

Set out below is information disclosed pursuant to the Listing Rules of The Stock Exchange of Hong Kong Limited:

(I) COMMENTARY ON ANNUAL RESULTS

(A) Review of 1999/2000 Results and Segmental Performance

Group profit attributable to Shareholders for the year under review was HK\$723.0 million, an increase of 10.0 per cent from HK\$657.4 million. Earnings per share were 35.6 cents compared to 32.4 cents for the previous year.

The Group's turnover for the year was HK\$4,551.0 million, compared to HK\$7,099.4 million for 1998/1999, a decrease of 35.9 per cent, which was principally due to a decrease in property sales by HK\$2,346.0 million. In the prior year, sales of Galaxia units of the Diamond Hill development amounted to HK\$3.0 billion while sales of Galaxia units attributable to the Group for the current year was insignificant. Contrary to property sales, retailing and trading turnover of Lane Crawford has strongly improved with reported increase of 17.9 per cent to HK\$1,388.3 million.

The Group's operating profit before borrowing costs for the year was HK\$720.1 million as compared with HK\$1,722.0 million recorded in 1998/1999, decreasing by HK\$1,001.9 million. Major unfavourable factors causing the drastic decrease were the non-repetition of the operating profit contribution of approximately HK\$650.0 million from sale of Galaxia units as recorded in the prior year and the inclusion of the provision of HK\$998.8 million in 1999/2000 mainly for impairment in value of certain properties under development in Mainland China and Hong Kong, the combined adverse effect of which was to decrease the current year's operating profit by over HK\$1.6 billion as compared with that of the prior year.

Rental income from the Group's properties decreased to HK\$321.5 million for the year from HK\$582.4 million in previous year as a result of the Group's disposal of its two-third interest in Plaza Hollywood and the carparking spaces therein.

The above adverse results were mitigated by the increased contribution of operating profit from Marco Polo Developments ("MPDL") group, 74.6 per cent owned by New Asia Realty, as a result of a higher proportion of pre-sale profit in respect of Ardmore Park, a redevelopment in Singapore, being recognised in accordance with the Group's accounting policies. 96.0 per cent of the Ardmore Park redevelopment was pre-sold with over 45.0 per cent of the total sale price of the units sold having been billed and a substantial percentage of these having been collected.

Furthermore, as mentioned above, Lane Crawford was able to turn around to achieve strong improvement and growth in its retailing and trading sales, and combined with the successful cost reduction programmes, its contribution of operating profit to the Group for the current year under review correspondingly significantly increased. Lane Crawford was privatised in July 1999 and became a wholly-owned subsidiary of the Group and its results have been fully included in the Group's results since then.

Included in the operating profit for the year is other net income of HK\$327.6 million which mainly related to the disposal of the Group's interest in certain subsidiaries owning Plaza Hollywood, 527 carparking spaces and certain unsold units in Galaxia and disposals of certain investments in associates and listed equity securities. There were other net losses of HK\$92.9 million in the prior year.

Borrowing costs charged to the consolidated profit and loss account for the year were HK\$933.5 million, a decrease of 15.7 per cent as compared with HK\$1,107.1 million for 1998/1999.

The share of profits in associates of HK\$1,734.6 million increased by 80.2 per cent from HK\$962.4 million for 1998/1999, mainly as a result of the increase in profit contribution from Wharf. Wharf reported a profit attributable to shareholders of HK\$3,216.5 million for its financial year ended 31 December 1999, an increase of 71.9 per cent from the HK\$1,871.0 million achieved in 1998. Wharf's profit for 1999 included a non-recurring gain of HK\$3,593.5 million arising from the spin off of i-CABLE Communication Limited, which was partially offset by non-recurring provisions made for contingency arising from litigation of HK\$1,000.0 million and for certain properties under development of HK\$1,508.0 million.

Taxation charge for 1999/2000 was HK\$467.0 million, against HK\$624.7 million in 1998/1999. Included in 1999/2000 taxation was an additional provision of HK\$157.4 million made by Realty Development group to cover the full liabilities of assessments related to a dispute with the Inland Revenue Department over the deductibility of certain interest payments in respect of prior years. Subsequent to the year end, the Commissioner of Inland Revenue issued a determination confirming the additional assessments.

The profits shared by minority interests for the year was HK\$331.2 million, an increase of 12.2 per cent from the HK\$295.2 million in 1998/1999, which was substantially due to the increase in profits of MPDL group.

As a result of the adoption by the Group of the revised Statement of Standard Accounting Practice 1 "Presentation of financial statements" and the new Statement of Standard Accounting Practice 24 "Accounting for investments in securities", additional line items have been included on the face of the accounts with certain comparative figures reclassified or restated to conform with the current year's presentation and accounting policies.

Further information on segmental details is provided in the Report of the Directors on page 41 and other operating information of various business units is covered in the Business Review on pages 15 to 33.

(B) Liquidity and Financial Resources

The Group continues to maintain its prudent financial management strategy and the discipline of net debt not exceeding 30.0 per cent of total assets was strictly observed.

At 31 March 2000, the ratio of the Group's net debt to total assets was 28.4 per cent, compared to 29.3 per cent at 31 March 1999. At 31 March 2000, the Group's net debt amounted to HK\$16,081.7 million, made up of HK\$17,511.7 million in debts and HK\$1,430.0 million in deposits and cash, a decrease of 1.5 per cent as compared with HK\$16,325.3 million at 31 March 1999.

The debt maturity profile of the Group at 31 March 2000 is analysed as follows:

	HK\$ Million
Repayable within 1 year	4,806.8
Repayable after 1 year, but within 2 years	5,615.0
Repayable after 2 years, but within 5 years	7,089.9
Total	17,511.7

To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong and US dollars except that the borrowings for financing Singapore assets are denominated in Singapore dollars.

The use of financial instruments is strictly controlled. Interest rate and other derivative products are used mainly to hedge the Group's interest rate exposure and foreign exchange exposure, which is closely monitored by senior management.

The Group maintains a portfolio of long-term investments, which primarily comprises blue-chip equity securities. The market value of the portfolio at 31 March 2000 was HK\$3.6 billion. There was no significant change in the mix of this portfolio during the year.

(C) Finance

During the year, the Group completed a project finance of HK\$2,200.0 million for financing the construction costs for Phase I of the MTRC Kowloon Station Package Two development and a HK\$500.0 million two-year notes issue in international capital markets for general corporate purposes. In addition, the Group also secured and renewed committed banking facilities in a total amount of HK\$2,300.0 million and various short term banking facilities.

(II) EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

(A) Directors

(1) Aggregate emoluments

Details of emoluments of the Directors of the Company are set out in Note 6 to the Accounts on page 64.

(2) Bandings

The emoluments in respect of the year ended 31 March 2000 of all the Directors of the Company in office during the year were in the following ranges:

Bands (in HK\$)	Number
Not more than 1,000,000	11
1,500,001 - 2,000,000	1
4,500,001 - 5,000,000	1
	<u>13</u>

(B) Independent Non-executive Directors' Emoluments

Information on the Directors' fees and other reimbursements (if any) or emoluments payable to independent non-executive Directors of the Company is set out in Note 6 to the Accounts on page 64.

(C) Employees

Set out below is an analysis of the emoluments (excluding amounts, paid or payable by way of commissions on sales generated by the employee concerned) for the year ended 31 March 2000 of four employees 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.

(1) Aggregate emoluments

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

(2) Bandings

Bands (in HK\$)	Number
2,000,001 - 2,500,000	2
3,500,001 - 4,000,000	1
4,500,001 - 5,000,000	1
	<u>4</u>

(III) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS

(A) Directors

Mr. Gonzaga W. J. Li, Chairman (Age: 71)

Mr. Li has been a Director of the Company since May 1969. He became Vice Chairman and Chairman of the Company in January 1995 and January 1996 respectively. He is also the chairman of The Wharf (Holdings) Limited ("Wharf"), New Asia Realty and Trust Company, Limited ("New Asia"), Realty Development Corporation Limited ("RDC"), Harbour Centre Development Limited ("HCDL"), Beauforte Investors Corporation Limited ("BIC"), The Cross-Harbour (Holdings) Limited ("CHH"), i-CABLE Communications Limited ("i-CABLE"), Lane Crawford International Limited ("LCI"), Modern Terminals Limited ("MTL"), Wharf China Limited and Marco Polo Developments Limited ("MPDL") in Singapore.

Mr. Stephen T. H. Ng, Vice Chairman (Age: 47)

Mr. Ng has been a Director of the Company since August 1988. He became Vice Chairman of the Company in January 1995. He is also the deputy chairman and managing director of Wharf, the deputy chairman and chief executive officer of i-CABLE, the chairman and chief executive officer of Hong Kong Cable Television Limited (“HKC”), and the chairman and managing director of New T&T Hong Kong Limited. Mr. Ng serves as a member of the Hong Kong-United States Business Council.

Mr. John T. Hung, SBS, JP, Managing Director (Age: 61)

Mr. Hung was appointed Executive Director of the Company in July 1993. He became Managing Director of the Company in April 1995. He is also an executive director of Wharf, the managing director of Wheelock Pacific Limited and Western Harbour Tunnel Company Limited (“WHT”) as well as the vice chairman of HKC. Furthermore, he is also a director of LCI, i-CABLE, CHH and MPDL in Singapore. He serves as the Government appointed chairman of the Hong Kong Sports Development Board. On 1 July 1999, he was awarded the Silver Bauhinia Star (“SBS”) of the Government of the Hong Kong Special Administrative Region.

Mr. K. H. Leung, Finance Director (Age: 55)

Mr. Leung has been Finance Director of the Company since April 1992. He is also a director of Wharf and New Asia.

Mr. B. M. Chang, Director (Age: 71)

Mr. Chang has been a Director of the Company since May 1969. He is also a director of World-Wide Shipping Agency Limited.

Sir S. Y. Chung, JP, Director (Age: 82)

Sir Sze-Yuen Chung has been a Director of the Company since May 1982. He is also the chairman of The Kowloon Motor Bus Holdings Limited. On 1 July 1997, he was awarded the Grand Bauhinia Medal (“GBM”) of the Government of the Hong Kong Special Administrative Region.

Mr. Quinn Y. K. Law, Director (Age: 47)

Mr. Law has been a Director of the Company since June 1992. He is also a Director of Wharf, CHH, MTL, WHT and MPDL.

Ms. Doreen Y. F. Lee, Director (Age: 44)

Ms. Lee has been a Director of the Company since June 1998. She is also a director and the general manager of Harriman Leasing Limited, the managing director of Wharf Estates Management Company Limited, an executive director of Wharf Properties Limited and a director of Harriman Realty Company, Limited.

Mr. William W. Y. Lee, Director (Age: 73)

Mr. Lee has been a Director of the Company since November 1993.

Mr. T. Y. Ng, Director (Age: 52)

Mr. Ng has been a Director of the Company since June 1992. He is also a director of Wharf, New Asia, RDC, BIC, HCDL, LCI, MTL and MPDL in Singapore.

Mr. Paul Y. C. Tsui, Director (Age: 53)

Mr. Tsui has been a Director of the Company since June 1998. He is also the senior deputy managing director of Wheelock Properties Limited, the senior managing director of Harriman Realty Company, Limited, a director of BIC, CHH, HCDL and i-CABLE, as well as the group financial controller of the Company and Wharf.

Mr. Harry S. S. Wong, Director (Age: 44)

Mr. Wong has been a Director of the Company since June 1998. He is also the managing director of Wharf China Limited.

Note: Mr. William W. Y. Lee is a brother of Mr. Gonzaga W. J. Li.

(B) Senior Managers:

Various businesses of the Group are respectively under the direct responsibility of the two Directors holding executive offices of the Company as named under (III)(A) above. Only those two Directors are regarded as members of the Group’s senior management.

(IV) PENSION SCHEMES

The Group operates a number of pension schemes. Set out below are certain particulars regarding the principal pension scheme (the “Scheme”) operated by the Group:

(A) Nature of the Scheme

The Scheme is a defined contribution scheme. The assets of the Scheme are held separately by an independently administered fund.

(B) Funding of the Scheme

The Scheme is funded by contributions from employees and employers. The employees and employers contribute respectively to the Scheme sums which represent percentages of their salaries as defined under the relevant trust deed. Forfeited employers’ contributions can be used to reduce the existing level of contributions.

(C) Cost of the Scheme

The employers’ cost charged to profit and loss account during the year ended 31 March 2000 in respect of the Scheme amounted to HK\$7.9 million after a forfeiture of employers’ contributions of HK\$2.6 million.

(V) MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2000:

- (A) (1) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented 86.0 per cent of the Group's total purchases;
- (2) the largest supplier accounted for 71.0 per cent of the Group's total purchases; and
- (3) none of the Directors of the Company or their associates holds, nor does any shareholder owning (to the knowledge of the Directors) more than 5.0 per cent of the Company's equity capital hold, any interests in any of the Group's five largest suppliers.
- (B) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30.0 per cent of the Group's total turnover.

(VI) CONNECTED/RELATED PARTY TRANSACTIONS

During the year, the Company and/or its subsidiaries (other than subsidiaries of the Company publicly-listed in Hong Kong during the financial year or their subsidiaries) did not enter into any transaction which was regarded as connected transaction discloseable by the Company under the Listing Rules. Any transaction(s) regarded as connected transaction(s) for any of those subsidiaries which is/are or was/were during the year publicly-listed in Hong Kong was/were duly disclosed by the relevant subsidiary(ies), but not discloseable by the Company itself, under the Listing Rules.

Furthermore, with regard to the Related Party Transactions as disclosed under Note 27 to the Accounts on page 76, none of those transactions constitute connected transactions discloseable by the Company under the Listing Rules.

Report of the Directors

The Directors have pleasure in submitting their Report and the Audited Statement of Accounts for the financial year ended 31 March 2000.

PRINCIPAL ACTIVITIES AND TRADING OPERATIONS

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 78 and 79.

Given below are the respective analyses of the principal activities and geographical locations of trading operations of the Company and its subsidiaries during the financial year:

	Turnover HK\$ Million	Operating profit (before borrowing costs and provision for properties) HK\$ Million
A. Principal Activities:		
Retailing and trading	1,388.3	61.8
Sale of property	2,428.3	977.5
Property rental	321.5	267.6
Treasury management, investment and others	412.9	412.0
	4,551.0	1,718.9
B. Geographical Locations of Operations:		
Hong Kong	2,123.6	795.8
Singapore	2,377.9	914.8
Others	49.5	8.3
	4,551.0	1,718.9

SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2000 are set out on pages 78 and 79.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group and appropriations of profits for the financial year ended 31 March 2000 are set out in the Consolidated Profit and Loss Account on page 48.

Movements in reserves during the financial year are set out in Note 21 to the Accounts on pages 71 to 73.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is given on page 84.

DIVIDENDS

An interim dividend of 2.5 cents per share was paid on 28 January 2000. The Directors now recommend a final dividend of 5.0 cents per share in respect of the financial year ended 31 March 2000, payable on 9 October 2000 to Shareholders on record as at 28 September 2000. This recommendation has been incorporated in the Accounts.

SHARE CAPITAL

During the year, as a result of exercises by certain grantees of options granted under the Company's Executive Share Incentive Scheme, the Company allotted and issued a total of 640,000 ordinary shares of HK\$0.5 each, of which 40,000 shares were issued at a price of HK\$10.6 per share and 600,000 shares at HK\$5.5 per share.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 12 to the Accounts on pages 66 and 67.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of all bank loans, overdrafts and/or other borrowings of the Group as at 31 March 2000 repayable within a period not exceeding one year or on demand are set out in Note 24 to the Accounts on page 74. Particulars of all bank loans and certain other borrowings as at 31 March 2000 which would fall due for repayment after a period of one year are set out in Note 22 to the Accounts on page 73.

Set out below is information regarding certain borrowings of the Group outstanding as at 31 March 2000 in the form of debt securities issued by wholly-owned subsidiaries of and guaranteed by the Company:

Name of Subsidiary/ Borrower	Description of Debt Securities Issued	Outstanding Principal Amount
(1) Wheelock Finance (1993) Limited	7.25 per cent unsecured Guaranteed Bonds due November 2000	HK\$500 Million
(2) Lawley International Limited	8.75 per cent unsecured Guaranteed Notes due December 2001	HK\$500 Million

INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year is set out in Note 5 to the Accounts on page 63.

DONATIONS

The Group made donations during the financial year totalling HK\$2.2 million.

DIRECTORS

The Directors of the Company during the financial year were Mr. B. M. Chang, Sir S. Y. Chung, Mr. J. T. Hung, Mr. Q. Y. K. Law, Ms. D. Y. F. Lee, Mr. P. C. Lee (retired at the last Annual General Meeting of the Company held on 30 September 1999 and consequently ceased to be a Director on that day), Mr. W. W. Y. Lee, Mr. K. H. Leung, Mr. G. W. J. Li, Mr. S. T. H. Ng, Mr. T. Y. Ng, Mr. P. Y. C. Tsui and Mr. H. S. S. Wong.

Messrs. B. M. Chang, S. T. H. Ng and W. W. Y. Lee retire from the Board by rotation in accordance with Article 103(A) of the Company's Articles of Association at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-election.

With the exception of the Chairman and those Directors holding executive offices of the Company (who are all not subject to retirement by rotation under the provisions of the Company's Articles of Association) together with Messrs. S. T. H. Ng, B. M. Chang and W. W. Y. Lee (who are due to retire from the Board at the forthcoming Annual General Meeting as mentioned above), all the present Directors were respectively re-elected at Annual General Meetings held in the past two years, upon their retirement thereat in accordance with the provisions of the Company's Articles of Association, to continue to serve on the Board for a further term of approximately three years, until they respectively become due to retire from the Board again by rotation in accordance with Article 103(A) of the Company's Articles of Association.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2000, Directors of the Company had the following beneficial interests in the securities of the Company, of an associate of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), and of a subsidiary of the Company, namely, New Asia Realty and Trust Company, Limited ("New Asia"):

	Number of shares	Nature of interest
The Company — Ordinary Shares		
Mr. B. M. Chang	8,629,575	Corporate Interest (See note below)
Mr. J. T. Hung	10,000	Personal Interest
Mr. G. W. J. Li	1,486,491	Personal Interest
Mr. S. T. H. Ng	100,000	Personal Interest
Mr. T. Y. Ng	70,000	Personal Interest
Wharf — Ordinary Shares		
Sir S. Y. Chung	348,238	Personal Interest in 189,427 shares and Corporate Interest in 158,811 shares (See note below)
Mr. J. T. Hung	10,000	Family Interest in 10,000 shares
Mr. G. W. J. Li	686,549	Personal Interest
Mr. S. T. H. Ng	180,057	Personal Interest
Mr. T. Y. Ng	238,016	Personal Interest
New Asia — "A" Shares		
Sir S. Y. Chung	18,942	Family Interest
Mr. G. W. J. Li	580	Personal Interest

Note:

The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were the interests of corporations where the relevant Directors were respectively either entitled to exercise (or taken under the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

Directors of the Company had the following personal interests as at 31 March 2000 in options to subscribe for ordinary shares of the Company granted under the Executive Share Incentive Scheme of the Company (the "Scheme"):

Names of Directors	Number of ordinary shares	Date granted	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options	Consideration paid for the options granted
Mr. J. T. Hung	100,000	7 Oct. 1993	30/9/1997 to 29/9/2003	HK\$10.60	HK\$1
Mr. S. T. H. Ng	200,000	13 Aug. 1991	13/8/1994 to 12/8/2001	HK\$5.20	HK\$1
Mr. H. S. S. Wong	250,000	14 Apr. 1992	13/4/1995 to 12/4/2002	HK\$5.50	HK\$1

During the financial year, Mr. J. T. Hung exercised his option under the Scheme to subscribe for 40,000 ordinary shares of the Company at an exercise price of HK\$10.6 per share.

Save as disclosed above:

- (i) there were no interests held as at 31 March 2000 by any Directors and Chief Executive of the Company in securities of the Company and its associated corporations (within the meaning of the SDI Ordinance), and
- (ii) during the financial year, there existed no rights to subscribe for equity or debt securities of the Company which were held by any Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises of any such rights by any of them, as recorded in the register kept by the Company under section 29 of the SDI Ordinance or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2000, Bermuda Trust (Guernsey) Limited was taken under the SDI Ordinance to be interested in 1,241,458,820 shares of the Company, representing 61.13 per cent of its entire issued share capital as at that date. Apart from this, no interest in 10.0 per cent or more of the nominal value of any class of share capital of the Company was held (or taken under the SDI Ordinance to be held) by any person as at 31 March 2000 according to the record in the register kept by the Company under section 16(1) of the SDI Ordinance.

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate with the exception of the options to subscribe for ordinary shares of the Company previously granted under the Company's Executive Share Incentive Scheme to, *inter alia*, certain executives of the Group, some of whom were Directors of the Company during the year.

Under the Scheme, shares of the Company are to be issued at such prices, not being less than 90 per cent of the average closing price on the Stock Exchange for the five trading days immediately preceding the date of offer of the options, and the relevant options are exercisable during such periods, not being beyond the expiration of ten years from the date of grant, as determined by the Board of Directors of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the financial year.

FURTHER CORPORATE INFORMATION

Certain further information in relation to the Group required to be disclosed pursuant to the provisions of the Listing Rules of The Stock Exchange of Hong Kong Limited are set out on pages 34 to 40.

AUDITORS

The Accounts have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Wilson W. S. Chan

Secretary

Hong Kong, 28 June 2000

Consolidated Profit and Loss Account

for the year ended 31 March 2000

	Note	2000 HK\$ Million	Restated 1999 HK\$ Million
Turnover	2	4,551.0	7,099.4
Other net income/(losses)	3	327.6	(92.9)
		4,878.6	7,006.5
Direct costs and operating expenses		(2,546.7)	(4,361.3)
Selling and marketing expenses		(379.7)	(429.1)
Administrative expenses		(233.3)	(258.9)
Provision for impairment in value of properties		(998.8)	(235.2)
Operating profit	4	720.1	1,722.0
Borrowing costs	5	(933.5)	(1,107.1)
Share of profits less losses of associates		1,734.6	962.4
Profit before taxation		1,521.2	1,577.3
Taxation	7	(467.0)	(624.7)
Profit after taxation		1,054.2	952.6
Minority interests		(331.2)	(295.2)
Group profit attributable to shareholders	8	723.0	657.4
Dividends	9	(152.3)	(152.2)
Transferred to revenue reserves		570.7	505.2
Earnings per share	10	35.6 c	32.4 c

The notes on pages 57 to 79 form part of these accounts.

Consolidated Statement of Recognised Gains and Losses

for the year ended 31 March 2000

	2000 HK\$ Million	1999 HK\$ Million
Company and subsidiaries		
Deficit on revaluation of investment properties	(2.2)	(767.8)
Surplus/(deficit) on revaluation of non-trading securities	503.6	(304.6)
Exchange gain/(deficit) on translation of financial statements of foreign entities	29.5	(143.8)
Others	10.0	(41.8)
Associates		
Deficit on revaluation of investment properties	(995.0)	(11,048.0)
Deficit on revaluation of other properties	(540.2)	(519.1)
Surplus/(deficit) on revaluation of non-trading securities	460.6	(24.5)
Others	9.1	(8.7)
Net losses not recognised in the consolidated profit and loss account	(524.6)	(12,858.3)
Group profit attributable to shareholders	723.0	657.4
Reserves transferred to profit and loss account on disposal of :		
Assets previously transferred to associates	-	(87.8)
Non-trading securities	(16.6)	(7.1)
Interest in associates	(145.5)	-
Reserves transferred to profit and loss account on disposal of non-trading securities by associates	189.6	59.5
Total recognised gains/(losses)	225.9	(12,236.3)
Reserves arising on consolidation	323.7	-
	549.6	(12,236.3)
Cumulative effects of changes in accounting policy to reserves at 31 March 1999		(3,104.6)

The notes on pages 57 to 79 form part of these accounts.

Consolidated Balance Sheet

at 31 March 2000

	Note	2000 HK\$ Million	Restated 1999 HK\$ Million
ASSETS			
Non-current assets			
Fixed assets	12	5,764.9	9,444.3
Associates	14	24,308.4	24,392.5
Long-term investments	15	3,613.1	3,460.0
Deferred assets	16	91.0	420.3
		<u>33,777.4</u>	<u>37,717.1</u>
Current assets			
Properties under development	17	21,334.1	15,406.9
Properties held for sale		538.8	935.1
Inventories	18	208.8	241.3
Debtors and prepayments		745.4	1,007.7
Trading securities	19	–	305.2
Bank balances and deposits		1,430.0	2,465.1
Tax recoverable		3.5	20.1
		<u>24,260.6</u>	<u>20,381.4</u>
		<u>58,038.0</u>	<u>58,098.5</u>
SHAREHOLDERS' FUNDS AND LIABILITIES			
Shareholders' funds			
Share capital	20	1,015.4	1,015.1
Reserves	21	26,933.8	26,533.1
		<u>27,949.2</u>	<u>27,548.2</u>
Minority interests			
		6,248.3	6,592.4
Non-current liabilities			
Long-term loans	22	12,704.9	12,701.4
Deferred taxation	23	734.9	562.0
Deferred profits		448.3	430.0
		<u>13,888.1</u>	<u>13,693.4</u>
Current liabilities			
Short-term loans and overdrafts	24	4,806.8	6,089.0
Creditors and provisions		1,147.6	1,445.9
Deposits from sale of properties		3,505.0	2,392.2
Taxation		391.5	235.9
Proposed final dividend	9	101.5	101.5
		<u>9,952.4</u>	<u>10,264.5</u>
		<u>58,038.0</u>	<u>58,098.5</u>

The notes on pages 57 to 79 form part of these accounts.

Gonzaga W.J. Li
Chairman

John T. Hung
Managing Director

Company Balance Sheet

at 31 March 2000

	Note	2000 HK\$ Million	1999 HK\$ Million
ASSETS			
Non-current assets			
Subsidiaries	13	16,398.6	14,822.2
Deferred assets	16	–	17.3
		<u>16,398.6</u>	<u>14,839.5</u>
Current assets			
Debtors and prepayments		0.3	0.3
Bank balances and deposits		0.1	0.1
		<u>0.4</u>	<u>0.4</u>
		<u>16,399.0</u>	<u>14,839.9</u>
SHAREHOLDERS' FUNDS AND LIABILITIES			
Shareholders' funds			
Share capital	20	1,015.4	1,015.1
Reserves	21	3,465.1	3,446.0
		<u>4,480.5</u>	<u>4,461.1</u>
Non-current liabilities			
Long-term loans	22	10,325.0	8,725.0
Current liabilities			
Short-term loans and overdrafts	24	1,479.2	1,536.8
Creditors and provisions		12.8	15.5
Proposed final dividend	9	101.5	101.5
		<u>1,593.5</u>	<u>1,653.8</u>
		<u>16,399.0</u>	<u>14,839.9</u>

The notes on pages 57 to 79 form part of these accounts.

Gonzaga W.J. Li
Chairman

John T. Hung
Managing Director

Consolidated Cash Flow Statement

for the year ended 31 March 2000

	2000 HK\$ Million	Restated 1999 HK\$ Million
Net cash (outflow)/inflow from		
operating activities (Note a)	(3,240.8)	5,221.8
Returns on investments and servicing of finance		
Interest received	132.1	265.2
Interest paid	(1,257.5)	(1,741.4)
Dividends received from associates	913.1	957.4
Dividends received from investments	135.7	159.1
Dividends paid to shareholders	(152.3)	(369.2)
Dividends paid to minority shareholders	(75.9)	(260.7)
Net cash outflow from returns on investments and servicing of finance	(304.8)	(989.6)
Taxation		
Hong Kong profits tax paid	(44.3)	(299.4)
Purchase of tax reserve certificates	(41.3)	(226.3)
Overseas tax paid	(3.8)	(13.4)
Total tax paid	(89.4)	(539.1)
Investing activities		
Disposal of subsidiaries (Note b)	2,323.4	6.0
Increase/(decrease) in net loans and advances from associates	2,432.3	(94.2)
Purchase of shares in existing subsidiaries	(421.3)	-
Purchase of shares in existing associates	(1,460.5)	-
Purchase of listed securities	(122.5)	(200.3)
Purchase of fixed assets	(28.8)	(671.1)
Proceeds from disposal of listed securities	966.2	87.8
Proceeds from disposal of associates	205.7	-
Proceeds from disposal of fixed assets	0.1	0.3
Decrease in short-term bank deposits	250.0	411.2
Net cash inflow/(outflow) from investing activities	4,144.6	(460.3)
Net cash inflow before financing	509.6	3,232.8

Consolidated Cash Flow Statement

	2000 HK\$ Million	Restated 1999 HK\$ Million
Financing		
Issue of ordinary shares	3.7	-
Net drawdown/(repayment) of long-term loans	2,803.2	(2,101.5)
Net repayment of short-term loans	(1,380.4)	(1,654.6)
Loan to a minority shareholder of a subsidiary	-	(18.1)
Net cash inflow/(outflow) from financing (Note c)	1,426.5	(3,774.2)
Increase/(decrease) in cash and cash equivalents	1,936.1	(541.4)
Effect of foreign exchange rate changes	17.5	(52.9)
Cash and cash equivalents at 1 April	(1,703.3)	(1,109.0)
Cash and cash equivalents at 31 March	250.3	(1,703.3)
Analysis of the balances of cash and cash equivalents at 31 March		
Bank balances and deposits maturing within three months	1,430.0	2,215.1
Bank loans and overdrafts due within three months	(1,179.7)	(3,918.4)
	250.3	(1,703.3)

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2000 HK\$ Million	Restated 1999 HK\$ Million
Profit before taxation	1,521.2	1,577.3
Share of profits less losses of associates	(1,734.6)	(962.4)
Interest income	(112.2)	(217.3)
Interest expense	869.2	1,043.6
Dividend income from investments	(139.7)	(177.6)
Depreciation	34.3	40.7
Loss on disposal of fixed assets	14.5	5.3
Profit on disposal of subsidiaries	(78.3)	–
(Profit)/loss on disposal of listed securities	(154.3)	2.9
Deferred profit realised on assets previously transferred to associates	(71.8)	(107.0)
(Profit)/loss on disposal of interest in associates	(108.7)	44.3
Provision for impairment in value of properties	998.8	235.2
Provision for receivables and other assets	44.4	–
Amount written off for abortive projects	–	168.1
Cost relating to the cessation of retail operations of a subsidiary	–	42.5
Decrease in deferred profits	–	(28.9)
Decrease in inventories	32.5	179.9
Decrease in debtors and prepayments	192.4	926.9
Increase/(decrease) in creditors and provisions	79.6	(554.1)
Increase in deposits from sale of properties	1,112.8	688.6
Decrease/(increase) in mortgage loans receivable	51.0	(51.9)
Increase in properties under development	(6,053.5)	(238.4)
Decrease in properties held for sale	152.0	2,797.4
Decrease in other deferred assets	70.1	24.3
Exchange differences	39.5	(217.6)
Net cash (outflow)/inflow from operating activities	<u>(3,240.8)</u>	<u>5,221.8</u>

b) Disposal of subsidiaries

	2000 HK\$ Million	1999 HK\$ Million
Net assets disposed of:		
Fixed assets	3,100.0	39.0
Deferred debtors	208.2	0.6
Current assets	351.4	32.0
Current liabilities	(336.5)	(62.0)
Loan from an associate	(1,108.6)	–
Minority interests	(6.1)	(7.5)
Deferred taxation	(9.0)	–
Deferred profits	(15.3)	–
Exchange reserves	–	2.3
Net assets disposed	<u>2,184.1</u>	<u>4.4</u>
Profit recognised	78.3	–
Unrealised profit	62.6	–
	<u>2,325.0</u>	<u>4.4</u>
Satisfied by:		
Cash consideration received	2,325.0	–
Long-term investment acquired by the Group	–	4.4
	<u>2,325.0</u>	<u>4.4</u>
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:		
Cash consideration received	2,325.0	–
Cash at bank and in hand disposed	(1.6)	(29.4)
Bank loans and overdrafts repayable within three months	–	35.4
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>2,323.4</u>	<u>6.0</u>

c) Analysis of changes in financing

	Share capital and share premium HK\$ Million	Long-term loans HK\$ Million	Short-term loans HK\$ Million	Restated Minority interests HK\$ Million
Balance at 1 April 1998	2,904.4	15,960.6	2,825.2	8,201.6
Issue of ordinary shares	15.9	-	-	-
Cash outflow related to financing	-	(2,101.5)	(1,654.6)	(18.1)
Dividends paid to minority shareholders	-	-	-	(260.7)
Disposal of subsidiaries (Note b)	-	-	-	(7.5)
Minority interests' share of reserves	-	-	-	(1,197.4)
Exchange differences	-	(132.9)	-	(125.5)
Reclassification	-	(1,024.8)	1,000.0	-
Balance at 31 March 1999 and 1 April 1999	2,920.3	12,701.4	2,170.6	6,592.4
Issue of ordinary shares	3.7	-	-	-
Cash inflow/(outflow) related to financing	-	2,803.2	(1,380.4)	-
Dividends paid to minority shareholders	-	-	-	(75.9)
Purchase of minority interests	-	-	-	(538.3)
Disposal of subsidiaries (Note b)	-	-	-	(6.1)
Minority interests' share of reserves	-	-	-	252.2
Exchange differences	-	37.2	-	24.0
Reclassification	-	(2,836.9)	2,836.9	-
Balance at 31 March 2000	2,924.0	12,704.9	3,627.1	6,248.3

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.

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.

(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 Hong Kong Statement of Standard Accounting Practice 17, 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.

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.

(iii) With effect from 1 April 1999, the Group adopted the above accounting policy in order to comply with Statement of Standard Accounting Practice 24 “Accounting for Investments in Securities” issued by the Hong Kong Society of Accountants. In prior years non-trading securities were stated at cost less provision for permanent diminution in the underlying value of the investment and trading securities were stated at the lower of cost and market value in the balance sheet. The effect of this change in accounting policy is set out in Note 11 to the Accounts.

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.

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) Derivative financial instruments

Derivative instruments relate to option transactions undertaken by the Group in the financial markets. The method of accounting for these instruments is dependent upon whether the transactions are undertaken for trading purposes or as part of the financing of the business.

Options undertaken for trading purposes are marked to market with the resultant gains and losses included in the profit and loss account. Premiums received on such options are included in the balance sheet as liabilities.

Where options are, in the opinion of the directors, in substance undertaken as part of a financing arrangement, premiums received on the options and the transfer value of the rights on the underlying assets at date of inception are included in the balance sheet as loans. The borrowing costs under such financing arrangements, representing the differences between the strike value of the underlying assets of the options on the expiration date, and the aggregate sum of the options premium and transfer value of the assets on the inception date, are amortised and charged to the profit and loss account over the life of the options.

o) 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.

p) 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.

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.

The Group's turnover represents income derived from the following:

	2000 HK\$ Million	1999 HK\$ Million
Retailing and trading	1,388.3	1,177.6
Sale of property	2,428.3	4,774.3
Property rental	321.5	582.4
Treasury management, investment and others	412.9	565.1
	<u>4,551.0</u>	<u>7,099.4</u>

3. OTHER NET INCOME/(LOSSES)

	2000 HK\$ Million	1999 HK\$ Million
Profit on disposal of subsidiaries	78.3	-
Profit/(loss) on disposal of interest in associates	108.7	(44.3)
Net profit/(loss) on disposal of listed securities	154.3	(2.9)
Deferred profit realised on assets previously transferred to associates	71.8	107.0
Amount written off for abortive projects	-	(168.1)
Cost relating to the cessation of retail operations of a subsidiary	-	(42.5)
Provision for receivables and other assets	(44.4)	-
Others	(41.1)	57.9
	<u>327.6</u>	<u>(92.9)</u>

4. OPERATING PROFIT

	2000 HK\$ Million	1999 HK\$ Million
Operating profit is arrived at:		
after charging: -		
Cost of properties sold	1,549.4	3,319.3
Cost of inventories sold	806.3	773.5
Staff costs	293.5	320.6
Depreciation	34.3	40.7
Auditors' remuneration	4.2	5.3
Operating lease rentals - Land and buildings	<u>123.6</u>	<u>176.2</u>
and after crediting: -		
Rental income from operating lease less outgoings	243.0	429.6
- which includes gross rental income from investment properties	294.0	530.6
Dividend income from listed investments	139.4	177.3
Dividend income from unlisted investments	<u>0.3</u>	<u>0.3</u>

In addition, staff costs of HK\$16.3 million (1999: HK\$30.0 million) were capitalised in costs of properties under development.

5. BORROWING COSTS

	2000 HK\$ Million	1999 HK\$ Million
Interest payable on		
Bank loans and overdrafts	1,013.6	1,268.2
Other loans repayable within five years	242.2	430.7
Other borrowing costs	106.0	72.9
Less: Amount capitalised *	<u>(428.3)</u>	<u>(664.7)</u>
	<u>933.5</u>	<u>1,107.1</u>

*Borrowing costs have been capitalised at rates between 4% and 7% per annum (1999: 5% to 9%).

6. DIRECTORS' EMOLUMENTS

	2000 HK\$ Million	1999 HK\$ Million
Fees	0.4	0.4
Salaries and other benefits	3.2	4.3
Deemed profit on share option exercise	-	-
Retirement scheme contributions	-	0.1
Discretionary bonuses and/or performance-related bonuses	2.9	4.0
Compensation for loss of office	-	-
Inducement for joining the Group	-	-
	<u>6.5</u>	<u>8.8</u>

Note : For the year under review, total emoluments (including any reimbursement) amounting to HK\$105,000 (1999: HK\$120,000), being wholly in the form of Directors' fees, were paid or payable to Independent Non-executive Directors of the Company.

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% (1999: 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:

	2000 HK\$ Million	1999 HK\$ Million
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	13.0	121.9
Overseas taxation	20.1	3.1
Underprovisions in respect of prior years	157.5	155.2
Tax refund in respect of prior year	-	(24.1)
Deferred taxation (Note 23)	<u>188.8</u>	<u>91.5</u>
	<u>379.4</u>	<u>347.6</u>
Associates		
Current taxation		
Hong Kong profits tax	116.6	265.1
Overseas taxation	11.9	11.4
Tax refund in respect of prior year	(28.5)	-
Deferred taxation	<u>(12.4)</u>	<u>0.6</u>
	<u>87.6</u>	<u>277.1</u>
	<u>467.0</u>	<u>624.7</u>

The above underprovisions are mainly related 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 subsidiary formally objected to the additional assessments and purchased Tax Reserve Certificates in the full amount of the tax demanded. Subsequent to the year end, the Commissioner of Inland Revenue issued a determination confirming the additional assessments under dispute. Accordingly, provisions have been made in the accounts to cover the full liabilities under the dispute.

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\$168.0 million (1999: HK\$421.2 million).

9. DIVIDENDS

	2000 HK\$ Million	1999 HK\$ Million
Interim dividend of 2.5 cents (1999: 2.5 cents) per share	50.8	50.7
Proposed final dividend of 5.0 cents (1999: 5.0 cents) per share	<u>101.5</u>	<u>101.5</u>
	<u>152.3</u>	<u>152.2</u>

10. EARNINGS PER SHARE

The calculation of earnings per share is based on earnings for the year of HK\$723.0 million (1999: HK\$657.4 million) and on the weighted average of 2,030.6 million (1999: 2,028.4 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 20 to the Accounts would not have a diluting effect on the earnings per share.

11. CHANGE IN ACCOUNTING POLICIES

In prior years, long-term investments were stated at cost less provision for permanent diminution in the underlying value of the investment and short-term investments were stated at the lower of cost and market value in the balance sheet. With effect from 1 April 1999, the Group adopted an accounting policy of stating all investments at fair value as set out in Note 1 (h) in order to comply with Statement of Standard Accounting Practice 24 ("SSAP 24") issued by the Hong Kong Society of Accountants. The new accounting policy has been adopted retrospectively. In adjusting prior years' figures, revenue reserves at 1 April 1998 were restated and decreased by HK\$2,407.0 million as a result of the additional provisions for impairment in value of the Group's non-trading securities at 31 March 1998 as considered necessary by the Directors upon the adoption of SSAP 24. In addition, an investment revaluation reserve has been established at 1 April 1998 in an amount of HK\$475.9 million (deficit).

As a result of the adoption of SSAP 24 and restating the prior years' results and reserves, the Group's profit for the year ended 31 March 2000 has increased by HK\$327.3 million (1999: HK\$55.0 million) on disposal of certain non-trading securities considered to be impaired as referred to above and the Group's net assets at 31 March 2000 have decreased by HK\$1,638.7 million (1999: HK\$3,104.6 million).

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 1999	8,798.8	555.9	256.1	9,610.8
Additions	17.0	0.5	11.3	28.8
Disposals	-	-	(64.9)	(64.9)
Disposal of subsidiaries	(3,100.0)	-	-	(3,100.0)
Revaluation deficit	(52.5)	-	-	(52.5)
Provision (net)	-	(2.3)	-	(2.3)
Exchange variances	36.1	0.2	-	36.3
Transferred to development properties	(540.8)	-	-	(540.8)
At 31 March 2000	5,158.6	554.3	202.5	5,915.4
Accumulated depreciation				
At 1 April 1999	-	18.7	147.8	166.5
Charge for the year	-	6.9	27.4	34.3
Written back on disposals	-	-	(50.3)	(50.3)
At 31 March 2000	-	25.6	124.9	150.5
Net Book Value				
At 31 March 2000	5,158.6	528.7	77.6	5,764.9
At 31 March 1999	8,798.8	537.2	108.3	9,444.3

Group	Investment properties HK\$ Million	Other properties HK\$ Million	Other fixed assets HK\$ Million	Total HK\$ Million
a) The analysis of cost or valuation of the above assets is as follows:				
At valuation in 2000 [Note (c)(i)]	5,158.6	-	-	5,158.6
At valuation in 1995 less provision [Notes (c)(ii) & (iii)]	-	437.4	-	437.4
At cost less provision	-	116.9	202.5	319.4
	5,158.6	554.3	202.5	5,915.4
b) Tenure of title to properties:				
Held in Hong Kong				
- Long lease	2,951.5	433.4	-	3,384.9
- Medium lease	-	106.7	-	106.7
Held outside Hong Kong				
- Long lease	2,207.1	-	-	2,207.1
- Medium lease	-	14.2	-	14.2
	5,158.6	554.3	-	5,712.9
c) Properties revaluation				
i) The Group's investment properties have been revalued as at 31 March 2000 either by Harriman Realty Company, Limited, a subsidiary company engaged in professional valuation, or CB Richard Ellis (Pte) Ltd, an independent firm 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 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\$437.4 million which are stated at professional valuations as at 31 March 1995 less subsequent provisions for diminution in value.				

13. SUBSIDIARIES

	Company	
	2000 HK\$ Million	1999 HK\$ Million
Unlisted shares, at cost	3,495.0	3,495.0
Amounts due from subsidiaries	12,966.4	11,327.2
Amounts due to subsidiaries	(62.8)	–
	<u>16,398.6</u>	<u>14,822.2</u>

Details of principal subsidiaries at 31 March 2000 are shown on pages 78 and 79.

14. ASSOCIATES

	Group	
	2000 HK\$ Million	1999 HK\$ Million
Share of net assets other than goodwill	28,424.5	27,219.9
Amounts due from associates	221.6	217.0
Loans from associates (Note b)	(2,054.6)	(3,037.8)
Amounts due to associates (Note c)	(2,283.1)	(6.6)
	<u>24,308.4</u>	<u>24,392.5</u>
a) Analysis of the cost of investment of the above:		
Shares listed in Hong Kong	11,663.6	10,265.8
Unlisted shares	255.0	376.1
	<u>11,918.6</u>	<u>10,641.9</u>
Market value of listed shares	<u>18,376.8</u>	<u>13,781.1</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 2000 amounted to HK\$121.1 million (1999: HK\$268.5 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 83.

e) Details of principal associates at 31 March 2000 are shown on page 79.

15. LONG-TERM INVESTMENTS

	Group	
	2000 HK\$ Million	1999 HK\$ Million
Non-trading equity securities, at market value		
Listed in Hong Kong	2,950.2	2,853.8
Listed outside Hong Kong	650.7	593.4
Unlisted shares, at cost	12.2	12.8
	<u>3,613.1</u>	<u>3,460.0</u>

16. DEFERRED ASSETS

	Group		Company	
	2000 HK\$ Million	1999 HK\$ Million	2000 HK\$ Million	1999 HK\$ Million
Mortgage loans receivable	91.0	350.2	–	–
Others	–	70.1	–	17.3
	<u>91.0</u>	<u>420.3</u>	<u>–</u>	<u>17.3</u>

17. PROPERTIES UNDER DEVELOPMENT

a) The amount of properties under development carried at net realisable value at 31 March 2000 is HK\$7,717.2 million (1999: HK\$593.2 million).

b) The amount of properties under development pledged as security for bank loans is HK\$10,769.1 million (1999: HK\$9,451.1 million).

18. INVENTORIES

The amount of inventories carried at net realisable value at 31 March 2000 is HK\$73.8 million (1999: HK\$160.0 million).

19. TRADING SECURITIES

	Group	
	2000 HK\$ Million	1999 HK\$ Million
Trading equity securities, at market value		
Listed in Hong Kong	–	287.2
Listed outside Hong Kong	–	18.0
	<u>–</u>	<u>305.2</u>

20. SHARE CAPITAL

	2000 No. of shares Million	1999 No. of shares Million	2000 HK\$ Million	1999 HK\$ Million
Authorised				
Ordinary shares of HK\$0.50 each	<u>2,420.0</u>	<u>2,420.0</u>	<u>1,210.0</u>	<u>1,210.0</u>
Issued and fully paid				
Balance at 1 April	2,030.2	2,026.9	1,015.1	1,013.4
Shares issued in lieu of dividend	-	3.3	-	1.7
Exercise of share options granted under the Executive Share Incentive Scheme	<u>0.6</u>	<u>-</u>	<u>0.3</u>	<u>-</u>
Balance at 31 March	<u>2,030.8</u>	<u>2,030.2</u>	<u>1,015.4</u>	<u>1,015.1</u>

As at 31 March 2000, options to subscribe for 1.3 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 0.6 million shares of HK\$0.50 each at a consideration between HK\$5.50 and HK\$10.60 per share.

21. RESERVES

	Share premium HK\$ Million	Share 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 1999							
As previously reported	1,905.2	19.5	4.1	-	32.8	10,193.4	12,155.0
Prior period adjustment (Note 11)	-	-	-	(303.2)	-	(1,804.3)	(2,107.5)
As restated	<u>1,905.2</u>	<u>19.5</u>	<u>4.1</u>	<u>(303.2)</u>	<u>32.8</u>	<u>8,389.1</u>	<u>10,047.5</u>
Premium on shares issued	3.4	-	-	-	-	-	3.4
Revaluation surplus/(deficit)	-	-	(2.2)	503.6	-	-	501.4
Realised on disposals	-	-	-	(16.6)	-	-	(16.6)
Exchange variances	-	-	-	-	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							
As previously reported	-	-	9,259.7	-	5,599.1	2,623.9	17,482.7
Prior period adjustment (Note 11)	-	-	-	(449.4)	-	(547.7)	(997.1)
As restated	<u>-</u>	<u>-</u>	<u>9,259.7</u>	<u>(449.4)</u>	<u>5,599.1</u>	<u>2,076.2</u>	<u>16,485.6</u>
Revaluation surplus/(deficit)	-	-	(995.0)	460.6	-	-	(534.4)
Revaluation of other properties	-	-	-	-	(540.2)	-	(540.2)
Transfers	-	-	5,506.2	-	(5,506.2)	-	-
Reserves arising on consolidation	-	-	-	-	137.0	-	137.0
Realised on disposals	-	-	-	189.6	-	-	189.6
Disposal of interest in associates	-	-	(94.3)	-	(51.2)	-	(145.5)
Others	-	-	-	-	13.0	(3.9)	9.1
Profit for the year retained	-	-	-	-	-	812.6	812.6
Balance at 31 March 2000	<u>-</u>	<u>-</u>	<u>13,676.6</u>	<u>200.8</u>	<u>(348.5)</u>	<u>2,884.9</u>	<u>16,413.8</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>(102.2)</u>	<u>11,044.8</u>	<u>26,933.8</u>

	Share premium HK\$ Million	Share 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
Company and subsidiaries							
Balance at 1 April 1998							
As previously reported	1,891.0	19.5	771.9	-	97.8	9,769.9	12,550.1
Prior period adjustment (Note 11)	-	-	-	8.5	-	(1,883.3)	(1,874.8)
As restated	1,891.0	19.5	771.9	8.5	97.8	7,886.6	10,675.3
Premium on shares issued	14.2	-	-	-	-	-	14.2
Revaluation deficit	-	-	(767.8)	(304.6)	-	-	(1,072.4)
Realised on disposals	-	-	-	(7.1)	-	-	(7.1)
Exchange variances	-	-	-	-	(143.8)	-	(143.8)
Realised on disposal of assets	-	-	-	-	(87.8)	-	(87.8)
Transfers	-	-	-	-	208.4	(208.4)	-
Others	-	-	-	-	(41.8)	-	(41.8)
Profit for the year retained	-	-	-	-	-	710.9	710.9
Balance at 31 March 1999	1,905.2	19.5	4.1	(303.2)	32.8	8,389.1	10,047.5
Associates							
Balance at 1 April 1998							
As previously reported	-	-	19,400.3	-	6,983.8	2,856.1	29,240.2
Prior period adjustment (Note 11)	-	-	-	(484.4)	-	(523.7)	(1,008.1)
As restated	-	-	19,400.3	(484.4)	6,983.8	2,332.4	28,232.1
Revaluation deficit	-	-	(11,048.0)	(24.5)	-	-	(11,072.5)
Revaluation of other properties	-	-	-	-	(519.1)	-	(519.1)
Realised on disposals	-	-	-	59.5	-	-	59.5
Transfers	-	-	907.4	-	(856.9)	(50.5)	-
Others	-	-	-	-	(8.7)	-	(8.7)
Deficit for the year absorbed	-	-	-	-	-	(205.7)	(205.7)
Balance at 31 March 1999	-	-	9,259.7	(449.4)	5,599.1	2,076.2	16,485.6
Total reserves at							
31 March 1999	1,905.2	19.5	9,263.8	(752.6)	5,631.9	10,465.3	26,533.1

	Share premium HK\$ Million	Share redemption reserve HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
b) Company					
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	1,908.6	19.5	77.2	1,459.8	3,465.1
Balance at 1 April 1998	1,891.0	19.5	77.2	1,175.1	3,162.8
Premium on shares issued	14.2	-	-	-	14.2
Profit for the year retained	-	-	-	269.0	269.0
Balance at 31 March 1999	1,905.2	19.5	77.2	1,444.1	3,446.0

Reserves of the Company available for distribution to shareholders at 31 March 2000 amounted to HK\$1,459.8 million (1999: HK\$1,444.1 million).

22. LONG-TERM LOANS

	Group		Company	
	2000 HK\$ Million	1999 HK\$ Million	2000 HK\$ Million	1999 HK\$ Million
Bonds and notes (Unsecured)				
Notes (Note a)	500.0	-	-	-
Bonds (Note b)	-	500.0	-	-
	500.0	500.0	-	-
Bank loans (Secured)				
Repayable after 1 year, but within 2 years	115.0	2,056.4	-	-
Repayable after 2 years, but within 5 years	1,764.9	1,420.0	-	-
	1,879.9	3,476.4	-	-
Bank loans (Unsecured)				
Repayable after 1 year, but within 2 years	5,000.0	1,200.0	5,000.0	1,200.0
Repayable after 2 years, but within 5 years	5,325.0	7,525.0	5,325.0	7,525.0
	10,325.0	8,725.0	10,325.0	8,725.0
	12,704.9	12,701.4	10,325.0	8,725.0

a) The unsecured notes, bearing interest at 8.75 per cent per annum, will mature on 17 December 2001.

b) The unsecured bonds, bearing interest at 7.25 per cent per annum, will mature on 30 November 2000 and have been reclassified under current liabilities at 31 March 2000.

23. DEFERRED TAXATION

	Group	
	2000 HK\$ Million	1999 HK\$ Million
At 1 April	562.0	501.4
Exchange differences	7.5	(30.9)
Transferred from profit and loss account (Note 7)	188.8	91.5
Deferred taxation relating to depreciation allowances	(14.4)	-
Released on disposal of subsidiaries	(9.0)	-
At 31 March	<u>734.9</u>	<u>562.0</u>
Major components of deferred taxation provided are set out below:		
Surplus on revaluation of a property on acquisition of subsidiaries	232.7	331.4
Profit on pre-sale of properties	499.8	201.9
Others	2.4	14.3
Depreciation allowances in excess of the related depreciation	-	14.4
	<u>734.9</u>	<u>562.0</u>

There are no material unprovided deferred taxation liabilities.

24. SHORT-TERM LOANS AND OVERDRAFTS

	Group		Company	
	2000 HK\$ Million	1999 HK\$ Million	2000 HK\$ Million	1999 HK\$ Million
Bank loans and overdrafts				
Unsecured	1,119.7	1,724.4	279.2	811.1
Secured	339.3	1,026.0	-	325.7
Current portion of long-term bank loans				
Unsecured	1,200.0	400.0	1,200.0	400.0
Secured	1,647.8	1,938.6	-	-
Bonds and notes (Unsecured)				
Bonds (Note 22b)	500.0	-	-	-
Floating rate notes	-	1,000.0	-	-
	<u>4,806.8</u>	<u>6,089.0</u>	<u>1,479.2</u>	<u>1,536.8</u>

The floating rate notes, which bore interest at a rate equal to six-month HIBOR plus one per cent per annum, matured on 19 September 1999.

25. CONTINGENT LIABILITIES

At 31 March 2000

- a) There were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities and unsecured bonds and notes up to HK\$3,182.4 million (1999: HK\$4,600.0 million).
- b) 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.

26. COMMITMENTS**a) Commitments in respect of property developments and capital expenditures**

	Group	
	2000 HK\$ Million	1999 HK\$ Million
Contracted but not provided for	<u>2,873.9</u>	<u>4,647.7</u>
Authorised but not contracted for	<u>5.2</u>	<u>5.1</u>

b) Capital commitments in respect of investments

	Group	
	2000 HK\$ Million	1999 HK\$ Million
Contracted but not provided for		
Investments in China projects	1,501.9	2,619.7
Other investments	-	101.2
	<u>1,501.9</u>	<u>2,720.9</u>

Other investment commitments for 1999 included the obligation under certain written put options to purchase certain equity portfolios at fixed strike prices on expiration of the options.

c) Lease commitments

As 31 March 2000, the Group has future commitments under operating leases to make payments in respect of leasehold properties in the ensuing year as follows:

	Group	
	2000 HK\$ Million	1999 HK\$ Million
Expiring in the first year	2.8	15.3
Expiring in the second to fifth years inclusive	122.6	112.3
Expiring after the fifth year	-	-
	125.4	127.6

d) Forward exchange contracts

	Group	
	2000 HK\$ Million	1999 HK\$ Million
Forward exchange contracts outstanding	2,120.5	1,782.2

27. 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 2000:

- a) Loans and advances in the amount of HK\$4,332.1 million (1999: HK\$3,037.8 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 25(b), 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.
- c) During the year, the Group sold its interest in certain subsidiaries to an associate, which resulted an indirect disposal of its two-third interest in the retail shopping podium and cinema known as "Plaza Hollywood" and 527 car parking spaces together with certain unsold apartments in Galaxia to that associate, at a total consideration of HK\$2.32 billion, and recognised a profit of HK\$78.3 million in the accounts for the year.

28. COMPARATIVE FIGURES

The presentation and classification of items in the accounts have been changed due to the adoption of the requirements of SSAP 1 (revised) "Presentation of financial statements" and SSAP 24 "Accounting for investments in securities". As a result, additional line items have been included on the face of the consolidated profit and loss account and the balance sheets as required by SSAP 1 (revised) and comparative figures have been reclassified to conform with the current year's presentation. Certain comparative figures have also been adjusted as a result of a change in accounting policies for investments in securities in order to comply with SSAP 24, details of which are set out in Note 11.

29. APPROVAL OF ACCOUNTS

The accounts were approved by the Directors on 28 June 2000.

Principal Subsidiaries and Associates

at 31 March 2000

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
Charter Crown Enterprises Limited	Hong Kong	2 HK\$1 shares	54	Finance
Diamond Hill Development Holdings Limited	British Virgin Islands	500 US\$1 shares	74	Holding company
Everbilt Developers Pte Ltd	Singapore	160,000,000 S\$1 shares	55	Property
First Grade Limited	British Virgin Islands/ International	500 US\$1 shares	54	Investment
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	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
Hopfield Holdings Limited	British Virgin Islands	2,500 US\$1 shares	61	Holding company
Janeworth Company Limited	Hong Kong	2 HK\$1 shares	54	Property
Keevil Company Limited	Hong Kong	2 HK\$1 shares	54	Property
* Lane Crawford International Limited	Bermuda/ International	49,633,314 HK\$0.50 "A" shares 308,648,068 HK\$0.05 "B" shares	100 100	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
Lemax Holdings Limited	Hong Kong	2 HK\$1 shares	74	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
Merit Capital Enterprises Limited	Hong Kong	2 HK\$1 shares	54	Finance
MP-Bilt Pte Ltd	Singapore	1,000,000 S\$1 shares	55	Property
New Asia Realty and Trust Company, Limited	Hong Kong	363,449,250 HK\$1 "A" shares 252,390,875 HK\$0.2 "B" shares	74 74	Holding company
New Aspects Limited	British Virgin Islands/ International	500 US\$1 shares	54	Investment
* Office Buildings Management Limited	Hong Kong	198 HK\$100 shares	99	Property management
Pachino Limited	Hong Kong	2 HK\$10 shares	74	Property
Python Company Limited	Hong Kong	2 HK\$1 shares	54	Property
Realty Development Corporation Limited	Hong Kong	208,646,364 HK\$1 "A" shares 108,157,820 HK\$0.2 "B" shares	54 55	Holding company
* Ridge Limited	Hong Kong	2 HK\$1 shares	100	Property

Principal Subsidiaries and Associates

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
Rusticana Limited	Hong Kong	2 HK\$10 shares	54	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
* 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 Finance (1993) Limited	British Virgin Islands/ Hong Kong	500 US\$1 shares	100	Finance
* Wheelock International Limited	British Virgin Islands/ International	500 US\$1 shares	100	Management services
* Wheelock Marden and Company Limited	Hong Kong	314,600,000 HK\$1 "A" shares 235,950,000 HK\$0.1 "B" shares	100 100	Commercial 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
Dramstar Company Limited	Hong Kong	100 ("B" shares)	23	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.

Report of the Auditors

TO THE SHAREHOLDERS OF WHELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 48 to 79 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the Directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 June 2000

Schedule of Principal Properties

at 31 March 2000

Properties held for investment	Lot number	Lease expiry	Approx. gross floor area (sq. ft.)	Attributable % owned	Year of completion	Type/usage
Lane Crawford House, 70 Queen's Road Central, Central	IL7 R.P. & IL45 Sec.A R.P.	2842	181,500	100	1977	Office & shop
Wheelock Place, 501 Orchard Road, Singapore	-	2089	464,800	55	1993	Office & shopping arcade
Shop C, G/F & 3/F-24/F, Wheelock House, 20 Pedder Street, Central	ML 99 Sec. A,C, R.P. & ML 100 Sec.A,B, R.P.	2854	214,400	54	1984	Office & Shop
Fitfort, Basement-3/F, Healthy Gardens Podium, 560 King's Road, North Point	IL 3546	2086	239,700	54	1979	Shopping arcade & car park
Shops & godown spaces, 100-142 Belcher's Street, Kennedy Town	IL 906 Sec. E-M & R.P.	2882	143,800	54	1960s & 70s	Shopping arcade & godown

Schedule of Principal Properties

Properties for development and/or sale	Lot number	Site area (sq. ft.)	Approx. gross floor area (sq. ft.)	Attributable % owned	Expected Year of completion	Type/usage	Stage of completion
Site at Sham Tseng	Lot No. 266 in DD 390	494,700	2,801,200	74	2003	Residential/commercial	Superstructure in progress
MTRC Kowloon Station Package Two	KIL 11080	184,926	2,263,900	61	2003	Residential	Foundation works near completion
Ardmore Park, Ardmore Park Road, Singapore	-	345,120	1,101,000	55	2001	Residential	Superstructure in progress
The Grange Residences, 247 Tanglin Road, Singapore	-	167,000	467,600	55	2003	Residential	Foundation works in progress
Ardmore View, 2B Ardmore Park Road, Singapore	-	44,100	110,200	55	-	Residential	Planning
38 Rose Street, Yau Yat Tsuen	NKIL 4932	14,122	29,700	54	2001	Residential	Superstructure in progress
Site at Area 20, Tuen Mun	TMTL 386	174,226	228,100	54	2003	Residential	Foundation works in progress
Site at Kwai Hei Street, Kwai Chung	KCTL 448	25,489	242,100	54	-	Industrial/office	Foundation works completed
Various units of World Tech Centre, 95 How Ming Street, Kwun Tong	KTIL 195 R.P.	37,341	76,051	74	-	Industrial	Completed
Various units of My Loft, 9 Hoi Wing Road, Tuen Mun	TMTL 379	40,946	63,700	54	-	Godown	Completed
Various units of Forest Hill, 31 Lo Fai Road, Tai Po	TPTL 115	265,117	47,600	54	-	Residential	Completed
Various units of The Astrid, 180 Argyle Street, Ho Man Tin	KIL 11005	61,118	32,400	54	-	Residential	Completed
Various units of Bailey Garden, 23 Bailey Street, Hung Hom	KIL 11022	33,896	11,200	54	-	Shop	Completed
Various units of The Regalia, 33 King's Park Rise, Ho Man Tin	KIL 11001	69,073	10,100	54	-	Residential	Completed

Note: All the above properties are in Hong Kong except otherwise stated.

The Wharf (Holdings) Limited
Extracts from the Published Accounts

THE WHARF (HOLDINGS) LIMITED

Accounts for the year ended 31 December 1999

	Year ended 31/12/1999 HK\$ Million	Restated Year ended 31/12/1998 HK\$ Million
Consolidated Profit and Loss Account		
Group profit attributable to shareholders	3,216.5	1,922.2
Prior year adjustment	-	(51.2)
Restated amount	<u>3,216.5</u>	<u>1,871.0</u>
Dividends	<u>1,881.3</u>	<u>1,790.3</u>
Consolidated Balance Sheet		
Fixed assets	73,355.3	71,643.1
Associates	5,196.6	3,863.2
Long-term investments	5,258.5	7,106.8
Deferred debtors	505.7	349.3
Deferred items	2,262.0	2,405.9
Current assets	<u>12,535.7</u>	<u>8,529.3</u>
	99,113.8	93,897.6
Share capital	2,446.2	2,295.1
Reserves	<u>53,437.1</u>	<u>51,368.9</u>
Shareholders' funds	55,883.3	53,664.0
Deferred liabilities	26,802.0	22,322.3
Minority interests	5,576.3	3,923.9
Deferred taxation	506.9	518.2
Current liabilities	<u>10,345.3</u>	<u>13,469.2</u>
	99,113.8	93,897.6

Five-year Financial Summary

HK\$ Million					
Financial year ended 31 March	1996	1997	Restated 1998	Restated 1999	2000
Consolidated Profit and Loss Account					
Turnover (Note a)	2,330.9	5,839.8	7,894.3	7,099.4	4,551.0
Group profit attributable to shareholders	2,459.2	2,535.5	1,449.0	602.4	723.0
Prior year adjustment (Note b)	–	–	(2,407.0)	55.0	–
Restated amount	2,459.2	2,535.5	(958.0)	657.4	723.0
Dividends	(826.6)	(882.2)	(567.9)	(152.2)	(152.3)
Transferred to revenue reserves	1,632.6	1,653.3	(1,525.9)	505.2	570.7
Consolidated Balance Sheet					
Fixed assets	1,255.2	13,841.5	10,471.5	9,444.3	5,764.9
Associates (Note b)	41,768.3	40,187.0	37,245.4	24,392.5	24,308.4
Long-term investments (Note b)	636.6	698.0	4,016.0	3,460.0	3,613.1
Deferred assets	–	276.3	517.7	420.3	91.0
Current assets	2,992.4	26,810.0	22,465.8	20,381.4	24,260.6
	<u>46,652.5</u>	<u>81,812.8</u>	<u>74,716.4</u>	<u>58,098.5</u>	<u>58,038.0</u>
Share capital	1,008.1	1,012.5	1,013.4	1,015.1	1,015.4
Reserves (Note b)	38,162.1	44,807.5	38,907.4	26,533.1	26,933.8
Shareholders' funds	39,170.2	45,820.0	39,920.8	27,548.2	27,949.2
Minority interests (Note b)	714.2	9,892.9	7,777.5	6,592.4	6,248.3
Long-term loans	3,500.0	8,571.5	15,960.6	12,701.4	12,704.9
Deferred taxation	–	486.1	501.4	562.0	734.9
Deferred profits	203.3	461.3	458.9	430.0	448.3
Current liabilities	3,064.8	16,581.0	10,097.2	10,264.5	9,952.4
	<u>46,652.5</u>	<u>81,812.8</u>	<u>74,716.4</u>	<u>58,098.5</u>	<u>58,038.0</u>

Note:

Pursuant to the adoption of the revised Statement of Standard Accounting Practice 1 ("SSAP 1") "Presentation of financial statements" and the new Statement of Standard Accounting Practice 24 ("SSAP 24") "Accounting for investments in securities", certain figures have been reclassified or restated as set out below:

- Turnover figures for the years ended 31 March 1998 and onwards are presented in accordance with the requirements of SSAP 1.
- These figures for the years 1998 and 1999 have been restated pursuant to the adoption of SSAP 24 as explained in Note 11 to the Accounts for the year under review.

Figures for the years 1996 and 1997 have not been reclassified or restated as it would involve delay and expenses out of proportion to the benefit to shareholders.