

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES

A Basis of preparation

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of certain investment properties and managed funds and other investments. Certain comparative figures have been reclassified to conform with the current year's presentation.

B Basis of consolidation

The consolidated accounts of the Group include the accounts for the year ended 31 December 2000 of the Company and of all its direct and indirect subsidiary companies and also incorporate the Group's interests in associated companies and jointly controlled entities on the basis set out in notes 1D and 1E below. Results of subsidiary and associated companies and jointly controlled entities acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2000 or up to the dates of disposal as the case may be.

Goodwill represents the excess of purchase consideration over the fair values of net assets of subsidiary and associated companies and joint ventures at the date of acquisition and is written off to reserves in the year of acquisition. Upon disposal, the attributable amount of goodwill previously written off to reserves is taken to the profit and loss account.

C Subsidiary companies

A company is a subsidiary company if more than 50% of the equity voting rights is held long term or the composition of the board of directors is controlled. Investments in subsidiary companies are carried at cost.

D Associated companies

A company or a joint venture is classified as an associated company if not less than 20% nor more than 50% of the equity voting rights are held as a long term investment, a significant influence is exercised over its management and there is no contractual agreement between the shareholders to establish joint control over the economic activities of the entity. Results of the associated companies are incorporated in the accounts to the extent of the Group's share of the post acquisition results calculated from their accounts made up to 31 December 2000. Investments in associated companies represent the Group's share of their net assets, after attributing fair values to their net tangible and intangible assets at the date of acquisition, less provision for diminution in value.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

E Joint ventures

A joint venture is classified as a jointly controlled entity if it is held as a long term investment and a contractual arrangement between the shareholders establishes joint control over the economic activities of the joint venture. Results of the jointly controlled entities are incorporated in the accounts to the extent of the Group's share of the post acquisition results calculated from their accounts made up to 31 December 2000. Investments in jointly controlled entities represent the Group's share of their net assets, after attributing fair values to their net tangible and intangible assets at the date of acquisition, less provision for diminution in value.

A joint venture is classified as other joint venture if it is held as a long term investment and is not an associated company nor a jointly controlled entity. Other joint ventures, which give fixed rate returns, are carried at cost less repayment of capital and provision for diminution in value. Cost includes capital contributions and loans to the joint ventures, capitalised interest on related loans incurred up to the date of operations, and, in circumstances where the Group acquired the joint ventures, the purchase consideration which is attributable to their net tangible and intangible assets based upon their estimated fair value at the date of acquisition. Income is recognised on the accrual basis throughout the joint venture period.

F Managed funds and other investments

The Group's managed funds and other investments have been classified as held-to-maturity debt securities and other debt and equity securities ("other securities"). Held-to-maturity debt securities are carried at cost less provision for diminution in value. Other securities are carried at fair value and represent listed and unlisted investments in companies which are not subsidiary nor associated companies nor joint ventures. Changes in the fair value of other securities are dealt with as movements in the investment revaluation reserve. In circumstances where the fair value of other securities has declined below their cost and the decline is determined not to be temporary, a provision for diminution in their value is charged to the profit and loss account. Upon disposal of other securities, the relevant revaluation surplus or deficit is dealt with in the profit and loss account. Dividends and interest income from these investments are recognised on the accrual basis.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

G Fixed assets

Fixed assets are stated at cost or valuation less depreciation. Leasehold land is amortised over the remaining period of the lease. Buildings are depreciated on the basis of an expected life of fifty years, or the remainder thereof, or over the remaining period of the lease, whichever is less. The period of the lease includes the period for which a right of renewal is attached.

Depreciation of other fixed assets is provided at rates calculated to write off their costs over their estimated useful lives on a straight line basis at the following annual rates:

Motor vehicles	20 – 25%
Plant, machinery and equipment	3 ¹ / ₃ – 33 ¹ / ₃ %
Container terminal equipment	5 – 20%
Telecommunication equipment	5 – 10%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is the greater

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

H Investment properties

Investment properties are interests in land and buildings in respect of which construction work has been completed and which are held for their investment potential. Such properties are included in fixed assets at their open market value based on existing use as determined by an annual professional valuation. Changes in the value of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Upon disposal of an investment property, the relevant revaluation reserve is recognised in the profit and loss account. Investment properties are not depreciated except where the unexpired term of the lease is twenty years or less.

I Leases

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased whereby an amount equivalent to cost is recorded as a fixed asset and as a long term liability. Depreciation is provided in accordance with the Group's depreciation policy. Payments to the lessor are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account. All other leases are accounted for as operating leases and the rental payments are charged to the profit and loss account on the accrual basis.

J Other non-current assets

Licences for 3G Telecommunications spectrum ("3G licences") costs are capitalised at cost and amortised over the periods of the licences from the date of commencement of commercial operations.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

K Borrowing costs

Borrowing costs are accounted for on the accrual basis and charged to the profit and loss account in the year incurred, except for costs related to funding of fixed assets, properties under development, 3G licences and infrastructure joint ventures which are capitalised as part of the cost of that asset up to the date of commencement of its operations.

Fees paid for the arrangement of syndicated loan facilities and debt securities are deferred and amortised on a straight line basis over the period of the loans.

L Properties under development

Land for properties under development is stated at cost and development expenditure is stated at the aggregate amount of costs incurred up to the date of completion, including capitalised interest on related loans. The profit and turnover on sales of property are recorded either on the date of sale or on the date of issue of the occupation permit, whichever is the later.

M Stocks

Stocks consist mainly of retail goods and the carrying value is determined as the estimated selling price less the normal gross profit margin. Other stocks are stated at the lower of cost and net realisable value.

N Deferred taxation

Deferred taxation is provided for when there is a reasonable probability that such taxation will become payable in the foreseeable future. Deferred taxation is calculated by the liability method at the applicable tax rate on timing differences arising from the recognition of income and expenditures in different fiscal years for accounting and for tax purposes.

O Foreign exchange

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the determination of operating profit.

The accounts of overseas subsidiary and associated companies and jointly controlled entities are translated into Hong Kong dollars using the year end rates of exchange for the balance sheet items and the average rates of exchange for the year for the profit and loss account. Exchange differences are dealt with as a movement in reserves.

2 TURNOVER AND OPERATING PROFIT

The turnover of the Group comprises the gross value of goods and services invoiced to customers, income from investments and other joint ventures, proceeds from the sales of development properties, rental income from investment properties, interest income and finance charges earned. It does not include the Group's share of turnover of associated companies and jointly controlled entities. An analysis of turnover is as follows:

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
Sale of goods	26,578	30,741
Rendering of services	23,691	21,359
Interest	5,914	2,656
Dividends	839	686
	57,022	55,442

An analysis of turnover and contribution to operating profit, excluding from both the Group's share of associated companies and jointly controlled entities, for the year by principal activities and geographical areas is as follows:

	Turnover		Operating Profit	
	Group 2000 HK\$ millions	Group 1999 HK\$ millions	Group 2000 HK\$ millions	Group 1999 HK\$ millions
Principal activities:				
Ports and related services	11,501	10,333	4,445	4,127
Telecommunications and e-commerce	7,653	7,216	705	811
Property and hotels	3,451	10,618	1,566	2,355
Retail and manufacturing	25,014	21,553	630	1,388
Energy, infrastructure, finance and investments	9,403	5,722	6,001	4,697
	57,022	55,442	13,347	13,378
Geographical areas:				
Hong Kong	34,869	39,092	5,633	6,278
Mainland China	4,364	4,278	921	1,783
Asia	8,123	6,297	1,207	767
Europe	6,060	3,290	2,594	1,044
North America	3,606	2,485	2,992	3,506
	57,022	55,442	13,347	13,378

3 PROFIT ON DISPOSAL OF INVESTMENTS LESS PROVISIONS

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
Profit on disposal of investments	59,742	119,392
Provision for share price and exchange rate fluctuations on overseas investments	(34,000)	-
Provision against accumulated capitalised cost of acquiring Hong Kong mobile subscribers	-	(2,060)
Provision for diminution in value of investments in joint venture projects	-	(7,800)
	25,742	109,532

Profit on disposal of investments comprises a profit of HK\$50,000 million on disposal of Mannesmann AG ("Mannesmann") common shares in exchange for Vodafone Group Plc ("Vodafone") ordinary shares (see note 25 (h)), a profit of HK\$1,600 million on the subsequent disposal of 925 million Vodafone shares, a profit of HK\$2,200 million on the sale of a 19% interest in Hong Kong mobile operation, a profit of HK\$4,222 million on the merger of Husky Oil Limited with Renaissance Energy Ltd. (see note 25(h)) and a profit of HK\$1,720 million on the sale of a 50% interest in fixed line telecommunications business. The 1999 profit on disposal of investments comprises a profit of HK\$118,000 million on disposal of Orange plc and a profit of HK\$1,392 million on the flotation of Partner Communications Company Ltd.

4 PROFIT BEFORE TAXATION

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
Profit before taxation is shown after crediting and charging the following items:		
Credits:		
Share of profits less losses of associated companies		
Listed	2,809	1,944
Unlisted	685	265
	3,494	2,209
Gross rental income from investment properties	2,065	1,988
Less: Intra group rental income	(300)	(313)
	1,765	1,675
Less: Related outgoings	(48)	(149)
Net rental income	1,717	1,526
Dividend and interest income from managed funds and other investments		
Listed	1,989	952
Unlisted	666	655
Charges:		
Interest		
Bank loans and overdrafts	4,415	3,599
Other loans repayable within 5 years	125	264
Other loans not wholly repayable within 5 years	–	40
Notes and bonds repayable within 5 years	1,314	664
Notes and bonds not wholly repayable within 5 years	1,585	1,515
	7,439	6,082
Less: Interest capitalised	(979)	(1,001)
	6,460	5,081
Depreciation of fixed assets	3,222	3,013
Amortisation of deferred expenditures	–	301
Share of depreciation and amortisation of associated companies and jointly controlled entities	2,677	2,007
Operating leases		
Properties	2,109	1,886
Hire of plant and machinery	1,159	487
Auditors' remuneration	35	31

5 DIRECTORS' EMOLUMENTS

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
The emoluments of the directors of the Company are as follows:		
Fees	1	1
Basic salaries and allowances	39	39
Provident fund contributions	5	4
Bonuses	208	329

The emoluments of the seven independent non-executive directors of the Company are HK\$0.5 million (1999 – six directors, HK\$0.4 million).

No management remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK\$50,000 which he paid to Cheung Kong (Holdings) Limited.

Emoluments of all directors of the Company are analysed as below:

HK\$	2000 Number of Directors	1999 Number of Directors
Nil – 1,000,000	8	7
1,000,001 – 1,500,000	1	–
2,000,001 – 2,500,000	–	1
6,000,001 – 6,500,000	1	–
9,000,001 – 9,500,000	2	–
13,000,001 – 13,500,000	1	1
14,000,001 – 14,500,000	–	1
19,500,001 – 20,000,000	–	1
24,000,001 – 24,500,000	–	1
29,000,001 – 29,500,000	1	–
31,000,001 – 31,500,000	1	–
32,500,001 – 33,000,000	1	–
44,000,001 – 44,500,000	–	1
47,500,001 – 48,000,000	–	1
120,000,001 – 120,500,000	1	–
206,000,001 – 206,500,000	–	1

The five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary and allowance – HK\$5.6 million; provident fund contribution – HK\$0.9 million; and bonus – HK\$12 million.

6 PENSION SCHEMES

The Group has established pension schemes for employees located in Hong Kong and in some overseas locations. Total pension expense for the year was HK\$313 million (1999 – HK\$295 million) of which HK\$112 million (1999 – HK\$90 million) related to overseas schemes. Contributions to all plans are charged to the profit and loss account in the year incurred.

The Group's Hong Kong employees, excluding Cheung Kong Infrastructure Holdings Limited ("CKI") group employees, who commenced employment prior to 1 January 1994 are members of a scheme which provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. Employees' contributions are either 5% or 7% of basic monthly salary. The employers' annual contribution is designed to fully fund the scheme as advised by independent actuaries. A formal independent actuarial valuation using the aggregate cost method completed at 30 June 1999 reported a market value of the scheme assets of HK\$1,625 million and a level of funding of 105% of the accrued actuarial liabilities on an ongoing basis. The main assumptions in the valuation are an investment return of 8.5% per annum and salary increases of 6.5% per annum. The valuation was performed by Mark Baxter, Fellow of the Institute of Actuaries of Australia, of William M Mercer Limited.

The Group's Hong Kong employees, excluding CKI group employees, who commenced employment subsequent to 31 December 1993 are members of a defined contribution scheme. All contributions are made by the employer at either 7.5% or 10% of the employee's basic monthly salary. Benefits are equal to the vested contributions plus a minimum interest thereon of 5% per annum. Except for the employees of the Group's port business in the United Kingdom, overseas employees are members of defined contribution schemes in their respective country of operation. Forfeited contributions of the Group's defined contribution schemes in the amount of HK\$34 million (1999 – HK\$23 million) were used to reduce the current year's level of contributions and HK\$8 million is available at 31 December 2000 (1999 – HK\$4 million) to reduce future year's contribution.

The CKI group provides defined contribution retirement schemes for the majority of its employees. One of its subsidiary companies provides a defined benefit scheme. Contributions to the defined contribution schemes are made either by the employer only at 10% of the employees' basic monthly salary or by both the employers and employees each at 10% of the employees' basic monthly salary. Forfeited contributions of the CKI group's defined contribution schemes in the amount of HK\$3 million (1999 – HK\$1 million) were used to reduce the current year's level of contributions. At 31 December 2000, there was no forfeited contributions and earnings available to reduce its contributions to the defined contribution scheme in future years (1999 – HK\$1 million).

The CKI group's defined benefit scheme is substantially the same as that described above for the Group's Hong Kong employees. The latest actuarial valuation of this defined benefit scheme was completed at 1 January 2000 by Joseph K L Yip, FSA, a fellow member of the Society of Actuaries, of The Watson Wyatt Hong Kong Limited. The actuarial method adopted was the attained age funding method and the main assumptions were an average annual investment return on the scheme assets of 9% per annum and average annual salary increases of 7% per annum. The market value of the defined benefit scheme's assets as at 31 December 1999 was HK\$120 million and the latest actuarial valuation showed that the scheme's assets covered 81% of the accrued actuarial liabilities at the valuation date. CKI's future annual contribution is designed to fund the shortfall over a period of time.

6 PENSION SCHEMES (cont'd)

With the implementation of the Mandatory Provident Fund ("MPF") Schemes Ordinance on 1 December 2000 in Hong Kong, the Group also participates in master trust MPF schemes operated by independent service providers. Mandatory contributions to these MPF schemes are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK\$20,000. As the Group's pension schemes in Hong Kong (including those of CKI) are all MPF-exempted recognised occupational retirement schemes ("ORSO schemes"), all the existing members were given an option to elect between the ORSO schemes and the MPF schemes. The Group's Hong Kong employees, excluding CKI group employees, who commenced employment after 30 November 2000, can also elect to become members of the MPF schemes or to become members of the Group's defined contribution scheme in Hong Kong. Except for certain CKI group's subsidiaries of which the new employees join the MPF schemes, CKI group offers an option to its Hong Kong employees who commenced employment after 30 November 2000 to elect between the ORSO schemes and the MPF schemes.

The employees of the Group's United Kingdom port businesses are members of one of three defined benefit schemes. Employees contribute 5% or 6% of pensionable salary depending on the scheme. The employers' annual contribution is designed to fully fund the plans as advised by independent actuaries. A formal valuation using the projected unit method completed at 1 January 1998 reported a market value of the Port of Felixstowe scheme assets of HK\$1,041 million and a level of funding of 110% of the accrued actuarial liabilities on an ongoing basis. The main assumptions in the valuation are an investment return of 8.5% per annum and pensionable salary increases of 6% per annum. The valuation was performed by Colin Hedderwick, Fellow of the Institute of Actuaries, of Watson Wyatt Partners.

7 TAXATION

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
Current taxation expense		
Hong Kong		
Subsidiary companies	585	738
Associated companies	256	184
Jointly controlled entities	76	48
Overseas		
Subsidiary companies	280	196
Associated companies	54	119
Jointly controlled entities	51	40
	1,302	1,325
Deferred taxation expense (credit)		
Hong Kong		
Subsidiary companies	(44)	(77)
Associated companies	-	5
Jointly controlled entities	(5)	(12)
Overseas		
Subsidiary companies	(2)	8
Associated companies	727	-
Jointly controlled entities	-	2
	676	(74)
	1,978	1,251
Hong Kong profits tax has been provided for at the rate of 16% (1999 – 16%) on the estimated assessable profit less available tax losses. Overseas taxation has been provided for at the applicable rate on the estimated assessable profit less available tax losses.		
The potential tax liabilities (assets) which have not been provided for in respect of the current year are as follows:		
Arising from accelerated depreciation allowances on continuing operations	(230)	8
Arising from tax losses	276	(776)

No provision for taxation has been made for taxes which would arise on the remittance of retained profits of certain overseas companies to Hong Kong as it is not anticipated that these amounts will be remitted in the near future.

8 PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS

The net profit of the Company is HK\$7,383 million (1999 – HK\$21,505 million) and is included in determining the profit attributable to the shareholders in the consolidated profit and loss account.

9 DIVIDENDS

	Company 2000 HK\$ millions	Company 1999 HK\$ millions
Interim dividend paid of HK\$0.51 per share (1999 – HK\$0.436, adjusted for bonus issue)	2,174	1,860
Proposed final dividend of HK\$1.22 per share (1999 – HK\$1.046, adjusted for bonus issue)	5,201	4,458
	7,375	6,318

10 PROFIT FOR THE YEAR RETAINED

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
Profit (loss) for the year retained after deducting minority interests is as follows:		
Company and subsidiary companies	25,817	111,825
Associated companies	1,017	704
Jointly controlled entities	(91)	(1,502)
	26,743	111,027

11 EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to the shareholders of HK\$34,118 million (1999 – HK\$117,345 million) and on 4,263,370,780 shares in issue during 2000 (1999 – on 4,263,370,780 shares, adjusted for bonus issue).

12 FIXED ASSETS – GROUP

	Investment properties HK\$ millions	Other properties HK\$ millions	Other assets HK\$ millions	2000 Total HK\$ millions	1999 Total HK\$ millions
Cost or valuation					
At 1 January	29,872	38,103	31,391	99,366	90,597
Exchange translation differences	–	(354)	(504)	(858)	(98)
Additions	103	2,946	3,275	6,324	7,565
Transfer from current assets	–	–	153	153	–
Disposals	–	(29)	(816)	(845)	(1,287)
Relating to subsidiaries acquired	95	563	891	1,549	2,276
Relating to subsidiaries disposed of	–	(86)	(2,719)	(2,805)	(198)
Revaluation	416	–	–	416	511
Transfer between categories	(59)	553	(494)	–	–
At 31 December	30,427	41,696	31,177	103,300	99,366
Accumulated depreciation					
At 1 January	–	3,396	12,283	15,679	13,670
Exchange translation differences	–	(68)	(202)	(270)	(27)
Charge for the year	–	866	2,356	3,222	3,013
Disposals	–	(23)	(670)	(693)	(901)
Relating to subsidiaries acquired	–	6	123	129	21
Relating to subsidiaries disposed of	–	(3)	(202)	(205)	(97)
Transfer between categories	–	33	(33)	–	–
At 31 December	–	4,207	13,655	17,862	15,679
Net book value at 31 December	30,427	37,489	17,522	85,438	83,687
Cost or valuation at 31 December					
At cost	–	41,696	31,177	72,873	69,494
At valuation	30,427	–	–	30,427	29,872
	30,427	41,696	31,177	103,300	99,366

12 FIXED ASSETS – GROUP (cont'd)

	2000 HK\$ millions	1999 HK\$ millions
Net book value of investment properties and other properties comprises:		
Hong Kong		
Long leasehold (not less than 50 years)	16,463	15,915
Medium leasehold (less than 50 years but not less than 10 years)	34,523	34,561
Short leasehold (less than 10 years)	34	–
Overseas		
Freehold	4,255	2,177
Long leasehold	2,410	2,664
Medium leasehold	10,200	9,237
Short leasehold	31	25
	67,916	64,579

Other properties include projects under development in the amount of HK\$2,567 million at 31 December 2000 (1999 – HK\$3,530 million).

Other assets include telecommunication equipment held under finance leases at a cost of HK\$3,222 million (1999 – HK\$3,222 million) and accumulated depreciation of HK\$848 million at 31 December 2000 (1999 – HK\$633 million). Depreciation for the year amounted to HK\$215 million (1999 – HK\$215 million).

The investment properties have been revalued as at 31 December 2000 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis based on existing use.

13 OTHER NON-CURRENT ASSETS

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
Licences for 3G Telecommunications spectrum	80,039	–

14 SUBSIDIARY COMPANIES

	Company 2000 HK\$ millions	Company 1999 HK\$ millions
Unlisted shares	728	728
Amounts due from subsidiary companies	60,016	61,600
	60,744	62,328

Particulars regarding the principal subsidiary companies are set forth on pages 109 to 116.

15 ASSOCIATED COMPANIES

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
Unlisted shares	1,665	3,895
Listed shares, Hong Kong	9,422	8,436
Listed shares, overseas	10,342	–
Share of undistributed post acquisition reserves	10,104	6,948
Investments in associated companies	31,533	19,279
Amounts due from associated companies	9,313	8,959
Amounts due to associated companies	(1,555)	(1,406)
	39,291	26,832

The market value of the listed investments at 31 December 2000 was HK\$40,026 million (1999 – HK\$31,767 million).

Particulars regarding the principal associated companies are set forth on pages 109 to 116.

16 INTERESTS IN JOINT VENTURES

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
Jointly controlled entities		
Unlisted shares	18,858	9,041
Share of undistributed post acquisition reserves	(4,479)	(50)
Investments in jointly controlled entities	14,379	8,991
Amounts due from jointly controlled entities	16,505	13,576
Amounts due to jointly controlled entities	(548)	(276)
	30,336	22,291
Other joint ventures		
Cost of investments	8,350	11,761
Amounts due from other joint ventures	847	914
	9,197	12,675
	39,533	34,966

Particulars regarding the principal jointly controlled entities are set forth on pages 109 to 116.

17 MANAGED FUNDS AND OTHER INVESTMENTS

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
Managed funds, overseas		
Listed held-to-maturity debt securities	14,868	3,077
Cash and cash equivalents	1,825	13,251
Other listed equity securities	11	13
	16,704	16,341
Held-to-maturity debt securities		
Listed debt securities	2,711	23,988
Long term deposits	4,174	4,185
Convertible debt securities	5,442	450
Other securities		
Listed equity securities, Hong Kong	4,813	1,993
Listed equity securities, overseas	99,044	126,399
Unlisted equity securities and advances	2,203	2,811
	135,091	176,167

The market value of the listed securities at 31 December 2000 was HK\$130,475 million (1999 – HK\$155,460 million).

Included in listed equity securities, overseas are investments of 2,131,910,365 ordinary shares in Vodafone, a company incorporated in England and listed on the London Stock Exchange, which were received as consideration on disposal of Mannesmann common shares (see note 25 (h)) and of 55,899,252 common shares in VoiceStream Wireless Corporation, a company incorporated in the United States of America and quoted on the Nasdaq Stock Market.

Convertible debt securities carry interest and are convertible into ordinary shares of the issuers which are listed companies.

18 CURRENT ASSETS

	Company 2000 HK\$ millions	Company 1999 HK\$ millions	Group 2000 HK\$ millions	Group 1999 HK\$ millions
Stocks	-	-	4,132	3,673
Trade receivables	-	-	3,569	3,361
Prepayments and other receivables	-	-	6,932	6,735
Dividends and other receivables from subsidiary companies	7,400	5,000	-	-
Bank balances and cash equivalents	-	-	47,530	40,200
	7,400	5,000	62,163	53,969

The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days.

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
At 31 December 2000, the ageing analysis of the trade receivables is as follows:		
Current	2,318	2,550
30 – 60 days	614	526
61 – 90 days	181	186
Over 90 days	456	99
	3,569	3,361

19 CURRENT LIABILITIES

	Company 2000 HK\$ millions	Company 1999 HK\$ millions	Group 2000 HK\$ millions	Group 1999 HK\$ millions
Bank loans and overdrafts	305	285	15,146	9,299
Other loans	–	–	48	41
Notes and bonds				
US\$ exchangeable bonds, 7% due 2001	–	–	2,145	–
Trade payables	–	–	4,717	3,990
Accruals and other payables	67	67	22,252	20,205
Taxation	–	–	806	778
Proposed final dividend	5,201	4,458	5,201	4,458
	5,573	4,810	50,315	38,771

The bank and other loans of the Group are secured to the extent of HK\$3,816 million (1999 – HK\$125 million).

The US\$ exchangeable bonds are exchangeable into shares of Hutchison Delta Ports Limited, a wholly owned subsidiary company, after an initial public offering of its shares. If there is no such offering, the bonds will mature in 2001.

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
At 31 December 2000, the ageing analysis of the trade payables is as follows:		
Current	2,748	2,185
30 – 60 days	914	952
61 – 90 days	620	462
Over 90 days	435	391
	4,717	3,990

20 LONG TERM LIABILITIES

	Company 2000 HK\$ millions	Company 1999 HK\$ millions	Group 2000 HK\$ millions	Group 1999 HK\$ millions
Bank loans				
Repayable within 5 years	12,002	11,938	66,352	57,483
Not wholly repayable within 5 years	-	-	3,207	1,572
Less: current portion	(302)	(283)	(14,991)	(9,112)
	11,700	11,655	54,568	49,943
Other loans				
Repayable within 5 years	-	-	106	49
Not wholly repayable within 5 years	-	-	-	66
Less: current portion	-	-	(48)	(41)
	-	-	58	74
Notes and bonds				
HK\$ notes, 7.88% due 2002	-	-	1,500	1,500
HK\$ notes, 7.82% due 2002	-	-	500	500
HK\$ notes, 7% due 2003	-	-	1,000	-
HK\$ notes, HIBOR+0.8% due 2004	-	-	1,500	1,500
US\$275 million exchangeable bonds, 7% due 2001	-	-	-	2,137
US\$3,000 million exchangeable notes, 2.875% due 2003	-	-	23,393	-
US\$199 million notes, LIBOR+0.85% due 2004	-	-	1,537	1,531
US\$750 million notes – Series A, 6.95% due 2007	-	-	5,807	5,807
US\$500 million notes – Series B, 7.45% due 2017	-	-	3,871	3,871
US\$500 million notes – Series C, 7.5% due 2027	-	-	3,871	3,871
US\$250 million notes – Series D, 6.988% due 2037	-	-	1,935	1,935
EUR500 million bonds, 5.5% due 2006	-	-	3,675	3,905
GBP325 million bonds, 6.75% due 2015	-	-	3,789	4,088
	-	-	52,378	30,645
	11,700	11,655	107,004	80,662

20 LONG TERM LIABILITIES (cont'd)

	Company 2000 HK\$ millions	Company 1999 HK\$ millions	Group 2000 HK\$ millions	Group 1999 HK\$ millions
The loans are repayable as follows:				
Bank loans				
After 1 year, but within 2 years	-	-	22,911	8,520
After 2 years, but within 5 years	11,700	11,655	29,928	39,851
After 5 years	-	-	1,729	1,572
Other loans				
After 1 year, but within 2 years	-	-	16	18
After 2 years, but within 5 years	-	-	42	50
After 5 years	-	-	-	6
Notes and bonds				
After 1 year, but within 2 years	-	-	2,000	2,137
After 2 years, but within 5 years	-	-	27,430	5,031
After 5 years	-	-	22,948	23,477
	11,700	11,655	107,004	80,662

The bank and other loans of the Group are secured to the extent of HK\$2,882 million (1999 – HK\$3,376 million).

All issued notes and bonds are not redeemable prior to maturity except the Series D US dollar notes which are subject to repayment at the option of the holders thereof on 1 August 2009 and the GBP bonds which are redeemable anytime at the option of the Group. The US\$3,000 million exchangeable notes are exchangeable into ordinary shares of Vodafone anytime at the option of the holders on the basis of US\$1,000 principal amount for 196.61 shares at US\$5.086 per share.

21 DEFERRED TAXATION

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
The movements in deferred taxation, arising from accelerated depreciation allowances, are as follows:		
At 1 January	139	203
Relating to subsidiaries acquired	7	5
Net credit for the year	(46)	(69)
At 31 December	100	139
The potential tax liabilities (assets) which have not been provided for in the accounts are as follows:		
Arising from accelerated depreciation allowances	432	662
Arising from tax losses	(988)	(1,264)

Properties revaluation surpluses do not constitute a timing difference for taxation purposes because the recognition of the surpluses would not be subject to taxation. Therefore the above potential liability does not include deferred taxation related to the revaluation surpluses.

22 MINORITY INTERESTS

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
Equity interests	28,351	6,911
Loans – interest free	7,300	2,548
Loans – interest bearing	338	640
	35,989	10,099

The loans are unsecured and have no fixed terms of repayment.

23 SHARE CAPITAL

	Number of shares 2000	Number of shares 1999	Company 2000 HK\$ millions	Company 1999 HK\$ millions
Authorised:				
Ordinary shares of HK\$0.25 each	5,500,000,000	4,651,000,000	1,375	1,162
7 ¹ / ₂ % cumulative redeemable participating preference shares of HK\$1 each	402,717,856	402,717,856	403	403
			1,778	1,565
Issued and fully paid:				
Ordinary shares				
At 1 January	3,875,791,619	3,875,791,619	969	969
Bonus issue 1 for 10	387,579,161	-	97	-
At 31 December	4,263,370,780	3,875,791,619	1,066	969

By an ordinary resolution passed at the Annual General Meeting of the Company held on 25 May 2000, the issued share capital was increased by way of a bonus share issue on the basis of one new share for every ten shares held on 25 May 2000 and HK\$97 million in the share premium account was applied as payment in full at par of HK\$0.25 each for 387,579,161 shares. These shares rank pari passu with the existing shares.

24 RESERVES

	Share premium HK\$ millions	Investment properties revaluation HK\$ millions	Investment revaluation HK\$ millions	Exchange translation HK\$ millions	Retained profit HK\$ millions	Total HK\$ millions
Company						
At 1 January 2000	28,456	-	-	-	21,438	49,894
Bonus issue	(97)	-	-	-	-	(97)
Profit for the year retained	-	-	-	-	8	8
At 31 December 2000	28,359	-	-	-	21,446	49,805
At 1 January 1999	28,456	-	-	-	6,251	34,707
Profit for the year retained	-	-	-	-	15,187	15,187
At 31 December 1999	28,456	-	-	-	21,438	49,894

24 RESERVES (cont'd)

	Share premium HK\$ millions	Investment properties revaluation HK\$ millions	Investment revaluation HK\$ millions	Exchange translation HK\$ millions	Retained profit HK\$ millions	Total HK\$ millions
Group						
At 1 January 2000	28,456	15,963	48,821	(452)	152,193	244,981
Bonus issue	(97)	-	-	-	-	(97)
Revaluation surplus	-	425	8,810	-	-	9,235
Valuation released to profit and loss account	-	-	(25,236)	-	-	(25,236)
Net goodwill charge in reserves	-	-	-	-	(5,621)	(5,621)
Exchange translation differences	-	-	-	(2,408)	-	(2,408)
Profit for the year retained	-	-	-	-	25,817	25,817
Share of reserves of associated companies	-	-	6	(478)	1,017	545
Share of reserves of jointly controlled entities	-	(86)	-	42	(91)	(135)
At 31 December 2000	28,359	16,302	32,401	(3,296)	173,315	247,081
Including retained reserves of						
- Associated companies	-	-	(34)	222	9,401	9,589
- Jointly controlled entities	-	300	-	249	(342)	207
At 1 January 1999	28,456	15,320	-	(1,194)	40,813	83,395
Revaluation surplus	-	675	48,861	-	-	49,536
Net goodwill charge in reserves	-	-	-	-	353	353
Exchange translation differences	-	-	-	397	-	397
Profit for the year retained	-	-	-	-	111,825	111,825
Share of reserves of associated companies	-	-	(40)	341	704	1,005
Share of reserves of jointly controlled entities	-	(32)	-	4	(1,502)	(1,530)
At 31 December 1999	28,456	15,963	48,821	(452)	152,193	244,981
Including retained reserves of						
- Associated companies	-	-	(40)	700	6,716	7,376
- Jointly controlled entities	-	385	-	207	296	888

Included in share premium of the Group is a capital redemption reserve of HK\$404 million (1999 – HK\$404 million). Reserves of the Company available for distribution to shareholders amount to HK\$21,446 million (1999 – HK\$21,438 million).

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
(a) Reconciliation of profit before taxation to net cash inflow from operating activities before changes in working capital		
Profit before taxation	37,395	119,986
Dividend and interest income	(6,753)	(3,342)
Interest expense	6,460	5,081
Share of profits less losses of associated companies	(3,494)	(2,209)
Share of profits less losses of jointly controlled entities	(1,272)	52
Profit on disposal of investments less provisions	(25,742)	(109,532)
Profit on disposal of other investments	(776)	(677)
Depreciation and amortisation	3,222	3,314
Loss on disposal of fixed assets	79	129
Net cash inflow from operating activities before changes in working capital	9,119	12,802
(b) Changes in working capital		
Decrease in properties under development	-	4,990
Decrease in deposits received from pre sales of properties under development	-	(6,326)
Increase in stocks	(318)	(525)
Increase in debtors and prepayments	(605)	(188)
Increase (decrease) in creditors	(4,133)	4,998
Other non-cash items	(1,097)	(597)
	(6,153)	2,352

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (cont'd)

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
(c) Disposal of subsidiary companies		
<i>Net assets disposed of (excluding cash and cash equivalents):</i>		
Fixed assets	2,600	101
Stocks	24	–
Debtors	626	4
Bank and other loans	(15)	(2)
Creditors and taxation	(470)	(55)
Goodwill	266	80
Minority interests	19,141	693
	22,172	821
Exchange reserves	–	23
Provision	5,978	–
Profit on disposal	3,920	553
	32,070	1,397
<i>Satisfied by:</i>		
Cash consideration	26,109	1,397
Less: Cash and cash equivalents sold	(85)	–
Total net cash consideration	26,024	1,397
Increase in managed funds and other investments	3,111	–
Increase in investments in jointly controlled entities	2,935	–
Total non-cash consideration	6,046	–
	32,070	1,397

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (cont'd)

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
(d) Purchase of subsidiary companies		
<i>Net assets acquired (excluding cash and cash equivalents):</i>		
Fixed assets	1,420	2,255
Stocks	189	2
Debtors	284	69
Bank and other loans	(744)	(5)
Creditors and taxation	(742)	(104)
Deferred taxation	(7)	-
Goodwill	2,492	279
Minority interests	(1,002)	(66)
	1,890	2,430
<i>Discharged by:</i>		
Cash payment	1,622	2,424
Less: Cash and cash equivalents purchased	(156)	(5)
Total net cash consideration	1,466	2,419
Deferred consideration	424	-
Investments in subsidiary companies held prior to acquisition	-	11
Total non-cash consideration	424	11
	1,890	2,430

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (cont'd)

	Share capital and premium HK\$ millions	Bank and other loans HK\$ millions	Minority interests HK\$ millions	Group total HK\$ millions
(e) Analysis of changes in financing during the year				
At 1 January 2000	29,425	89,815	10,099	129,339
New loans	-	67,434	4,601	72,035
Repayment of loans	-	(32,939)	(151)	(33,090)
Redemption of shares	-	-	(168)	(168)
Issue of shares by subsidiary companies to minorities	-	-	1,681	1,681
Net cash inflow from financing	-	34,495	5,963	40,458
Minority interests in profit	-	-	1,299	1,299
Dividends paid to minority shareholders	-	-	(1,108)	(1,108)
Minority interests in revaluation reserve	-	-	(9)	(9)
Exchange translation differences	-	(851)	(398)	(1,249)
Purchase of minority interests	-	-	744	744
Relating to subsidiary companies acquired	-	744	258	1,002
Relating to subsidiary companies disposed of	-	(15)	19,141	19,126
At 31 December 2000	29,425	124,188	35,989	189,602
At 1 January 1999	29,425	81,334	10,534	121,293
New loans	-	18,659	71	18,730
Repayment of loans	-	(9,795)	(162)	(9,957)
Issue of shares by subsidiary companies to minorities	-	-	62	62
Net cash inflow (outflow) from financing	-	8,864	(29)	8,835
Minority interests in profit	-	-	1,390	1,390
Minority interests in provision against accumulated capitalised cost of acquiring Hong Kong mobile subscribers	-	-	(1,028)	(1,028)
Dividends paid to minority shareholders	-	-	(1,372)	(1,372)
Minority interests in revaluation reserve	-	-	(170)	(170)
Exchange translation differences	-	(386)	15	(371)
Purchase of minority interests	-	-	(117)	(117)
Relating to subsidiary companies acquired	-	5	183	188
Relating to subsidiary companies disposed of	-	(2)	693	691
At 31 December 1999	29,425	89,815	10,099	129,339

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (cont'd)

	Group 2000 HK\$ millions	Group 1999 HK\$ millions
(f) Movement in cash and cash equivalents		
At 1 January	40,013	17,280
Increase in cash and cash equivalents	7,362	22,733
At 31 December	47,375	40,013
(g) Analysis of the balances of cash and cash equivalents		
Bank balances and cash equivalents	47,530	40,200
Bank overdrafts	(155)	(187)
	47,375	40,013

(h) Major non-cash transactions

During the year, the investments in Mannesmann common shares were disposed of in exchange for Vodafone ordinary shares at a consideration of HK\$123,700 million and a profit of HK\$50,000 million was recognised at that time calculated with reference to the then market value of the Vodafone shares.

A provision of HK\$34,000 million was also made during the year for share price and exchange rate fluctuations on overseas investments.

The merger of Husky Oil Limited with Renaissance Energy Ltd. was completed in August 2000 and the Group recognised a profit of HK\$4,222 million calculated with reference to the then market value of Husky Energy Inc.

26 CONTINGENT LIABILITIES

	Company 2000 HK\$ millions	Company 1999 HK\$ millions	Group 2000 HK\$ millions	Group 1999 HK\$ millions
Guarantees have been executed in respect of bank and other borrowing facilities available as follows:				
To subsidiary companies	96,378	65,171	-	-
To associated companies	2,416	1,942	2,503	2,037
To jointly controlled entities	3,481	2,216	7,345	5,209

At 31 December 2000 the Company had contingent liabilities in respect of other guarantees amounting to HK\$1,580 million (1999 – HK\$150 million) and the Group had contingent liabilities in respect of other guarantees amounting to HK\$2,662 million (1999 – HK\$1,459 million).

27 COMMITMENTS

Outstanding Group commitments not provided for in the accounts at 31 December 2000 are as follows:

Capital commitments

1. Contracted for:
 - i. Container terminals, Hong Kong – HK\$1,155 million (1999 – HK\$100 million).
 - ii. Container terminals, Mainland China – HK\$115 million (1999 – HK\$291 million).
 - iii. Container terminals, others – HK\$325 million (1999 – HK\$228 million).
 - iv. Telecommunications – HK\$1,397 million (1999 – HK\$1,280 million).
 - v. Investment properties in Hong Kong – HK\$129 million (1999 – HK\$148 million).
 - vi. Investments in investment properties joint venture projects in Mainland China – HK\$81 million (1999 – nil).
 - vii. Investments in infrastructure joint venture projects in Mainland China – HK\$433 million (1999 – HK\$519 million).
 - viii. Other fixed assets – HK\$935 million (1999 – HK\$1,469 million).
 - ix. Other investments – HK\$357 million (1999 – HK\$1,739 million).
2. Authorised but not contracted for:
 - i. Container terminals, Hong Kong – HK\$1,439 million (1999 – HK\$4,030 million).
 - ii. Container terminals, Mainland China – HK\$472 million (1999 – HK\$1,187 million).
 - iii. Container terminals, others – HK\$1,683 million (1999 – HK\$2,025 million).
 - iv. Telecommunications – HK\$39,737 million (1999 – HK\$1,771 million).
 - v. Investment properties in Hong Kong – HK\$119 million (1999 – HK\$128 million).
 - vi. Investments in investment properties joint venture projects in Hong Kong – HK\$18 million (1999 – HK\$46 million).
 - vii. Investments in overseas investment properties joint venture projects – HK\$28 million (1999 – HK\$72 million).
 - viii. Other fixed assets – HK\$8,958 million (1999 – HK\$7,107 million).
 - ix. Other investments – HK\$1,342 million (1999 – HK\$1,652 million).

Operating lease commitments – amount payable within one year for land and buildings leases

1. Expiring in the first year – HK\$386 million (1999 – HK\$344 million).
2. Expiring in the second to fifth years inclusive – HK\$1,193 million (1999 – HK\$1,087 million).
3. Expiring after the fifth year – HK\$408 million (1999 – HK\$191 million).

Operating lease commitments – amount payable within one year for other assets

1. Expiring in the first year – HK\$115 million (1999 – HK\$169 million).
2. Expiring in the second to fifth years inclusive – HK\$171 million (1999 – HK\$149 million).
3. Expiring after the fifth year – HK\$29 million (1999 – HK\$4 million).

28 SUBSEQUENT EVENTS

In January 2001, the Group issued US\$2,657 million principal amount of 2% guaranteed exchangeable notes due 2004. The notes are exchangeable into ordinary shares of Vodafone anytime at the option of the holders on the basis of US\$1,000 principal amount for 214.51 shares at US\$4.6618 per share.

In February 2001, the Group issued US\$1,500 million principal amount of 7% guaranteed notes due 2011.

These notes are listed on the Luxembourg Stock Exchange.

29 RELATED PARTIES TRANSACTIONS

The Group has entered into joint ventures with various parties, including Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake property development projects. At 31 December 2000, in aggregate the Group had advanced HK\$15,597 million (1999 – HK\$17,453 million) to and had guaranteed bank loans and other borrowing facilities of HK\$3,039 million (1999 – HK\$2,925 million) for the benefit of these joint ventures. The Group has also entered into a joint venture with a company controlled by Mr Li Tzar Kai, Richard, a then director of the Company who resigned on 16 August 2000, to develop a property in Japan. At 31 December 2000, the Group had advanced HK\$40 million (1999 – HK\$32 million) to and had guaranteed a bank loan facility of HK\$1,653 million (1999 – HK\$1,853 million) for the benefit of this joint venture. The risks, benefits and financing obligations of these joint ventures are shared in proportion to the respective shareholdings.

30 US DOLLAR EQUIVALENTS

The US dollar equivalents of the figures shown in the accounts have been translated at the rate of HK\$7.80 to US\$1.

31 APPROVAL OF ACCOUNTS

The accounts set out on pages 74 to 116 were approved by the Board of Directors on 22 March 2001.