities
Dramstar Company Limited (Note a)	Hong Kong	100 ("B" shares)	44	Property
Grace Sign Limited (Note a)	Hong Kong	20 (ordinary shares)	20	Property
Hopfield Holdings Limited	British Virgin Islands	20 (ordinary shares)	20	Holding company
Kowloon Properties Company Limited	Hong Kong	20 (ordinary shares)	20	Property

Note

- a) The accounts of these associates have been audited by a firm of accountants other than KPMG.
- b) The subsidiaries and associates were held indirectly 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.