

Mission Statement

The Wharf (Holdings) Limited, founded in 1886, is a Group driven by strong recurrent earnings and value creation opportunities originating from its investment flagship property at Kowloon Point. The Group is supported by major investments in

CME (communications, media and entertainment) and Logistics (container and air cargo terminals) offering significant growth. The Group is strategically focused on Hong Kong and China and success will be enhanced by China's entry into the World Trade Organization.

Board of Directors

Mr Gonzaga W J Li (Chairman)
 Mr Stephen T H Ng (Deputy Chairman)
 Mr Robert H Burns
 Mr Vincent Fang
 Mr John T Hung, SBS, JP
 Mr Quinn Y K Law
 Mr K H Leung
 Mr Ian H Melrose
 Mr T Y Ng
 Mr Paul Y C Tsui

Group Executives

Mr Gonzaga W J Li (Chairman & Chief Executive)
 Mr Stephen T H Ng (Deputy Chairman & Managing Director)
 Mr John T Hung, SBS, JP (Executive Director)
 Mr Paul Y C Tsui (Executive Director)

Secretary

Mr Wilson W S Chan, FCIS

Auditors

KPMG

Principal Banker

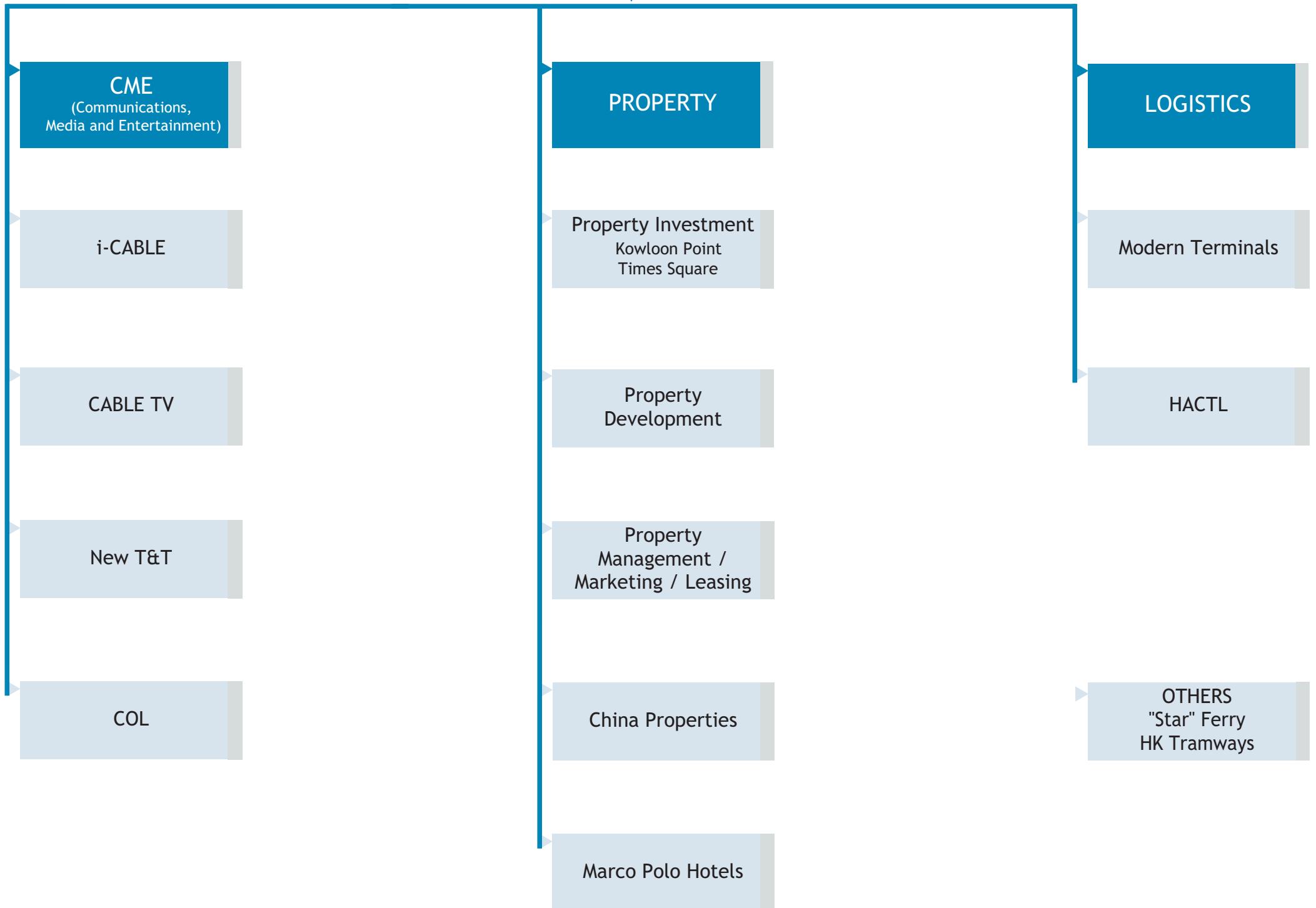
The Hongkong and Shanghai Banking Corporation Limited

Registrars

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Financial Highlights

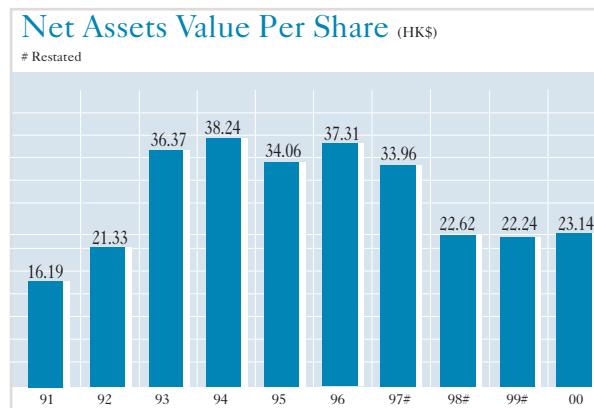
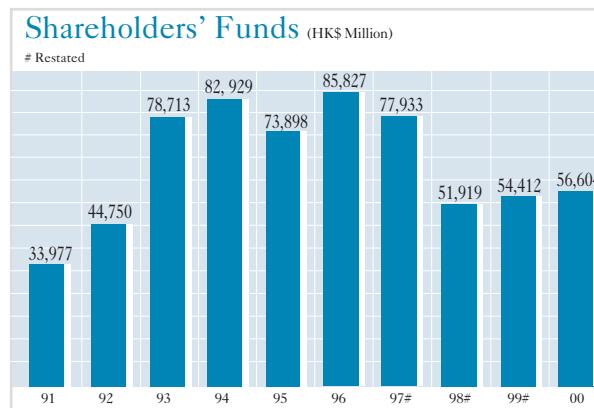
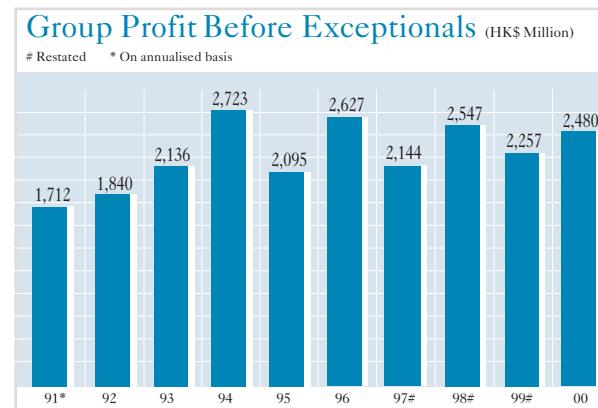
Results

	2000 HK\$ Million	Restated 1999 HK\$ Million
Turnover	12,023	10,521
Operating profit before depreciation, amortisation, interest and tax	6,423	6,072
Profit attributable to shareholders		
● Including exceptionals*	2,480	3,511
● Excluding exceptionals	2,480	2,257
Earnings per share		
● Including exceptionals*	HK\$1.01	HK\$1.51
● Excluding exceptionals	HK\$1.01	HK\$0.97
Dividend per share	HK\$0.78	HK\$0.78

Financial Position

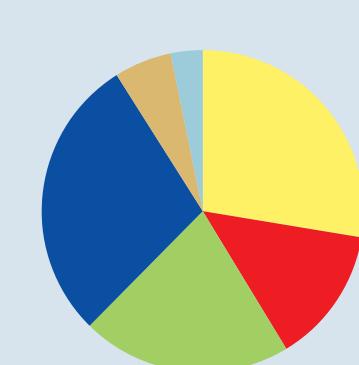
	92,292	97,434
Total assets	19,504	21,575
Net debts	56,604	54,412
Shareholders' funds	HK\$23.14	HK\$22.24
Net assets per share	21.9%	24.2%
Net debts to total assets (excluding cash)		

*Exceptionals included deemed profit on partial disposal of a subsidiary, provisions for properties and litigation incurred in 1999.



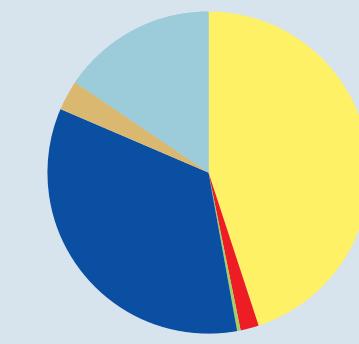
Turnover (HK\$ Million)

Property investment	3,320	27.6%
Property development	1,647	13.7%
Communications, media and entertainment	2,535	21.1%
Logistics	3,442	28.6%
Hotels	694	5.8%
Investment and others	385	3.2%
Total	12,023	100.0%



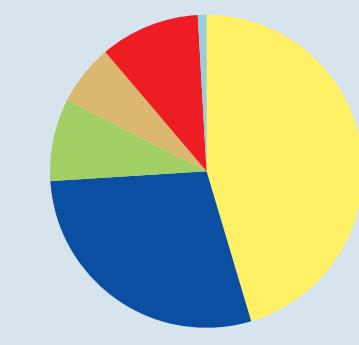
Operating Profit (HK\$ Million)

Property investment	2,424	45.0%
Property development	99	1.8%
Communications, media and entertainment	19	0.4%
Logistics	1,849	34.3%
Hotels	163	3.0%
Investment and others	837	15.5%
Total	5,391	100.0%



Property Investment Portfolio (Sq Ft)

Office	6,711,000	45.4%
Retail	4,227,000	28.6%
Hotel	1,255,000	8.5%
Residential	938,000	6.3%
Industrial	1,511,000	10.3%
Club house	139,000	0.9%
Total	14,781,000	100.0%



Three and a half years have passed since July 1, 1997, and Hong Kong's "One Country, Two Systems" concept has been truly tested and working well. The economy has recovered from the Asian financial turmoil, banking liquidity has returned, interest rates have held steady and unemployment is dropping. The Classified Jobs section of the Saturday *South China Morning Post* again exceeds 100 pages. Crown Worldwide reports that they moved 60 per cent more U.S. executives to Hong Kong in 2000 than in 1999, and 50 per cent more in the first two months of 2001 than the same two months in 2000. Since July 2000, at least one overseas company per week has set up a regional office in Hong Kong, bringing to more than 3,000 the number of regional offices in Hong Kong – the highest of any Asian city.

China's impending entry into the World Trade Organization will surface incredible opportunities and Hong Kong can soon look at the Mainland as a domestic market for goods and services. Even without being able to tap into the Mainland domestic market during the last two decades, Hong Kong has ranked 10th in world trade. China's trade growth is estimated to double in the five years after WTO entry, and Hong Kong will be involved with about 40 per cent of that trade. This statistic alone reveals the huge potential offered to Hong Kong by WTO.

Mr Peter Woo, former Chairman of Wharf and now the Chairman of the Hong Kong Trade Development Council, talks about a "triple hit" scenario. Borrowing from baseball jargon, he says that 50 years ago Hong Kong hit a "single" by manufacturing and selling to the world. When China opened its doors in the 1980s, Hong Kong companies moved their manufacturing to the Mainland to take advantage of lower labour and land costs.



China trade growth to double in five years, of which Hong Kong will be involved with 40 per cent.

Hong Kong then hit a "double" - manufacturing in China and selling to the world - in effect the "Hong Kong Plus" scenario that the Wharf Group published in 1992. With China's WTO entry, Hong Kong will hit a "triple", meaning that Hong Kong and its partners manufacturing in the Mainland will be able to sell not only to the world but also into the Mainland with its rapidly growing market. This "triple hit" scenario is a new paradigm and a great opportunity for Hong Kong.

Hong Kong already provides a dynamic platform that offers access to markets, real time information, excellent infrastructure and the world's best trade servicing platform. This premier platform will enable overseas companies to do business with cities and provinces in the Mainland.

Ninety-eight per cent of the companies in Hong Kong are small- and medium-sized enterprises

(SMEs), typically employing 30 to 80 people each. These entrepreneurs are the heroes and champions of the Hong Kong economy. Wealth creation through trade has always been the Hong Kong story. Thus the need for wealth management services has caused Hong Kong's international financial services capabilities to be sophisticatedly developed.

Today, Hong Kong remains the world capital for private enterprises and entrepreneurs as businesses leverage on Hong Kong's trade platform and its advantageous tax regime, tailor-made for private enterprises.

Hong Kong's economic prospects look encouraging in the light of the wealth creation process through trade that will be enhanced by China's entry into the WTO.



Chairman and
Chief Executive
Gonzaga W J Li

CORPORATE RESULTS

For the year ended December 31, 2000, Group profit attributable to shareholders was HK\$2,480 million. Stripping out the previous year's exceptional items, recurrent profit in fact increased by 10 per cent. Earnings per share were HK\$1.01.

An interim dividend of 28 cents per share was paid in November 2000, and the Directors recommend a final dividend of 50 cents per share to be approved at the forthcoming Annual General Meeting.

CORPORATE HIGHLIGHTS

The Group achieved a 14 per cent increase in turnover from HK\$10.5 billion to HK\$12.0 billion.

For the first time, non-property operating revenue exceeded property revenue, and growing by approximately 17 per cent per annum.

The borrowing costs for 2001 should reduce in line with interest rate reductions.

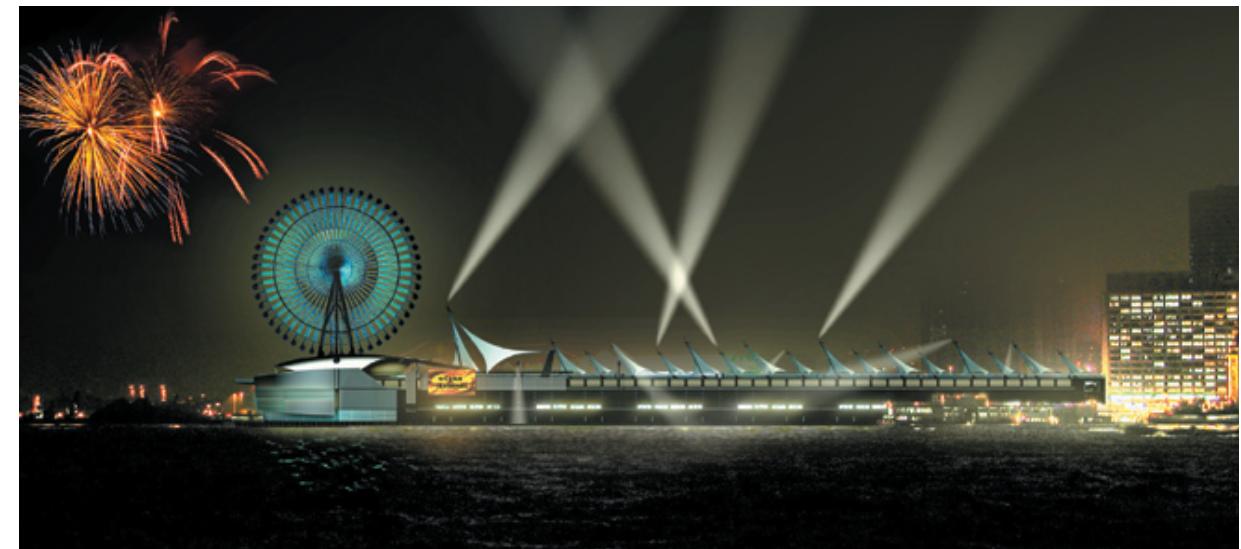
Group net operating profit increased by 21 per cent.

The Group divested its interest in Beauforte Investors Corporation Limited in October 2000 and in The Cross-Harbour (Holdings) Limited in March 2001.

CORPORATE STRUCTURE

The Wharf Group's simple structure is anchored by property investment with Kowloon Point representing about half of the Group's assets. Other properties take up 25 per cent. The Group is completed by two other principal investment arms, namely CME (communications, media and entertainment) and Logistics (container and air cargo terminals). This portfolio offers significant revenue growth and

“.... Wharf's portfolio will offer significant revenue growth and value creation through brands in the coming years”



Artist impression of the proposed Ferris Wheel at the apron of Ocean Terminal.

value creation through brands in the coming years.

PROPERTY

Kowloon Point – Value Creation

With the recovery of the Hong Kong economy and the absorption of the previous over supply, the rental market in relation to commercial space has significantly improved and will gather momentum with time, particularly in relation to Grade A facilities.

Around half of the Group assets is centred at Kowloon Point, branded as Harbour City. From the pre-1980 total of about 5.74 million square feet, after the redevelopment of Gateways I and II, the total square footage has now grown to some 8.25 million square feet, more or less equivalent to a city block in Manhattan, New York City.

The new retail extension underneath the Gateway II towers completed in 1998 has strengthened the prominent winning position of Harbour City, which enjoys heavy traffic flow with high brand names stores including Lane Crawford, City'Super, Joyce Boutique, Marks & Spencer and a host of other international brands. Substantial asset value has therefore been added.

Canton Road is substantially vitalized and this will be further enhanced with time. With street front major deluxe retailers such as Louis Vuitton, Gucci and Ferragamo, this has in fact greatly enhanced the look of the Canton Road promenade on the Harbour City side. Louis Vuitton recently suggested that it is the "Champs Elysees" of Kowloon.

Substantial premises improvements are being planned by adding value to Ocean Terminal and

a revamping of the Marco Polo Hongkong Hotel retail arcade. Plans are also being actively considered to enhance the quality and look of the Ocean Terminal roof top as well as the playa from Ocean Terminal to the concourse of "Star" Ferry.

A 'Power Shoppertainment Centre' shopping concept will be introduced at Ocean Terminal to provide shoppers with a fresh and entertaining shopping experience. The concept follows the successful Power Centre retail concept in the United States and Japan.

In direct response to the Chief Executive's 1999 Policy Address setting out the vision of making better use of our waterfront, the Group has submitted a preliminary planning statement to the Town Planning Board to develop a 75-metre Ferris Wheel at the end apron of Ocean Terminal. The Ferris Wheel will become a landmark of our pride and a must-visit tourist attraction for Hong Kong, and will complement the "Dragon" theme

Beautification Project along Tsimshatsui Promenade currently promoted by the Government and Hong Kong Tourist Association.

Kowloon Point dominates Tsimshatsui as the centre of gravity for both business and leisure activities, with transport links which includes its juxtaposition to the bus terminus, "Star" Ferry, China Ferry Terminal, the tunnels, the easy access to the airport, and Route 3 to the border, recognizing also that 39 per cent of the HKSAR's hotel rooms are within 10 minutes of Harbour City.

Further ideas on the redevelopment of Harbour City are being examined at a preliminary stage for 2004 or 2005 to take advantage of the improved rail linkage at Tsimshatsui currently being planned by KCRC. With an experienced and capable Kowloon Point team of active managers, Harbour City is a continual value creation exercise.

Other Properties – Growth

Other properties held by the Group are under active management. Property development projects are progressing as planned. The Group's Peak Portfolio is attractive because of the scarcity of luxury accommodation supply and reducing interest rates. The development of "Sorrento" (Kowloon Station Package II) and "Bellagio" (Sham Tseng site) totalling over five million square feet will be coming on stream in 2001. These development projects represent high revenue growth.

Further, the Group will concentrate on property developments in Shanghai, focusing on domestic and residential as propelled by WTO potentials.

Times Square Hong Kong is another major property asset under active management to add value by increasing merchandise distribution capabilities focusing on sales turnover. With a strong brand recognition, Times Square is one of the top 10

tourist attractions nominated by Hong Kong Tourist Association. It is the most sought-after exhibition venue for consumer products in Hong Kong.

The branding initiatives of China "Times Squares" are underway with Beijing and Shanghai already operational, and Chongqing under construction. This will accentuate the branding success of Times Squares in distribution of merchandise to key cities in China in alliance with the Group's affiliate company, Lane Crawford.

Hotels - Growth

In order to strengthen the "Marco Polo" brand identity, the three hotels in Hong Kong along Canton Road have all been renamed with the prefix "Marco Polo". This brand unification will enable the chain's loyal customers to recognize the brand more readily. Together with Marco Polo's Xiamen, Marco Polo Davao, Marco Polo's Omni Saigon and the soon-to-open Marco Polo Beijing, the Group



The vitalized Canton Road -
the "Champs Elysees" of Kowloon.

has a portfolio of seven properties in Asia, and the strategy is to expand into other parts of Asia and particularly in China.

CME (Communications, Media and Entertainment) - Growth

2000 was a milestone growth year for the Group's CME business. This division is growing strongly despite a competitive market arising from what is a regulatory driven business. The tough entry barrier has been overcome. The division is establishing its key brands and beginning to produce profits. Its high operating leverage will offer a very attractive incremental profit margin growth from the increase of revenue.

i-CABLE

CABLE TV started to report a healthy net profit in the second quarter of the year, at least a year earlier than had been expected. This is most gratifying because no television broadcaster in Hong Kong, other than the dominant operator, had been profitable in the history of television since it became a mass medium locally.

The Multimedia division launched a Broadband Internet access service under the brand of i-CABLE in March last year and started to report positive EBITDA before the end of the year. The bundling of services to customers through the "Triple Play" strategy enables the enhancement of the three earnings streams from video, data and voice. Delivery of voice service is being successfully tested since December 2000, using voice-over-IP technology. This new technology is driving capital costs down substantially to make the business model more attractive.

First or early mover advantage has enabled the company to rollout service and penetrate the market much faster, more successfully and profitably than its competitors. The current CABLE TV subscriber base has reached over 530,000, and the Broadband Internet subscriber base has surpassed 75,000.



i-CABLE Broadband Internet access service reported positive EBITDA before the end of 2000.

On consolidation, a net profit attributable to shareholders of HK\$20 million was reported, representing an improvement of HK\$257 million over 1999. This is one year ahead of market expectation. The company is cashflow positive, holding in excess of HK\$1.5 billion in cash.

New T&T

Over the past few years, New T&T has rapidly transformed its core business from IDD to high value fixed lines, where the natural entry barriers are much higher and customers are much more dis-

cerning and loyal. Whereas fixed lines represented only 10 per cent of total revenue in 1998, it grew to 27 per cent in 1999 and 50 per cent in 2000. In doing so, New T&T has consolidated its brand position as the fastest growing and most successful competitor to the former monopoly in fixed telecom network services.

New T&T's growth was achieved principally by growing its installed base of fixed lines at a compound rate of about 80 per cent for two consecutive years to exceed 140,000 at the end of 2000. Over 90 per cent of these lines are business fixed lines, which gave New T&T a market share within the sector of more than eight per cent overall, and close to 20 per cent in the "addressable market". Most importantly, its investment in high value backhaul, IPLC, data and broadband products has started to deliver results.

2000 revenue was 25 per cent higher than 1999. By managing various costs at below the 1999 level, New T&T reported an improvement in EBITDA of over HK\$200 million and came close to breaking even at the bottom line.

LOGISTICS - Growth

The Group is involved in Logistics business in the areas of container and air cargo terminal operations, both of which should benefit significantly from China's impending entry into WTO.

Modern Terminals

As suggested in the Macro Economics Prospects section, China trade is estimated to double within the following five years after WTO. Hong Kong has traditionally serviced close to 40 per cent of China trade and this speaks well for the container terminal

business potential at Modern Terminals, now a 55.34 per cent subsidiary of the Group with stable growth of earnings.

Efficiency of customs clearance at our border is critical as one container articulated vehicle passes through the border every 45 seconds. In August 2000, working closely with its customers, Modern Terminals reported a new all-time monthly record high in throughput, with a world record handling speed of 67 moves per hour per crane. Modern Terminals has a strong brand recognition built on excellent customer service focus. The Modern Terminals facilities, especially the building, are prominently visible when travelling to and from the airport.

The Container Terminal 9 development will generate extra capacity from 3.4 million TEUs to 4.5 million TEUs that drives further revenue growth. The aggregate terminals within this company will occupy some 9.5 million square feet of land.

Modern Terminals is conservatively leveraged and all financing is non-recourse to the Group. This solid financial position will comfortably enable Modern Terminals to expand with Container Terminal 9 and into other areas, particularly at Western Shenzhen ports in Southern China.

Should it become a reality that WTO will double trade in China and Hong Kong takes a 40 per cent proportion thereof, then throughput growth brought by this increased trade should outstrip current terminal supply in Southern China. The HKSAR Government's initiative to revive discussions on triggering Container Terminals 10 and 11 therefore reveals the dynamics of the situation.

HACTL

Similar to Modern Terminals, Hong Kong Air Cargo Terminals Limited, held 12.5 per cent by the Group, will enjoy the benefits of increased throughput growth arising from WTO. HACTL's premium facility and outstanding service took a market share of over 82 per cent in 2000.

The company also introduced Superlink China Direct service so that cargoes destined to China by road handled by HACTL can be conveniently processed through customs. The company is also a 49 per cent shareholder in a consortium with a licence to operate a Marine Cargo Terminal at the Hong Kong International Airport.

Whilst the Atlanta airport is the busiest passenger airport in the world with an annual throughput of 80 million, the Hong Kong International Airport is the busiest in terms of air cargo and our passenger capacity is 90 million.

GROUP FINANCE

High liquidity was sustained in the banking market in 2000. The Group refinanced many of its secured debts by unsecured loan facilities with longer maturity periods and substantial reduction in interest charges.

With the gradual reduction of interest rates and strong group ratings from credit agencies, borrowing cost should further reduce in 2001.

GOING FORWARD

A year ago, I reported that the Group was on a firmer footing than at any time during the five years previous. The current economic climate

and the Group's fundamentals lead me to report that we have made further progress.

Revenue Growth

Apart from non-recurrent earnings, the revenue growth prospects of the three principal businesses look promising. Five years ago, Group revenue was approximately HK\$6.7 billion. Group investment property and hotel revenue should approach HK\$5 billion by about 2003. Modern Terminals' annual revenues should achieve close to HK\$4 billion after Terminal 9 is in full service. With i-CABLE's turnover meeting IPO plan and New T&T billings rising fast, the anticipated aggregate turnover of the CME division should approach HK\$6 billion by about 2004. Aggregating these figures on a Group basis, the recurrent annual revenue from these three principal cores and their brands should approach HK\$15 billion gradually in the next three to four years.

Team Approach

Team approach and the dedication of group management and staff are all important ingredients necessary to meet the challenges and opportunities ahead. Team Property, Team CME, and Team Modern Terminals all have excellent management and leadership. On behalf of our shareholders and fellow directors, I wish to record my heartfelt thanks to them all.

Gonzaga W J Li

Chairman & Chief Executive

Hong Kong, March 26, 2001



The upgraded "Gateway Boulevard" is a far cry from the old waterfront playa inherited from the days when Kowloon Point was a dock area.



Front row (from left): Deputy Chairman and Managing Director Stephen Ng, Executive Director John Hung
Back row (from left): Director Quinn Law, Executive Director Paul Tsui, Directors T Y Ng and K H Leung

Property

Throughout the year of 2000, an export-led recovery helped Hong Kong pull itself out of the trough. The double digit GDP growth was unprecedented in the past one decade or two. Another very encouraging development was the significant progress of China entering the World Trade Organization (WTO). Due to the requirements of the WTO, China will have to fully open up her domestic market for the very first time. Although the process will be carried out gradually in stages, a good number of foreign companies have already made a move to Hong Kong and set up their regional head offices, ready to tap the China market. A combination of the above factors has caused a sharp increase in office demand. Rent for Central Grade A space has increased by 60 per cent last year and the estimated vacancy rate is now only two per cent. Rents for Grade A space in non-Central districts have also gone up between 20 to 30 per cent during the year.

Although retail sales figures were not spectacular overall, certain segments have shown remarkable improvements especially the ones with high end market positions. Good examples are the impressive turnarounds of the two Group sister companies, namely Lane Crawford and Joyce Boutique. Intense competitions on retail sales have come from Southern China and the Hong Kong Consumer Council estimated that Hong Kong residents have been spending more than 20 per cent of their consumer dollars across the border. Hence the Hong Kong retail market is developing

into a two-tier market structure. However, since most of Wharf's retail tenants are leading operators in high end market positions, overall occupancy has remained at 97 per cent and above. A 15 per cent rise in tourist arrivals also gave the retail sector strong support last year. International retailers and global brands are again looking for prime space for expansion.

Property Investment

The Group has a total of 14.8 million square feet of property investment, represented primarily by Harbour City including Gateway I & II and Times Square.

Harbour City

Excluding Tower 6 of Gateway II, Harbour City office maintained an occupancy rate of 88 per cent at year end despite HSBC vacating over 100,000 square feet of office space in the fourth quarter. Tower 6 of Gateway II has just been released to the market and response is encouraging. Over 300,000 square feet of office space are in active negotiations with corporate tenants, expected to be finalised shortly.

The two towers of Gateway Apartments provide about 500 serviced apartments and an occupancy rate of over 70 per cent was achieved by year end. More than 50 per cent of the tenants are multi-national corporate tenants and over half of the committed tenancies are for periods of 12 months



*From left:
K C Leung, Doreen Lee
George Hinden, Dave Siu
David Yip*

or more. Comments from the occupants on quality and service are excellent.

Harbour City retail, with about two million square feet of retail space, achieved an overall occupancy rate of 97 per cent at year end. Because of limited availability, shops are under keen demand and rental levels began to pick up. Following the opening of a 14,000-square-foot Louis Vuitton shop at Ocean Centre, Gucci has also leased a 9,200-square-foot Ground Floor shop at Canton Road as its flagship store in Kowloon and has opened for business in March 2001.

The cruise facilities at Ocean Terminal handled over 1.5 million passengers last year, 70 per cent higher than 1999. Out of the total 664 vessel berthings, 615 were from Star Cruises and only 49 were from various international cruises and



Typical of their top trade-mix, City'Super provides the best lifestyle specialty stores in both Harbour City and Times Square.



Key shopping malls under Wharf management have been consistently fully let.

navy vessels. More than 98 per cent of passengers who used Ocean Terminal to embark or disembark were Star Cruises passengers. Berth utilization rate was 60.59 per cent with Star Cruises accounted for 55.74 per cent while others accounted for only 4.85 per cent.

Times Square

The occupancy rate for Times Square office has risen to about 90 per cent by year end. With limited supply of office space on the Hong Kong Island in the next two years and with vacancies falling to a low level, Times Square is well positioned to capture the demand at optimal rental levels.

The retail podium of Times Square has enjoyed virtually full occupancy during the year with minimal tenants turnover. Less than 20 per cent of the retail tenancies are due for reversion in 2001 and majority of the tenants are keen to renew. With the general improvement in market sentiments and strong demand for retail units, opportunities will be taken to improve the quality and trade mix of the shopping centre.



With the total development area increased to 2.8 million square feet, "Bellagio" in Sham Tseng will offer over 3,300 residential units upon completion.

Plaza Hollywood

The 560,000-square-foot shopping centre was fully leased at year end of 2000. The mall is popular among the residents and families in East Kowloon. It provides a wide range of mid-market merchandise and offers great value to shoppers. Additional food and beverage outlets have been added to enhance the mall as an one-stop shopping destination. Slightly more than 20 per cent of the tenancies are due for renewal in 2001 and it is expected that occupancy rate will be maintained at an optimal level.

Property Development

The Group has a sizeable residential development landbank in Hong Kong, comprising the Peak Portfolio, Serenade Cove, Nelson Court and Kowloon Godown. Through its associates, the Group also holds interests in the "Bellagio" development (formerly known as the Sham Tseng site) and the "Sorrento" development (formerly known as the Kowloon Station Package II development).



The Wharf Peak Portfolio is expected to generate substantial income due to pent-up demand for luxury accommodation.

"Bellagio"

Approval has been secured to increase the total Sham Tseng development area from 2.5 million square feet to 2.8 million square feet and the number of residential units increased from 2,756 to 3,354. Lease modification for enlarged CDA site is being processed by the Government. Foundation works for the whole development and pile caps works for Towers 1 to 9 have been completed. Superstructure works for Phase I (Towers 6 and 7) and Phase II (Towers 8 and 9) commenced in December 1999 and February

2000 respectively. Comprising 1,704 units, the first two phases are expected to be completed by the first quarter and the second quarter of 2003 respectively. Preparations are underway for Phase I & II pre-sales targeted in late 2001. The commencement of the remaining 1,650 units on Phase III & IV is under review.

"Sorrento"

This Kowloon Station Package II development, to be built in two phases, will comprise 2.3 million square feet of high quality residential accommo-

dation commanding panoramic harbour views. Foundation works and pile caps works for the whole development of five residential towers have been completed. Superstructure works for Phase I (Towers 3, 5 and 6) comprising 1,272 units commenced in May 2000 and completion is scheduled for the first quarter of 2003. Preparations are also underway for pre-sales targeted in mid-2001.

Peak Portfolio

The Group owns various sites in the Peak area, collectively named as the "Wharf Peak Portfolio", which will offer in total 202,000 square feet of deluxe residences. Mountain Court and Chelsea Court were completed in early 2001. Due to the pent-up demand for new Peak properties, the sales of these two projects consisting of 88,000 square feet should generate substantial income. Superstructure works at Hillview Court (redevelopment site of Hillview / Hillcrest) is in progress. Completion is scheduled for the first quarter of 2002. Redevelopment of Gough Hill Path is also on hand.

Serenade Cove and Nelson Court

Superstructure works on Serenade Cove was completed at the end of 2000. This 599,000-square-foot residential development in Tsuen Wan, comprising 792 units in sizes ranging from 500 to 900 square feet, has received good market response with over 90 per cent of the units sold since the sales launch in April 1999.

The Waterloo Road project known as "Nelson Court" will provide a total of 86 residential units. Superstructure works is in progress. Pre-sales have gone exceedingly well in early 2001.

Kowloon Godown, Yau Tong Godown and Cable TV Tower South

Currently let as warehouse space, Kowloon Godown achieved over 80 per cent occupancy in 2000. It is the Group's intention to redevelop the site. A Rezoning Request for CDA residential development of 2.3 million square feet under a joint venture with Kerry and Nan Fung was submitted in November 1999. Under the revised Outline Concept Plan for Southeast Kowloon Study announced in May 2000, the sites have been rezoned to residential uses.

Acquired in mid-1995, the Yau Tong Godown is currently leased as warehouse space. This 31,000-square-foot site has been rezoned for residential use. Planning submission is underway for the site together with the adjoining Government land (about 10,000 square feet).

Demolition of Cable TV Tower South, an old godown building, was completed. The Group is considering various development options of the site in response to the proposed West Rail project and the planned Disney Theme Park in Lantau.

The Mainland

Since the inception of our programmes on the Mainland, capital expenditure has been controlled, with around HK\$3.7 billion being invested so far. In 2000, the Group made steady progress according to its investment schedules through the successful branding of the name "Times Square" in various key cities.

Beijing Capital Times Square

Beijing Capital Times Square is a retail and office development of up to 1.3 million square feet gross



From left:
Warren Wong, Roger Ma
Ricky Wong, Harry Wong
Clement Wong
Sunny Yeung

at a prime location on West Changan Avenue, in Xidan District of Beijing. The project has been completed for occupation. Leasing activities are in progress with about 69 per cent of retail space and 70 per cent of office space already committed.

Shanghai Times Square

Shanghai Times Square is a retail, office and apartment development of up to 1.2 million square feet gross at a prime location on Huai Hai Zhong Road in central Puxi District of Shanghai. The project has been completed for occupation. Leasing activities are in progress with about 71 per cent of retail space and 75 per cent of office space already committed.

Chongqing Times Square

Chongqing Times Square is a retail, office and

apartment development of up to 1.6 million square feet gross. It is located at the City's prime retail area, the Liberation Statue Square, which is between Zou Rong Road and Min Zu Road in Chongqing. Site excavation work has just been completed. The first phase comprising a three-level basement, a six-storey retail podium, and three residential towers are scheduled to be completed in 2003. A mixed apartment and office tower will follow afterwards.

Singapore

The Glencaird Residences

The Singapore Glencaird Residences is a 12-bungalow development including conservation and renovation of the original Australian High Commissioner's residence, Glencaird. The entire development has now been completed and the



Beijing Capital Times Square is a retail and office development occupying a prime location in the Xidan District.

company was awarded an Architectural Heritage Award from the Urban Redevelopment Authority of Singapore for an excellent conservation project.

There has been interest in this project and nine bungalows have been sold at an average price of S\$13.75 million each with 100 per cent payments received. Interest in Glencaird and the remaining two bungalows continues.

Hotels

To further strengthen the Marco Polo Hotel Group's brand identity, the three hotels in Hong Kong have been renamed The Marco Polo

Hongkong Hotel, The Marco Polo Gateway, and The Marco Polo Prince. The brand unification will enable the Marco Polo Hotel Group's loyal customers to recognize their favourite Marco Polo Hotel more readily and book with it.

Together with The Marco Polo Xiamen, The Marco Polo Davao, Marco Polo's Omni Saigon, and the soon-to-open Marco Polo Beijing, the Group has a portfolio of seven properties in Asia.

The continuous economic recovery in Asia has caused an increase in tourist arrivals in Hong Kong. According to Hong Kong Tourist Association,

tourist arrivals for the year of 2000 were 13.06 million, an increase of 15 per cent against 1999. The growth mainly came from Mainland, Taiwan, and other South East Asia countries.

Performance of Marco Polo Hotels was helped by the regional economic recovery. Consolidated occupancy for the three Hong Kong hotels in 2000 was 87 per cent, which was higher than both the previous year's 84 per cent and the industry average of 83 per cent for year 2000. The improving market conditions have enabled the Group to achieve satisfactory growth in room rate, occupancy, and total revenues. Efforts such as the introduction of innovative central reservation services with technical assistance given by Utell International will be made continuously to maximize revenues and minimize operating costs.



The Apple Countdown held at Shanghai Times Square attracted thousands on New Year's Eve in 2000.



From left: Ting Wah, Jeffrey Flowers, Michael Kalyk, Clarence Shun Wah

CME



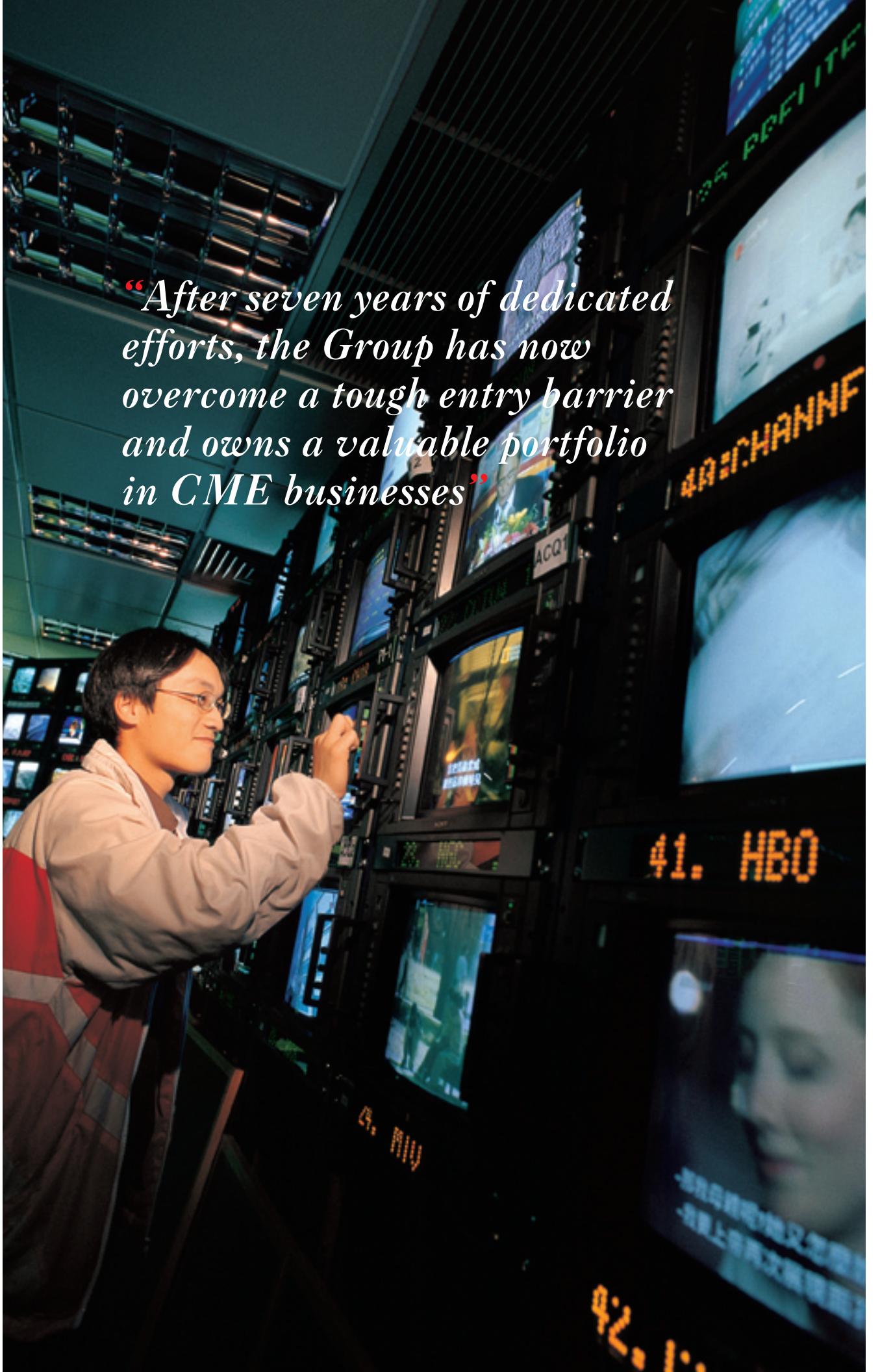
Front row (from left): Samuel Tsang
May Fung, Eric Lo, Samuel Wong
Back row (from left): Ronald Chiu
Musetta Wu, Shirley Hughes

Due to visionary investments in brand position, subscriber base, network and servicing infrastructure and content development, together with Wharf management's dedicated efforts over the last seven years, the Group now owns a remarkably sizeable and respectable portfolio of CME (communications, media and entertainment) businesses in Hong Kong. Following its successful listing at the end of 1999, i-CABLE started to report a net profit for fiscal year 2000, one year ahead of market expectations to mark another major growth milestone achieved by the Group.

i-CABLE

Both Pay Television and Broadband businesses surpassed the company's operational, financial, and developmental targets in spite of new competition. Turnover grew by more than HK\$300 million to HK\$1,649 million. As a result of the company's high operating leverage structure, the 23 per cent turnover growth was translated into a 97 per cent increase in EBITDA to HK\$443 million. Net profit improved by HK\$257 million to HK\$20 million and this achievement was one year ahead of market expectation. The company would continue with its "Triple Play" strategy

"After seven years of dedicated efforts, the Group has now overcome a tough entry barrier and owns a valuable portfolio in CME businesses"



in Pay TV, Broadband Internet, and Telephony to take advantage of its bundling capability whenever possible.

Pay TV

CABLE TV has now become the first local television broadcaster other than the dominant operator to report a profit in Hong Kong's history. At the end of the year, the total subscriber base exceeded 520,000, representing a 29 per cent penetration of total homes passed. This was a 15 per cent growth over 1999. ARPU also went up by five per cent to HK\$250 whereas churn rate remained low at 1.5 per cent per month on average. Pay TV revenue grew by HK\$232 million or 18 per cent to HK\$1,541 million and EBITDA also shot up by 82 per cent to HK\$499 million with an expanding EBITDA margin from 21 per cent to 32 per cent. A net profit of HK\$73 million was reported for the year, primarily from the second half.

Sports, Movies, and News continued to be the major programming platforms. Although several new licenses were awarded in late 2000, the company is confident that its first mover advantage would continue to enable its services to prevail over the competition. After Star TV's announcement to give up their Pay TV license, Galaxy, a subsidiary of the TVB group, was licensed to commence service not earlier than mid-2002, but will be subject to a "firewall" restriction including a requirement for TVB to reduce its control in Galaxy to under 50 per cent. In March 2001, HK Network TV also withdrew from the Pay TV business which left the remaining new players to three.

The year also saw the conclusion or renewal of exclusive multi-year carriage with major

programming partners such as HBO, Cinemax, CNN, AXN, and Sun TV. These provide solid evidence of CABLE TV's position as the preferred partner for programmers or content providers.

Internet & Multimedia

Taking its early mover advantage, Broadband Internet access subscribers grew from a standing start in late March to over 50,000 before the end of the year. This represented a 25 per cent share of the residential market. Revenue increased by 189 per cent to HK\$109 million and APRU was



Sports, Movies, and News continue to be the major programming platforms.

at HK\$227. Achieving a positive EBITDA within the first nine months of operation was made possible by the high operating leverage enjoyed by the company.

By the end of the year, over 900,000 homes in about 4,600 buildings throughout Hong Kong, Kowloon, and the New Territories had been covered. The milestone of 1,000,000 was reached two months later, doubling the license commitment to the Government. This represents one



*From left:
Duncan Wong, Alan Cheung
Benjamin Tong, Vincent Lam
Y C Lai, Michael Mak*

of the fastest, if not the fastest, rollouts of Cable Broadband services in any major city in the world.

Apart from the Broadband Internet, the dial-up Internet service which was launched in March 1999 had more than 180,000 customers at the end of the year. Leveraging on its television content, the company also launched two multi-media portals on news and sports, namely www.inews.i-cable.com and www.isports.i-cable.com. Continued enhancement of the sites has brought significant increase in pageviews since the beginning of this year.

Telephony

The company commenced its commercial trial for VoIP telephony in December, and plans to launch commercial service sometime in 2002 to generate a third major revenue stream. The company's distribution infrastructure will make it one of the only two operators with city-wide coverage.

NEW T&T

Being the most competitive and fastest growing fixed line operator in Hong Kong, New T&T had quite an eventful year during 2000. It accomplished significant growth in the areas of network coverage, number of customers, number of fixed lines, IDD volume, financial performance, and the company's position along the value chain.

Network Growth

At year end, New T&T's network coverage expanded to 281 commercial buildings and nine residential estates by providing services to an additional 56 high-value customer sites, 43 commercial buildings, and two residential estates. The company's advanced network now covers almost the entire North Shore of Hong Kong Island, Kowloon Peninsula, and key data and voice locations in the New Territories.



*Front row (from left):
Vincent Ma, Alfred Cheung
Raymond Mok, Frankie Yick
Back row (from left):
Stephen Tsim, Tony Cheung*

For the company's international bandwidth capacity, New T&T became the first operator in Hong Kong to interconnect with all three licensed Mainland operators namely China Telecom, China Unicom, and China Netcom. Together with its earlier investment in the submarine cable linking Japan-US and the alliance with FLAG Telecom and Level 3, New T&T is now well-positioned to become a leading international bandwidth and IP backbone player in the market. New cable landing stations were also interconnected with New T&T's fibre network to provide backhaul services.

Customer Growth

Business customers grew by 38 per cent in 2000 to over 12,000 given its strong brand equity. During the year, New T&T acquired many new major corporate and government accounts such as Merrill Lynch, ABN AMRO Asia, Jardine, AIG, Prudential Assurance, Dah Sing Bank, CNN, HK Police Department, Water Supplies Department, and Electrical & Mechanical Services Department. The company did particularly well in banking,

finance, insurance, government, and media sectors.

New T&T also became more established as an important player in providing service for the e-commerce market place. Major customers such as iAdvantage, ITSD, and Net Alliance all selected New T&T to be their telecommunication services provider. A strategic alliance OneConneethk was soft launched in December 2000 to further position the company in the e-commerce market. Major breakthrough in several high value business areas were also attained including backhaul, IPLC, and data services with acquisition of most prestigious data customers such as Reuters, Bloomberg, and Bridge.

Fixed Lines Growth

The number of total installed fixed lines reached 140,000, representing the second consecutive year with an 80 per cent plus growth rate. More than 90 per cent of the total lines were business fixed lines which was equivalent to an eight per

cent share of the business market or a 20 per cent share of the addressable market. These numbers also affirmed New T&T's solid position as the number two fixed line operator by leaving the others far behind with a very distinct gap.

IDD Minutes Growth

New T&T's total IDD volume in 2000 was over 650 million minutes reflecting a growth rate of approximately 140 per cent when compared to 1999. Outgoing retail traffic went 45 per cent higher to nearly 200 million minutes.

Financial Growth

By managing various cost items below the 1999 level, New T&T reported an improvement in EBITDA of over HK\$200 million and came close to breaking even on the EBIT level. Net revenue of over HK\$800 million was achieved for 2000, representing an increase of 24 per cent over 1999.

Value Growth

With a 130 per cent growth in revenue from fixed lines, contribution from this segment in 2000 accounted for approximately 50 per cent of the total revenue. This figure was only 10 per cent in 1998 and 27 per cent in 1999. Fixed lines also represented 70 per cent of profit contribution. This underlined the rapid and successful transformation of the company's business in only two years from low value IDD business to high value fixed lines, where the entry barriers are much higher and customers are much more loyal, but discerning.

COL

After a challenging period for the IT services industry in 1999, COL achieved growth in both turnover and operating profit during 2000. Significant new business accounts were secured in the areas of Facilities Management, Disaster Recovery, and Business Recovery Services, with

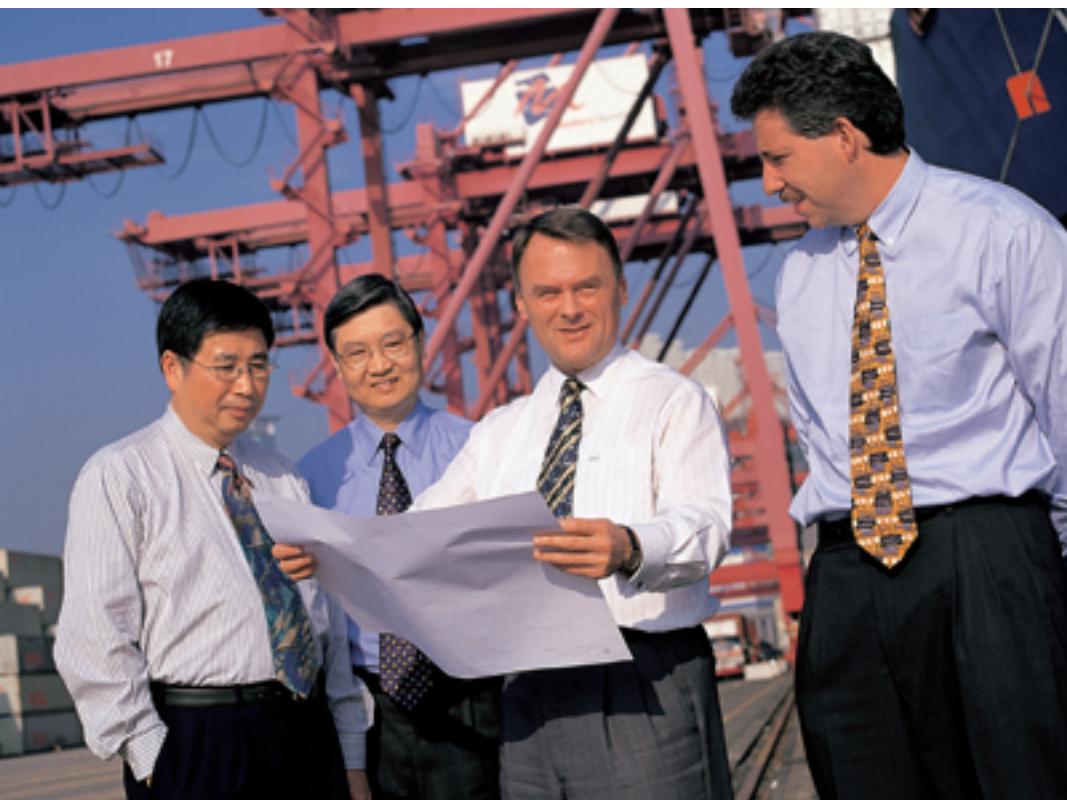
more than 15 new financial institutions being added to COL's already substantial customer base. Monthly recurring revenue grew in excess of 16 per cent. The data centres in Telford House and World Trade Square needed further expansion in order to cope with rising demand.



Business from Professional Services and Software License Sales of COL was negatively impacted by the shortage of qualified and experienced staff in the Hong Kong I.T. industry resulting in high staff turnover. A number of new business partnerships was secured as a result of the establishment of COL's i-Solutions unit, the most encouraging being the Implementation Partner relationship with Oracle, which is expected to generate substantial revenues in 2001.

Hardware Maintenance revenue remained relatively flat. Hardware sales activities were especially successful during the year, with revenue growth over the previous year exceeding 450 per cent. In addition to sales of established product lines from Storagetek and OCE, COL's new Cisco reseller relationship resulted in COL being named by CISCO as one of the top five Premium Resellers in Hong Kong during 2000.

Logistics



From left:
V K Sou, John Lee
Erik Bøgh Christensen
Sean A Kelly



“Modern Terminals handled over three million TEUs in 2000, representing an 18.4 per cent growth from 1999.”

Modern Terminals

The Group further increased its investment in Modern Terminals from 50.8 per cent to 55.3 per cent in early 2001.

Modern Terminals handled 3,073,436 TEUs in 2000, representing an 18.4 per cent growth against 1999. The company's growth compared favourably with the overall growth in Kwai Chung of 12.5 per cent and South China of 17.4 per cent.

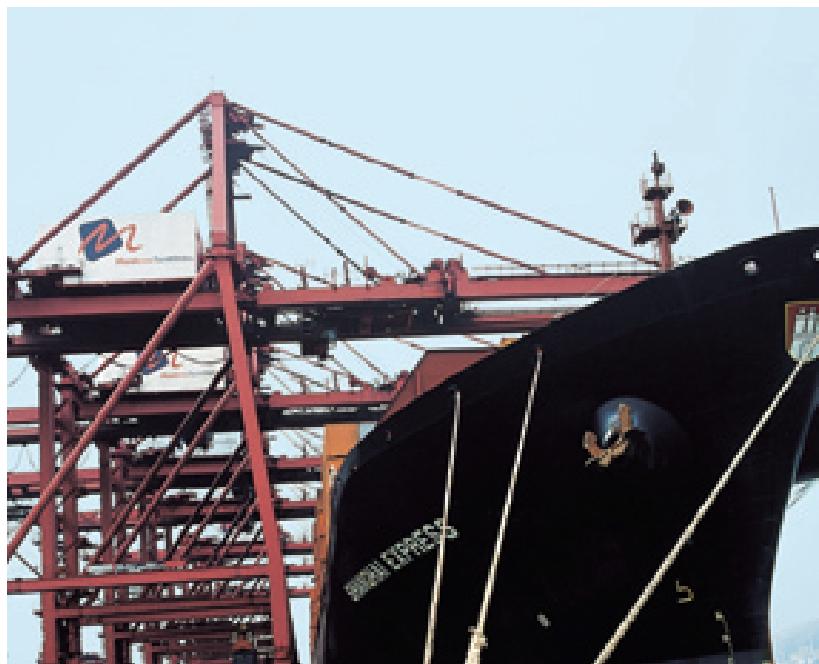
Propelled by strong export growth, South China throughput grew by 2.2 million TEUs, of which Hong Kong's terminals absorbed 55 per cent and Shenzhen 45 per cent.

Modern Terminals attracted several new customers during the year, thus further strengthening its customer base.

The main civil contract for Container Terminal 9 was awarded in early 2000. Construction work is progressing and the first berth is scheduled to be operational by 2003.

ModernPorts.com, the company's own customer portal, was launched towards the end of 2000. Phase 2 of this project will be rolled out during 2001. The introduction of the portal will enhance the overall operating efficiency of both the customers and Modern Terminals.

The investment in Kaifeng Container Terminals in Western Shenzhen made a moderate but positive contribution to the company's operating results. Kaifeng Container Terminals handled 450,000 TEUs in 2000, up 28.7 per cent over the previous year. A new berth increasing handling capacity by about



Modern Terminals set a new world record in February 2001 by handling a total of 1,884 containers in 5 hours and 36 minutes.

400,000 TEUs became operational in late 2000.

The company continues its involvement in the operational management of Shekou Container Terminal 1. Shekou Container Terminal 2, in which the company will have 20 per cent interest, has obtained in-principle approval from the Central Government in Beijing in February 2001.

Hong Kong Air Cargo Terminals

Hong Kong Air Cargo Terminals Limited (HACTL), in which the Group has 12.5 per cent interest, achieved a throughput growth of 10.1 per cent over 1999. Cargo handled in 2000 totalled 1.64 million tonnes comprising export, import, and transhipment tonnage in the proportion of 50:36:14. HACTL's premier facilities and outstanding services contributed to its market

share of over 82 per cent during the year.

The company introduced the Superlink China Direct service so that cargoes destined for China by road handled by HACTL could be conveniently processed through customs.

The company is a 49 per cent shareholder in the consortium with the license to operate a Marine Cargo Terminal in the airport.

Transport

Following the expiration of its 30-year franchise and the handover of the cross-harbour tunnel at Hung Hom to the Government on August 31, 1999, the name of The Cross-Harbour Tunnel Company Limited, the Group's 26.7 per cent associate, has been changed to The Cross-Harbour (Holdings) Limited (CHH), effective May 17, 2000.

With its core asset being the 37 per cent stake in the Western Harbour Tunnel (WHT), CHH is also a substantial shareholder in Hong Kong Tunnels & Highways Management Company Limited established to manage the cross-harbour tunnel at Hung Hom with effect from September 1, 1999. CHH's 70 per cent owned Hong Kong

School of Motoring reported deteriorating enrolments in the very competitive marketing environment. Through successful marketing strategy, the number of registered vehicles using the electronic toll collection service provided by Autotoll Limited (effectively 35 per cent owned by CHH) reached a figure of over 150,000 at the end of the year.

The Group divested its entire equity interest in CHH to a third party in March 2001.

During the year under review, both the "Star" Ferry and Hongkong Tramways continued to provide inexpensive and efficient services to the public and remained very popular with tourists. Fare increases will be needed to uphold the quality of these services. According to an annual local survey conducted by a political party, "Star" Ferry was ranked number one in ferry services and number four in overall rating for the entire public transport industry in Hong Kong. It was also among the top five Best Service Providers in Hong Kong under the Senior Citizen Card Scheme. Hongkong Tramways is exploring ways to modernize its fleet and the system.



ModernPorts.com, the company's customer portal, was launched towards the end of 2000.

Corporate

Management Discussion & Analysis Review of 2000 Results

The Group reported a profit attributable to shareholders of HK\$2,480 million for the year ended December 31, 2000, compared to HK\$3,511 million recorded in 1999. Earnings per share were HK\$1.01 compared to HK\$1.51 for the previous year. The profit for the preceding year included an exceptional gain of HK\$3,762 million (as restated) arising from the spin off of i-CABLE Communications Limited and provisions made for contingencies from litigation case of HK\$1,000 million and for certain properties under development of HK\$1,508 million. Excluding these items, the profit for current year would show an increase by 10 per cent.

Turnover for the year was HK\$12,023 million, as compared with HK\$10,521 million recorded in 1999. Turnover reported from the Group's Communications, Media and Entertainment (CME) businesses increased by 23 per cent mainly as a result of increase in subscribers of Pay Television Services and the launching of a Broadband Internet service in March 2000. The Logistics business also reported a growth in turnover of seven per cent from 1999 contributed by an increase in throughput from the terminals operation. During the year, the Group earned a net income of HK\$739 million from the disposal of certain long term investments compared to HK\$1,088 million recorded in 1999.

Operating profit before depreciation, amortisation, interest and tax (EBITDA) for 2000 was HK\$6,423 million, representing an increase of HK\$351 million,



From left : Micky Leung, Lawrence Lee
Man Yuet Ho, Louisa Chiu, Wilson Chan

or six per cent from HK\$6,072 million in 1999. Depreciation and amortisation for the year was HK\$1,032 million, increased slightly by four per cent. Operating profit for the year was HK\$5,391 million, increased by six per cent from HK\$5,079 million in 1999. Contribution from the Group's property investment decreased slightly by four per cent but was offset by increased profit from the Logistics operations. The Group's CME businesses reported an operating profit of HK\$19 million during the year. This was compared to an operating loss of HK\$267 million in 1999.

Net borrowing costs charged for the year were HK\$1,593 million. This compared to HK\$1,939 million in 1999. The charge was after capitalisation of HK\$346 million, compared to HK\$722 million in 1999. Net operating profit for the year increased by 21 per cent to HK\$3,798 million.

From left : Margaret Ng, Peter Pao
Kevin Hui, Rocky Leung

The share of loss in associates was HK\$154 million, compared to a profit recorded in 1999 of HK\$64 million. The loss in 2000 was mainly due to provision made by an associate in respect of a property development project. During the year under review, the Group had disposed its entire 49.9 per cent interests in Beauforte Investors Corporation Limited.

The Group's profit before taxation was HK\$3,644 million. The amount recorded in 1999 was HK\$4,458 million.

Taxation charge for 2000 was HK\$435 million. The amount for 1999 was HK\$264 million. The increase for the year mainly resulted from a 10 per cent rebate of tax from the government in 1999 and an additional provision made by a subsidiary for additional assessments in respect

of a dispute over the deductibility of certain interest payment in prior years.

Minority interests was HK\$729 million, compared to HK\$683 million in 1999.

Further information on the segmental details is provided in the Note 2 to the Accounts on page 80.

In accordance with established accounting policies, the Group's investment and hotel property interests were revalued at December 31, 2000. On that basis, the consolidated net asset value of the Group at that date was HK\$23.14 per share, compared to HK\$22.24 per share at the end of 1999.

Liquidity and Capital Resources

As at December 31, 2000, the ratio of net debt to total assets decreased to 22 per cent. The ratio at the end of 1999 was 24 per cent. The Group's net debt decreased from HK\$21.6 billion at the end of 1999 to HK\$19.5 billion at December 31, 2000. The amount was made up of HK\$22.7 billion in debts less HK\$3.2 billion in deposits and cash. Included in the Group's net debts were loans of HK\$489 million borrowed by non-wholly owned subsidiaries. These loans were non-recourse to the Company and other subsidiaries of the Group.

For the year under review, net cash generated from the Group's operating activities amounted to HK\$5.5 billion. Other investment activities included HK\$1.5 billion in expenditure on purchase of fixed assets and net receipts of HK\$3.3 billion from the disposal of long-term investments.

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

Debt Maturity	HK\$ Billion	
Repayable within 1 year	5.8	26%
Repayable between 1 to 2 years	5.3	23%
Repayable between 2 to 3 years	0.9	4%
Repayable between 3 to 4 years	7.3	32%
Repayable between 4 to 5 years	0.7	3%
Repayable after 5 years	2.7	12%
 - Secured	8.0	35%
- Unsecured	14.7	65%
Total	22.7	100%

During the year, the Group arranged unsecured facilities totalling HK\$6.5 billion, replacing two secured facilities arranged in 1998 and 1999.

The Group's Samurai bonds issued in 1994 matured in March 2000 and were fully repaid. Holders of HK\$1.4 billion of the Group's floating rate notes issued in 1995 have exercised their option to extend the notes to July 2002.

Subsequent to the year end, Kowloon Properties Company Limited in which the Group has a 40 per cent interest, had also completed a project finance facility of HK\$3.4 billion to replace a previous facility of HK\$2.2 billion to finance the development of the Kowloon Station Package II project.

As the Group's borrowings are primarily denominated in Hong Kong and US dollars, there is no significant exposure to foreign exchange rate fluctuations.

The use of financial derivative products is strictly controlled. The majority of the derivative products entered into by the Group were used to hedge the Group's interest rate exposure.

The Group maintained a reasonable level of surplus cash, which was denominated principally in Hong Kong and US dollars, to facilitate the Group's business and investment activities.

As at December 31, 2000, the Group maintained a portfolio of long term investments, primarily in blue-chip securities, with a market value of HK\$1.8 billion, a decrease of HK\$3.4 billion from 1999.

Employees

The Group has approximately 9,000 employees. They are remunerated according to the nature of the job and market trends, with built-in merit components incorporated in annual increments to reward and motivate individual performance. The Group also sponsors external training programmes that are complementary to certain job functions. Total staff costs for 2000 were HK\$1,977 million, compared to HK\$1,986 million in 1999.

Litigation

UIH Litigation Case

In May 2000 a verdict was rendered by the Court of Appeals affirming the judgment and the awards made in 1997 by the District Court in Denver, Colorado, USA against the Company requiring the Company to pay a total of US\$125.5 million (HK\$974.5 million).

The US Supreme Court granted Certiorari in November 2000 to review the questions presented by the Company. Both parties have recently delivered their oral arguments to the Supreme Court.

For other details, please refer to previous annual reports and Note 26(d) to the Accounts in respect of the Group's Contingent Liabilities.

ADS Litigation Case

Following the Hong Kong Court of Final Appeal's decision on March 9, 2000 to dismiss the actions brought against Wheelock Marden & Company Limited and certain directors of its former shipping subsidiary, Wheelock Maritime International, by ADS, a Danish state owned corporation, Wheelock Marden is in the process of arranging for the taxation of the costs of the Court of Appeal and the Court of Final Appeal.

ADS has proposed an interim payment of HK\$52.5 million to Wheelock Marden in respect of ADS' legal costs due to Wheelock Marden upon certain terms and conditions. Counsel are preparing the case for Wheelock Marden's claims against ADS, such claims to be determined by a Judge of the Court of First Instance in respect of ADS' liability (if any) to compensate Wheelock Marden for its costs.

Investor Relations

Since the beginning of the fourth quarter of year 2000, Wharf share price has outperformed the Hang Seng Index by approximately 70 per cent.

Judging from the wide coverage of the Group by international broking houses, institutional interests in Wharf have risen to a new high. To further strengthen the corporate function of the Group, the Investor Relations Team had been reorganized. The changes have been positively received by investors.

The Investor Relations Team continues to devote majority of its efforts to keep the investment community fully informed of the latest developments within the Group. The Team maintained an active campaign of group presentations and regular mailings to ensure Wharf's business philosophy and strategies were fully understood. Furthermore, this campaign was supported by on-going media and community relations programmes.

During the year, the Group received a remarkable number of company visits by international fund managers, brokers and intermediaries at the Group's corporate office. Special interest tours visiting some of the Group's operations such as Modern Terminals, i-CABLE, and various property sites were also arranged.

To reach a wider investor audience, the Group participated in the CSFB Asian Investment Conference, the CLSA Investors' Forum and the HSBC sponsored Global Investor Roadshow held in Hong Kong. Executive Director John Hung gave a series of presentations at roadshows in Europe and the United States together with Director Quinn Law throughout the year.

Disclosure of Further Corporate Information

Set out below is certain information disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):-

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

(I) Directors

(a) Aggregate emoluments

Details of emoluments of the Directors of the Company are set out in Note 2 to the Accounts on page 81.

(b) Bandings

Information on the bandings of emoluments in respect of the year ended December 31, 2000 of all the Directors of the Company in office during the year as set out in Note 2 to the Accounts on page 81.

(II) Independent Non-executive Directors' Emoluments

Details of the Directors' fees and other reimbursements or emoluments payable to independent non-executive Directors of the Company are set out in Note 2 to the Accounts on page 81.

(III) Employees

Analyses of the emoluments (excluding amounts, if any, paid or payable by way of commissions on sales generated by the employees concerned) for the year ended December 31, 2000 of two employees of the Group who, not being Directors of the Company, are among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group are set out in Note 2 to the Accounts on pages 81 and 82.

(B) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS

(I) Directors

Gonzaga W J Li, Chairman and Chief Executive (Age: 71)

Mr Li joined Wharf in 1980 as a Director and was appointed as general manager in 1982. He became Deputy Chairman and Managing Director in 1989. He was appointed Chief Executive in September 1992 and became Chairman in 1994. Mr Li is also the chairman of Wheelock and Company Limited ("Wheelock"), Harbour Centre Development Limited ("HCDL"), i-CABLE Communications Limited ("i-CABLE"), New Asia Realty and Trust Company, Limited ("New Asia"), Realty Development Corporation Limited ("RDC"), Wharf China Limited and Marco Polo Developments Limited ("MPDL") in Singapore and a director of Joyce Boutique Holdings Limited ("Joyce"). Furthermore, he is a director of WF Investment Partners Limited ("WF Investment"), which, as well as Wheelock, are each deemed under the Securities (Disclosure of Interests) Ordinance of Hong Kong (the "SDI Ordinance") to have an interest in the share capital of the Company discloseable to the Company under the provisions of Part II of the SDI Ordinance.

Stephen T H Ng, Deputy Chairman and Managing Director (Age: 48)

Mr Ng joined Wharf in 1981 and became a Managing Director in 1989. He is the deputy chairman, president and chief executive officer of i-CABLE and the chairman, president and chief executive officer of both New T&T Hong Kong Limited ("New T&T") and Hong Kong Cable Television Limited ("HKC"). He led the successful bid for and subsequent implementation of Hong Kong's first cable TV licence. Mr Ng is also the vice chairman of Wheelock and a director of Joyce. Mr Ng serves as a member of the Hong Kong - United States Business Council. Furthermore, he is a director of WF Investment, which, as well as Wheelock are each deemed under the SDI Ordinance to have an interest in the share capital of the Company discloseable to the Company under the provisions of Part II of the SDI Ordinance.

John T Hung, SBS, JP, Executive Director (Age: 62)

Mr Hung joined Wharf in 1967 and became a Director of the Company in 1989. He oversees the Group's corporate affairs. Mr Hung is the managing director of Wheelock which is deemed under the SDI Ordinance to have an interest in the share capital of the Company discloseable to the Company under the provisions of Part II of the SDI Ordinance. He is also a director of i-CABLE, Joyce and MPDL in Singapore. He serves as the Government appointed chairman of the Hong Kong Sports Development Board.

Disclosure of Further Corporate Information (continued)

Paul Y C Tsui, Executive Director (Age: 54)

Mr Tsui has been an Executive Director of the Company since September 2000. Mr Tsui is also a director of Wheelock, HCDL, i-CABLE, Joyce and MPDL in Singapore, as well as being the group financial controller of the Company and Wheelock. Furthermore, he is a director of WF Investment, which, as well as Wheelock are each deemed under the SDI Ordinance to have an interest in the share capital of the Company discloseable to the Company under the provisions of Part II of the SDI Ordinance.

Robert H Burns, Director (Age: 71)

Mr Burns has been a Director of the Company since 1995. He is one of the founders of the Regent Hotels group and is also the chairman of Robert H Burns Holdings Limited.

Vincent K Fang, Director (Age: 57)

Mr Fang has been a Director of the Company since 1993. He is also a director of Fantastic Garments Limited.

Quinn Y K Law, Director (Age: 48)

Mr Law has been a Director of the Company since June 1998. He is also a director of Wheelock, which is deemed under the SDI Ordinance to have an interest in the share capital of the Company discloseable to the Company under the provisions of Part II of the SDI Ordinance.

K H Leung, Director (Age: 56)

Mr Leung has been a Director of the Company since June 1998. He is also the finance director of Wheelock and a director of New Asia. Furthermore, he is a director of Deakin Limited, Diplock Holdings Limited and WF Investment, which, as well as Wheelock, are each deemed under the SDI Ordinance to have an interest in the share capital of the Company discloseable to the Company under the provisions of Part II of the SDI Ordinance.

Ian H Melrose, Director (Age: 61)

Mr Melrose has been a Director of the Company since 1996. He is also the chairman of COL Limited.

T Y Ng, Director (Age: 53)

Mr Ng has been a Director of the Company since June 1998. He is also a director of Wheelock, HCDL, Joyce, New Asia, RDC and MPDL in Singapore. Furthermore, he is a director of WF Investment, which, as well as Wheelock, are each deemed under the SDI Ordinance to have an interest in the share capital of the Company discloseable to the Company under the provisions of Part II of the SDI Ordinance.

(II) Senior Management

Various businesses of the Group are respectively under the direct responsibility of the four Directors holding executive offices of the Company as named under (B)(I) above. Only those four Directors are regarded as members of the Group's senior management.

(C) PENSION SCHEMES

Set out below are certain particulars regarding pension schemes operated by the Group:-

(I) Nature of Schemes

The Group currently operates a number of pension schemes. The schemes are available to the employees of the Group. The assets of the schemes are held separately by independently administered funds.

(II) Funding of the Principal Schemes

The Group's principal defined contribution schemes are funded by contributions from employees and employers. The employees and employers contribute respectively to the schemes sums which represent percentages of the employees' salaries as defined under the relevant trust deeds.

The Group's principal defined benefit schemes are funded by contributions from the employers which are in accordance with recommendations made by the actuaries based on their valuation.

(III) Cost of all Schemes

The Group's total retirement costs charged to profit and loss account during the year ended December 31, 2000 amounted to HK\$87 million after a forfeiture of the Group's contributions of HK\$22 million.

(IV) Results of Valuation

The outline of results of valuation of the Group's principal defined benefit schemes are set out below:-

Name of valuers	Method of valuation	Date of valuation	Adopted salary increase	Adopted investment return	Funding ratio
a) HSBC Life	Individual Entry Age Normal Cost Method	April 30, 2000	6%	7%	119%
b) Watson Wyatt Hong Kong Limited	Attained Age Method	December 31, 1998	8%	9%	94%

(D) MAJOR CUSTOMERS & SUPPLIERS

For the year ended December 31, 2000:-

- (I) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30 per cent of the Group's total purchases; and
- (II) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30 per cent of the Group's total turnover.

(E) DIRECTORS' INTERESTS IN COMPETING BUSINESS

Set out below is information disclosed pursuant to paragraph 8.10 of the Listing Rules of the Stock Exchange.

Seven Directors of the Company, namely, Messrs. G W J Li, S T H Ng, J T Hung, P Y C Tsui, K H Leung, Q Y K Law and T Y Ng, being also directors of the Company's substantial shareholder, Wheelock, and/or subsidiaries of Wheelock, are considered as having an interest in Wheelock under paragraph 8.10 of the Listing Rules.

Ownership of property for letting and development of properties for sale and/or investment carried on by Wheelock and subsidiaries of Wheelock constitute competing businesses of the Group.

The ownership of commercial premises by Wheelock group for rental purposes is considered as competing with the commercial premises owned by the Group. Since the Group's commercial premises are not in the vicinity of those owned by the Wheelock group's and are targeted at different customers and would attract different tenants compared to those for the Wheelock group, the Group considers that its interest regarding the business of owning and letting of commercial premises is adequately safeguarded.

The development of properties for sale and/or investment purposes by the Wheelock group is also considered as a competing business of the Group. However, the Group itself has under its own employment a strong and independent property development team. The Group is therefore capable of carrying on its property development business independently of the Wheelock group.

For safeguarding the interests of the Group, the independent non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's development of properties for sale and/or investment and property leasing businesses are and continue to be run on the basis that they are independent of, and at arm's length from, those of the Wheelock group.

(F) COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange. Nevertheless, a matter regarding the sale by the Group of a 39.91% effective interest in City Super Limited as announced on June 29, 2000, being a matter involving conflict of interest for the Company's substantial shareholder, namely, Wheelock and Company Limited, a subsidiary of which is the counter-party, i.e. the buyer, in relation to such a transaction, was approved by resolutions in writing of the Directors of the Company (being technically as valid as and equivalent to resolutions passed at a Directors' meeting), and not approved by resolutions passed at a full board meeting of the Company as stipulated under paragraph 11 of the abovementioned Code of Best Practice.

Disclosure of Connected Transactions

Set out below is information relating to certain connected transactions involving the Company and/or its subsidiaries required under the Listing Rules of the Stock Exchange to be disclosed in the Annual Report and Accounts of the Company:-

(I) Connected Transactions with i-CABLE

The following are connected transactions between the Group and i-CABLE and its subsidiaries (together, the "i-CABLE Group") (i-CABLE is a 79.44 per cent-owned subsidiary of the Company):-

(1) Property

a. Headquarters

Pursuant to various assignment and novation agreements dated November 1, 1999 and various tenancy/licence agreements with members of the Group, the i-CABLE Group rents or is licensed to use the following premises:

- (i) Factory 3 on G/F and 4/F to 12/F (inclusive) of Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong ("Cable TV Tower"). The current monthly rental and management fee are HK\$2,073,363 and HK\$288,501 respectively. The rental period will expire on August 31, 2005.
- (ii) Portions of 1/F and 2/F of Cable TV Tower. For each floor, the monthly rental is HK\$12,600 and HK\$9,064 respectively, and the monthly management fee is HK\$3,150 and HK\$2,266 respectively. The rental period for portions of the 1/F and 2/F of Cable TV Tower will expire at the end of September and October 2002 respectively.
- (iii) Units 1-7 on 40/F and storeroom 3 on the roof top of Cable TV Tower. The licences are renewable on a monthly basis and the current monthly licence fee and monthly management fee are HK\$263,585 and HK\$30,123 respectively.
- (iv) Various car-parking and lorry-parking spaces in Cable TV Tower. The licences are renewable on a monthly basis and the monthly licence fee for each of the car-parking and lorry-parking spaces is HK\$3,100 and HK\$4,250 respectively.

- (v) Pursuant to another tenancy agreement dated December 18, 2000 with the Group, the i-CABLE Group rents Units 1, 2 and 4 on G/F of Cable TV Tower at a monthly rent of HK\$280,098 from January 1, 2001 to December 31, 2002 and at market rent from January 1, 2003 to August 31, 2005. The monthly management fee is HK\$41,285. The rental period will expire on August 31, 2005.

The aggregate rental, licence fee and management fee received from the above-mentioned properties for the year ended December 31, 2000 was HK\$34,378,627.

- b. Pursuant to a licence agreement dated December 20, 1996, New T&T, a wholly-owned subsidiary of the Company, was granted a licence to occupy the northern portion of the 12/F of Cable TV Tower from January 1, 1997 and pays a fixed monthly licence fee of HK\$147,869 to i-CABLE's wholly-owned subsidiary, namely, Hong Kong Cable Television Limited ("HKC"). The licence is renewable on a monthly basis and either party may terminate the licence by giving to the other fifteen days' notice in writing. The licence fee paid for the year ended December 31, 2000 was HK\$1,774,430.
- c. The i-CABLE Group has obtained a licence from Rudfield Company Limited (a wholly-owned subsidiary of the Company) to use each of the following properties:
- (i) Unit B2, G/F, Kwok Wing House, Nos. 63-65, Tung Choi Street, Kowloon for a term commencing April 1, 1999 and ending March 31, 2000 (with an option to renew for one year) at a monthly licence fee of HK\$60,000;
 - (ii) Shop No. 23, G/F, Golden Building, No. 146-152 Fuk Wa Street, Kowloon for a term commencing June 1, 1999 and ending May 31, 2001 (with an option to renew for one year) at a monthly licence fee of HK\$45,000; and
 - (iii) Workshop No.E13, 11/F, Block E of Tsing Yi Industrial Centre Phase II, Nos.1-33 Cheung Tat Road, Tsing Yi, New Territories for a period of 10 years from October 4, 1999 at a current monthly licence fee of HK\$9,420.

The aggregate licence fee received from the above-mentioned properties for the year ended December 31, 2000 was approximately HK\$833,040.

Disclosure of Connected Transactions (continued)

d. *Car-parking*

HKC has rented car-parking spaces under the management of Metropark Limited ("Metropark"), a wholly-owned subsidiary of the Company. The monthly fee payable to Metropark for each car-parking space at Chai Wan Kok Street, Tsuen Wan is HK\$1,610. The car-parking fee received by Metropark from HKC for the year ended December 31, 2000 was HK\$1,867,601.

(2) Computer Services

- a. COL Limited ("COL"), a wholly-owned subsidiary of the Company, provides information technology services to HKC. These services were provided to HKC on substantially the same terms as the services are provided to other independent customers of COL. The service fees payable to COL depend upon the types of services required by and provided to the i-CABLE Group which include, *inter alia*, maintenance and support services for the subscriber management system, the computer network and other computer hardware and software. The service fees received by COL from HKC for the year ended December 31, 2000 were HK\$4,454,458.
- b. Pursuant to an Agreement dated August 1, 1993 and an Addendum, COL provides billing services to HKC for a period of 36 months commencing March 1, 1998 at a minimum monthly service fee of HK\$200,000. The service fee is to be revised annually for inflation, according to 50 per cent. of the changes in the "CPI B" index. The services are provided to HKC on substantially the same terms as the services are provided to other independent customers of COL. The service fees received by COL from HKC for the year ended December 31, 2000 were HK\$6,003,424.

(3) Network

a. *MTRC Contracts - Installation and Maintenance of Network within MTR System*

Wharf Communications Investments Limited ("Wharf Communications"), a wholly-owned subsidiary of the Company, entered into an agreement (the "1992 Agreement") with Mass Transit Railway Corporation ("MTRC") in 1992 for the construction of a fibre optic network within the MTR System. A subsequent agreement was entered into between Wharf Communications and MTRC in 1998 (the "1998 Agreement") to deal with the additional works required to expand network capacity.

A letter of agreement dated September 28, 1999 (the "Letter of Agreement") and two novation agreements dated October 21, 1999 (the "Novation Agreements") were entered into between Wharf Communications, HKC, New T&T and MTRC under which the parties agreed to, *inter alia*, the following:-

- (i) the network constructed under the 1992 Agreement and the 1998 Agreement be divided into a fixed telecommunication network ("FTNS Network") and a cable television network ("CATV Network"); and
- (ii) New T&T would assume all the obligations of Wharf Communications for the FTNS Network under the 1992 Agreement and the 1998 Agreement while HKC would assume all the obligations of Wharf Communications for the CATV Network under such Agreements.

Under the Novation Agreements, New T&T and HKC further agreed in principle to grant a joint and several indemnity in favour of MTRC for any claims which MTRC may have against Wharf Communications under the 1992 Agreement and the 1998 Agreement respectively, where such claims relate to obligations of Wharf Communications which have been assumed by either New T&T or HKC under the Novation Agreements.

Pursuant to a deed of indemnity dated November 1, 1999, Wharf Communications has undertaken to indemnify HKC against all claims and liabilities which HKC may sustain or incur under the 1992 Agreement or the 1998 Agreement or the Novation Agreements to the extent that such liabilities arose from the acts or omissions of Wharf Communications or are referable to the conduct of any of the directors of Wharf Communications on or before the date of the relevant Novation Agreements.

- b. *Agreement for the Maintenance and Sharing of Ducts, Cables and Ancillary Equipment*
On November 1, 1999, HKC and New T&T entered into an agreement for the maintenance (but not the sharing) of both existing and new ducts, cables and ancillary equipment and the sharing of existing ducts, cables and ancillary equipment (the "Duct and Cable Sharing Agreement").

The Duct and Cable Sharing Agreement contains detailed principles agreed between the parties for maintenance and repair charges.

For the year ended December 31, 2000, an amount of HK\$14,243,131 was charged by HKC against New T&T in relation to repair works for ducts and cables.

Disclosure of Connected Transactions (continued)

c. *Internet Access Services*

The i-CABLE Group is engaged in the business of providing a dial-up Internet access services. In order to provide such a service, the i-CABLE Group has leased datalines from New T&T to route traffic to the Tsuen Wan office. The i-CABLE Group has also incurred PNETS charges payable to New T&T. Datalines are also leased from New T&T for sub-leasing to corporate customers.

The i-CABLE Group is also engaged in the business of providing Broadband cable modem access services. In order to provide such a service, the i-CABLE Group has procured telecommunications services from New T&T to route traffic internationally.

The leased datalines, PNETS charges and Internet access charges received for the year ended December 31, 2000 were HK\$7,363,867.

d. *Project Management Services Agreement*

On November 1, 1999, Wharf Communications Network Limited (now known as i-CABLE Network Limited) ("iNL"), a wholly-owned subsidiary of i-CABLE, and New T&T entered into a project management services agreement (the "Project Services Agreement").

Under the Project Services Agreement, iNL provides such project management services to New T&T from time to time as required by New T&T.

The Project Services Agreement provides that, for each project managed by it, iNL will charge New T&T a project management fee which is equivalent to 15 per cent. of the aggregate costs of materials and contractors for the relevant project.

The annual project management fees paid by the Group for the year ended December 31, 2000 were HK\$6,424,424.

e. *Interim Agreement for the Construction and Sharing of Ducts*

On February 26, 1997, HKC, New T&T, Hong Kong Telephone Company Limited (now known as PCCW-HKT Telephone Limited), Hutchison Communications Limited (now known as Hutchison Global Crossing Limited) and New World Telephone Limited entered into an interim agreement relating to the shared construction, use and maintenance of ducts for telecommunications cables and equipment. The parties are in the process of negotiating a final agreement. Under the interim agreement, the annual payment by the i-CABLE Group to New T&T for the year ended December 31, 2000 was HK\$162,954.

(4) Advertising Services

HKC provides air-time advertising services to New T&T on the same terms as those services are provided to independent customers of HKC. The advertising service revenue received by HKC from New T&T for the year ended December 31, 2000 was HK\$1,066,000.

(5) Management Services

On November 1, 1999, the i-CABLE Group entered into a management services agreement with Wharf Limited (a wholly-owned subsidiary of the Company) providing for the allocation of costs and expenses to be incurred in the future by Wharf Limited to the i-CABLE Group. The services provided by Wharf Limited to the i-CABLE Group include corporate secretarial services, treasury services, provision of management personnel and other general corporate services. The annual services fees received by the Group for the year ended December 31, 2000 were HK\$11,990,800.

(6) Convertible Bonds

Convertible Bonds for an amount of HK\$1.8 billion were issued by i-CABLE to the Group on terms set out in a deed poll dated November 18, 1999 ("Deed Poll"). The Convertible Bonds carry interest at the rate of four per cent per annum and the annual interest payment to the Group was HK\$72,000,000 for the year ended December 31, 2000. During the four-year term of the Convertible Bonds, the bondholders may, at any time, subject to i-CABLE's minimum public float requirement, exercise the rights under the Convertible Bonds to convert the whole or part of the Convertible Bonds into new Shares in accordance with the terms and conditions of the Deed Poll.

(7) Video Link Service

HKC, in the ordinary and usual course of its business, has been using the video link service (the "Service") provided by New T&T in carrying video and audio signals between HKC's building and ten remote locations. The Service for one particular location will expire in July 2001 and the Service for the remaining nine locations will expire in May 2002. The fees for the Service paid by HKC to New T&T for the year ended December 31, 2000 were HK\$1,831,478.

(8) Conditional waiver granted by the Stock Exchange

As all of the abovementioned connected transactions will be conducted on an ongoing basis, it is considered that strict compliance with the relevant requirements relating to such connected transactions under Chapter 14 of the Listing Rules of the Stock Exchange (the "Requirements") would be impractical. On application by the Company, it was granted a conditional waiver from strict compliance with the Requirements in respect of connected transactions under the abovementioned items (1)a, (2)a, (2)b and (6) (the "Connected Transactions").

(9) Confirmation from the Directors

The Directors, including the independent non-executive Directors, of the Company have reviewed the abovementioned connected transactions and confirmed that:-

a. the Connected Transactions were:-

- (i) entered into by the Group in the ordinary and usual course of its business;
- (ii) conducted either (A) on normal commercial terms (which expression will be applied by reference to connected transactions of a similar nature and to be made by similar entities) or (B) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (iii) entered into either (A) in accordance with the terms of the agreements governing such Connected Transactions or (B) (where there are no such agreements) on terms no less favourable than those available to or from independent third parties;

- b. in respect of each of the Connected Transactions, the aggregate amount of Connected Transactions within each such category for the year ended December 31, 2000 of the Company did not exceed the relevant cap amounts (the "Cap Amounts") stated below:-

Transactions stated in paragraph numbered	Cap Amounts
(1)a	one per cent. of the Group's turnover for the year ended December 31, 1999
(2)a	0.5 per cent. of the Group's turnover for the year ended December 31, 1999
(2)b	0.25 per cent. of the Group's turnover for the year ended December 31, 1999
(6)	HK\$88 million

(II) Disposal of Equity Interest in City Super

Under an agreement entered into on June 28, 2000 (the "Agreement Date"), a wholly-owned subsidiary of the Company agreed to sell to a wholly-owned subsidiary of Wheelock and Company Limited ("Wheelock") 500 issued shares (the "Sale Shares") in Diamond View Limited ("Diamond View"), representing the Group's entire equity interest in Diamond View, and of certain relevant shareholders' loan (the "Agreement"). As the Company is a 48 per cent-owned associate of Wheelock, the transaction for the sale of the Sale Shares constituted a connected transaction for the Company under the Listing Rules.

Diamond View's only asset was a 39.91 per cent interest in City Super (BVI) Limited ("CSBL"), of which City Super Limited ("CSL") is a wholly-owned subsidiary. CSL is the operator of the stores under the name of "City Super" in Hong Kong. The sale by the Group of its entire interest in Diamond View to the Wheelock group resulted in an indirect disposal of the Group's interest in CSL.

The aggregate consideration/commitment for the transaction was HK\$42.17 million, of which (i) HK\$10.77 million was for the consideration for the Sale Shares; (ii) HK\$12 million was for the assignment from the Group to the Wheelock group of a loan of HK\$12 million as at the Agreement Date owed by CSL to the Group; and (iii) the balance, being HK\$19.4 million, was in the form of a guarantee given by Wheelock replacing a guarantee previously given by a wholly-owned subsidiary of the Company for securing certain bank borrowings of CSL. A deposit of HK\$5 million in cash was received by the Group on the Agreement Date with the full balance, amounting to HK\$17.77 million, of the aggregate consideration received on July 6, 2000 in cash on the completion of the transaction.

Disclosure of Connected Transactions (continued)

Upon the disposal by the Group of the Sale Shares, companies comprising the CSBL group became associates (within the meaning of the Listing Rules) of Wheelock and consequently are regarded as connected persons of the Company. As a result, three tenancy agreements between the Group and CSL in respect of premises at (i) Basement 1, Times Square, Causeway Bay, Hong Kong from October 1, 1996 to September 30, 2002; (ii) Shops No. 3001-3002, 3rd Floor, Harbour City, Kowloon, Hong Kong from December 15, 1998 to December 14, 2004; and (iii) Suites 3509, 3510 and 3511, Tower 2, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong from August 1, 1999 to July 31, 2002 also constituted connected transactions for the Company.

The aggregate annual rent, exclusive of rates, air-conditioning charges and management fee, received and receivable by the Group in respect of the aforesaid three tenancy agreements during the term thereof, i.e. the five fiscal years ending December 31, 2004, amounted or would amount to HK\$35.83 million, HK\$36.98 million, HK\$31.18 million, HK\$11.95 million and HK\$8.96 million respectively.

The original purpose of the investment in CSL was to secure a major anchor tenant for Gateway II podium on the opening of that shopping mall. The Agreement was entered into at a time when shopping units in Gateway II had become fully leased and the let-up programme successfully completed. Considering that CSL planned to open more shops as well as embarked on further expansion elsewhere in the region, while retail business is not traditionally a core business of the Group, the disposal of the Sale Shares represented a good opportunity for the Group to divest itself of its incubatory investment in CSL.

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

PRINCIPAL ACTIVITIES AND TRADING OPERATIONS

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 101 and 102.

During the financial year, more than 90 per cent of the trading operations of the Company and its subsidiaries in terms of both turnover and operating profit were carried on in Hong Kong. An analysis of the principal activities of the trading operations of the Company and its subsidiaries during the financial year is set out in Note 2 to the Accounts on page 80.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries at December 31, 2000 are set out on pages 101 and 102.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group and appropriations of profits for the financial year ended December 31, 2000 are set out in the Consolidated Profit and Loss Account on page 63.

Movements in reserves during the financial year are set out in Note 21 to the Accounts on pages 91 to 94.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last ten financial years/periods is given on pages 107 and 108.

DIVIDENDS

An interim dividend of 28 cents per share was paid on November 2, 2000. The Directors now recommend the payment on June 22, 2001 of a final dividend of 50 cents per share in respect of the financial year ended December 31, 2000, payable to shareholders on record as at May 22, 2001. This recommendation has been incorporated in the Accounts.

SHARE CAPITAL

During the year, a total of 70,000 ordinary shares of HK\$1.00 each of the Company, credited as fully paid, were allotted and issued by the Company, of which 50,000 shares were issued at a price of HK\$7.60 per share and 20,000 shares at a price of HK\$9.50 per share, as a result of exercises by certain grantees of options granted under the Company's Executive Share Incentive Scheme.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 9 to the Accounts on pages 85 and 86.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of all bank loans, overdrafts and/or other borrowings of the Company and the Group as at December 31, 2000 repayable on demand or within a period not exceeding one year are set out in Note 19 to the Accounts on page 89. Particulars of all other bank loans and certain other borrowings as at December 31, 2000 which would fall due for repayment after a period of one year are set out in Note 22 to the Accounts on pages 95 and 96.

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

Name of Subsidiary/Borrower	Description of Debt Securities Issued	Outstanding Principal Amount
(1) Wharf International Finance Limited	US\$ Guaranteed Notes due 2004	US\$200 Million
	US\$ Guaranteed Series A Notes due 2007	US\$350 Million
(2) Wharf Treasury (1995) Limited	HK\$ Floating Rate Notes due 2002	HK\$1,417 Million

INTEREST CAPITALISED

The amount of interest (all being borrowing costs) capitalised by the Group during the financial year is set out in Note 3 to the Accounts on page 82.

DONATIONS

The Group made donations during the financial year totalling HK\$2 million.

DIRECTORS

The Directors of the Company during the financial year were Messrs G W J Li, R H Burns, Vincent Fang, J T Hung, Q Y K Law, K H Leung, I H Melrose, S T H Ng, T Y Ng and P Y C Tsui.

Mr P Y C Tsui was appointed a Director and was also designated as an Executive Director, effective September 1, 2000.

Mr K H Leung and Mr T Y Ng will retire from the Board by rotation in accordance with Article 103(A) of the Company's Articles of Association at the forthcoming Annual General Meeting. Both Mr Leung and Mr Ng, being eligible, offer themselves for re-election. None of the retiring Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation.

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

DIRECTORS' INTERESTS IN SHARES

At December 31, 2000, Directors of the Company had the following beneficial interests in the securities of the Company and of two subsidiaries of the Company, namely, i-CABLE Communications Limited ("i-CABLE") and Wharf International Finance Limited ("Wharf International Finance"):-

	Quantity held	Nature of Interest
The Company - Ordinary Share		
Mr Gonzaga W J Li	686,549	Personal interest
Mr Robert H Burns	17,000	Personal interest
Mr Stephen T H Ng	230,057	Personal interest
Mr T Y Ng	128,016	Personal interest
i-CABLE - Ordinary Shares		
Mr Stephen T H Ng	750,000	Personal interest
Wharf International Finance		
- US\$ Guaranteed Series A Notes due 2007		
Mr Ian H Melrose	US\$300,000	Personal interest

Directors of the Company held the following personal interests as at December 31, 2000 in options to subscribe for shares of the Company granted under the Executive Share Incentive Scheme (the "Scheme") of the Company:-

Name of Directors	No. of ordinary shares	Date granted	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of option	Consideration paid for the options granted
Mr Gonzaga W J Li:	(i) 210,000	June 22, 1993	17/6/1997 to 16/6/2003	HK\$19.00	HK\$1
Mr Quinn Y K Law:	(i) 100,000	June 22, 1993	17/6/1996 to 16/6/2003	HK\$19.00	HK\$1
Mr Stephen T H Ng:	(i) 200,000	Aug. 13, 1991	13/8/1994 to 12/8/2001	HK\$9.50	HK\$1
	(ii) 500,000	Apr. 16, 1992	13/4/1995 to 12/4/2002	HK\$12.00	HK\$1
	(iii) 200,000	June 22, 1993	17/6/1996 to 16/6/2003	HK\$19.00	HK\$1
Mr T Y Ng:	(i) 250,000	Apr. 16, 1992	13/4/1995 to 12/4/2002	HK\$12.00	HK\$1
	(ii) 100,000	June 22, 1993	17/6/1996 to 16/6/2003	HK\$19.00	HK\$1

During the financial year, Mr Stephen T H Ng exercised his option under the Scheme to subscribe for a total of 50,000 ordinary shares of the Company at an exercise price of HK\$7.60 per share.

Report of the Directors (continued)

Save as disclosed above, as recorded in the register kept by the Company under section 29 of the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance") or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:-

- (i) there were no interests held as at December 31, 2000 by any Directors and Chief Executive of the Company in securities of the Company and its associated corporations (within the meaning of the SDI Ordinance), and
- (ii) during the financial year, there existed no rights to subscribe for equity or debt securities of the Company which were held by any Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises of any such rights by any of them.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties which were, directly or indirectly, interested in 10 per cent or more of the nominal value of the share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at December 31, 2000 as recorded in the register kept by the Company under section 16(1) of the SDI Ordinance:-

Names	No. of Ordinary Shares
(i) Deakin Limited	402,654,377
(ii) Diplock Holdings Limited	633,227,925
(iii) WF Investment Partners Limited	1,078,236,184
(iv) Wheelock and Company Limited	1,250,210,213
(v) Bermuda Trust (Guernsey) Limited	1,250,210,213

Note: For the avoidance of doubts and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against parties (i) and (ii) above are entirely duplicated or included in the shareholdings stated against party (iii) above, with the same duplication of the shareholdings in respect of (iii) in (iv) and (iv) in (v); all of the abovenamed parties were deemed to be interested in the relevant shareholdings under the SDI Ordinance as at December 31, 2000.

INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate with the exception of the options to subscribe for ordinary shares of the Company and i-CABLE Communications Limited ("i-CABLE") granted under the Company's Executive Share Incentive Scheme and i-CABLE's Share Option Scheme to certain executives of the Company or its subsidiaries and certain employees of i-CABLE or its subsidiaries respectively, some of whom were Directors of the Company during the year.

Under both schemes, shares of the Company and i-CABLE are to be issued at such prices, not being less than 90 per cent and 80 per cent of their respective average closing prices on the Stock Exchange for the five trading days immediately preceding the date of offer of the options, and the relevant options are exercisable during such periods, not being beyond the expiration of ten years from the date of grant, as determined by the boards of directors of the Company and i-CABLE respectively.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

FURTHER CORPORATE INFORMATION

Certain further information in relation to the Group required to be disclosed pursuant to the provisions of the Listing Rules of the Stock Exchange are set out on pages 39 to 44 and pages 45 to 53.

AUDITORS

The Accounts now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board

Wilson W S Chan

Secretary

Hong Kong, March 26, 2001

TO THE SHAREHOLDERS OF THE WHARF (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 63 to 102 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the Directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

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

BASIS OF OPINION

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

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

OPINION

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

KPMG
Certified Public Accountants
Hong Kong, March 26, 2001

Consolidated Profit and Loss Account
For The Year Ended December 31, 2000

	Note	2000 HK\$ Million	1999 Restated HK\$ Million
Turnover	2	12,023	10,521
Other net income	2(b)	739	<u>1,088</u>
		12,762	11,609
Direct costs and operating expenses		(5,384)	(4,446)
Selling and marketing expenses		(451)	(336)
Administrative and corporate expenses		(504)	<u>(755)</u>
Operating profit before depreciation, amortisation, interest and tax		6,423	6,072
Depreciation and amortisation		(1,032)	<u>(993)</u>
Operating profit	2	5,391	5,079
Borrowing costs	3	(1,593)	<u>(1,939)</u>
Net operating profit		3,798	3,140
Share of profits less losses of associates		(154)	64
Provision for properties under redevelopment and for sale		-	(1,508)
Deemed profit on partial disposal of a subsidiary		-	3,762
Provision for litigation	26(d)	-	(1,000)
Profit before taxation		3,644	4,458
Taxation	4(c)	(435)	<u>(264)</u>
Profit after taxation		3,209	4,194
Minority interests		(729)	(683)
Profit attributable to shareholders	5	2,480	3,511
Dividends	6	(1,908)	<u>(1,881)</u>
Retained profit for the year		572	<u>1,630</u>
Earnings per share			
Basic	7	HK\$1.01	<u>HK\$1.51</u>
Diluted	7	HK\$1.01	<u>HK\$1.51</u>
Earnings per share before provisions for properties and litigation and deemed profit on partial disposal of a subsidiary			
Basic and diluted	7	HK\$1.01	<u>HK\$0.97</u>
Profit / (loss) for the year is retained / (absorbed) by: -			
The Company and its subsidiaries	21	889	1,618
Associates	21	(317)	<u>12</u>
		572	<u>1,630</u>

The notes on pages 73 to 102 form part of these accounts.

Consolidated Statement of Recognised Gains and Losses
For The Year Ended December 31, 2000

	Note	2000 HK\$ Million	1999 Restated HK\$ Million
Surplus / (deficit) on revaluation of investment properties	21	2,216	(2,073)
Surplus / (deficit) on revaluation of hotel and club properties	21	89	(100)
Provision for impairment in value of properties under or held for redevelopment	21	-	(1,025)
(Deficit) / surplus on revaluation of non-trading securities	21	(67)	857
Share of deficit on revaluation of investment properties of associates	21	-	(17)
Share of surplus on revaluation of non-trading securities of associates	21	3	97
Exchange differences on translation of the accounts of foreign subsidiaries	21	(26)	<u>11</u>
Net gains / (losses) not recognised in the consolidated profit and loss account		2,215	(2,250)
Profit attributable to shareholders			
- as previously reported			3,217
- prior period adjustment	8		<u>294</u>
Profit attributable to shareholders (1999: as restated)		2,480	3,511
Investments revaluation reserve transferred to the profit and loss account on disposal of non-trading securities	21	(791)	395
Share of investments revaluation reserve of associates transferred to the profit and loss account on disposal of non-trading securities	21	16	-
Share of investments revaluation reserve of associates transferred to the profit and loss account on impairment of non-trading securities	21	13	-
Goodwill transferred to the profit and loss account on disposal of subsidiaries and associates	21	51	<u>89</u>
Total recognised gains		3,984	<u>1,745</u>
Net goodwill movement dealt with in reserves			
- as previously reported			12
- prior period adjustment	8		<u>(21)</u>
Net goodwill movement dealt with in reserves (1999: as restated)	21	115	<u>(9)</u>
		4,099	<u>1,736</u>

The notes on pages 73 to 102 form part of these accounts.

Consolidated Balance Sheet
For The Year Ended December 31, 2000

	Note	2000 HK\$ Million	1999 Restated HK\$ Million
Non-current assets			
Fixed assets	9	77,237	73,362
Interest in associates	11	4,972	5,197
Long term investments	12	1,901	5,258
Deferred debtors	13	433	506
Deferred items	14	570	575
		85,113	84,898
Current assets			
Inventories	15	3,257	3,089
Debtors	16	728	1,186
Held-to-maturity securities		-	86
Pledged deposits	17	981	1,768
Deposits and cash		2,213	6,407
		7,179	12,536
Current liabilities			
Creditors	18	(6,570)	(5,577)
Short term loans and overdrafts	19	(5,846)	(3,411)
Taxation	4(d)	(266)	(134)
Proposed dividend		(1,223)	(1,223)
		(13,905)	(10,345)
Net current (liabilities) / assets		(6,726)	2,191
Total assets less current liabilities		78,387	87,089
Capital and reserves			
Share capital	20	2,446	2,446
Reserves	21	54,158	51,966
		56,604	54,412
Minority interests		4,004	5,368
Non-current liabilities			
Long term loans	22	16,852	26,339
Other deferred liabilities	23	449	463
Deferred taxation	24	478	507
		17,779	27,309
Total equity and non-current liabilities		78,387	87,089

The notes on pages 73 to 102 form part of these accounts.

Company Balance Sheet
For The Year Ended December 31, 2000

	Note	2000 HK\$ Million	1999 Restated HK\$ Million
Non-current assets			
Investments in subsidiaries	10	14,645	11,428
Deferred debtors	13	381	381
		15,026	11,809
Current assets			
Debtors	16	1	360
Deposits and cash		53	2,755
		54	3,115
Current liabilities			
Creditors	18	(1,558)	(1,557)
Short term loans and overdrafts	19	(103)	(78)
Proposed dividend		(1,223)	(1,223)
		(2,884)	(2,858)
Net current (liabilities) / assets		(2,830)	257
Total assets less current liabilities		12,196	12,066
Capital and reserves			
Share capital	20	2,446	2,446
Reserves	21	9,750	9,620
Total equity		12,196	12,066

The notes on pages 73 to 102 form part of these accounts.

Gonzaga W J Li
Chairman & Chief Executive

John T Hung
Executive Director

Consolidated Cash Flow Statement
For The Year Ended December 31, 2000

	2000 HK\$ Million	1999 Restated HK\$ Million
Net cash inflow from operating activities (Note a)	5,499	6,691
Returns on investments and servicing of finance		
Interest paid	(1,995)	(2,386)
Interest received	284	319
Dividends received from associates	43	53
Dividends received from investments		
in securities	164	142
Dividends paid	(1,908)	(964)
Dividends paid to minority shareholders	(545)	(761)
Net cash outflow from returns on investments and servicing of finance	(3,957)	(3,597)
Taxation		
Hong Kong profits tax paid	(327)	(243)
Overseas tax paid	(4)	(20)
Rebate of profits tax	-	57
Tax paid	(331)	(206)
Investing activities		
Purchase of fixed assets	(1,456)	(2,486)
Purchase of subsidiaries (Note b)	(1,266)	(1,145)
Increase in investment in associates	(64)	(31)
Purchase of non-trading securities	(1,710)	(2,782)
Proceeds from sale of investment properties	-	55
Proceeds from sale of other fixed assets	6	5
Proceeds from disposal of a subsidiary (Note c)	175	4,138
Proceeds from disposal of associates	357	-
Net advances to associates	(314)	(2,192)
Proceeds from sale of non-trading securities	5,052	6,901
Repayment from / (advances to) deferred debtors	73	(60)
Net cash inflow from investing activities	853	2,403
Net cash inflow before financing	2,064	5,291

Consolidated Cash Flow Statement (continued)
For The Year Ended December 31, 2000

	2000 HK\$ Million	1999 Restated HK\$ Million
Financing		
Proceeds from issue of ordinary share capital	1	1,796
Net (repayment) / draw down of long term loans	(3,940)	7,645
Net repayment of short term loans and overdrafts	(3,131)	(7,590)
Uplift / (placement) of bank deposits	787	(733)
Draw down / (repayment) of advances from minority interests	<u>5</u>	<u>(71)</u>
Net cash (outflow) / inflow from financing (Note d)	(6,278)	1,047
(Decrease) / increase in cash and cash equivalents	(4,214)	6,338
Effect of foreign exchange rates	20	-
Cash and cash equivalents at January 1	<u>6,405</u>	<u>67</u>
Cash and cash equivalents at December 31	<u><u>2,211</u></u>	<u><u>6,405</u></u>
 Analysis of the balance of cash and cash equivalents		
Deposits and cash	2,213	6,407
Bank loans, overdrafts and other loans	<u>(2)</u>	<u>(2)</u>
	<u><u>2,211</u></u>	<u><u>6,405</u></u>

Consolidated Cash Flow Statement (continued)

For The Year Ended December 31, 2000

Notes To The Consolidated Cash Flow Statement

a. Reconciliation of operating profit to net cash inflow from operating activities

	2000 HK\$ Million	1999 Restated HK\$ Million
Operating profit	5,391	5,079
Interest income	(276)	(259)
Dividends receivable from investments in securities	(164)	(142)
Depreciation	912	884
Amortisation	120	109
Other provisions	302	298
Gain on disposal of a subsidiary	(54)	-
Loss on disposal of investment properties	-	50
Loss on sale of other fixed assets	12	16
Other net income	(739)	(1,088)
Exchange adjustments	(21)	30
(Increase) / decrease in properties held for sale	(248)	83
(Increase) / decrease in properties under development for sale	(102)	1,490
(Increase) / decrease in spare parts and consumables	(34)	47
Decrease / (increase) in held-to-maturity securities	79	(3)
Decrease in debtors	449	332
Increase in creditors	8	257
Net movement in provision for planned maintenance	16	23
Payments deferred	(141)	(509)
Decrease in other deferred liabilities	(11)	(6)
Net cash inflow from operating activities	5,499	6,691

Consolidated Cash Flow Statement (continued)
For The Year Ended December 31, 2000

Notes To The Consolidated Cash Flow Statement (continued)
b. Purchase of subsidiaries

	2000 HK\$ Million	1999 Restated HK\$ Million
Net assets acquired		
Fixed assets	-	3,100
Deferred debtors	-	208
Current assets	-	350
Current liabilities	-	(318)
Other deferred liabilities	-	(15)
Deferred taxation	-	(9)
Minority interests	<u>1,519</u>	<u>(1,100)</u>
	<u>1,519</u>	<u>2,216</u>
(Capital reserve) / goodwill	<u>(136)</u>	<u>9</u>
	<u>1,383</u>	<u>2,225</u>
Satisfied by :		
Cash consideration	1,266	1,147
Consideration settled by net assets of a subsidiary disposed (Note c)	117	-
Decrease in interest in associates	<u>-</u>	<u>1,078</u>
	1,383	2,225
Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiaries		
Cash consideration	1,266	1,147
Deposits and cash acquired	<u>-</u>	<u>(2)</u>
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	1,266	1,145

Consolidated Cash Flow Statement (continued)

For The Year Ended December 31, 2000

Notes To The Consolidated Cash Flow Statement (continued)

c. Disposal of a subsidiary

	2000 HK\$ Million	1999 Restated HK\$ Million
Net assets disposed of		
Long term investments	-	17
Current assets	296	-
Current liabilities	(1)	-
Minority interests	(57)	286
	<hr/> 238	<hr/> 303
Gain on disposal	54	3,762
Goodwill realised upon disposal	-	73
	<hr/> 292	<hr/> 4,138
Satisfied by :		
Cash consideration received net of transaction costs	175	4,138
Net assets of a subsidiary acquired (Note b)	117	-
	<hr/> 292	<hr/> 4,138

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries

Cash consideration received net of transaction costs	175	4,138
Deposits and cash disposed of	-	-
Net inflow of cash and cash equivalents	<hr/>	<hr/>
in respect of the disposal of subsidiaries	175	4,138

Consolidated Cash Flow Statement (continued)
For The Year Ended December 31, 2000

Notes To The Consolidated Cash Flow Statement (continued)

d. Analysis of changes in financing during the year

	Share capital (including share premium) HK\$ Million	Long term loans HK\$ Million	Short term loans HK\$ Million	Minority interests HK\$ Million	Club debentures HK\$ Million	Total HK\$ Million
Balance at January 1, 1999						
- as previously reported	7,538	21,891	7,764	3,924	220	41,337
- prior period adjustment (Note 8)	-	-	-	(21)	-	(21)
- as restated	7,538	21,891	7,764	3,903	220	41,316
Issue of shares for cash	1,796	-	-	-	-	1,796
Scrip issue in lieu of cash dividend	841	-	-	-	-	841
Cash inflow / (outflow) from financing	-	7,645	(7,590)	(71)	-	(16)
Purchase of subsidiaries (Note b)	-	-	-	1,100	-	1,100
Disposal of subsidiaries (Note c)	-	-	-	286	-	286
Dividends paid to minority interests	-	-	-	(761)	-	(761)
Minority interests' share of capital and revenue reserves in subsidiaries	-	-	-	946	-	946
Exchange adjustments	-	17	-	-	-	17
Reclassification and other adjustments	-	(3,214)	3,235	(35)	-	(14)
Balance at December 31, 1999 and January 1, 2000	10,175	26,339	3,409	5,368	220	45,511
Issue of shares for cash	1	-	-	-	-	1
Cash inflow / (outflow) from financing	-	(3,940)	(3,131)	5	-	(7,066)
Purchase of subsidiaries (Note b)	-	-	-	(1,519)	-	(1,519)
Disposal of subsidiaries (Note c)	-	-	-	(57)	-	(57)
Dividends paid to minority interests	-	-	-	(545)	-	(545)
Minority interests' share of capital and revenue reserves in subsidiaries	-	-	-	807	-	807
Exchange adjustments	-	19	-	1	-	20
Reclassification and other adjustments	-	(5,566)	5,566	(56)	-	(56)
Balance at December 31, 2000	10,176	16,852	5,844	4,004	220	37,096

1. Principal accounting policies

a. Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

b. Basis of preparation of the accounts

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

c. Basis of consolidation

- i. The consolidated accounts include the accounts of the Company and all its subsidiaries ("the Group") made up to December 31 each year. All material inter-company transactions and balances are eliminated on consolidation.
- ii. Results of new subsidiaries are included from the respective dates of acquisition. Results of subsidiaries disposed of during the year are included up to the respective dates of disposal.
- iii. Goodwill/capital reserve arising on consolidation, representing the excess/shortfall of the cost of investments in subsidiaries and associates over the appropriate share of the fair value of the net tangible assets at the date of acquisition, is taken to reserves in the year in which it arises. On disposal of a subsidiary or an associate, the attributable amount of goodwill/capital reserve is included in calculating the profit or loss on disposal.

d. Investments in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investments in subsidiaries in the Company's balance sheet are stated at cost less any provisions for diminution in value which are other than temporary as determined by the Directors for each subsidiary individually. Any such provisions are recognised as an expense in the Company's profit and loss account.

e. Associates

An associate is a company in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associates for the year.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is evidence of impairment in value of the assets transferred, the unrealised losses will be recognised immediately in the consolidated profit and loss account.

f. Fixed assets

i. Investment properties

Investment properties are defined as properties which are income producing and intended to be held for the long term. Such properties are included in the balance sheet at their open market value, which is assessed annually by external qualified valuers. 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 consolidated profit and loss account. On disposal of investment properties, the revaluation surplus or deficit previously taken to the investment properties revaluation reserve is included in calculating the profit or loss on disposal. Investment properties with an unexpired lease term of 20 years or less are stated at carrying value less accumulated depreciation.

ii. Properties under or held for redevelopment

Properties under or held for redevelopment for investment purposes are stated at cost, including borrowing costs, or carrying value, less such provisions for impairment in value as reviewed from time to time and considered necessary by the Directors. These properties are reclassified as investment properties upon issue of the occupation permit.

In preparing these accounts, the Group has relied on the transitional provision set out in paragraph 72 of Statement of Standard Accounting Practice 17 "Property, Plant and Equipment" issued by the Hong Kong Society of Accountants with the effect that certain properties under or held for redevelopment for investment purposes owned by the Group at December 31, 1994 are stated at professional valuation as at that date plus subsequent capital expenditure at cost less provision for impairment in value considered necessary by the Directors. Such properties have not been revalued to their fair value at the balance sheet date and will not be revalued in future years until they are reclassified as investment properties upon completion of the redevelopment. Subsequent provisions for impairment in value will first be set off against the related revaluation reserve previously recognised on an individual property basis, if any, and thereafter will be recognised in the consolidated profit and loss account.

All development costs including borrowing costs are capitalised up to the date of practical completion.

Notes to the Accounts (continued)

iii. Hotel and club properties

Hotel and club properties are stated at their open market value based on an annual professional valuation.

iv. Broadcasting and communications equipment

Broadcasting and communications equipment is stated at cost less accumulated depreciation. Cost includes materials, labour and an appropriate proportion of overheads and borrowing costs directly attributable to the acquisition, construction or production of such equipment which necessarily takes a substantial period of time to get ready for its intended use.

v. Other properties and fixed assets

Other properties and fixed assets are stated at cost less accumulated depreciation.

vi. The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, their carrying value is reduced to their recoverable amount. Recoverable amount is the amount which the Group expects to recover from the future use of the asset, including its residual value on disposal. The amount of the reduction is charged to the profit and loss account.

g. Depreciation of fixed assets

i. Investment properties

No depreciation is provided in respect of investment properties with an unexpired lease term of more than 20 years since the valuation takes into account the state of each building at the date of valuation. Where the Group confidently anticipates being able to renew a lease upon its expiry, the renewable period is included in the unexpired term for this purpose. The carrying amount of investment properties with an unexpired lease term of 20 years or less is depreciated on a straight line basis over the remaining term of the lease.

ii. Properties under or held for redevelopment

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

iii. Hotel and club properties

No depreciation is provided on hotel and club properties on leases with 20 years or more to run at the balance sheet date or on their integral fixed plant. It is the Group's practice to maintain these assets in a continuous state of sound repair and to make improvements thereto from time to time and, accordingly, the Directors consider that, given the estimated lives of these assets and their residual values, any depreciation would be immaterial. Such expenditure on repairs and improvements is dealt with through the planned maintenance provision account. Where the Group confidently anticipates being able to renew a lease upon its expiry, the renewable period is included in the unexpired term for this purpose. The carrying amount of hotel and club properties with an unexpired lease term of 20 years or less is depreciated on a straight line basis over the remaining term of the lease.

iv. Broadcasting and communications equipment

Depreciation is provided on a straight line basis on the cost of the equipment at rates determined by the estimated useful lives of the assets of two to 20 years. Additional amounts are provided against such equipment for obsolescence as considered necessary by the Directors.

v. Other properties and fixed assets

Depreciation is provided on the cost of the leasehold land of all other properties over the unexpired period of the lease. Construction costs of the buildings thereon are depreciated on a straight line basis at 2.5 per cent per annum.

Depreciation is provided on a straight line basis on the cost of other fixed assets at rates determined by the estimated useful lives of these assets of three to 15 years.

h. Investments in securities

- i.** Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for diminution in value.

The carrying amounts of held-to-maturity securities are reviewed as at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised as an expense in the consolidated profit and loss account for each security individually.

- ii.** Non-trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserve until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the consolidated profit and loss account.

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

Profits or losses on disposal of non-trading securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the securities and are recognised in the consolidated profit and loss account as they arise. On disposal of non-trading securities, the revaluation surplus or deficit previously taken to the investments revaluation reserve is also transferred to the consolidated profit and loss account for the year.

- iii.** Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the consolidated profit and loss account as they arise.

i. Deferred items

i. Prepaid revenue expenses

Prepaid revenue expenses represent prepaid expenditure attributable to periods after more than one year.

ii. Programming library

Programming library consists of commissioned and acquired programming costs. The costs are amortised over the licence period or estimated period of use calculated on an individual programme basis, whereas the costs of in house programmes are written off as incurred.

j. Inventories

i. Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalised, attributable to unsold units. Net realisable value is determined by the Directors, based on prevailing market conditions.

The amount of any write down of or provision for properties held for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated profit and loss account in the period in which the reversal occurs.

ii. Properties under development for sale

Properties under development for sale are classified as current assets and stated at the lower of cost and net realisable value. Cost includes the aggregate costs of development, borrowing costs capitalised and other direct expenses plus attributable profit, less pre-sales proceeds. Net realisable value is determined by the Directors, based on prevailing market conditions.

The amount of any write down of or provision for properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated profit and loss account in the period in which the reversal occurs.

Pre-sale proceeds received and receivable from the purchasers of the properties under development for sale are set off against inventories in the balance sheet. Profit on pre-sale of properties under development for sale is recognised over the course of the development and is calculated each year as a proportion of the total estimated profit to completion; the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received and receivable at the balance sheet date to total estimated sales.

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

iii. Spare parts and consumables

Spare parts and consumables are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location. Net realisable value is determined by the Directors, based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

k. Foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at exchange rates ruling at the transaction dates. Monetary foreign currency balances and the accounts of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Differences arising from the translation of the accounts of overseas subsidiaries are dealt with in capital reserves and those arising from the financing of properties under development by foreign currency borrowings are capitalised as part of the development costs. All other exchange differences are dealt with in the consolidated profit and loss account.

Forward foreign exchange contracts and swaps entered into as hedges against foreign currency assets and liabilities are revalued at the balance sheet date at the exchange rates ruling at that date. Gains and losses on currency hedging transactions are offset against gains and losses resulting from currency fluctuations inherent in the underlying foreign currency assets and liabilities. Unrealised gains and losses on foreign exchange rate contracts and swaps designated as hedges are included under the same classification as the assets and liabilities which they hedge. Gains and losses on foreign exchange contracts and swaps entered into for non-hedging purposes are dealt with in the consolidated profit and loss account.

l. Recognition of revenue

- i** Rentals receivable from investment properties held for use under operating leases are accounted for on a straight line basis over the respective periods of the leases.
- ii** Income from sale of completed property is recognised upon completion of the sales agreements and income from pre-sale of property under development is recognised over the course of development (see note 1 (j) (ii)).

- iii Income from communications, media and entertainment operations, logistics operations and hotels operations is recognised at the time when the services are provided.
- iv Dividend and investment income is recognised at the time when the right to receive payment is established.
- v Interest income is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

m. Borrowing costs

Borrowing costs are expensed in the consolidated profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

n. Deferred taxation

Deferred taxation is calculated at the current tax rate under the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

o. Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

2. Turnover and operating profit

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 101 and 102.

a. An analysis of the Group's turnover and operating profit for the financial year is as follows : -

	Turnover		Operating profit / (loss)	
	2000 HK\$ Million	1999 HK\$ Million	2000 HK\$ Million	1999 HK\$ Million Restated
Property investment	3,320	3,314	2,424	2,535
Property development	1,647	993	99	100
Communications, media and entertainment	2,535	2,053	19	(267)
Logistics	3,442	3,205	1,849	1,688
Hotels	694	571	163	82
Investment and others	385	385	837	941
	12,023	10,521	5,391	5,079

During the year, more than 90 per cent of the operations of the Group in terms of both turnover and operating profit was in Hong Kong.

Property investment included gross rental income from investment properties of HK\$2,631 million (1999 : HK\$2,695 million).

b. Other net income represents net profit on disposal of investments and includes net revaluation surpluses of HK\$791 million (1999 : deficits of HK\$395 million) which were previously recognised in the investment revaluation reserve.

c. Operating profit is arrived at after charging :

	2000 HK\$ Million	1999 Restated HK\$ Million
Depreciation	912	884
Amortisation of deferred and prepaid expenses	120	109
Staff costs	1,977	1,986
Auditors' remuneration	10	9
Cost of properties sold during the year	1,512	914
and crediting :		
Rental income less direct outgoings	2,697	2,891
Interest income	276	259
Dividend income from listed securities	129	142
Dividend income from unlisted securities	35	-

Notes to the Accounts (continued)

	2000 HK\$ Million	1999 Restated HK\$ Million
d. Directors' emoluments		
Fees	-	-
Basic salaries, housing and other allowances, and benefits in kind	12	11
Deemed profit on share option exercise	-	1
Retirement scheme contributions	1	1
Discretionary bonuses and / or performance related bonuses	11	11
Compensation for loss of office	-	-
Inducement for joining the Group	-	-

For the year under review, total emoluments (including any reimbursement of expenses) amounting to HK\$0.1 million (1999 : HK\$0.1 million), being wholly in the form of Directors' fees, were paid / payable to Independent Non-executive Directors of the Company.

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

Bands (in HK\$)	2000 Number	1999 Number
Not more than \$1,000,000	5	5
\$1,500,001 - \$2,000,000	1	-
\$2,000,001 - \$2,500,000	-	1
\$2,500,001 - \$3,000,000	1	1
\$3,000,001 - \$3,500,000	1	1
\$7,500,001 - \$8,000,000	2*	1
\$8,500,001 - \$9,000,000	-	1*
	10	10

Note : The emoluments of a Director in the band marked * above include deemed profit on share option exercised totalling HK\$0.4 million (1999 : HK\$1.3 million).

e. Emoluments of the highest paid employees

Set out below are analyses of the emoluments (excluding amounts, if any, paid or payable by way of commissions on sales generated by the employees concerned) for the year ended December 31, 2000 of two employees (1999 : three) of the Group who, not being Directors of the Company, are among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group.

Aggregate Emoluments	2000 HK\$ Million	1999 HK\$ Million
Basic salaries, housing allowances, other allowances, and benefits in kind	5	6
Contributions to pension schemes	-	1
Discretionary bonuses and/or performance-related bonuses	2	4
Compensation for loss of office	-	-
Inducement for joining the Group	-	-
Total	7	11

Bandings Bands (in HK\$)	2000 Number	1999 Number
\$3,000,001 - \$3,500,000	1	1
\$3,500,001 - \$4,000,000	1	1
\$4,000,001 - \$4,500,000	-	1*
Total	2	3

Note: The remuneration of the employee marked * as disclosed above includes deemed profit on share option exercised.

3. Borrowing costs

	2000 HK\$ Million	1999 Restated HK\$ Million
Interest on: -		
Bank loans and overdrafts	991	971
Other loans repayable within five years	708	984
Other loans repayable after more than five years	201	178
Other borrowing costs	39	162
Less : Amount capitalised *	(346)	(722)
Net borrowing costs for the year	1,593	1,573
Deferred loan arrangement expenses written off on early repayment of the related loans	-	366
Total borrowing costs	1,593	1,939

* The borrowing costs have been capitalised at annual rates of between 7.0% and 7.9% (1999 : 6.2% to 8.3%).

Notes to the Accounts (continued)

4. Taxation

- a. The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16 per cent (1999 : 16 per cent).
- b. Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.
- c. Taxation in the consolidated profit and loss account represents :

	2000 HK\$ Million	1999 HK\$ Million
The Company and its subsidiaries		
Hong Kong profits tax for the year	382	341
Rebate of 10% of 1997/1998 profits tax	-	(57)
Underprovision for Hong Kong profits tax relating to prior years	60	-
Overseas taxation for the year	22	-
Deferred taxation (Note 24)	(29)	(20)
	<u>435</u>	<u>264</u>
Share of associates' Hong Kong profits tax for the year	-	-
	<u>435</u>	<u>264</u>

- d. None of the taxation payable in the balance sheet is expected to be settled after more than one year.

5. Profit attributable to shareholders

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$2,037 million (1999 : HK\$2,025 million).

6. Dividends

	2000 HK\$ Million	1999 HK\$ Million
Additional final dividend relating to the prior year on new shares issued upon exercise of share options and subscription rights attached to warrants	-	1
Interim dividend of 28 cents (1999 : 28 cents) per share	685	657
Final dividend of 50 cents (1999 : 50 cents) per share	<u>1,223</u>	<u>1,223</u>
	<u>1,908</u>	<u>1,881</u>

7. Earnings per share

The calculation of earnings per share is based on the earnings for the year of HK\$2,480 million (1999 : HK\$3,511 million as restated) and the weighted average of 2,446 million ordinary shares (1999 : 2,321 million ordinary shares) in issue during the year.

The calculation of diluted earnings per share is based on earnings for the year of HK\$2,480 million (1999 : HK\$3,511 million as restated) and the weighted average of 2,446 million ordinary shares (1999 : 2,328 million ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares as shown below:

	2000 No. of shares Million	1999 No. of shares Million
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>2,446</u>	2,321
Deemed issue of ordinary shares for no consideration	-	7
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,446</u>	<u>2,328</u>

- (a) The existence of unexercised options during the year ended December 31, 2000 (see note 20) has no dilutive effect on the calculation of diluted earnings per share for the year ended December 31, 2000.
- (b) In 1999, earnings for the year included provision for properties under redevelopment and for sale of HK\$1,508 million, deemed profit on partial disposal of a subsidiary of HK\$3,762 million (as restated) and provision for litigation of HK\$1,000 million. In order to give a fairer presentation of the results of the Group, earnings per share before these exceptional items is also shown in the consolidated account. The reconciliation of the two figures is as follows: -

	2000 Earnings HK\$ Million	2000 Per share HK\$	1999 Restated Earnings HK\$ Million	1999 Restated Per share HK\$
Earnings per share per profit and loss account	<u>2,480</u>	<u>1.01</u>	3,511	1.51
Add / (deduct) :				
Provision for properties under redevelopment and for sale	-	-	1,508	0.65
Deemed profit on partial disposal of a subsidiary -	-	-	(3,762)	(1.62)
Provision for litigation	-	-	1,000	0.43
Earnings per share before provisions for properties and litigation and deemed profit on partial disposal of a subsidiary	<u>2,480</u>	<u>1.01</u>	<u>2,257</u>	<u>0.97</u>

8. Change in accounting policies

In prior years, pre-operating and pre-maturity expenses in relation to the Group's cable television and telecommunications operations were deferred and amortised over the respective licence periods and pre-operating expenses in relation to other projects under development were deferred and amortised over a period, not exceeding five years from the dates the projects came into operation. With effect from January 1, 2000, the Group adopted an accounting policy to write off all these expenses as they are incurred in accordance with Interpretation 9 issued by the Hong Kong Society of Accountants. The new accounting policy has been adopted retrospectively. In adjusting prior years' figures, revenue reserves as at January 1,

Notes to the Accounts (continued)

1999 were restated and decreased by HK\$1,745 million representing the charge to the prior year's consolidated profit and loss account of the unamortised balance of pre-operating and pre-maturity expenses at that date.

As a result of the adoption of Interpretation 9 and restating the prior years' results and reserves, the Group's profit for the year attributable to shareholders has increased by HK\$164 million (1999 : HK\$294 million) and the Group's net assets at December 31, 2000 have decreased by HK\$1,324 million (1999 : HK\$1,472 million) as a net result of writing off pre-operating and pre-maturity expenses as incurred and the consequent reduction in amortisation thereof.

9. Fixed assets

	Group					
	Investment properties HK\$Million	Properties under or held for redevelopment HK\$Million	Hotel and club properties HK\$Million	Broadcasting & communications equipment HK\$Million	Other properties and fixed assets HK\$Million	Total HK\$Million
a. Cost or valuation						
Balance at January 1, 2000	57,385	3,486	3,839	5,421	8,289	78,420
Additions	833	691	-	788	257	2,569
Disposals	(1)	-	-	(15)	(77)	(93)
Reclassification	(134)	76	-	-	(4)	(62)
Provision for impairment	-	(71)	-	-	-	(71)
Revaluation surplus	2,250	-	103	-	-	2,353
Balance at December 31, 2000	<u>60,333</u>	<u>4,182</u>	<u>3,942</u>	<u>6,194</u>	<u>8,465</u>	<u>83,116</u>
Accumulated depreciation						
Balance at January 1, 2000	-	-	-	1,940	3,125	5,065
- as previously reported	-	-	-	(41)	34	(7)
- prior period adjustment (Note 8)	-	-	-	1,899	3,159	5,058
- as restated	-	-	-	520	380	912
Charge for the year	-	-	12	-	(8)	(67)
Written back on disposals	-	-	-	-	-	(75)
Reclassification	-	-	-	-	(4)	(4)
Written back on revaluation	-	-	(12)	-	-	(12)
Balance at December 31, 2000	-	-	-	2,411	3,468	5,879
Net book value						
at December 31, 2000	<u>60,333</u>	<u>4,182</u>	<u>3,942</u>	<u>3,783</u>	<u>4,997</u>	<u>77,237</u>
at December 31, 1999 (Restated)	<u>57,385</u>	<u>3,486</u>	<u>3,839</u>	<u>3,522</u>	<u>5,130</u>	<u>73,362</u>

Group						
Investment properties HK\$Million	Properties under or held for redevelopment HK\$Million	Hotel and club properties HK\$Million	Broadcasting & communications equipment HK\$Million	Other properties and fixed assets HK\$Million	Total HK\$Million	
b. The analysis of cost or valuation of the above assets is as follows:-						
2000 valuation	60,333	-	3,942	-	-	64,275
1994 valuation	-	288	-	-	-	288
Cost less provisions	-	3,894	-	6,194	8,465	18,553
	60,333	4,182	3,942	6,194	8,465	83,116

If the hotel and club properties had not been revalued, the carrying value of these assets on the basis of cost less accumulated depreciation would be HK\$378 million (1999 : HK\$390 million).

c. Tenure of title to properties :-

Held in Hong Kong						
Long lease	48,902	424	3,942	-	3	53,271
Medium lease	7,933	3,355	-	-	4,494	15,782
Short lease	-	-	-	-	1	1
	56,835	3,779	3,942	-	4,498	69,054
Held outside Hong Kong						
Long lease	-	-	-	-	11	11
Medium lease	3,498	403	-	-	-	3,901
	60,333	4,182	3,942	-	4,509	72,966

d. Properties revaluation

The Group's investment properties together with its hotel and club properties have been revalued as at December 31, 2000 by Chesterton Petty Limited, an independent firm of professional surveyors, on an open market value basis, after taking into consideration the net income allowing for reversionary potential.

Certain properties under or held for redevelopment were valued at December 31, 1994 by Chesterton Petty Limited, an independent firm of professional surveyors, on an open market value basis, after taking into account the development potential of the properties where appropriate.

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

e. The gross amounts of fixed assets of the Group held for use in operating leases were HK\$60,880 million (1999 : HK\$57,932 million).

10. Investments in subsidiaries

	2000 HK\$ Million	Company 1999 HK\$ Million
Unlisted shares, at cost less provision	20,682	19,947
Amounts due by subsidiaries	36,803	22,913
	<hr/>	<hr/>
Amounts due to subsidiaries	57,485	42,860
	(42,840)	(31,432)
	<hr/>	<hr/>
	14,645	11,428

Details of principal subsidiaries at December 31, 2000 are shown on pages 101 to 102.

The amounts due to and by subsidiaries are non-current as these are not expected to be paid within the next twelve months.

11. Interest in associates

	2000 HK\$ Million	Group 1999 HK\$ Million
Share of net tangible assets other than goodwill		
Shares listed in Hong Kong	347	653
Unlisted shares	(157)	204
	<hr/>	<hr/>
190	190	857
Amounts due by associates	4,792	4,363
Amounts due to associates	(10)	(23)
	<hr/>	<hr/>
	4,972	5,197
Market value of listed shares	174	471

Details of principal associates at December 31, 2000 are shown on pages 101 to 102.

The amounts due to and by associates are non-current as these are not expected to be paid within the next twelve months.

Included in the amounts due by associates are loans totalling HK\$4,622 million (1999 : HK\$4,238 million) advanced to certain associates involved in property development projects. The annual interest rates are determined by the shareholders of these associates with reference to prevailing market rates which were between 6.1% and 8.1% for the current year (1999 : 6.0% to 10.0%). The loans are unsecured and are repayable as may from time to time be agreed among the shareholders.

12. Long term investments

	2000 HK\$ Million	Group 1999 HK\$ Million
Non-trading securities		
Equity securities		
Listed in Hong Kong	1,283	4,955
Listed outside Hong Kong	514	254
	<u>1,797</u>	<u>5,209</u>
Unlisted	104	49
	<u>1,901</u>	<u>5,258</u>
Market value of listed securities	<u>1,797</u>	<u>5,209</u>

13. Deferred debtors

Deferred debtors represent receivables due after more than one year.

14. Deferred items

	2000 HK\$ Million	Group 1999 Restated HK\$ Million
Prepaid revenue expenses	338	352
Programming library	232	223
	<u>570</u>	<u>575</u>

15. Inventories

	2000 HK\$ Million	Group 1999 HK\$ Million
Properties under development for sale, less pre-sale proceeds received and receivable	1,983	2,029
Properties held for sale	1,156	976
Spare parts and consumables	118	84
	<u>3,257</u>	<u>3,089</u>

The properties under development for sale are expected to be completed and recovered after more than one year.

The amount of properties held for sale / under development for sale carried at net realisable value is HK\$2,527 million (1999 : HK\$2,384 million).

16. Debtors

Included in debtors are trade debtors (net of provision for bad and doubtful debts) with an ageing analysis as at December 31, 2000 as follows:

	Group		Company	
	2000 HK\$ Million	1999 HK\$ Million	2000 HK\$ Million	1999 HK\$ Million
0 - 30 days	251	333	-	-
31 - 60 days	59	43	-	-
61 - 90 days	17	13	-	-
Over 90 days	82	107	-	-
	409	496	-	-

The Group has a defined credit policy. The general credit terms allowed range from 0 to 60 days, except for pre-sale proceeds of properties under development, which are receivable upon completion.

17. Pledged deposits

Deposits are pledged as security for obtaining a letter of credit for issue of a surety bond (Note 26(d)) and for certain bank and other loans.

18. Creditors

Included in creditors are trade creditors with an ageing analysis as at December 31, 2000 as follows:

	Group		Company	
	2000 HK\$ Million	1999 HK\$ Million	2000 HK\$ Million	1999 HK\$ Million
0 - 30 days	226	235	-	-
31 - 60 days	101	85	-	-
61 - 90 days	132	68	-	-
Over 90 days	247	258	-	-
	706	646	-	-

19. Short term loans and overdrafts

	Group		Company	
	2000 HK\$ Million	1999 HK\$ Million	2000 HK\$ Million	1999 HK\$ Million
Secured bank loans	373	746	-	-
Unsecured bank loans and overdrafts	5,473	81	103	78
Samurai yen bonds due March 3, 2000	-	2,584	-	-
	5,846	3,411	103	78

20. Share capital

	2000 No. of shares Million	1999 No. of shares Million	2000 HK\$ Million	1999 HK\$ Million
Authorised				
Ordinary shares of HK\$1 each	3,600	2,900	3,600	2,900
Issued and fully paid				
Balance at January 1	2,446	2,295	2,446	2,295
Exercise of share options	-	-	-	-
Shares issued on exercise of bonus warrants	-	103	-	103
Scrip issue in lieu of cash dividend	-	48	-	48
Balance at December 31	2,446	2,446	2,446	2,446

By an ordinary resolution passed at the general meeting held on June 29, 2000, the company's authorised share capital was increased to HK\$3,600 million by the creation of an additional 700,000,000 ordinary shares of HK\$1.0 each, ranking pari passu with the existing shares of the company in all respects.

Executive share incentive scheme

As at December 31, 2000, options to subscribe for 3.8 million ordinary shares of the Company at prices ranging from HK\$9.5 to HK\$25.0 per share granted to a number of executives under the Company's executive share incentive scheme were unexercised. These options are exercisable before July 31, 2006.

During the year, options were exercised to subscribe for 70,000 ordinary shares of HK\$1.00 each at a consideration between HK\$7.6 and HK\$9.5 per share.

Notes to the Accounts (continued)

21. Reserves

	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Investment properties revaluation reserves HK\$ Million	Investments revaluation reserves HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
a. The Group							
i Company and subsidiaries							
Balance at January 1, 1999	5,243	7	28,902	(784)	11,737	6,184	51,289
- as previously reported							
- prior period adjustment (Note 8)	-	-	-	-	-	(1,745)	(1,745)
- as restated	5,243	7	28,902	(784)	11,737	4,439	49,544
Exchange reserve	-	-	-	-	11	-	11
Exercise of share options and bonus warrants	2,486	-	-	-	-	-	2,486
Goodwill on acquisition of subsidiaries and an associate	-	-	-	-	(9)	-	(9)
Goodwill written off on disposal of subsidiaries and associates	-	-	-	-	89	-	89
Transferred to the profit and loss account on disposal of non-trading securities	-	-	-	395	-	-	395
Revaluation surplus / (deficit)							
- investment properties	-	-	(2,073)	-	-	-	(2,073)
- other properties	-	-	-	-	(1,125)	-	(1,125)
- non-trading securities	-	-	-	857	-	-	857
Reclassification	-	-	11,463	-	(11,461)	-	2
Retained profit for the year	-	-	-	-	-	1,618	1,618
Balance at December 31, 1999 and January 1, 2000	7,729	7	38,292	468	(758)	6,057	51,795

21. Reserves (continued)

	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Investment properties revaluation reserves HK\$ Million	Investments revaluation reserves HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
a. The Group (continued)							
<i>i Company and subsidiaries (continued)</i>							
Balance at December 31, 1999							
and January 1, 2000	7,729	7	38,292	468	(758)	6,057	51,795
Exchange reserve	-	-	-	-	(26)	-	(26)
Exercise of share options	1	-	-	-	-	-	1
Reserve on acquisition of subsidiaries and an associate	-	-	-	-	115	-	115
Goodwill written off on disposal of subsidiaries and associates	-	-	-	-	51	-	51
Transferred to the profit and loss account on disposal of non-trading securities	-	-	-	(791)	-	-	(791)
Revaluation surplus/(deficit)							
- investment properties	-	-	2,216	-	-	-	2,216
- other properties	-	-	-	-	89	-	89
- non-trading securities	-	-	-	(67)	-	-	(67)
Reclassification	-	-	9	-	(9)	-	-
Retained profit for the year	-	-	-	-	-	889	889
Balance at December 31, 2000	7,730	7	40,517	(390)	(538)	6,946	54,272

21. Reserves (continued)

	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Investment properties revaluation reserves HK\$ Million	Investments revaluation reserves HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
a. The Group (continued)							
ii Associates							
Balance at January 1, 1999	-	-	19	(116)	-	178	81
Revaluation surplus/(deficit)							
- investment properties	-	-	(17)	-	-	-	(17)
- non-trading securities	-	-	-	97	-	-	97
Reclassification	-	-	(2)	-	-	-	(2)
Retained profit for the year	-	-	-	-	-	12	12
Balance at December 31, 1999 and January 1, 2000	-	-	-	(19)	-	190	171
Transferred to the profit and loss account on disposal of non-trading securities	-	-	-	16	-	-	16
Transferred to the profit and loss account on impairment non-trading securities	-	-	-	13	-	-	13
Revaluation surplus							
- non-trading securities	-	-	-	3	-	-	3
Loss absorbed for the year	-	-	-	-	-	(317)	(317)
Balance at December 31, 2000	-	-	-	13	-	(127)	(114)
Total reserves							
At December 31, 2000	<u>7,730</u>	<u>7</u>	<u>40,517</u>	<u>(377)</u>	<u>(538)</u>	<u>6,819</u>	<u>54,158</u>
At December 31, 1999	<u>7,729</u>	<u>7</u>	<u>38,292</u>	<u>449</u>	<u>(758)</u>	<u>6,247</u>	<u>51,966</u>

21. Reserves (continued)

	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
b. The Company					
Balance at January 1, 1999	5,243	7	306	1,434	6,990
Exercise of share options and bonus warrants and scrip issue in lieu of cash dividend	2,486	-	-	-	2,486
Retained profit for the year	-	-	-	144	144
Balance at December 31, 1999 and January 1, 2000	7,729	7	306	1,578	9,620
Exercise of share options	1	-	-	-	1
Retained profit for the year	-	-	-	129	129
Balance at December 31, 2000	7,730	7	306	1,707	9,750

Reserves of the Company available for distribution to shareholders at December 31, 2000 amounted to HK\$1,707 million (1999 : HK\$1,578 million).

The application of the share premium account and capital redemption reserves are governed by Section 48B and Section 49 of the Hong Kong Companies Ordinance respectively. The revaluation reserves have been set up and will be dealt with in accordance with the accounting policies adopted for the revaluation of investment properties, land and buildings held for own use and non-trading securities.

Notes to the Accounts (continued)

22. Long term loans

	Group		Company	
	2000 HK\$ Million	1999 HK\$ Million	2000 HK\$ Million	1999 HK\$ Million
Bonds and notes (unsecured) (c)				
HK dollar floating rate notes due				
July 16, 2002	1,417	3,000	-	-
US dollar notes due November 1, 2004	1,560	1,553	-	-
US dollar notes due March 13, 2007	2,730	2,718	-	-
Samurai yen bonds due March 3, 2000	-	2,584	-	-
	5,707	9,855	-	-
Bank loans (secured)				
Due less than 1 year	373	746	-	-
Due after more than 1 year but not exceeding 2 years	742	1,148	-	-
Due after more than 2 years but not exceeding 5 years	2,407	7,259	-	-
Due after more than 5 years	-	120	-	-
	3,522	9,273	-	-
Bank loans (unsecured)				
Due less than 1 year	5,473	81	103	78
Due after more than 1 year but not exceeding 2 years	3,126	5,937	-	-
Due after more than 2 years but not exceeding 5 years	393	127	-	-
	8,992	6,145	103	78
Other loans (secured)				
Due after more than 2 years but not exceeding 5 years	4,457	4,457	-	-
	4,457	4,457	-	-
Other loans (unsecured)				
Due after more than 1 years but not exceeding 2 years	20	-	-	-
Due after more than 2 years but not exceeding 5 years	-	20	-	-
	20	20	-	-
Total loans	22,698	29,750	103	78
Less: Amount due within 1 year (Note 19)	(5,846)	(3,411)	(103)	(78)
Total long term loans	16,852	26,339	-	-

22. Long term loans (continued)

- (a) As at December 31, 2000, the Group's net debts, representing the total loans less deposits and cash, are analysed as follows : -

	2000 HK\$ Million	1999 HK\$ Million
Total loans	22,698	29,750
Deposits and cash	(2,213)	(6,407)
Pledged deposits	(981)	(1,768)
	19,504	21,575

- (b) Included in unsecured bank loans are bank loans totalling HK\$489 million (1999 : HK\$1,016 million) borrowed by non-wholly owned subsidiaries. These loans are non-recourse to the Company and other subsidiaries.
- (c) All bonds and notes either bear interest at floating rates or have been swapped to floating rates determined by reference to the Hong Kong Interbank Offered Rate or the London Interbank Offered Rate.
- (d) An amount of HK\$3,010 million (1999 : HK\$5,071 million) included in long term loans is expected to be settled within one year.
- (e) The banking facilities of the Group are secured by mortgages over certain investment properties, and land and buildings with carrying value of HK\$20,413 million (1999 : HK\$39,483 million) and HK\$910 million (1999 : HK\$3,589 million) respectively.

23. Other deferred liabilities

	2000 HK\$ Million	Group 1999 HK\$ Million
Club debentures (non-interest bearing) due after more than 5 years	220	220
Planned maintenance provision	145	129
Others	84	114
	449	463

24. Deferred taxation

(a) Movements on deferred taxation comprise:-

	2000 HK\$ Million	Group	1999 HK\$ Million
Balance at January 1	507		518
Transfer to the profit and loss account	(29)		(20)
Acquisition of a subsidiary	-		9
 Balance at December 31	 <u>478</u>		 <u>507</u>

(b) Major components of deferred taxation are set out below :-

	2000 Provided HK\$ Million	Group Potential liabilities / (assets) unprovided HK\$ Million	1999 Provided HK\$ Million	1999 Potential liabilities / (assets) unprovided HK\$ Million
Depreciation allowances in excess of the related depreciation	478	300	499	241
Unutilised tax losses	-	(1,271)	-	(820)
Others	-	-	8	-
 478	 <u>(971)</u>		 <u>507</u>	 <u>(579)</u>

The major part of the unprovided potential liabilities represents the maximum taxation arising from balancing charges in the event of a future realisation of investment and other properties at an amount equal to the valuations or carrying values recorded in the balance sheet.

The deferred tax assets arising from the Group's unutilised tax losses have not been recognised in the accounts as it is not certain that the future benefits thereof will crystallise in the foreseeable future.

25. Material related party transactions

Except for the transactions noted below, the Group and the Company have not been a party to any material related party transaction during the year ended December 31, 2000 :

- (a) As disclosed in Note 11 to the accounts, loans totalling HK\$4,622 million (1999 : HK\$4,238 million) advanced by the Group to certain associates involved in the Sham Tseng and Kowloon Station Development Package Two Projects (as described in more detail in (b) below) are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. Waivers were granted by the Stock Exchange in 1994 and 1997 from complying with the relevant connected transaction requirements (as set out in further detail under (b) hereunder). The net interest earned by the Group from these loans during the year is not material in the context of these accounts.
- (b) As disclosed in Note 26(b) to the accounts, the Company and a subsidiary, together with its controlling shareholder and two of its subsidiaries, have jointly and severally guaranteed the performance and observance of the terms by the subsidiary of an associate under an agreement to develop the Kowloon Station Development Package Two project.

The same parties have also severally guaranteed loans granted to another subsidiary of the above associate to finance the property development project. The amount attributable to the Company and a subsidiary was HK\$1,360 million (1999 : HK\$880 million).

Such guarantees given by the Company constitute connected transactions as defined under the Listing Rules, but a waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1997.

- (c) During the year, the Group acquired the remaining one-third interest in the Diamond Hill development, which is now wholly owned by the Group, from its principal shareholder for a consideration of HK\$1,186 million. The consideration was calculated on the basis of one-third of the audited consolidated net tangible asset value of the development as at January 17, 2000 including the value of the underlying property as assessed by an independent valuer. In 1999, the Group acquired a one-third interest in the same development from a subsidiary of its principal shareholder for a consideration of HK\$1,140 million.

26. Contingent liabilities

As at December 31, 2000 :

- (a) There were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdraft, short term loan and credit facilities, bonds and notes of up to HK\$27,706 million (1999 : HK\$31,645 million).

26. Contingent liabilities (continued)

- (b) The Company and a subsidiary together with its principal shareholder and two subsidiaries thereof, have jointly and severally guaranteed the performance and observance of the terms under an agreement for a property development project by the subsidiary of an associate. Also all the parties have severally guaranteed loans granted to certain subsidiaries of an associate to finance its property development project. The amount attributable to the Company is HK\$1,360 million (1999 : HK\$880 million).
- (c) The Company together with other third parties have severally guaranteed bank facilities granted to a company which is held by the Group as a non-trading security. The amount attributable to the Company is HK\$509 million (1999 : HK\$825 million).
- (d) Claims for unspecified damages for alleged breach of contract have been brought by a third party against the Company and certain subsidiaries and a director of the Company based on an alleged option to invest in the Group's cable television franchise. During 1997, a jury's verdict was given in District Court of Denver, Colorado, USA against the Company, a subsidiary and the director and the jury awarded damages, costs and interest of approximately HK\$1,187 million (US\$153 million) to the third party. A judgement for the award has been entered. The management of the Company filed an appeal against both the verdict and the amount of the award. In May 2000, the Court of Appeals in Denver affirmed the judgement and the awards made by the District Court. The Company then submitted a petition for rehearing by the entire Tenth Circuit Court in Denver, which was denied.

In September 2000, the Company filed a petition for certiorari with the United States Supreme Court, which was granted in November 2000 with respect to certain questions presented. The Court heard argument on March 21, 2001 and a decision is expected not later than June 2001. Management believes that the Colorado judgement is inconsistent with applicable law and intends to defend its position through all legal avenues available to it.

The Company has posted a bond totalling HK\$1,513 million (US\$194 million) as surety for the payment of the damages, costs and interest. The posting of the surety bond is secured by an investment property, certain listed share investments and fixed deposits of the Group, which had an aggregate carrying amount of HK\$4,594 million at December 31, 2000.

A provision of HK\$1,500 million was made in the accounts in prior years in respect of these contingencies including legal fees incurred which may not be recovered. The Board of Directors of the Company have considered that no further provisions are necessary in respect of the above litigation at December 31, 2000.

- (e) Forward exchange contracts amounting to HK\$5,304 million (1999 : HK\$482 million) were outstanding of which HK\$4,914 million and HK\$390 million will mature in 2001 and 2002 respectively.

27. Commitments

	2000 HK\$ Million	Group 1999 HK\$ Million
(a) Capital commitments		
No provision has been made in the accounts for planned capital expenditure of	<u>5,913</u>	<u>4,787</u>
In respect of which contracts have been entered into for	<u>1,783</u>	<u>1,330</u>
(b) The Company's subsidiary, Modern Terminals Limited, together with certain other third parties, have entered into a Joint Development Agreement ("JDA") to jointly procure the construction of Container Terminal 9. The total cost of construction is estimated to be HK\$4.8 billion and will be shared by respective parties at an agreed ratio as stipulated in the JDA. The financing of the construction cost is non-recourse to the Company and other subsidiaries.		

28. Comparative figures

Certain comparative figures have been adjusted as a result of a change in accounting policy for deferred items in order to comply with Interpretation 9, details of which are set out in Note 8.

29. Approval of accounts

The accounts were approved by the Directors on March 26, 2001.

Principal Subsidiaries and Associates

At December 31, 2000

	Place of incorporation / operation	Subsidiaries		Associates			Principal activities
		Issued share capital (all being ordinary shares and fully paid up except otherwise specified)	Percentage of equity attributable to the Group	Class of shares	Percentage of equity attributable to the Group		
Property							
Diamond Hill Development Holdings Limited	British Virgin Islands			Ordinary	33	Holding company	
Feckenham Limited	Hong Kong	2 HK\$10 shares	100			Property	
Forestside Limited	British Virgin Islands	500 US\$1 shares	100			Property	
Framenti Company Limited	Hong Kong	2 HK\$1 shares	100			Property	
Harbour City Management Limited	Hong Kong	2 HK\$10 shares	100			Property management	
Harriman Leasing Limited	Hong Kong			Ordinary	50	Leasing agent	
HKRT Peak Properties Limited	Hong Kong	3,000,000 HK\$10 shares	100			Property	
Hong Tai Yuen Limited	Hong Kong	500,000 HK\$1 shares	100			Property	
Hopfield Holdings Limited	British Virgin Islands			Ordinary	32	Holding company	
Marbrad Company Limited	Hong Kong	2 HK\$1 shares	100			Property	
New Tech Centre Limited	Hong Kong	10,000 HK\$1 shares	100			Property	
Olinda Limited	Hong Kong	2 HK\$10 shares	100			Property	
Oroll Pte. Limited	Singapore	1,000,000 S\$1 shares	100			Property	
Plaza Hollywood Management Limited	Hong Kong	2 HK\$1 shares	100			Property management	
Renvey Company Limited	Hong Kong	10,000 HK\$1 shares	100			Property	
Roville Company Limited	Hong Kong	2 HK\$1 shares	100			Property	
Solana Limited	Hong Kong	100 HK\$10 shares	100			Property	
Times Square Estates Limited	Hong Kong	2 HK\$1 shares	100			Property management	
Wharf Development Limited	Hong Kong	2 HK\$1 shares	100			Holding company	
Wharf Properties Limited	Hong Kong	20,000 HK\$10 shares	100			Property	
Wharf Property Investments Limited	Hong Kong	23,200,000 HK\$10 shares	100			Holding company	
Wharf Realty Limited	Hong Kong	2 HK\$1 shares	100			Property	
Wobble Company Limited	Hong Kong	2 HK\$1 shares	100			Property	
Zenuna Limited	Hong Kong	2 HK\$10 shares	100			Property	
Property – China							
Cheerwill Properties Limited	British Virgin Islands	500 US\$1 shares	100			Holding company	
Keithman Company Limited	Hong Kong	10,000 HK\$1 shares	80			Holding company	
Rumba Company Limited	Hong Kong	10,000 HK\$1 shares	82			Holding company	
Times Square Limited	Hong Kong	2 HK\$1 shares	100			Trademark registration	
Wharf Beijing Limited	Hong Kong	2 HK\$1 shares	100			Holding company	
#Wharf China Limited	Cayman Islands	500,000,000 US\$1 shares	100			Holding company	
Wharf Chongqing Limited	Hong Kong	2 HK\$1 shares	100			Holding company	
Wharf Dalian Limited	Hong Kong	2 HK\$1 shares	100			Holding company	
Shanghai Times Square Property Management (Shanghai) Company Limited	Shanghai	US\$500,000	100			Property management	
Wharf Shanghai Limited	Hong Kong	10,000,000 HK\$1 shares	100			Holding company	
Wharf Wuhan Limited	Hong Kong	2 HK\$1 shares	100			Holding company	
Communications, media and entertainment							
COL Limited	Hong Kong	40,000 HK\$500 shares	100			Computer services	
Global Media						Multi-media	
In Force Limited	Hong Kong	2 HK\$1 shares	79			advertising service	
Hong Kong Cable		1,000,000,000					
Television Limited	Hong Kong	HK\$1 shares	79			Cable television	
* i-CABLE Communications Limited	Hong Kong	2,014,000,000					
i-CABLE Network Limited (Formerly Wharf Communications Network Limited)	Hong Kong	100 HK\$1 shares	79			Holding company	
		2 HK\$1				Network leasing and provision of network operation and maintenance services	
		non-voting					
i-CABLE WebServe Limited (Formerly Wharf Interactive Network Limited)	Hong Kong	deferred shares	79				
New T&T Hong Kong Limited	Hong Kong	2 HK\$1 shares	79			Internet related services	
Rediffusion Satellite Services Limited	Hong Kong	100,000,000 HK\$1 shares	100			Telecommunication	
# Wharf Communications Investments Limited	Hong Kong	1,000 HK\$10 shares	79			Telecommunication	
	Hong Kong	1,000,000 HK\$10 shares	100			Holding company	

Principal Subsidiaries and Associates
At December 31, 2000

	Place of incorporation / operation	Subsidiaries		Associates		Principal activities
		Issued share capital (all being ordinary shares and fully paid up except otherwise specified)	Percentage of equity attributable to the Class of Group shares	Percentage of equity attributable to the Group		
Logistics						
* The Cross-Harbour (Holdings)Limited (Formerly The Cross- Harbour Tunnel Company, Limited)	Hong Kong					Tunnel operation and investment holdings
The "Star" Ferry Company, Limited	Hong Kong	1,440,000 HK\$5 shares	100	27		Public transport
Wharf Terminal Investments Limited	Hong Kong	10,000 HK\$1 shares	100			Holding company
Wharf Transport Investments Limited	Hong Kong	2 HK\$1 shares	100			Holding company
Hongkong Tramways Limited	Hong Kong	21,937,500 HK\$5 shares	100			Public transport
Kowloon Wharf Warehouse Limited	Hong Kong	10,000 HK\$1 shares	100			Terminal & warehousing
Metropark Limited	Hong Kong	2 HK\$10 shares	100			Carpark management
Modern Terminals Limited	Hong Kong	76,891 HK\$1,000 shares	50.8			Container terminal
Hotels						
* Harbour Centre Development Limited	Hong Kong	315,000,000 HK\$0.5 shares	66			Holding company
Manniworth Company Limited	Hong Kong	10,000 HK\$1 shares	66			Hotel
Marco Polo Hotels Management Limited	Hong Kong	2 HK\$10 shares	100			Hotel management
The Hongkong Hotel Limited	Hong Kong	100,000 HK\$1 shares	66			Hotel and property
The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	1,000 HK\$1 shares	100			Hotel
The Prince Hotel Limited	Hong Kong	2 HK\$1 shares	100			Hotel
Wharf Hotel Investments Limited	Cayman Islands	500,000,000 US\$1 shares	100			Holding company
Investment, corporate and others						
Dardon Company Limited	Hong Kong	2 HK\$1 shares	100			Finance
Fortune Growth Investments Limited	Hong Kong	2 HK\$1 shares	100			Finance
Hoya International Limited	Hong Kong	2 HK\$1 shares	66			Finance
Kelmscot Company Limited	Hong Kong	2 HK\$1 shares	100			Finance
Mercantile Investments Limited	Bermuda	12 US\$1,000 shares (10% paid up)	66			Investment
Metro Capital Limited	Hong Kong	2 HK\$1 shares	100			Finance
Perdiem Company Limited	Hong Kong	2 HK\$1 shares	100			Finance
Pitney Investments Limited	British Virgin Islands	500 US\$1 shares	100			Finance
Success Record Limited	Hong Kong	2 HK\$1 shares	100			Finance
Uxbridge Limited	Hong Kong	10,000 HK\$10 shares	66			Investment
# Wharf Capital International Limited	Cayman Islands	1,000 US\$1 shares	100			Finance
# Wharf International Finance Limited	Cayman Islands	500 US\$1 shares	100			Finance
# Wharf Hong Kong Limited	Cayman Islands	500,000,000 US\$1 shares	100			Holding company
Wharf International Investments Limited	Cayman Islands	500 US\$1 shares	100			Investment
# Wharf International Limited	Cayman Islands	500,000,000 US\$1 shares	100			Holding company
# Wharf Limited	Hong Kong	2 HK\$10 shares	100			Management services
# Wharf Treasury (1995)Limited	British Virgin Islands	500 US\$1 shares	100			Finance

The accounts of the subsidiaries not audited by KPMG reflect total assets and total turnover constituting 6% and 6% respectively of the corresponding consolidated totals.

All the subsidiaries listed above were, as at December 31, 2000, indirect subsidiaries of the Company except where marked #.

The above list gives the principal subsidiaries and associates of the Group which, in the opinion of the Directors, principally affect the profit or assets of the Group.

Subsidiaries held directly
* Listed companies

Schedule of Principal Properties
At December 31, 2000

ADDRESS	LOT NUMBER	YEAR OF COMPLETION
a) Investment and other properties and hotels		
Investment and other properties		
Ocean Terminal, Harbour City, Tsimshatsui	KPP 83	1966
Ocean Centre, Harbour City, Tsimshatsui	KML 11 S.A.	1977
New T & T Centre, Harbour City, Tsimshatsui	KML 11 S.B.	1981
World Commerce Centre, Harbour City, Tsimshatsui	KML 11 S.B.	1981
World Finance Centre, Harbour City, Tsimshatsui	KML 11 S.D.	1983
Ocean Galleries, Harbour City, Tsimshatsui	KML 11 S.B. & D.	1981 / 83
Gateway I, Harbour City, Tsimshatsui	KML 11 R.P.	1994
Gateway II, Harbour City, Tsimshatsui	KML 11 S.B. & D.	1998 / 99
The Hongkong Hotel, Harbour City, Tsimshatsui (Commercial Section)	KML 91 S.A. & KML 10 S.B.	1969
Times Square, Sharp Street East, Causeway Bay	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A., B & R.P., IL 722 & IL 718	1993
Plaza Hollywood, 3 Lung Poon Street, Diamond Hill	NKIL 6160	1997
World Trade Square, Hoi Bun Road, Kwun Tong	KTIL 713	1991
26-27/F, World-Wide House, Central	IL 8432	1979
G/F, 4-12/F, 21/F, 40/F & portions of 13/F, 15/F, 23/F, 24/F, 25/F & 28/F, Cable TV Tower, Hoi Shing Road, Tsuen Wan	TWTL 218	1992
15/F, 16/F, 21/F & portions of G/F, 5/F, 6/F, 7/F, 8/F, 11/F, 12/F, 13/F, 17/F, 18/F, 19/F, 20/F, 22/F & 23/F, Grandtech Centre, On Sum Street, Shatin	STTL 375	1996
House Nos. 7, 11, 14, 18, 25, 26, 30, 31, 35, 36, 37 & 46, Strawberry Hill, 8 Plunkett's Road, The Peak	RBL 512 & 1004	1974 / 77
77 Peak Road, The Peak	RBL 836	1951
Delta House, 3 On Yiu Street, Shatin	STTL 422	1999
Beijing Capital Times Square		1999
88 West Changan Avenue, Xidan, Beijing		
Shanghai Times Square		1999
93-111 Huai Hai Zhong Road, Luwan District, Shanghai		
Hotels and clubs		
The Marco Polo Hongkong Hotel, Harbour City, Tsimshatsui	KML 91 S.A. & KML 10 S.B.	1969
The Marco Polo Gateway Hotel, Harbour City, Tsimshatsui	KML 11 S.B.	1981
The Marco Polo Prince Hotel, Harbour City, Tsimshatsui	KML 11 S.D.	1983
Pacific Club Kowloon, Harbour City, Tsimshatsui	KPP 6	1990

APPROXIMATE GROSS FLOOR AREAS (SQ.FT.)

LEASE EXPIRY	SITE AREA (SQ.FT.)	OFFICE	RETAIL	RESIDENTIAL	INDUSTRIAL - OFFICE / INDUSTRIAL	CLUB HOUSE	HOTEL (NO. OF ROOMS)	ATTRIBUTABLE INTEREST
2012	346,719	10,000	648,000					100%
2880	126,488	677,000	224,000					100%
2880	(a)	257,000						100%
2880	(a)	257,000						100%
2880	(a)	512,000						100%
2880	(a)		386,000					100%
2880	(a)	1,128,000	108,000					100%
2880	(a)	1,570,000	400,000	670,000				100%
2863	(b)	35,000	135,000					66%
2850/60/80	112,441	1,033,000	936,000					100%
2047	280,510		562,000					100%
2047	48,438	330,000	65,000					100%
2053	N/A	21,000						100%
2047	66,005				523,000			100%
2047	88,480				477,000			100%
2027 / 28	380,000			37,000				100%
2029	76,728			32,000				100%
2047	70,127				349,000			100%
2044	141,007	625,000	436,000					88%
2043	148,703	291,000	462,000	199,000				100%
2863	58,814					665		66%
2880	(a)					438		100%
2880	(a)					400		100%
2006	48,309				139,000			100%

Schedule of Principal Properties
At December 31, 2000

ADDRESS	YEAR OF COMPLETION	LEASE EXPIRY	
LOT NUMBER			
b) Properties under redevelopment			
Chelsea Court	RBL 556 R.P.S.A. & S.B.	2001	2035
63 Mount Kellett Road, The Peak			
Mountain Court	RBL 522, 639, 661	2001	2027
11-13 Plantation Road, The Peak			
Serenade Cove	TWIL 17	2001	2047
621-625 Castle Peak Road, Tsuen Wan			
Nelson Court	KIL 11047	2001	2047
41, 43, 45 and 47 Waterloo Road & 30-40			
Kwong Wa Street			
22-24 Plunkett's Road	RBL 534 S.E. & F.	2002	2028
3-5 Gough Hill Path, The Peak	RBL 104 & 720	2004	2031 / 50
60 Victoria Road, Kennedy Town, Hong Kong	IL 8079	N/A	2064
Cable TV Tower South	TWIL 36	N/A	2047
Chai Wan Kok Street, Tsuen Wan			
Kowloon Godown, 1-3 Kai Hing Road, Kowloon Bay	NKIL 5805, 5806 & 5982	N/A	2047

Notes :

- (a) Part of Harbour City, total site area is 428,719 sq. ft.
- (b) Part of The Marco Polo Hongkong Hotel building.

APPROXIMATE GROSS FLOOR AREAS (SQ.FT.)

STAGE OF COMPLETION	SITE AREA (SQ.FT.)	OFFICE	RETAIL	RESIDENTIAL	INDUSTRIAL - OFFICE / INDUSTRIAL	HOTEL (NO. OF ROOMS)	ATTRIBUTABLE INTEREST
Occupation permit	29,640			42,000			100%
Occupation permit	32,145			46,000			100%
Occupation permit	77,169			599,000			100%
Superstructure in progress	10,564		8,500	81,000			100%
Superstructure in progress	97,670			91,000			100%
Vacant possession	49,321			27,000			100%
Planning stage	6,100					242	66%
Planning stage	66,005			324,000			100%
Planning stage	166,000				1,923,000		100%

Ten-Year Financial Summary

	1991 + HK\$ Million	1992 HK\$ Million	1993 HK\$ Million
Summary of Profit and Loss Account			
Turnover (Note 1)	<u>2,395</u>	<u>4,392</u>	<u>6,266</u>
Group profit attributable to shareholders	1,284	2,051	2,726
Prior year adjustment (Note 2 & 3)	-	-	-
Restated amount	<u>1,284</u>	<u>2,051</u>	<u>2,726</u>
Dividends	<u>1,185</u>	<u>1,364</u>	<u>1,871</u>
Summary of Balance Sheet			
Fixed assets (Note 2)	37,428	50,403	86,953
Associates (Note 3)	2,651	2,332	5,390
Long term investments (Note 3)	1,399	1,621	1,565
Deferred debtors	402	119	301
Deferred items (Note 2)	438	536	1,120
Current assets	2,286	4,275	5,133
Current liabilities	<u>(7,504)</u>	<u>(7,242)</u>	<u>(6,781)</u>
	<u>37,100</u>	<u>52,044</u>	<u>93,681</u>
Representing :			
Share capital	2,098	2,098	2,164
Reserves (Note 2 & 3)	<u>31,879</u>	<u>42,652</u>	<u>76,549</u>
Shareholders' funds	33,977	44,750	78,713
Convertible subordinated bonds	-	-	3,111
Deferred liabilities	1,505	5,391	9,004
Minority interests (Note 2 & 3)	1,600	1,890	2,779
Deferred taxation	<u>18</u>	<u>13</u>	<u>74</u>
	<u>37,100</u>	<u>52,044</u>	<u>93,681</u>

+ Figures for 9 months to December 31, 1991

Note :

Pursuant to the adoption of Statement of Standard Accounting Practice 1 ("SSAP 1") "Presentation of financial statements", Statement of Standard Accounting Practice 24 ("SSAP 24") "Accounting for investments in securities" and Interpretation 9 "Accounting for pre-operating costs", certain figures have been reclassified or restated as set out below:

1. Turnover figures for the years ended December 31, 1997 and onwards are presented in accordance with the requirements SSAP 1.
2. These figures have been restated pursuant to the adoption of Interpretation 9 "Accounting for pre-operating costs" as explained in Note 8 to the accounts. Figures for 1997 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefit to shareholders.
3. These figures have been restated pursuant to the adoption of SSAP 24 as explained in Note 10 to the 1999 accounts. Figures for 1996 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefit to shareholders.

1994 HK\$ Million	1995 HK\$ Million	1996 HK\$ Million	1997 HK\$ Million	Restated 1998 HK\$ Million	Restated 1999 HK\$ Million	Restated 2000 HK\$ Million
<u>8,144</u>	<u>6,770</u>	<u>8,405</u>	<u>10,980</u>	<u>10,840</u>	<u>10,521</u>	<u>12,023</u>
3,101	3,605	2,239	1,882	1,922	3,217	2,480
-	-	-	(960)	(51)	294	-
<u>3,101</u>	<u>3,605</u>	<u>2,239</u>	<u>922</u>	<u>1,871</u>	<u>3,511</u>	<u>2,480</u>
2,060	2,278	2,593	1,793	1,790	1,881	1,908
93,378	85,215	98,326	93,434	71,651	73,362	77,237
7,048	4,181	2,769	4,463	3,842	5,197	4,972
1,698	2,328	4,324	7,824	7,107	5,258	1,901
483	97	104	238	349	506	433
1,731	2,128	2,391	2,432	653	575	570
12,778	10,118	8,337	8,777	8,529	12,536	7,179
(7,548)	(5,807)	(9,589)	(8,457)	(13,469)	(10,345)	(13,905)
<u>109,568</u>	<u>98,260</u>	<u>106,662</u>	<u>108,711</u>	<u>78,662</u>	<u>87,089</u>	<u>78,387</u>
2,168	2,169	2,300	2,295	2,295	2,446	2,446
<u>80,761</u>	<u>71,729</u>	<u>83,527</u>	<u>75,638</u>	<u>49,624</u>	<u>51,966</u>	54,158
82,929	73,898	85,827	77,933	51,919	54,412	56,604
3,054	3,054	-	-	-	-	-
20,363	18,570	15,983	25,997	22,322	26,802	17,301
3,082	2,556	4,382	4,264	3,903	5,368	4,004
140	182	470	517	518	507	478
<u>109,568</u>	<u>98,260</u>	<u>106,662</u>	<u>108,711</u>	<u>78,662</u>	<u>87,089</u>	<u>78,387</u>