

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 1999 of the Company and of all its direct and indirect subsidiary companies and also incorporate the Group's interest in associated companies and jointly controlled entities on the basis set out in note 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 1999 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 companies, 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 1999. 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.

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 1999. 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 attributed 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.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

F Managed funds and other investments

Effective 1 January 1999, the Group has adopted the Hong Kong Society of Accountants' Statement of Standard Accounting Practice 24, "Accounting for investments in securities". The adoption has no effect on the Group's profit. The effect on the prior year's reserves is not material and therefore prior year's amounts have not been restated. The Group's managed funds and other investments have been classified as held-to-maturity debt securities and other debt and equity securities. Held-to-maturity debt securities are carried at cost less provision for diminution in value. Other debt and equity securities are carried at fair value and represent listed and unlisted investments in companies which are not subsidiary or associated companies or joint ventures. Changes in the fair value of other debt and equity securities are dealt with as movements in the investment revaluation reserve. In circumstances where the fair value of other debt and equity 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.

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 surplus is credited to operating profit. Investment properties are not depreciated except where the unexpired term of the lease is twenty years or less.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

I Leased assets

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 Deferred expenditures

Commissions paid to dealers and certain other selling costs incurred to add new subscribers to the communication service networks are deferred and amortised on a straight line basis over periods of up to three years.

Preoperating expenses are deferred and amortised over periods of up to ten years from the date of commencement of commercial operations.

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 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 within 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

	Group 1999	Group 1998
	HK\$ millions	HK\$ millions
Sale of goods	30,741	26,608
Rendering of services	21,359	20,554
Interest	2,656	4,027
Dividends	686	194
	55,442	51,383

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, and rental income from investment properties, interest income and finance charges earned. It does not include the turnover of associated companies and jointly controlled entities.

3 PROFIT ON DISPOSAL OF INVESTMENTS LESS PROVISIONS

	Group 1999	Group 1998
	HK\$ millions	HK\$ millions
Profit on disposal of investments in associated companies and other investments	119,392	4,016
Provision against accumulated capitalised cost of acquiring Hong Kong cellular subscribers	(2,060)	–
Provision for diminution in value of investments in joint venture projects	(7,800)	(2,450)
Provision for diminution in value of listed investments	–	(1,000)
	109,532	566

Profit on disposal of investments in associated companies and other investments comprises the profit of HK\$118,000 million on disposal of the Group's shareholding in Orange plc and the profit of HK\$1,392 million on the flotation of Partner Communications Company Ltd. The 1998 profit comprised of the profit of HK\$3,332 million on disposal of a portion of the Group's shareholding in Procter & Gamble-Hutchison Limited and the profit of HK\$684 million on disposal of the Group's investment in Asia Satellite Telecommunications Holdings Limited.

4 PROFIT BEFORE TAXATION

	Group 1999 HK\$ millions	Group 1998 HK\$ millions
Profit before taxation is shown after crediting and charging the following items:		
Credits:		
Share of profits less losses of associated companies		
Listed	1,944	1,972
Unlisted	265	285
	2,209	2,257
Gross rental income from investment properties	1,988	1,973
Less: Intra group rental income	(313)	(292)
	1,675	1,681
Less: Related outgoings	(149)	(109)
Net rental income	1,526	1,572
Dividend and interest income from managed funds and other investments		
Listed	952	395
Unlisted	655	1,014
Charges:		
Interest		
Bank loans and overdrafts	3,599	4,457
Other loans repayable within 5 years	264	332
Other loans not wholly repayable within 5 years	40	37
Notes and bonds repayable within 5 years	664	149
Notes and bonds not wholly repayable within 5 years	1,515	1,540
	6,082	6,515
Less: Interest capitalised	(1,001)	(1,507)
	5,081	5,008
Depreciation of fixed assets	3,013	2,577
Amortisation of deferred expenditures	301	828
Share of depreciation and amortisation of associated companies and jointly controlled entities	2,007	1,563
Operating leases		
Properties	1,886	1,766
Hire of plant and machinery	487	391
Auditors' remuneration	31	31

5 DIRECTORS' EMOLUMENTS

	Group 1999 HK\$ millions	Group 1998 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	4	4
Bonuses	329	53
Benefit from share options exercised	–	23

The emoluments of the six independent non-executive directors of the Company are HK\$0.4 million (1998 – HK\$0.3 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\$	Note	1999 Number of Directors	1998 Number of Directors
Nil – 1,000,000		7	7
2,000,001 – 2,500,000		1	1
7,500,001 – 8,000,000		–	3
10,500,001 – 11,000,000		–	1
12,000,001 – 12,500,000		–	2
13,000,001 – 13,500,000		1	–
14,000,001 – 14,500,000		1	–
19,500,001 – 20,000,000		1	–
24,000,001 – 24,500,000		1	–
35,500,001 – 36,000,000	a	–	1
44,000,001 – 44,500,000		1	–
47,500,001 – 48,000,000		1	–
206,000,001 – 206,500,000		1	–

Note a – Excludes benefits from share options exercised by a director of HK\$23.1 million in 1998.

The five individuals whose emoluments were the highest for the year were all directors of the Company.

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\$295 million (1998 – HK\$433 million) of which HK\$90 million (1998 – HK\$84 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\$23 million (1998 – HK\$22 million) were used to reduce the current year's level of contributions and HK\$4 million is available at 31 December 1999 (1998 – HK\$2 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\$1 million (1998 – HK\$1 million) were used to reduce the current year's level of contributions and HK\$1 million is available at 31 December 1999 (1998 – Nil) to reduce future year's contribution.

6 PENSION SCHEMES (continued)

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 1999 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 1998 was HK\$92 million and the latest actuarial valuation showed that the scheme's assets covered 67% 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.

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 1999 HK\$ millions	Group 1998 HK\$ millions
Current taxation expense		
Hong Kong		
Subsidiary companies	738	578
Associated companies	184	179
Jointly controlled entities	48	52
Overseas		
Subsidiary companies	196	116
Associated companies	119	48
Jointly controlled entities	40	13
	1,325	986
Deferred taxation expense (credit)		
Hong Kong		
Subsidiary companies	(77)	107
Associated companies	5	–
Jointly controlled entities	(12)	(9)
Overseas		
Subsidiary companies	8	4
Associated companies	–	42
Jointly controlled entities	2	10
	(74)	154
	1,251	1,140
Hong Kong profits tax has been provided for at the rate of 16% (1998 – 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	8	(110)
Arising from tax losses	(776)	(156)

No provision for taxation has been made for taxes which would arise on the remittance of retained profits of 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\$21,505 million (1998 – HK\$1,001 million) and is included in determining the profit attributable to the shareholders in the consolidated profit and loss account.

9 DIVIDENDS

	Company 1999 HK\$ millions	Company 1998 HK\$ millions
Interim dividend paid of HK\$0.48 per share (1998 – HK\$0.40)	1,860	1,551
Proposed final dividend of HK\$1.15 per share (1998 – HK\$0.88)	4,458	3,411
	6,318	4,962

10 PROFIT FOR THE YEAR RETAINED

	Group 1999 HK\$ millions	Group 1998 HK\$ millions
Profit (loss) for the year retained after deducting minority interests is as follows:		
Company and subsidiary companies	111,825	2,955
Associated companies	704	839
Jointly controlled entities	(1,502)	(50)
	111,027	3,744

11 EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to the shareholders of HK\$117,345 million (1998 – HK\$8,706 million) and on 3,875,791,619 shares in issue during 1999 (1998 – on the weighted average of 3,875,355,723 shares).

12 FIXED ASSETS – GROUP

	Investment properties HK\$ millions	Other properties HK\$ millions	Other assets HK\$ millions	1999 Total HK\$ millions	1998 Total HK\$ millions
Cost or valuation					
At 1 January	24,315	38,895	27,387	90,597	87,984
Exchange translation differences	–	(109)	11	(98)	(52)
Additions	461	3,370	3,734	7,565	9,633
Disposals	–	(160)	(1,127)	(1,287)	(1,180)
Relating to subsidiaries acquired	–	2,021	255	2,276	3,925
Relating to subsidiaries disposed of	–	(59)	(139)	(198)	(221)
Revaluation	511	–	–	511	(2,827)
Transfer between categories	4,585	(5,855)	1,270	–	–
Transfer to current assets	–	–	–	–	(6,665)
At 31 December	29,872	38,103	31,391	99,366	90,597
Accumulated depreciation					
At 1 January	–	2,810	10,860	13,670	11,545
Exchange translation differences	–	(19)	(8)	(27)	(30)
Charge for the year	–	719	2,294	3,013	2,577
Disposals	–	(101)	(800)	(901)	(936)
Relating to subsidiaries acquired	–	–	21	21	527
Relating to subsidiaries disposed of	–	(13)	(84)	(97)	(13)
At 31 December	–	3,396	12,283	15,679	13,670
Net book value at 31 December	29,872	34,707	19,108	83,687	76,927
Cost or valuation at 31 December					
At cost	–	38,103	31,391	69,494	66,282
At valuation	29,872	–	–	29,872	24,315
	29,872	38,103	31,391	99,366	90,597

	1999 HK\$ millions	1998 HK\$ millions
Net book value of investment and other properties comprises:		
Hong Kong		
Long leasehold (not less than 50 years)	15,915	16,480
Medium leasehold (less than 50 years but not less than 10 years)	34,561	32,221
Short leasehold (less than 10 years)	–	1
Overseas		
Freehold	2,177	1,403
Long leasehold	2,664	3,367
Medium leasehold	9,237	6,898
Short leasehold	25	30
	64,579	60,400

12 FIXED ASSETS – GROUP (continued)

Other properties include projects under development in the amount of HK\$3,530 million at 31 December 1999 (1998 – HK\$7,401 million).

Other assets include telecommunication equipment held under finance leases at a cost of HK\$3,222 million (1998 – HK\$3,221 million) and accumulated depreciation of HK\$633 million at 31 December 1999 (1998 – HK\$427 million). Depreciation for the year amounted to HK\$215 million (1998 – HK\$98 million).

The investment properties have been revalued as at 31 December 1999 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis based on existing use.

13 DEFERRED EXPENDITURES

	Group 1999	Group 1998
	HK\$ millions	HK\$ millions
Deferred expenditures comprise:		
Subscribers' acquisition costs	–	1,359
Preoperating expenses	1,561	1,273
Loan facilities fees	487	477
	2,048	3,109

14 SUBSIDIARY COMPANIES

	Company 1999	Company 1998
	HK\$ millions	HK\$ millions
Unlisted shares	728	728
Amounts due from subsidiary companies	61,600	46,532
	62,328	47,260

Particulars regarding the principal subsidiary companies are set forth on pages 94 to 99.

15 ASSOCIATED COMPANIES

	Group 1999 HK\$ millions	Group 1998 HK\$ millions
Unlisted shares	3,895	3,468
Listed shares, Hong Kong	8,436	7,507
Listed shares, overseas	–	989
Share of undistributed post acquisition reserves	6,948	3,394
Investment in associated companies	19,279	15,358
Amounts due from associated companies	8,959	7,212
Amounts due to associated companies	(1,406)	(1,324)
	26,832	21,246

The market value of the listed investments at 31 December 1999 was HK\$31,767 million (1998 – HK\$70,137 million).

Particulars regarding the principal associated companies are set forth on pages 94 to 99.

16 INTERESTS IN JOINT VENTURES

	Group 1999 HK\$ millions	Group 1998 HK\$ millions
Jointly controlled entities		
Unlisted shares	9,041	8,195
Share of undistributed post acquisition reserves	(50)	928
Investment in jointly controlled entities	8,991	9,123
Amounts due from jointly controlled entities	13,576	17,555
Amounts due to jointly controlled entities	(276)	(433)
	22,291	26,245
Other joint ventures		
Cost of investments	11,761	13,032
Amounts due from other joint ventures	914	773
	12,675	13,805
	34,966	40,050

Particulars regarding the principal jointly controlled entities are set forth on pages 94 to 99.

17 MANAGED FUNDS AND OTHER INVESTMENTS

	Group 1999 HK\$ millions	Group 1998 HK\$ millions
Managed funds, overseas		
Listed held-to-maturity debt securities	3,077	2,779
Cash and cash equivalents	13,251	9,888
Other listed equity securities	13	233
	16,341	12,900
Held-to-maturity debt securities		
Listed debt securities	23,988	569
Long term deposits	4,185	4,184
Convertible redeemable notes	450	450
Other securities		
Listed equity securities, Hong Kong	1,993	2,032
Listed equity securities, overseas	126,399	2,271
Unlisted equity securities and advances	2,811	2,885
	176,167	25,291

The market value of the listed securities at 31 December 1999 was HK\$155,460 million (1998 – HK\$6,802 million).

Included in listed debt securities are three year Euro floating rate notes totalling Euro 2,706 million issued by a subsidiary of and guaranteed by Mannesmann AG ("Mannesmann"), a company incorporated in Germany and listed on the Frankfurt Stock Exchange, which were received as partial consideration on the disposal of Orange plc (see Note 3).

Included in listed equity securities, overseas are investments of 51,843,146 ordinary shares in Mannesmann (see Note 28) and of 22,899,252 common shares in VoiceStream Wireless Corporation, a company incorporated in the United States of America and quoted on the Nasdaq Stock Market. The Mannesmann shares were received as partial consideration on the disposal of Orange plc (see Note 3).

Convertible redeemable notes carry interest and are convertible into ordinary shares of the issuers which are listed companies in Hong Kong.

18 CURRENT ASSETS

	Company 1999	Company 1998	Group 1999	Group 1998
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Property under development for sale	–	–	–	4,990
Less: Deposits received from purchasers	–	–	–	(6,326)
	–	–	–	(1,336)
Stocks	–	–	3,673	3,145
Debtors	–	–	8,048	7,623
Dividends and other receivables from subsidiary companies	5,000	3,868	–	–
Bank balances and cash equivalents	–	–	40,200	17,407
	5,000	3,868	51,921	26,839

19 CURRENT LIABILITIES

	Company 1999	Company 1998	Group 1999	Group 1998
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Bank loans and overdrafts	285	268	9,299	8,536
Other loans	–	–	41	1,045
Creditors	67	148	24,195	13,127
Taxation	–	–	778	362
Proposed final dividend	4,458	3,411	4,458	3,411
	4,810	3,827	38,771	26,481

The bank and other loans of the Group are secured to the extent of HK\$125 million (1998 – HK\$85 million).

20 LONG TERM LIABILITIES

	Company 1999 HK\$ millions	Company 1998 HK\$ millions	Group 1999 HK\$ millions	Group 1998 HK\$ millions
Bank loans				
Repayable within 5 years	11,938	11,893	57,483	54,581
Not wholly repayable within 5 years	–	–	1,572	2,785
Less: current portion	(283)	(268)	(9,112)	(8,409)
	11,655	11,625	49,943	48,957
Other loans				
Repayable within 5 years	–	–	49	60
Not wholly repayable within 5 years	–	–	66	1,093
Less: current portion	–	–	(41)	(1,045)
	–	–	74	108
Notes and bonds				
HK\$ notes, 7.88% due 2002	–	–	1,500	–
HK\$ notes, 7.82% due 2002	–	–	500	–
HK\$ notes, HIBOR+0.8% due 2004	–	–	1,500	–
US\$ exchangeable bonds, 7% due 2001	–	–	2,137	2,131
US\$ notes, LIBOR+0.85% due 2004	–	–	1,531	5,200
US\$ notes – Series A, 6.95% due 2007	–	–	5,807	5,807
US\$ notes – Series B, 7.45% due 2017	–	–	3,871	3,871
US\$ notes – Series C, 7.5% due 2027	–	–	3,871	3,871
US\$ notes – Series D, 6.988% due 2037	–	–	1,935	1,935
EURO bonds, 5.5% due 2006	–	–	3,905	–
GBP bonds, 6.75% due 2015	–	–	4,088	–
	–	–	30,645	22,815
	11,655	11,625	80,662	71,880

20 LONG TERM LIABILITIES (continued)

	Company 1999 HK\$ millions	Company 1998 HK\$ millions	Group 1999 HK\$ millions	Group 1998 HK\$ millions
The loans are repayable as follows:				
Bank loans				
After 1 year, but within 2 years	–	–	8,520	5,810
After 2 years, but within 5 years	11,655	11,625	39,851	41,461
After 5 years	–	–	1,572	1,686
Other loans				
After 1 year, but within 2 years	–	–	18	28
After 2 years, but within 5 years	–	–	50	59
After 5 years	–	–	6	21
Notes and bonds				
After 1 year, but within 2 years	–	–	2,137	–
After 2 years, but within 5 years	–	–	5,031	2,131
After 5 years	–	–	23,477	20,684
	11,655	11,625	80,662	71,880

The bank and other loans of the Group are secured to the extent of HK\$3,376 million (1998 – HK\$3,570 million).

All issued notes and bonds are not redeemable by the Group 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 dollar exchangeable bonds are exchangeable for 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. The holders of HK\$4,693 million of US dollar floating rate notes due in 2004 exercised an option to convert the notes to a transferable loan certificate which has been included in bank loans in 1999.

21 DEFERRED TAXATION

	Group 1999 HK\$ millions	Group 1998 HK\$ millions
The movements in deferred taxation, arising from accelerated depreciation allowances, are as follows:		
At 1 January	203	111
Relating to subsidiaries acquired	5	(19)
Net charge (credit) for the year	(69)	111
At 31 December	139	203
The potential tax liabilities (assets) which have not been provided for in the accounts are as follows:		
Arising from accelerated depreciation allowances	662	654
Arising from tax losses	(1,264)	(488)

Properties revaluation surpluses do not constitute a timing difference for taxation purposes because the realisation 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 1999 HK\$ millions	Group 1998 HK\$ millions
Equity interests	6,911	7,249
Loans – interest free	2,548	2,580
Loans – interest bearing	640	705
	10,099	10,534

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

23 SHARE CAPITAL

	Number of shares 1999	Number of shares 1998	Company 1999 HK\$ millions	Company 1998 HK\$ millions
Authorised:				
Ordinary shares of HK\$0.25 each	4,651,000,000	4,650,000,000	1,162	1,162
7½% cumulative redeemable participating preference shares of HK\$1 each	402,717,856	402,717,856	403	403
			1,565	1,565
Issued and fully paid:				
Ordinary shares				
At 1 January	3,875,791,619	3,874,893,401	969	969
Senior Executive Share Option Scheme	–	898,218	–	–
At 31 December	3,875,791,619	3,875,791,619	969	969

All options granted under the share option scheme had been fully exercised and there were no options outstanding at 31 December 1999 and 1998.

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 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
<hr/>						
At 1 January 1998	28,448	-	-	-	10,212	38,660
Premium on exercise of share options	8	-	-	-	-	8
Profit for the year retained	-	-	-	-	(3,961)	(3,961)
At 31 December 1998	28,456	-	-	-	6,251	34,707
<hr/>						
Group						
At 1 January 1999	28,456	15,320	-	(1,194)	40,813	83,395
Revaluation surplus	-	675	48,861	-	-	49,536
Net goodwill on consolidation	-	-	-	-	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
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Including retained reserves of						
Associated companies	-	-	(40)	700	6,716	7,376
Jointly controlled entities	-	385	-	207	296	888

24 RESERVES (continued)

	Share premium HK\$ millions	Investment properties revaluation HK\$ millions	Investment revaluation HK\$ millions	Exchange translation HK\$ millions	Retained profit HK\$ millions	Total HK\$ millions
At 1 January 1998	28,448	18,516	–	(762)	38,418	84,620
Premium on exercise of share options	8	–	–	–	–	8
Revaluation deficit	–	(2,840)	–	–	–	(2,840)
Valuation released to profit and loss account	–	(170)	–	–	–	(170)
Net goodwill on consolidation	–	–	–	–	(1,349)	(1,349)
Exchange translation differences	–	–	–	(563)	–	(563)
Profit for the year retained	–	–	–	–	2,955	2,955
Share of reserves of associated companies	–	–	–	118	839	957
Share of reserves of jointly controlled entities	–	(186)	–	13	(50)	(223)
At 31 December 1998	28,456	15,320	–	(1,194)	40,813	83,395
Including retained reserves of						
Associated companies	–	–	–	359	3,894	4,253
Jointly controlled entities	–	417	–	203	1,236	1,856

Included in share premium of the Group is a capital redemption reserve of HK\$404 million (1998 – HK\$404 million).

Reserves of the Company available for distribution to shareholders amount to HK\$21,438 million (1998 – HK\$6,251 million).

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

	Group 1999 HK\$ millions	Group 1998 HK\$ millions
(a) Reconciliation of profit before taxation to net cash inflow from operating activities		
Profit before taxation	119,986	11,115
Dividend and interest income	(3,342)	(4,221)
Interest expense	5,081	5,008
Share of profits less losses of associated companies	(2,209)	(2,257)
Share of profits less losses of jointly controlled entities	52	(513)
Profit on disposal of investments less provisions	(109,532)	(566)
Depreciation and amortisation	3,314	3,405
Loss (profit) on sale of fixed assets	129	(153)
Profit on disposal of subsidiary companies, associated companies and other investments	(677)	(345)
Gain on defeasance of finance lease	-	(123)
Decrease in properties under development	4,990	1,675
Increase (decrease) in deposits received from presale of properties under development	(6,326)	6,326
Increase in stocks	(525)	(123)
Increase in debtors	(188)	(300)
Increase (decrease) in creditors	4,998	(2,433)
Other non cash items	(597)	412
Net cash inflow from operating activities	15,154	16,907
(b) Disposal of subsidiary companies		
<i>Net assets disposed of (excluding cash and cash equivalents):</i>		
Fixed assets	101	208
Jointly controlled entities	-	55
Stocks	-	26
Debtors	4	9
Bank and other loans	(2)	(36)
Creditors and taxation	(55)	(61)
Goodwill	80	8
Minority interests	693	(2)
	821	207
Revaluation reserves	-	(150)
Exchange reserves	23	-
Profit on disposal included in operating profit	553	158
	1,397	215
<i>Satisfied by:</i>		
Cash consideration	1,397	218
Less: Cash and cash equivalents sold	-	(3)
Total net cash consideration	1,397	215

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

	Group 1999 HK\$ millions	Group 1998 HK\$ millions
(c) Purchase of subsidiary companies		
<i>Net assets acquired (excluding cash and cash equivalents):</i>		
Fixed assets	2,255	3,398
Deferred expenditures	–	4
Associated companies	–	(9)
Stocks	2	67
Debtors	69	267
Bank and other loans	(5)	(98)
Creditors and taxation	(104)	(572)
Deferred taxation	–	19
Goodwill	279	494
Minority interests	(66)	472
	2,430	4,042
<i>Discharged by:</i>		
Net cash consideration		
Cash payment	2,424	4,057
Less: Cash and cash equivalents purchased	(5)	(15)
Total net cash consideration	2,419	4,042
Non-cash consideration		
Investments in subsidiary companies held prior to acquisition	11	–
	2,430	4,042

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

	Share capital and premium HK\$ millions	Bank and other loans HK\$ millions	Minority interests HK\$ millions	Group Total HK\$ millions
(d) Analysis of changes in financing during the year				
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 cellular subscribers	–	–	(1,028)	(1,028)
Dividend paid to minority shareholders	–	–	(1,372)	(1,372)
Minority interests in revaluation surplus	–	–	(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
At 1 January 1998	29,417	82,978	12,216	124,611
Issue of ordinary share capital less expenses	8	–	–	8
New loans	–	4,926	1,288	6,214
Repayment of loans	–	(6,633)	(3,221)	(9,854)
Issue of shares by subsidiary companies to minorities	–	–	45	45
Proceeds from sale of telecommunication equipment to lessor	–	1,358	–	1,358
Amounts placed on deposit with defeasance banks	–	(1,235)	–	(1,235)
Net cash inflow (outflow) from financing	8	(1,584)	(1,888)	(3,464)
Minority interests in profit	–	–	1,269	1,269
Dividend paid to minority shareholders	–	–	(602)	(602)
Minority interests in revaluation surplus	–	–	13	13
Exchange translation differences	–	1	–	1
Relating to subsidiary companies acquired	–	98	(472)	(374)
Relating to subsidiary companies disposed of	–	(36)	(2)	(38)
Gain on defeasance of finance lease	–	(123)	–	(123)
At 31 December 1998	29,425	81,334	10,534	121,293

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

	Group 1999 HK\$ millions	Group 1998 HK\$ millions
(e) Movement in cash and cash equivalents		
At 1 January	17,280	31,108
Transfer from long term deposit	–	851
Increase (decrease) in cash and cash equivalents	22,733	(14,679)
At 31 December	40,013	17,280
(f) Analysis of the balances of cash and cash equivalents		
Bank balances and cash equivalents	40,200	17,407
Bank overdrafts	(187)	(127)
	40,013	17,280

26 CONTINGENT LIABILITIES

	Company 1999 HK\$ millions	Company 1998 HK\$ millions	Group 1999 HK\$ millions	Group 1998 HK\$ millions
Guarantees have been executed in respect of bank and other borrowing facilities available as follows:				
To subsidiary companies	65,171	59,115	–	–
To associated companies	1,942	1,661	2,037	2,068
To jointly controlled entities	2,216	3,212	5,209	6,447

At 31 December 1999 the Company had contingent liabilities in respect of other guarantees amounting to HK\$150 million (1998 – HK\$100 million) and the Group had contingent liabilities in respect of other guarantees amounting to HK\$1,459 million (1998 – HK\$787 million).

27 COMMITMENTS

Outstanding Group commitments not provided for in the accounts at 31 December 1999 are as follows:

Capital commitments

1. Contracted for:
 - i. Investment properties in Hong Kong – HK\$148 million (1998 – HK\$1,132 million).
 - ii. Container terminals, Hong Kong – HK\$100 million (1998 – HK\$52 million).
 - iii. Container terminals, Mainland China – HK\$291 million (1998 – HK\$86 million).
 - iv. Container terminals, others – HK\$228 million (1998 – HK\$262 million).
 - v. Telecommunications – HK\$1,280 million (1998 – HK\$1,509 million).
 - vi. Investments in Mainland China infrastructure joint venture projects – HK\$519 million (1998 – HK\$795 million).
 - vii. Other fixed assets – HK\$1,469 million (1998 – HK\$1,303 million).
 - viii. Investments in power distribution network, Australia – HK\$8,619 million (1998 – nil).
 - ix. Investments in VoiceStream Wireless Corporation – HK\$6,261 million (1998 – nil).
 - x. Other investments – HK\$1,739 million (1998 – HK\$669 million).

2. Authorised but not contracted for:
 - i. Investment properties in Hong Kong – HK\$128 million (1998 – HK\$222 million).
 - ii. Investments in Hong Kong investment properties joint venture projects – HK\$46 million (1998 – HK\$119 million).
 - iii. Investments in Mainland China investment properties joint venture projects – HK\$476 million (1998 – HK\$1,727 million).
 - iv. Investments in overseas investment properties joint venture projects – HK\$72 million (1998 – HK\$90 million).
 - v. Container terminals, Hong Kong – HK\$4,030 million (1998 – HK\$3,819 million).
 - vi. Container terminals, Mainland China – HK\$1,187 million (1998 – HK\$1,471 million).
 - vii. Container terminals, others – HK\$2,025 million (1998 – HK\$509 million).
 - viii. Telecommunications – HK\$1,771 million (1998 – HK\$3,274 million).
 - ix. Other fixed assets – HK\$7,107 million (1998 – HK\$9,694 million).
 - x. Other investments – HK\$1,652 million (1998 – HK\$591 million).

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

1. Expiring in the first year – HK\$344 million (1998 – HK\$314 million).
2. Expiring in the second to fifth years inclusive – HK\$1,087 million (1998 – HK\$1,024 million).
3. Expiring after the fifth year – HK\$191 million (1998 – HK\$236 million).

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

1. Expiring in the first year – HK\$169 million (1998 – HK\$63 million).
2. Expiring in the second to fifth years inclusive – HK\$149 million (1998 – HK\$169 million).
3. Expiring after the fifth year – HK\$4 million (1998 – HK\$4 million).

28 SUBSEQUENT EVENTS

In February 2000, the Group accepted an offer by Vodafone AirTouch Plc ("Vodafone") for the Group's entire holding of Mannesmann common shares. As a result, the Group disposed of its holding of 51,843,146 ordinary shares in Mannesmann in exchange for 3,056,910,365 ordinary shares in Vodafone and realised a profit of approximately HK\$50 billion. In March 2000, the Group disposed of 925,000,000 ordinary shares in Vodafone for a cash consideration of approximately HK\$39 billion and realised a profit of approximately HK\$1.6 billion.

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 1999, in aggregate the Group had advanced HK\$17,453 million (1998 – HK\$14,856 million) to and had guaranteed bank loans and other borrowing facilities of HK\$2,925 million (1998 – HK\$3,733 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 director of the Company, to develop a property in Japan. At 31 December 1999, the Group had advanced HK\$32 million (1998 – HK\$15 million) to and had guaranteed a bank loan facility of HK\$1,853 million (1998 – HK\$1,661 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\$7.77 to US\$1.

31 APPROVAL OF ACCOUNTS

The accounts set out on pages 62 to 99 were approved by the Board of Directors on 23 March 2000.