

Annual Report 1999

Chairman's Statement



Chairman and Chief Executive
Gonzaga W J Li

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Since the fourth quarter of 1999, the economy of Hong Kong has been recovering gradually, with unemployment declining and domestic consumption increasing. Growth in tourist arrivals and the inflow of investment capital continue to stimulate business activities. Hong Kong's projected GDP growth continues to be more encouraging than expected. While further interest rate increases in the first half of 2000 are expected, market sentiment, boosted by cyber developments, the Disney investment and ample liquidity in the banking sector, remains positive and should continue to underpin the recovery of the economy. China's probable accession to the World Trade Organisation will benefit Hong Kong and the Greater China region.

Corporate Results

For the year ended December 31, 1999, Group profit attributable to shareholders was HK\$3,216.5 million, an increase of 72 per cent. Earnings per share were HK\$1.39 compared with HK\$0.82 for the preceding year, an increase of 70 per cent.

An interim dividend of 28 cents per share was paid in November 1999 and the Directors recommend a final dividend of 50 cents per share to be approved at the forthcoming Annual General Meeting.

Property

With the recovery of the Hong Kong economy, the rental market has been improving visibly. Vacancy rates in Hong Kong have dropped significantly overall, with the huge supply since 1998 largely absorbed. There will be very limited new supply of Grade A office space in the next several years and a recovery of office rental levels is expected to take place in the second half of 2000. The success of the Group's investment property portfolio is expected to be enhanced by this improving market.

The third tower of Gateway II will be put in the market later this year to capitalise on the cyclical turnaround. By adding 2.7 million square feet to Harbour City, Gateway II reflects a 36 per cent growth in Wharf's core investment property portfolio. When optimum occupancy is achieved, total rental billings of Wharf should amount to about HK\$4.25 billion per annum.

At present, the retail podium of Gateway II is virtually fully let, and the office space in the first two towers of Gateway II is more than 80 per cent leased.

Demand for luxury serviced apartments at Gateway II is strong, particularly from US corporations coming to Hong Kong in the wake of China's impending entry into the WTO, and from large international insurance companies wishing to tap the Mandatory Provident Fund market. Of the 190 serviced apartments at Gateway II launched since late 1999, more than 150 units have been let.

The Wharf Group has one of the strongest property management teams in the market and its ability to achieve substantial leasing in an extremely difficult market is testimony of management effectiveness. The third tower of Gateway II will come into a much stronger market in 2000 and we are confident that

this team will capitalise on the more favourable conditions.

The Group has significant interest in a developable residential landbank that should generate solid earnings in the next five to six years. Acquired in 1995 at a cost below market, the Peak luxury portfolio may provide substantial income when launched for sale in mid 2000. The Sham Tseng and MTRC Kowloon Station Package II developments will be released progressively to the market in due course. Negotiations with the Government in fixing the land use conversion premium have led to significant cost reductions and the sale of the landbank will probably turn in a profit with the gradual upturn of the residential property market, expected soon.

Hotels

In tandem with the economic recovery of the Asian region, tourist arrivals have been increasing steadily, with most of the tourists coming from the Mainland, Southeast Asia and Taiwan. Tourism-related activities have also been picking up and the operating margins of Marco Polo Hotels have been improving because of effective cost saving measures and the hotels' ability to raise average room rates at healthy occupancy levels.

The financial turmoil, which started in late 1997, forced the curtailment of certain initiatives to secure more management contracts in the Asian region. The management has, however, been on the look out for opportunities throughout this period, and believes that as the economy revives, it will be able to tap opportunities as they arise.

Communications



Deputy Chairman and
Managing Director
Stephen T H Ng (centre)
with (from left):
Executive Director
John Hung and
Directors Quinn Law,
KH Leung and T Y Ng

1999 was a watershed year for the Group's communications business. It saw not only the maturation of Hong Kong Cable's investment, but also the listing of i-CABLE Communications Limited on both the NASDAQ and the Hong Kong Stock Exchange. By attracting a broad base of institutional investors in North America, Europe, Asia and Hong Kong, the public floatation provided a valuation on this business unit. The asset base of the Wharf Group has, de facto, been substantially enlarged by the establishment of i-CABLE's enterprise value.

i-CABLE is well placed to take advantage of the opportunities provided by the convergence of the broadcasting and telecommunications industries. As a multimedia company with a broadband hybrid-fibre coaxial ("HFC") network that provides the last mile to the home, it offers a virtual total solution in enabling the implementation of the "triple play" strategy of bundling video, data and voice services under the same brand name. i-CABLE's first-mover advantage in broadband access technology puts it in a strong position to compete in the high tech market.

The Group is actively developing e-commerce and related contents, whether on B2B or B2C connections, in order to complement i-CABLE's multimedia capabilities and to take advantage of the technological synergies it provides. Its joint venture with Commerce One and other leading Hong Kong corporations should add substantial value to the Group.

New T&T continues to be an innovative mover in the telecommunications industry with its "Building e-Connections" vision. With the fall of the last monopoly in the telecom market, New T&T has built its own international gateway and has, in effect, become a full service provider. Its total broadband access platform will allow New T&T to offer near-perfect voice, data, audio and video conferencing capabilities,

from a general spectrum of product and service, to more focused data and bandwidth applications such as IP Connect, Broadband IP Connect and IP Multicasting, for Internet service providers, carriers and PABX customers.

Like its cable counterpart, New T&T achieved positive EBITDA during the year and earnings are expected to improve significantly in coming years. Now that it is, in effect, the fastest growing FTNS operator in Hong Kong, New T&T's accentuated fixed line business will enable the company to place less reliance on IDD revenue. Margins here are tightening because of competitive price-undercutting in the market.

Over the past years, the Wharf Communications group has assembled a strong management and technical team to exploit new technology opportunities in the areas of cable television, high speed Internet and telephony. Such expertise has enabled us to actively develop these dynamic businesses and meet the challenges of changing trends.

Terminals

Since becoming a subsidiary of the Group, Modern Terminals has been sustaining good growth while actively engaging in strategic development to enhance Modern Terminals' position as a leading terminal operator in Hong Kong. Modern Terminals' commitment in the development of the Container Terminal 9 project and the acquisition of a strategic stake in the container terminals operations in Western Shenzhen are both strategically compatible with the impending entry of China into the WTO.

In line with its enterprising corporate culture and outlook, Modern Terminals launched a new company logo to fully reflect its management initiatives in the development of the Group one step ahead of the challenges offered by the new millennium.

Group Finance

Improvements in the banking market have led to a more favourable climate for financing. The majority of the Group's financial requirements has been covered not only for the current year, but well into 2001. Average borrowing maturity within the portfolio has been lengthened at an average borrowing cost of under eight per cent per annum.

Total net debt has decreased from HK\$29 billion to approximately HK\$22 billion with diversified sources funding. Debt to asset ratio at 24 per cent is well below the Group's policy of not exceeding 30 per cent gearing.

Given the progressive sale through of its residential property landbank, the leasing of Gateway II, and the strong cashflow generated by both the telecommunications and terminal operations in the coming years, the Group has ample liquidity to seize future opportunities.

Going Forward

The Wharf Group is on a firmer footing than at any time during the past five years.

We see the economy decidedly on the rebound. Hong Kong is now looking at a four per cent GDP growth and the PRC is projecting a seven per cent GDP growth for 2000. China is poised for a significant economic rejuvenation after seven years of decline in growth, and Hong Kong corporates with the correct strategy can capitalise on these potentials. Given the Group's existing fundamentals and resources, especially in the form of telecommunication capabilities, and equipped as we are with a healthy portfolio of old and new economy businesses, we believe we will be among the corporates to benefit from an increasingly rosier future.

In the next five years, we see property forming 55 per cent of our business, telecommunications, 35 per cent, and terminals, 10 per cent. Whilst not forgetting the strength of our roots in core businesses, we continue to be alert in the pursuit of modern trends. Broadband access and Internet content businesses are obvious opportunities, but other new business lines will not be ignored.

Our team approach, hard work and dedication of the Group management and staff are all elements that are needed in these exciting times. On behalf of our shareholders and my fellow board members, I would like to record my heartfelt thanks to them all.

Gonzaga W J Li
Chairman and Chief Executive
Hong Kong, May 15, 2000

Financial Highlights

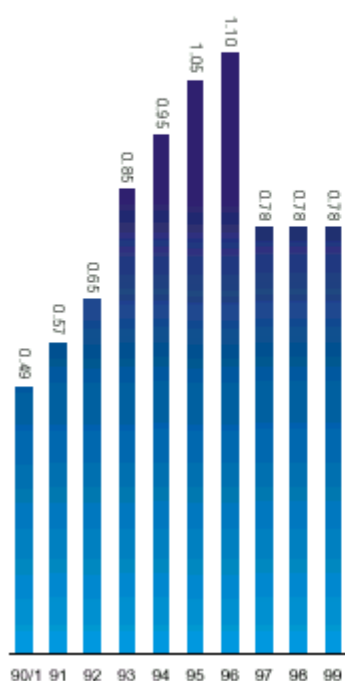
Summary of Group Results
(for the year ended December 31, 1999 in HK\$ Million)

	1999	1998 RESTATED
Turnover	<u>10,520.5</u>	<u>10,839.7</u>
Operating profit before borrowing costs and provision for properties	4,951.6	4,519.6
Borrowing costs	<u>(1,939.2)</u>	<u>(1,295.1)</u>
Operating profit before provision for properties	3,012.4	3,224.5
Provision for properties under redevelopment and for sales	<u>(1,508.0)</u>	<u>(676.0)</u>
Operating profit	1,504.4	2,548.5
Deemed profit on partial disposal of a subsidiary	3,593.5	-
Provision for litigation	<u>(1,000.0)</u>	<u>-</u>
Profit from ordinary activities	<u>4,097.9</u>	<u>2,548.5</u>
Share of profits less losses of associates	<u>64.6</u>	<u>722.5</u>
Group profit attributable to shareholders	<u>3,216.5</u>	<u>1,871.0</u>
Earnings per share (Note 1)	<u>HK\$1.39</u>	<u>HK\$0.82</u>
Earnings per share before provision for properties and litigation and deemed profit on partial disposal of a subsidiary	<u>HK\$0.92</u>	<u>HK\$1.11</u>
Total dividends per share	<u>HK\$0.78</u>	<u>HK\$0.78</u>

Notes:

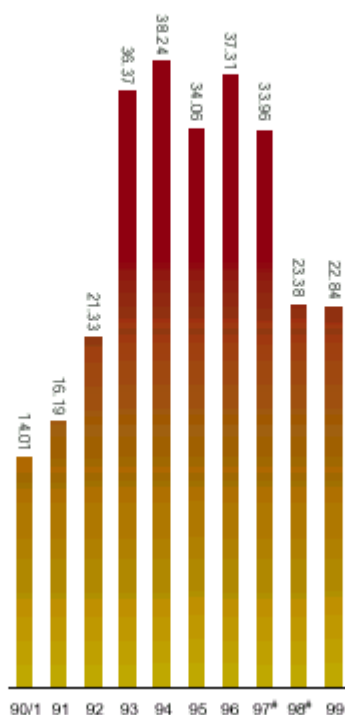
- (1) The calculation of earnings per share is based on the earnings for the year of HK\$3,216.5 million (1998 - HK\$1,871.1 million) and the weighted average of 2,320.7 million shares (1998 - 2,295.1 million shares) in issue during the year.

DIVIDENDS PER SHARE (HK\$)



NET ASSET VALUE PER SHARE

(HK\$)
#Restated

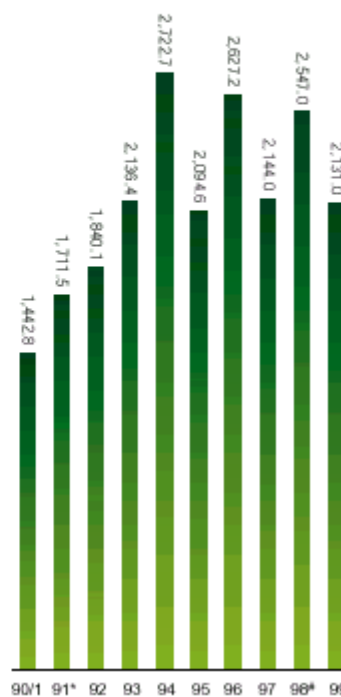


GROUP PROFIT (BEFORE EXCEPTIONAL ITEMS)

(HK\$ Million)

#Restated

*On an annualised basis



TURNOVER (HK\$ Million)



Property	4,307.4	(40.9%)
Terminal	2,887.4	(27.5%)
i-CABLE	1,318.5	(12.5%)
Hotels	571.1	(5.4%)
Others	1,436.1	(13.7%)
Turnover	HK\$ 10,520.5 Million	

OPERATING PROFIT/(LOSS) BEFORE BORROWING COSTS AND PROVISION FOR PROPERTIES (HK\$ Million)



Property	2,693.9
Terminal	1,644.1
i-CABLE	(331.8)
Hotels	82.0
Others	863.4
Profits	HK\$ 4,951.6 Million

* Borrowing cost amounted to HK\$ 1,939.2 million for the year.

PROPERTY INVESTMENT PORTFOLIO (Sq Ft)



Office	6,765,000
Retail	4,227,000
Hotel	1,255,000
Residential	1,050,000
Industrial	1,515,000
Club house	139,000
Total gross floor area	14,951,000 (sq ft)

Property



From left:
David Yip
Doreen Lee
Canis Lee
K C Leung
Karen Tam
Yvonne Wong
Dave Siu

After generating a 2.9 per cent year-on-year GDP growth for 1999, the economy of Hong Kong continues to recover gradually with unemployment declining to 5.7 per cent in January 2000. Despite acceptance of further increases in interest rates in the first half of 2000, positive market sentiment, boosted by cyber developments, the Disney investment by the Hong Kong Government and ample liquidity in the banking sector should continue to underpin the recovery of the economy.

Property Investment

The Wharf Group has more than 30 years of experience in property management and has one of the strongest management teams in the market. Its proactive marketing approach has been instrumental in maintaining consistently high occupancy levels in both the retail and office portfolios. As befits its reputation of being the pioneer in the development of the one-stop-shopping product in Hong Kong, the team focuses on the active management of an optimal trade mix and lease structure that serve not only to draw potential from cross marketing but also add synergistic value to other Group's assets. The immediate testimony of the team's marketing effectiveness has been the success in achieving substantial leasing in an extremely difficult market. The Group has a total of 11.8 million square feet of property investment, represented primarily by Harbour City, Gateway II and Times Square.

Harbour City

With the recovery of the Hong Kong economy, the rental market has been improving visibly. Overall vacancy rates in Hong Kong have dropped significantly as the large supply since 1998 has largely been absorbed. New supply of Grade A office space will be very limited in the next several years. A recovery of office rental levels is expected to take place during the second half of 2000, and the success of the Group's investment property portfolio is expected to be enhanced by this improving market.

Harbour City, including the Gateway, maintained an office occupancy of about 91 per cent at the end of 1999. During 1999, an occupation permit for an additional 1.57 million square feet of office space at Gateway II was obtained. Following the commitment of CMG Asia Life Assurance, another major anchor tenant, Prudential Assurance Co Ltd also agreed to lease about 140,000 square feet of office space at Gateway II. Both tenants were given naming rights to their respective office towers. A number of anchor tenants whose tenancies will expire in 2000 have renewed their leases. At present, the office space in the first two towers of Gateway II is over 80 per cent let.



The third tower of Gateway II will be put to the market later this year to capitalise on the cyclical turnaround. By adding 2.7 million square feet to Harbour City, Gateway II reflects a 36 per cent growth for Wharf's core investment property portfolio. When optimum occupancy is achieved, this should bring total rental billings of Wharf to about HK\$4.25 billion per annum.

Demand for luxury flats and serviced apartments is strong, particularly from US corporations keen to enter Hong Kong amidst expectations of the mainland's imminent entry into the World Trade Organisation. Of the 190 serviced apartments at Gateway II launched in the 4th quarter of 1999, over 150 units have already been let.

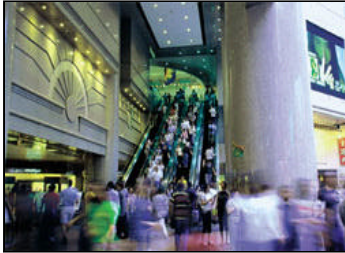
With a GDP growth of 2.9 per cent for 1999, an improvement in retail sales, particularly during the cold weather last December, and an increase in tourist arrivals, the retail market appears to be on the path of recovery.

Harbour City maintained a retail occupancy rate of about 92 per cent at the end of 1999. At present, the 400,000 square foot retail space at Gateway II is virtually fully let and quickly established its popularity and strengthened the Harbour City retail mall.

Louis Vuitton is expanding its store in Kowloon and opened a 14,000 square foot flag ship store at Ocean Centre in March 2000.



Times Square



With an expected drop in the overall supply of new office space in the next few years and vacancies being filled up gradually, any increase in demand will very likely drive up office rents. Among the tenancies due for reversion in 2000, about half of them have already been renewed.

An average office occupancy rate of about 92 per cent was maintained during the first half of 1999. Following the moving out of some office tenants upon expiry of their leases, the occupancy rate dropped to about 73 per cent at the end of 1999. Subsequent to the year under review, Disney is committed to taking up about 80,000 square feet of office space in February 2000 at a reasonable market rental. This demonstrates that Times Square remains a favoured location for leading corporates.

The retail podium of Times Square enjoyed a 100 per cent occupancy at the end of 1999 following a major renewal for most of the retail tenancies in the year. Less than 10 per cent of the retail tenancies are due for expiry in 2000. Given the popularity of the Times Square retail mall, a satisfactory occupancy can be maintained for 2000.



Plaza Hollywood

Plaza Hollywood has successfully established its image as a regional mall in the East Kowloon area. As a 560,000 square foot mall specifically built to provide a range of mid-priced merchandise and conveniently located above the MTR Diamond Hill station, Plaza Hollywood maintained an occupancy of about 99 per cent at the end of 1999.

About 22 per cent of the tenancies are due for renewal in 2000 and the Group has taken steps to review the quality of the trade mix and negotiate with the existing tenants for lease renewals.

Property Development

The Group has meaningful interests in a developable residential landbank in Hong Kong, comprising Peak properties, Serenade Cove, the amalgamated Waterloo Road site, Kowloon Godown and Galaxia. The Group also holds interests in a Sham Tseng site and Kowloon Station Package II through its associates.

Galaxia, Diamond Hill

This development has a site area of 280,510 square feet. Completed in July 1998, it provides a gross area of 1,226,354 square feet of residential accommodation.

Since the sales launch in January 1998, 1,646 units out of the total 1,684 units, ranging from 650 to 760 square feet, were sold at an average price of approximately HK\$5,500 per square foot.



Former San Miguel Site, Sham Tseng



This 494,700 square foot site was acquired by private sale in 1994. Foundation works commenced in April 1999. Approval has been secured to increase the total development area from 2.5 million square feet to 2.8 million square feet and the number of residential units was increased from 2,756 to 3,354. Land premium negotiation with the Government was finalised in April 1999. Foundation works for the whole development and pile caps works for Towers 2 to 8 have been completed. Superstructure works for Phase I (Towers 6 and 7) commenced on December 6,

1999 and is expected to be completed in first quarter of 2003. Amendment General Building Plan of Enlarged CDA site was approved on February 10, 2000. Superstructure works for Phase 2 (Towers 8 and 9) commenced on February 11, 2000 and is expected to be completed by the third quarter of 2003.

Kowloon Station Package II, Kowloon

In October 1997, a consortium of five equal partners won the tender to develop a key residential site in the new MTR Kowloon Station. This development, which will be built in phases, will comprise over 2.3 million square feet of high quality residential accommodation commanding panoramic harbour view. The revised land premium was accepted in March 1999 which reflects a significant reduction from the original offer. Foundation works commenced in April 1999. Submission of superstructure plans is on schedule. Superstructure contracts will be awarded soon. Completion of this development is scheduled for the second quarter of 2003.



Peak Properties, Serenade Cove and Waterloo Road Site



On the Peak, the Company is currently redeveloping 3 sites, which will in total offer 179,000 square feet of high quality residences. Superstructure works at Mountain Court, Chelsea Court and Hillview/ Hillcrest are in progress. Redevelopment of Gough Hill Path is under study. Acquired in 1995 at a cost below market, the sale of Mountain Court and Chelsea Court should generate substantial income as and when they are launched for sale in mid 2000.

Under the non-consent scheme of old site redevelopment, Serenade Cove, comprising 792 units in sizes ranging from 500 to 900 square feet, has received a good market response with over 90 per cent of the launched units sold during the pre-sales in April 1999. Superstructure work of this 598,600 square foot Tsuen Wan residential development is underway. Completion is scheduled for the end of 2000.

Approval for the development of the Waterloo site into a residential property comprising 86 units was received. Negotiation on the land premium for combining two lots was finalised with Government in March 1999. Foundation works was completed and superstructure works is in progress. Preparations are underway for pre-sales targeted in the third quarter of 2000.

Kowloon Godown, Yau Tong Godown and Cable TV Tower South

Currently let as warehouse space, the Kowloon Godown achieved over 70 per cent occupancy in 1999. 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.

Acquired in mid-1995, the Yau Tong Godown is being leased as warehouse space. This 31,000 square foot site has been rezoned for "Residential (Group E)" which allows residential property to be built.

Demolition of Cable TV Tower South, an old godown building, was completed. Plans for redevelopment of the property into serviced apartment are under town planning study in response to the proposed West

Rail project.

Delta House and Cable TV Tower

Acquired at a Government land auction in March 1994, the Shatin Town Lot 422 site was developed into Delta House, a 24-storey industrial/office building of 349,000 square feet. It was completed in February 1999. Official marketing launch of the project for lease commenced in November 1999.

Comprising a total gross floor area of 523,000 square feet, Cable TV Tower, has been leased primarily by Hong Kong Cable Television Limited, a 79.45 per cent-owned subsidiary of the Group.

The Mainland

Since the inception of our programmes on the Mainland, capital expenditure has been controlled, with over HK\$3.7 billion being invested so far. In 1999, the Group made steady progress according to its investment schedules.

Beijing



87.5 per cent owned by the Group, Beijing Capital Times Square is a retail and office development of up to 1.1 million square feet at a prime location on West Chang An Street, in Xidan District of Beijing. It is being developed by a joint venture company led by a wholly-owned subsidiary of the Group. The project has been completed with occupancy by tenants scheduled in April 2000 and leasing is in progress. In terms of the leasing floor area, about 60 per cent and 50 per cent of retail and office space have been committed respectively.

Shanghai



Shanghai Times Square is a retail, office and apartment development of up to 1.1 million square feet at a prime location on Huai Hai Zhong Road in central Puxi District of Shanghai. It is being developed under a joint venture agreement signed in June 1993. The project has been completed for scheduled opening in April 2000 and leasing is in progress. In terms of the leasing floor area, about 60 per cent and 40 per cent of retail and office space have been committed respectively.

Singapore

The Glencaird Residences

Wharf International Limited acquired Glencaird, previously the Australian Embassy in Singapore, in a tender in October 1994. The acquisition of this 195,000 square foot site in Singapore's exclusive District 10, tendered on behalf of the Australian Government, was completed in July 1996. The Group is developing the site into 11 large luxury houses and construction will be completed in the first quarter of 2000.



The project has been well received by the market and nine bungalows have been sold at an average price of S\$13.75 million with 93 per cent of progress payments received. The remaining three houses are now being offered for sale.

Hotels



The financial turmoil which started in late 1997 enforced the curtailment of certain initiatives to secure more management contracts in the Asian region. The management has however been watchful over opportunities throughout this period, and will be able to tap opportunities as these may arise in the wake of the economic revival.

In Hong Kong, the Group operates three hotels: The Hongkong Hotel, The Marco Polo, Hong Kong and The Prince, Hong Kong. Marco Polo Hotels continues to operate, on a management contract basis without equity participation, hotels in Saigon (Ho Chi Minh City), Davao and Xiamen.



The economic recovery in Asia has caused an increase in tourist arrivals in Hong Kong.

According to the statistics from the Hong Kong Tourist Association, tourist arrivals for the period from January to December 1999 were 10.68 million, an increase of 11.5 per cent from the same period in 1998. The increase mainly came from the Mainland, South East Asia and Taiwan.

The performance of Marco Polo Hotels was helped by the regional economic recovery. Consolidated occupancy for the three Hong Kong hotels in 1999 was higher than last year at 84 per cent. Although average room rates continued to decline, a slightly higher operating profit than in the previous year was achieved due to effective cost saving measures. Efforts will continue to be made to maximise revenues and minimise operating costs.

Communications



From left:
Eric Lo
Benjamin Tong
Vince Lam
May Fung
Ronald Chiu
Samuel Wong
Antony Law

The Wharf Communications group has, over the years, assembled a strong management and technical team to exploit technology opportunities in the areas of cable television, high speed Internet and telephony. Upon providing a useful currency for the communications business through the i-CABLE listing, this team has emerged as seasoned in managing a multimedia platform based on the broadband hybrid fibre coaxial (HFC) network within Hong Kong as the regional telecommunications hub. It is also on the frontier of global IT revolution that makes them alert to the dynamics and challenges of changing trends. In actively developing ecommerce and related contents, the Group through this management team effectively owns a unique experience and know-how that could not be matched by any of the existing and potential competitors in the market.



www.cabletv.com.hk

Hong Kong Cable Television Limited (HKC)

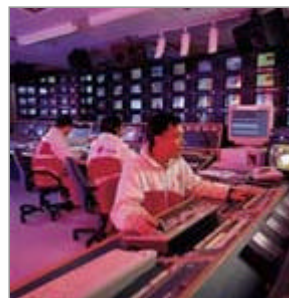
1999 saw the successful listing of i-CABLE Communications Limited ?a new holding company that encompasses the Group's telecommunications activities except New T&T - in the US and on the Hong Kong Stock Exchange. By attracting a broad base of institutional investors in North America, Europe, Asia and Hong Kong, the public floatation and its valuation provides a useful currency for this business unit. The asset base of the Wharf Group has de facto been substantially enlarged by the establishment of i-CABLE's enterprise value.

i-CABLE is well placed to take advantage of the opportunities provided by the convergence of the broadcasting and telecommunications industries. As a multimedia company with a broadband hybrid-fibre coaxial network that provides the last mile to the home, it offers a virtual total solution in enabling the implementation of the "triple play" strategy of bundling video, data and voice services under the same brand name. i-CABLE's first-mover advantage in broadband access technology puts it in a strong position to compete in the high tech market.



HKC's subscription television broadcasting licence was renewed following a satisfactory review of its performance by the Government. It has already taken proactive steps to maintain its leading position in the pay TV market. Among them is the acquisition of exclusive local broadcasting rights for the European Football Championship this year and the FIFA World Cup 2002.

Subscription growth returned to double digit in terms of percentage during the year. Over 120,000 new subscribers were connected to our service with the SIF standing at over 450,000 at the end of 1999, which represented a 12 per cent growth over 1998. Net churn was controlled to be below 1.5 per cent per month. Independent surveys showed the HKC's daily viewership continued to rise last year for the fourth consecutive year. The number of HFC homes surpassed the number of MMDS homes during the last quarter of 1999. About 60 per cent of the 1.67 million homes covered by HKC's network are now fibre homes.



<http://www.i-cable.com/>

Nine months after the launch of i-CABLE - a dial-up Internet access service, it has become one of the top five ISPs in Hong Kong, with over 160,000 registered users by the end of 1999. With an FTNS licence awarded by the Government in January this year, HKC launched a high speed broadband Internet access service based on cable modem technology at the end of the same month. Close to one million homes (in 4,000 buildings) in Hong Kong will be able to subscribe to cable modem service by the end of 2000. New content of the company's portal site will be introduced in stages during the first quarter of 2000.

Today, all targets, whether operational, financial and developmental, have been achieved according to plans. The Group's objectives for 2000 are in the process of being progressively realised.

The Group is actively developing e-commerce and related contents, whether on B2B or B2C connections, in order to complement i-CABLE's multimedia capabilities and to take advantage of its technological synergy. Its joint venture with Commerce One and other leading Hong Kong corporations, should add substantial value to the Group.



NEW T&T

New T&T continued to be an innovative mover in the telecommunications industry with its building e-Connections vision. With the fall of the final monopoly in the telecom market, New T&T has built its own international gateway and has in effect become a full service provider.



<http://www.newtt.com.hk/>

Reduction in the cost of goods, business growth of products and the right sizing of staff requirements have enabled the company to achieve positive EBITDA during the year. Earnings are expected to improve significantly in coming years with an accentuated fixed line business, thereby placing less reliance on IDD revenue. New T&T is in effect the fastest growing FTNS operator in Hong Kong.

The advent of ISR operations in Hong Kong on January 1, 1999 enables New T&T to bypass Hongkong Telecom's gateway and to directly connect to various international networks offering IDD 007 access to over 200 countries world-wide.

New T&T has launched new services during the year including ATM, broadband IP and multimedia conferencing. The company's move from a general spectrum of product and service offerings to more focused data and bandwidth applications continued with the successful IP Connect and IDA-P for carriers and PABX customers. Significant major accounts such as Merrill Lynch, CMG Asia and Winterthur Life Insurance show New T&T's capability to acquire and serve large new customers. New initiatives such as more IP-based services, public payphones and multi site hubbing are under planning to produce new revenue streams and to cut costs further.



In 1999, over 80,000 business lines were acquired while the carrier and wholesale business exceeded expectations. The commercial building access rollout program continued during the year and brought the total number of direct access commercial buildings to 198 and residential buildings to 76.

The Mobile Number Portability (MNP) mandated by OFTA was successfully launched in March by New T&T in conjunction with other operators.

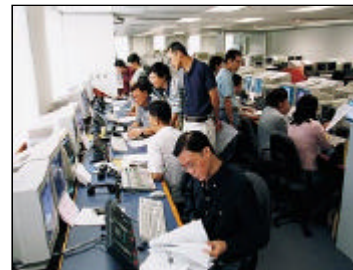


www.col.com.hk

COL LIMITED

COL experienced a challenging year with many of our traditional customers reducing or postponing IT related expenditure due to the difficult economic situation experienced in the early part of the year and Y2K related concerns. Significant improvement was seen in the later part of the year, particularly in the areas of Data Centre Services and Financial Planning application software.

Despite the loss of a number of traditional clients during the year due to business and related systems downsizing, growth in the Data Centre Services backlog of contracted business was achieved during the year. Particular success was achieved in the areas of Business Recovery and Disaster Recovery services with a significant number of new name clients being secured during the later part of the year contributing to a backlog growth for these services in excess of 55 per cent. The facilities expansion program started in 1998 was continued in 1999 and is planned to accelerate in 2000 based on increased demand for these services.



Following a record year in 1998, business levels in this area experienced contraction in 1999. This was primarily due to lower than expected demand for Y2K related services, reduced customer staff outsourcing requirements, and a relatively low number of new project starts as customers facing Y2K concerns implemented software "change freezes" for a substantial part of the year. Despite the generally difficult environment, major contracts were secured for implementation of Financial Planning and e-commerce applications in the later part of the year.

Due to the relatively low levels of hardware sales achieved in 1998, hardware maintenance revenues in 1999 remained constant.

Continuing the trend observed in the later part of 1998, the hardware sales situation remained difficult throughout 1999. This situation can largely be attributed to major capital expenditure being deferred throughout the year and Y2K related change freezes implemented in the last quarter of the year.

Terminals

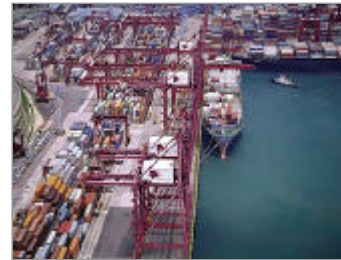


From left:
Erik Bøgh Christensen
Sean A Kelly
V K Sou
John Lee

The new management of Modern Terminals has been instrumental in achieving significant productivity improvements and generating business growth while actively engaged in strategic development with the objective of enhancing Modern Terminals' position as a leading terminal operator in Hong Kong. Key management initiatives are the commitment in the development of the Container Terminal 9 project and the acquisition of a strategic stake in the container terminals operations in Western Shenzhen that is strategically compatible with the impending entry of China into the WTO. In line with its enterprising corporate culture and outlook, Modern Terminals has launched a new company logo to fully reflect management' s initiatives in meeting the challenges offered by the new millennium.

Modern Terminals, a 50.8 per cent-owned subsidiary, continued improving its market position and made strategic investment in Mainland China.

On the background of continued strong consumer demand in the USA and some improvements in the Intra Asia trade, container volumes showed satisfactory growth during 1999. Throughput volumes at container terminals to and from the South China region, including Hong Kong, registered an overall growth of 12.6 per cent equivalent to over 1.3 million twenty-foot-equivalent units (TEUs). Hong Kong ports attracted almost 40 per cent of this growth.



Modern Terminals handled a total of 2.60 million TEUs in 1999, up 9.6 per cent over the previous year. This compared favourably with an overall market growth in Hong Kong of 6.1 per cent.

During the year, Modern Terminals continued to improve its services, productivity and efficiencies. The company was selected as a winner of the prestigious Hong Kong Productivity Council Productivity Award for Services 1999.

At the end of 1998, Modern Terminals was committed to participating in the development of the Container Terminal 9 (CT9) project in Hong Kong. Of the six berths to be developed at CT9, Modern Terminals will occupy the four southern berths after swapping its two berths at Container Terminal 8 with Asia Container Terminals. The completion of this project would greatly enhance Modern Terminals' position as a leading terminal operator in Hong Kong. The main civil contract was issued for tender towards the end of 1999 and contract award is expected by May 2000.

Modern Terminals' interest and engagement in container terminal operations in Western Shenzhen, PRC had also been strengthened further with the acquisition of a 20 per cent stake in Keifeng Terminals in early 2000 through a joint venture with China Merchants International (Modern Terminals holds 40 per cent in this joint venture).

As part of the efforts to affirm its preparedness to meet the challenges of the new millennium, the company launched a new company logo in early December 1999 to project the image of a modern, dynamic, innovative and flexible company as befits Modern Terminals.

Air Cargo Terminals

Hong Kong Air Cargo Terminals Limited (HACTL) in which the Group holds a 12.5 per cent stake, recorded a throughput of 1.58 million tonnes in 1999, comparing favourably to 1.46 million tonnes in the previous year and representing a year-on-year growth of eight per cent. Apart from its cost rationalization programs, the company has been focusing on further enhancement of its service quality to its customers. HACTL continued to lead the Hong Kong air cargo industry with its premier facilities and outstanding services



Super Terminal 1

Transport

The 30-year franchise of the Cross-Harbour Tunnel Company (CHT) expired on August 31, 1999.

Hong Kong Tunnel & Highways Management Company Limited was established to manage the cross-harbour tunnel with effect from September 1, 1999. Efficient traffic flow and full operation of all systems were maintained.

CHT also holds a 37 per cent stake in the Western Harbour Tunnel (WHT), a dual three-lane carriageway linking the West Kowloon Reclamation to the Western District on Hong Kong Island. This cross-harbour infrastructure has been under-utilised since opening in 1997 mainly because of the toll differences among the three cross-harbour tunnels as well as the capacity limitation on the approach roads leading to and from this tunnel. The daily throughput of this tunnel has improved as a result of the toll increase for private cars at the cross-harbour tunnel on September 1, 1999. The market share, however, has only slightly improved.



Western Harbour Tunnel (WHT)

During the year under review, both the "Star" Ferry and Hongkong Tramways continued to provide excellent services to the public and remained popular with tourists. According to a local survey, "Star" Ferry was ranked No. 1 in ferry services and No. 3 in overall rating for the entire public transport industry in Hong Kong. "Star" Ferry service was also named in the "50 places of a lifetime" by the National Geographic Traveller in its special collector's issue in 1999.

Corporate



From left:
Louisa Chiu
Lawrence Lee
Peter Pao
Man Yuet Ho
Wilson Chan
Gary Shing

Corporate Finance

Review of 1999 Results and Segmental Performance

The Group reported a profit attributable to shareholders of HK\$3,216.5 million for the year ended December 31, 1999, an increase of 72 per cent from the HK\$1,871.0 million achieved in 1998. The profit for the year included an exceptional gain of HK\$3,593.5 million arising from spin off of i-CABLE Communications Limited and provisions made for contingencies from litigation case of HK\$1.0 billion and for certain properties under development of HK\$1,508.0 million. Earnings per share were HK\$1.39 compared to HK\$0.82 for the previous year.

Turnover for the year was HK\$10,520.5 million, as compared with HK\$10,839.7 recorded in 1998. Lower turnover was reported from the Group's telecommunication business as a result of market competition while Cable Television and Modern Terminals reported a growth in turnover. During the year, there was net income of HK\$1,088 million from disposal of certain long term investments.

Operating profit before borrowing costs and provision for properties for the year was HK\$4,951.6 million, increased by 10 percent from the HK\$4,519.6 million in 1998.

Contribution from the Group's investment properties decreased by eight per cent but was offset by increased profit from Modern Terminals as a result of increase in throughput. The Group started to pre-sale the Serenade Cove project during the year and the profit will be recognised over the development period.

Net borrowing costs charged for the year was HK\$1,939.2 million. This compared to HK\$1,295.1 million in 1998. The charge was after capitalisation of HK\$722.2 million, compared to HK\$821.7 million in 1998. The costs for the year also included an amount of HK\$365.8 million in respect of deferred borrowing costs written off on early repayment of loans.

The share of profit in associates was HK\$64.6 million. The amount recorded in 1998 was HK\$722.5 million, including substantially the Share of profit from the sale of Galaxia's residential units.

As a result, the Group's profit before taxation was HK\$4,162.5 million, increased by 27 per cent from the HK\$3,271.0 million reported in 1998.

Taxation charge for 1999 was HK\$263.7 million. The amount for 1998 was HK\$740.0 million. The decrease for the year mainly resulted from the availability of capital allowances after certain investment properties were completed during the year. The charge for 1998 included also the share of tax attributable to the sale of Galaxia's residential units.

Minority interests were HK\$682.3 million, compared to HK\$660.0 million in 1998.

Further information on the segmental details is provided in the Report of the Directors on page 55 and Note 2 to the Accounts on page 79. Further operating information on the Group's various business units is also provided in business review section on pages 14 to 37.

In accordance with established accounting policies, the Group's investment and hotel property interests were revalued at December 31, 1999. On that basis, the consolidated net asset value of the Group at that date was HK\$22.84 per share, compared to HK\$23.38 per share at the end of 1998 (as restated).

Liquidity and Capital Resources

As at December 31, 1999, the ratio of net debt to total assets decreased to 24 per cent. The ratio at the end of 1998 was 30 per cent. The Group's net debt decreased from HK\$28.5 billion at the end of 1998 to HK\$21.6 billion at December 31, 1999. The amount was made up of HK\$29.8 billion in debts and HK\$8.2 billion in deposits and cash.

During 1999, net cash generated from the Group's operating activities amounted to HK\$7.2 billion. Other investment activities included HK\$2.5 billion in expenditure on purchase of fixed assets and a net receipt of HK\$4.1 billion from disposal of long-term investments.

In November 1999, the Group completed the spin off of i-CABLE raising proceeds of HK\$4.1 billion. As at December 30, 1999, nearly 90 per cent of the bonus warrants were exercised to subscribe for ordinary shares of the Company. As a result, 102.6 million ordinary shares were issued during the year and the proceeds received thereof totalled HK\$1.8 billion.

The debt maturity profile of the Group at the end of 1999 is analysed as follows:

Debt Maturity	HK\$ Billion
Repayable within 1 year	3.4
Repayable between 1 to 2 years	7.1
Repayable between 2 to 5 years	16.5
Repayable after 5 years	2.8
Total	29.8

During the year, the Group completed a US\$575.2 million asset-backed notes issue in international capital markets. The Group concluded a HK\$4.0 billion syndicated loan facility for refinancing its Times Square project.

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

The Group's borrowings are primarily denominated in Hong Kong and US dollars. The Japanese Yen liabilities on the Yen33 billion Samurai bonds issued in 1994 were converted into US dollars denominated liabilities through swap contracts. The Group has no significant exposure to foreign exchange fluctuation.

The use of financial derivative products is strictly controlled. The majority of the derivative products 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, 1999, the Group maintained a portfolio of long term investments, primarily in blue-chip securities, with a market value of HK\$5.2 billion. There is no significant change in the mix of this portfolio during the year.

The Year 2000 Issue

The Group had completed all Year 2000 compliance activities by September 30, 1999 and had a successful transition to the year 2000. There have been no reported incidents on the issue as all systems and equipment functioned as normal throughout the monitoring period up to and including February 29, 2000.

The Group has so far spent about HK\$60.8 million to resolve the Year 2000 problem. All these costs are recognised as expenses when incurred except those incurred for the replacement of hardware and software for enhancing the capacity and capability of major systems, which are capitalised and amortised according to general accounting principles.

UIH Litigation Case

Following the submission of appeal briefs by both parties, there was an oral hearing, in the Court of Appeals, in early March 1999. On appeal, the Company had pressed its argument that the United States court did not have jurisdiction and that the verdict is inconsistent with the applicable law and not supported by the evidence.

On May 1, 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 Company has submitted a petition for rehearing by the entire Tenth Circuit Court in Denver, Colorado, USA.

For other details, please refer to previous annual reports and Note 25 to the Accounts in respect of the Group's Contingent Liabilities.

ADS Litigation Case

On March 9, 2000, the Hong Kong Court of Final Appeal unanimously dismissed 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. The proceedings against Wheelock Marden & Company Limited arose out of events which occurred prior to March 1985 when the Wheelock Marden Group was acquired, following a contested takeover by the Wharf Group. This long drawn out litigation, which has lasted for some twelve years, is now at an end.

Corporate Affairs

Investor Relations

Visit our website: <http://www.wharf-holdings.com/>

The Corporate Affairs unit continued its efforts to keep the investment community fully informed of the latest developments within the Group. To ensure that Wharf's business philosophy and strategies were fully understood, the unit maintained an active campaign of financial presentations and regular mailings. This campaign was supported by on-going media and community relations programmes.

Four brochures on joint ventures, retail malls, communications and container terminal operations were produced. A completely redesigned web-site was launched on the Internet, in conjunction with the debut of the renamed group magazine "Icon".

During the year, the Group received innumerable company visits by international fund managers, brokers and intermediaries at the Group's corporate office. Presentations and briefings on Wharf's telecommunications and container terminal businesses were also arranged.

To reach a wider investor audience, Wharf participated in the Investor and Financial Communications

Seminar organised by Asian PR News, the Financial Intelligence Agency Conference and Paribas-sponsored European Investor Conference held in Hong Kong. Executive Director John Hung gave a series of presentations at roadshows in Europe, the United States and Canada throughout the year.

Disclosure of further corporate information

Set out below is 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 4(b) to the Accounts on page 80.

(b) Bandings

The emoluments in respect of the year ended December 31, 1999 of all the Directors of the Company in office during the year were in the following ranges:-

BANDS (IN HK\$)	NUMBER
(1) Not more than \$1,000,000	5
(2) \$2,000,001 – \$2,500,000	1
(3) \$2,500,001 – \$3,000,000	1
(4) \$3,000,001 – \$3,500,000	1
(5) \$7,500,001 – \$8,000,000	1
(6) \$8,500,001 – \$9,000,000	1*
	<u>10</u>

Note: The emoluments of a Director in band marked * above include deemed profit on share option exercise totalling HK\$1.3 million.

(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 4(b) to the Accounts on page 80.

(III) 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, 1999 of three 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.

(a) Aggregate Emoluments

	HK\$ MILLION
(1) basic salaries, housing allowances, other allowances, and benefits in kind	6.4
(2) deemed profit on share option exercise	0.1
(3) contributions to pension schemes	0.5
(4) discretionary bonuses and/or performance-related bonuses	4.2
(5) compensation for loss of office	-
(6) inducement for joining the Group	-
Total	<u>11.2</u>

(b) Bandings

BANDS (IN HK\$)	NUMBER
\$3,000,001 – \$3,500,000	1
\$3,500,001 – \$4,000,000	1
\$4,000,001 – \$4,500,000	1*
	<u>3</u>

Note: The remuneration of the employee marked * as disclosed above includes deemed profit on share option exercise shown in (a)(2) above.

(B) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS

(I) Directors

Gonzaga W J Li, Chairman and Chief Executive (Age: 70)

Mr Li joined Wharf in 1980 as a Director and was also 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"), i-CABLE Communications Limited ("i-CABLE"), Modern Terminals Limited ("MTL"), Harbour Centre Development Limited ("HCDL"), Beauforte Investors Corporation Limited ("BIC"), The Cross-Harbour Tunnel Company, Limited ("CHT"), 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. 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: 47)

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 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 chairman and managing director of New T&T Hong Kong Limited ("New T&T") and vice chairman of Wheelock. Furthermore, he is a director of WF Investment, which, as well as Wheelock are each deemed under 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: 61)

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 a 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. Mr Hung is also the managing director of Western Harbour Tunnel Company Limited ("WHT") and the vice-chairman of HKC. He is also a director of i-CABLE and MPDL in Singapore. He serves as the Government appointed chairman of the Hong Kong Sports Development Board. On July 1, 1999, he was awarded the Silver Bauhinia Star ("SBS") of The Government of the Hong Kong Special Administrative Region.

Robert H Burns, Director (Age: 70)

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: 47)

Mr Law has been a Director of the Company since June 1998. He is 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. He is also a director of CHT, MTL, WHT and MPDL in Singapore.

K H Leung, Director (Age: 55)

Mr Leung has been a Director of the Company since June 1998. He is a finance director of Wheelock and a director of New Asia. He is also 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: 60)

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

T Y Ng, Director (Age: 52)

Mr Ng has been a Director of the Company since June 1998. He is a director of Wheelock, BIC, HC DL, New Asia, RDC and MPDL in Singapore. He is also 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 three Directors holding executive offices of the Company as named under (B)(I) above. Only those three 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 their 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, 1999 amounted to HK\$102.5 million after a forfeiture of the Group's contributions of HK\$11.3 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, 1999	8%	9%	106%
(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, 1999:-

- (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) 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 arising from the Spin-off and Listing of 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 79.45 per cent-owned subsidiary of the Company) which are required under conditional waivers granted by the Stock Exchange to be disclosed in the Annual Report and Accounts 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\$2,750 and HK\$4,000, respectively.

The aggregate rental, licence fee and management fee received from the above-mentioned properties for the year ended December 31, 1999 was HK\$34,597,590.

- 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, 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, 1999 was HK\$1,774,431.

- 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 for the above-mentioned properties for the year ended December 31, 1999 was approximately HK\$825,000.

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. Until the end of January 1999, the i-CABLE Group also paid a monthly car-parking fee to Metropark of HK\$1,500 per car-parking space at Tsuen Wan Pier and HK\$2,800 per car-parking space at World Trade Square. The car-parking fee received by Metropark from HKC for the year ended December 31, 1999 was HK\$1,832,394.

2. Computer Services

- a. 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, 1999 were HK\$8,346,000.

- 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, 1999 were HK\$6,080,000.

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, 1999, an amount of HK\$3,212,000 was charged by HKC against New T&T in relation to repair works for ducts and cables.

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 a corporate customer. The leased datalines and PNETS charges received for the year ended December 31, 1999 were HK\$6,391,935.

d. Project Management Services Agreement

On November 1, 1999, Wharf Communications Network Limited ("WCN"), 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, WCN 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, WCN 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, 1999 were HK\$604,834.

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 Cable & Wireless 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. The annual payments by the i-CABLE Group to New T&T under the interim agreement for the year ended December 31, 1999 were HK\$48,327.

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, 1999 was HK\$1,091,000.

5. Management Services

As part of the Reorganisation, 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 service fees received by the Group for the year ended December 31, 1999 were HK\$2,600,000.

6. Convertible Bonds

As part of the Reorganisation, certain Convertible Bonds for an amount of HK\$1.8 billion were issued by i-CABLE to Wharf Communications 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 Wharf Communications was HK\$7,400,000 for the year ended December 31, 1999. During the four-year term of the Convertible Bonds, Wharf Communications 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. 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 1a, 2a, 2b and 6 (the "Connected Transactions").

8. 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 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, 1999 of the Company did not exceed the relevant cap amounts (the “Cap Amounts”) stated below:-

TRANSACTIONS STATED IN PARAGRAPH NUMBERED	CAP AMOUNTS
1a	1 per cent of the Group’s turnover for the year ended December 31, 1998
2a	0.5 per cent of the Group’s turnover for the year ended December 31, 1998
2b	0.25 per cent of the Group’s turnover for the year ended December 31, 1998
6	HK\$88 million

(II) Acquisition of the remaining One-third Interest in Plaza Hollywood and Other Properties

Under an agreement entered into on December 30, 1999 (the “Agreement Date”), Wharf Development Limited (“Wharf Development”), a wholly-owned subsidiary of the Company, has agreed to purchase from Kreekson Investments Limited (“Kreekson”), a wholly-owned subsidiary of Wheelock, the remaining one-third of the issued shares in Spintrade Investments Limited (“Spintrade”) which resulted in Spintrade becoming wholly-owned by the Company.

The Company is a 48 per cent-owned associate of Wheelock.

The aggregate consideration for the transaction was HK\$1,185.7 million, of which a deposit of HK\$59.1 million was paid on December 30, 1999, a sum of HK\$1,124.0 million was paid on January 17, 2000 and a final adjusting payment of HK\$2.6 million based on the audited completion accounts was made on May 5, 2000.

Spintrade, through its wholly-owned subsidiaries, owns the retail shopping podium and cinemas known as “Plaza Hollywood” together with 527 car parking spaces at that podium, and, as at the Agreement Date, also owned 38 unsold apartments of “Galaxia” (all situate at No. 3 Lung Poon Street, Diamond Hill, Kowloon, Hong Kong) (the “Property”). The sale by Kreekson of its one-third shareholding interest in Spintrade to Wharf Development resulted in an indirect disposal of Wheelock’s interest in the Property.

The Group considers the transaction would add further synergies and value to its business of owning and managing large retail properties, as exemplified by the success at Harbour City and Times Square. The transaction offered a good opportunity for the Group to increase its ownership in Plaza Hollywood to 100 per cent.

(III) Acquisition of 83-1/3 per cent Interest in Hidoney Developments Limited by MTL Chiwan

MTL Chiwan Holdings Limited (“MTL Chiwan”) is a joint venture company owned as to 60 per cent by China Merchants Holdings (International) Company Limited (“CMHI”) and as to 40 per cent by a wholly-owned subsidiary of MTL, which is in turn a 50.8 per cent-owned subsidiary of the Company. Under a shareholders agreement (the “Shareholders Agreement”) entered into on December 30, 1999, MTL’s subsidiary had transferred its shareholding interest in MTL Chiwan to MTL. The Shareholders Agreement set out the business and management of MTL Chiwan and the respective rights and obligations of CMHI and MTL as shareholders of MTL Chiwan. In particular, the Shareholders Agreements contained the arrangements relating to the appointment of directors in MTL Chiwan, Hidoney Developments Limited (“Hidoney”) and Shenzhen Kaifeng Terminal Co., Ltd. (“Shenzhen Kaifeng”), the obligations of the shareholders to finance an acquisition of Hidoney and the matters which require unanimous approval of the board of directors of MTL Chiwan.

On December 30, 1999, Top Glory Holding Company Limited (“Top Glory”), an independent third party not connected with the Company, directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules), MTL Chiwan, MTL and CMHI entered into a Sale and Purchase Agreement (the “S&P Agreement”) pursuant to which MTL Chiwan would acquire from Top Glory 20 shares in Hidoney (“Hidoney Shares”), representing 83-1/3 per cent of the issued share capital of Hidoney, the sole asset of Hidoney is a 24 per cent equity interest in Shenzhen Kaifeng which owns and operates two container berths in Shenzhen, the PRC (the “Hidoney Acquisition”).

The aggregate consideration for the Hidoney Acquisition was HK\$265 million, of which approximately HK\$166.2 million was for the acquisition of the Hidoney Shares and the balance of approximately HK\$98.8 million for the assignment of the shareholder’s loan. MTL’s contribution to the total consideration amounted to HK\$106.0 million which was in proportion to its shareholding interest in MTL Chiwan. A deposit of HK\$26.5 million (60 per cent borne by CMHI and 40 per cent borne by MTL), representing 10 per cent of the total consideration, was paid in cash on the signing of the S&P Agreement. The balance of HK\$238.5 million, being 90 per cent of the consideration, was paid on February 2, 2000 in cash on completion of the transaction upon the fulfilment of two conditions: i) the obtaining of all requisite consents and approvals to the Hidoney Acquisition under the banking facility made available to Shenzhen Kaifeng by The Sumitomo Bank, Limited and ii) the completion of the Grossalan Agreement pursuant to which Grossalan Investments Limited (“Grossalan”), a wholly-owned subsidiary of Shenzhen Chiwan Wharf Holdings Ltd., being an independent third party not connected with the Company, directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules), acquired the remaining four shares in the capital of Hidoney and accepted assignment of a shareholder’s loan of about HK\$19.8 million for a consideration of HK\$53.0 million.

CMHI holds a 20.3 per cent shareholding interest in MTL and therefore is a connected person of the Company in view of the fact that it is a substantial shareholder of MTL which is a 50.8 per cent-owned subsidiary of the Company.

In view of the rapid growth of container terminal business in the South China region, the aforesaid transaction will enhance MTL’s position as one of the leading container operators in the region, so that MTL will be poised to take advantage of the strong business growth which is taking place in respect of the container terminal operations in Shenzhen, the PRC and will therefore benefit the Group and its shareholders as a whole.

(F) DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Six Directors of the Company, namely, Messrs G W J Li, S T H Ng, J T Hung, 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.

(G) SUBSEQUENT EVENT

Subsequent to March 23, 2000 on which day the Group's financial results for the year ended December 31, 1999 were announced, there have been significant developments in a legal case in which the Group is involved regarding certain claims brought by third parties. Details of such developments are set out on pages 42 and 43 under the section headed "UIH LITIGATION CASE" and also in Note 25 to the Accounts on page 98.

The Directors have pleasure in submitting their Report and the Audited Statement of Accounts for the financial year ended December 31, 1999.

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 100 and 101.

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/(loss) (before borrowing costs and provision for properties) were carried on in Hong Kong. Given below is an analysis of the principal activities of the trading operations of the Company and its subsidiaries during the financial year:-

	TURNOVER	OPERATING PROFIT/(LOSS) BEFORE BORROWING COSTS AND PROVISION FOR PROPERTIES
	HK\$ Million	HK\$ Million
Principal Activities:		
Property	4,307.4	2,693.9
Terminals	2,887.4	1,644.1
Cable Television and Internet-related activities	1,318.5	(331.8)
Other	<u>2,007.2</u>	<u>945.4</u>
	<u>10,520.5</u>	<u>4,951.6</u>

SUBSIDIARIES

Particulars of the Company's principal subsidiaries at December 31, 1999 are set out on pages 100 and 101.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group and appropriations of profits for the financial year ended December 31, 1999 are set out in the Consolidated Profit and Loss Account on page 62.

Movements in reserves during the financial year are set out in Note 19 to the Accounts on pages 89 to 92.

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 106 and 107.

DIVIDENDS

An interim dividend of 28 cents per share was paid on November 2, 1999. The Directors now recommend the payment on July 10, 2000 of a final dividend of 50 cents per share in respect of the financial year ended December 31, 1999, payable to shareholders on record as at June 29, 2000. This recommendation has been incorporated in the Accounts.

SHARE CAPITAL

During the year, a total of 151,098,870 ordinary shares of HK\$1.00 each of the Company, credited as fully paid, were allotted and issued by the Company, of which:-

- 65,000 shares were issued at a price of HK\$7.60 per share, 150,000 shares at a price of HK\$10.00 per share, 45,000 shares at a price of HK\$12.00 per share and 140,000 shares at a price of HK\$19.00 per share, as a result of exercise by certain grantees of options granted under the Company's Executive Share Incentive Scheme;
- 1,837,409 shares were issued at a subscription price of HK\$17.50 per share during the period from January 1, 1999 to July 7, 1999 and 100,792,179 shares were issued at the adjusted subscription price of HK\$17.45 per share (adjusted on July 8, 1999) during the remaining period of the financial year, upon exercise by certain warrant holders of subscription rights attached to the warrants issued in July 1998 by the Company (the subscription rights attached to the outstanding warrants expired on December 30, 1999); and
- a sum of HK\$48,069,282 being part of the amount in the Share Premium Account was capitalised and applied in paying up in full at par 48,069,282 shares of HK\$1.00 each which were allotted and issued on July 8, 1999 to shareholders who had elected to receive the final dividend in respect of the year ended December 31, 1998 in new shares in lieu of cash pursuant to a scrip dividend scheme.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 11 to the Accounts on pages 84 and 85.

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, 1999 repayable on demand or within a period not exceeding one year are set out in Note 23 to the Accounts on page 95. Particulars of all other bank loans and certain other borrowings as at December 31, 1999 which would fall due for repayment after a period of one year are set out in Note 20 to the Accounts on pages 93 and 94.

Set out below is information regarding certain borrowings of the Group outstanding as at December 31, 1999, 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 Overseas Capital (1994) Limited	Japanese Yen Bonds – First Series (1994) due 2000	Yen 33 Billion
(3) Wharf Treasury (1995) Limited	HK\$ Floating Rate Notes due 2002	HK\$3,000 Million

INTEREST CAPITALISED

The amount of interest (all being borrowing costs) capitalised by the Group during the financial year is set out in Note 5 to the Accounts on page 81.

DONATIONS

The Group made donations during the financial year totalling HK\$1.6 million.

DIRECTORS

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

Sir D J Davies retired at the last Annual General Meeting of the Company held on June 30, 1999 and consequently ceased to be a Director on that day.

Mr Vincent Fang and Mr Q Y K Law will retire from the Board by rotation in accordance with Article 103(A) of the Company's Articles of Association at the coming Annual General Meeting. Both Mr Fang and Mr Law, 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 Vincent Fang and Q Y K Law (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.

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Nevertheless, the matters regarding several tenancies with the Lane Crawford group and the acquisition of interests in Plaza Hollywood and other properties from a wholly-owned subsidiary of New Asia Realty and Trust Company, Limited, a 74%-owned subsidiary of Wheelock and Company Limited ("Wheelock"), and also from a wholly-owned subsidiary of Wheelock itself as disclosed under the section headed "Disclosure of further corporate information" of the Company's Annual Reports for the years ended December 31, 1998 and December 31, 1999, being matters involving conflict of interest for the Company's substantial shareholder, namely, Wheelock, were not approved by meetings of the Company's Directors in accordance with the provisions of paragraph 11 of the above mentioned Code of Best Practice, but instead were approved by Resolutions in Writing of the Directors of the Company (which are technically as valid as and equivalent to resolutions passed at a Directors' Meeting).

DIRECTORS' INTERESTS IN SHARES

At December 31, 1999, 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 Shares		
Mr Gonzaga W J Li	686,549	Personal interest
Mr Robert H Burns	17,000	Personal interest
Mr John T Hung	61,000	Personal interest in 21,000 shares and family interest in 40,000 shares
Mr Stephen T H Ng	180,057	Personal interest
Mr T Y Ng	238,016	Personal interest
i-CABLE – Ordinary Shares		
Mr John T Hung	20,000	Personal interest
Mr Stephen T H Ng	500,000	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, 1999 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)	50,000	July 2, 1990	1/7/1995 to 30/6/2000	HK\$7.60	HK\$1
	(ii)	200,000	Aug. 13, 1991	13/8/1994 to 12/8/2001	HK\$9.50	HK\$1
	(iii)	500,000	Apr. 16, 1992	13/4/1995 to 12/4/2002	HK\$12.00	HK\$1
	(iv)	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 150,000 ordinary shares of the Company at an exercise price of HK\$10.00 per share.

Save as disclosed above:

- (i) there were no interests held as at December 31, 1999 by any Directors and Chief Executive of the Company in securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), and
- (ii) during the financial year, there existed no rights to subscribe for equity or debt securities of the Company which were held by any Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises of any such rights by any of them,

as recorded in the register kept by the Company under section 29 of the SDI Ordinance or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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, 1999 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	295,360,343
(ii) Diplock Holdings Limited	633,227,925
(iii) WF Investment Partners Limited	1,071,455,244
(iv) Wheelock and Company Limited	1,233,143,559
(v) Bermuda Trust (Guernsey) Limited	1,233,143,559

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, 1999.

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 granted under the Company's Executive Share Incentive Scheme to certain executives of the Company or its subsidiaries, some of whom were Directors of the Company during the year.

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

FURTHER CORPORATE INFORMATION

Certain further information in relation to the Group required to be disclosed pursuant to the provisions of the Listing Rules of the Stock Exchange are set out on pages 40 to 42 and pages 44 to 54.

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, May 15, 2000

TO THE SHAREHOLDERS OF THE WHARF (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 62 to 101 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, 1999 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, May 15, 2000

Consolidated Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 1999

	NOTE	1999 HK\$ MILLION	1998 RESTATED HK\$ MILLION
Turnover	2	10,520.5	10,839.7
Other net income	3	1,088.0	34.1
		<u>11,608.5</u>	<u>10,873.8</u>
Direct costs and operating expenses		(4,413.9)	(4,377.3)
Selling and marketing expenses		(336.1)	(320.6)
Administrative and corporate expenses		(755.0)	(598.1)
Depreciation and amortisation		<u>(1,151.9)</u>	<u>(1,058.2)</u>
		<u>(6,656.9)</u>	<u>(6,354.2)</u>
Operating profit before borrowing costs and provision for properties	4	4,951.6	4,519.6
Borrowing costs	5	<u>(1,939.2)</u>	<u>(1,295.1)</u>
Operating profit before provision for properties		3,012.4	3,224.5
Provision for properties under redevelopment and for sale		<u>(1,508.0)</u>	<u>(676.0)</u>
Operating profit		1,504.4	2,548.5
Deemed profit on partial disposal of a subsidiary	7	3,593.5	-
Provision for litigation	25(d)(ii)	<u>(1,000.0)</u>	<u>-</u>
Profit from ordinary activities		4,097.9	2,548.5
Share of profits less losses of associates		64.6	722.5
Profit before taxation		4,162.5	3,271.0
Taxation	6(c)	<u>(263.7)</u>	<u>(740.0)</u>
Profit after taxation		3,898.8	2,531.0
Minority interests		<u>(682.3)</u>	<u>(660.0)</u>
Profit attributable to shareholders	7	3,216.5	1,871.0
Dividends	8	<u>(1,881.3)</u>	<u>(1,790.3)</u>
Retained profit for the year		<u>1,335.2</u>	<u>80.7</u>
Earnings per share			
Basic	9	<u>HK\$ 1.39</u>	<u>HK\$ 0.82</u>
Diluted	9	<u>HK\$ 1.38</u>	<u>HK\$ 0.82</u>
Earnings per share before provisions for properties and litigation and deemed profit on partial disposal of a subsidiary			
Basic and diluted	9	<u>HK\$ 0.92</u>	<u>HK\$ 1.11</u>
Profit for the year is retained by:-			
The Company and its subsidiaries	19	1,323.5	29.4
Associates	19	11.7	51.3
		<u>1,335.2</u>	<u>80.7</u>

The notes on pages 72 to 101 form part of these accounts.

Consolidated Statement of Recognised Gains and Losses

FOR THE YEAR ENDED DECEMBER 31, 1999

	NOTE	1999 HK\$ MILLION	1998 RESTATED HK\$ MILLION
Deficit on revaluation of investment properties	19	(2,073.2)	(22,995.3)
Deficit on revaluation of hotel and club properties	19	(99.7)	(1,080.6)
Provision for impairment in value of properties under or held for redevelopment	19	(1,024.8)	-
Surplus on revaluation of non-trading securities	19	857.6	87.7
Share of deficit on revaluation of investment properties of associates	19	(16.9)	(331.7)
Share of surplus / (deficit) on revaluation of non-trading securities of associates	19	97.2	(104.0)
Exchange differences on translation of the accounts of foreign subsidiaries	19	11.1	(46.4)
Net losses not recognised in the consolidated profit and loss account		(2,248.7)	(24,470.3)
Profit attributable to shareholders		3,216.5	1,871.0
Investments revaluation reserve transferred to the profit and loss account on disposal of non-trading securities	19	394.7	123.9
Goodwill transferred to the profit and loss account on disposal of subsidiaries and associates	19	88.5	-
Total recognised gains / (losses)		<u>1,451.0</u>	<u>(22,475.4)</u>
Net goodwill movement dealt with in reserves	19	12.2	(4.4)
		<u>1,463.2</u>	<u>(22,479.8)</u>

The notes on pages 72 to 101 form part of these accounts.

Consolidated Balance Sheet

AT DECEMBER 31, 1999

	NOTE	1999 HK\$ MILLION	1998 RESTATED HK\$ MILLION
ASSETS			
Non-current assets			
Fixed assets	11	73,355.3	71,643.1
Interest in associates	13	5,196.6	3,863.2
Long term investments	14	5,258.5	7,106.8
Deferred debtors	15	505.7	349.3
Deferred items	16	2,262.0	2,405.9
		<u>86,578.1</u>	<u>85,368.3</u>
Current assets			
Inventories	17	3,088.8	5,409.5
Debtors		1,185.9	1,554.3
Held-to-maturity securities		86.5	-
Deposits and cash		<u>8,174.5</u>	<u>1,565.5</u>
		<u>12,535.7</u>	<u>8,529.3</u>
TOTAL ASSETS		<u>99,113.8</u>	<u>93,897.6</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	2,446.2	2,295.1
Reserves	19	<u>53,437.1</u>	<u>51,368.9</u>
		55,883.3	53,664.0
Minority interests		5,576.3	3,923.9
Non-current liabilities			
Long term loans	20	26,339.1	21,891.1
Other deferred liabilities	21	462.9	431.2
Deferred taxation	22	<u>506.9</u>	<u>518.2</u>
		27,308.9	22,840.5
Current liabilities			
Creditors		5,577.2	3,989.8
Short term loans and overdrafts	23	3,411.2	8,227.1
Taxation	6(d)	133.8	104.7
Proposed dividend		<u>1,223.1</u>	<u>1,147.6</u>
		10,345.3	13,469.2
TOTAL EQUITY AND LIABILITIES		<u>99,113.8</u>	<u>93,897.6</u>

The notes on pages 72 to 101 form part of these accounts.

Gonzaga W J Li
Chairman & Chief Executive

John T Hung
Executive Director

Company Balance Sheet

AT DECEMBER 31, 1999

	NOTE	1999 HK\$ MILLION	1998 RESTATED HK\$ MILLION
ASSETS			
Non-current assets			
Investments in subsidiaries	12	11,427.6	10,880.7
Deferred debtors	15	<u>381.6</u>	<u>349.2</u>
		11,809.2	11,229.9
Current assets			
Debtors		359.8	573.2
Deposits and cash		<u>2,755.6</u>	<u>3.9</u>
		3,115.4	577.1
TOTAL ASSETS		<u>14,924.6</u>	<u>11,807.0</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	2,446.2	2,295.1
Reserves	19	<u>9,619.6</u>	<u>6,989.2</u>
		12,065.8	9,284.3
Current liabilities			
Creditors		1,557.3	529.4
Short term loans and overdrafts	23	78.4	845.7
Proposed dividend		<u>1,223.1</u>	<u>1,147.6</u>
		2,858.8	2,522.7
TOTAL EQUITY AND LIABILITIES		<u>14,924.6</u>	<u>11,807.0</u>

The notes on pages 72 to 101 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, 1999

	1999 HK\$ MILLION	1998 RESTATED HK\$ MILLION
Net cash inflow from operating activities (Note a)	7,231.3	6,088.7
Returns on investments and servicing of finance		
Interest paid	(2,386.2)	(1,919.3)
Interest received	414.3	152.3
Dividends received from associates	53.0	587.1
Dividends received from investments in securities	141.8	228.2
Dividends paid	(964.4)	(1,790.2)
Dividends paid to minority shareholders	(761.2)	(540.8)
Net cash outflow from returns on investments and servicing of finance	(3,502.7)	(3,282.7)
Taxation		
Hong Kong profits tax paid	(242.7)	(1,118.6)
Overseas tax paid	(19.8)	(2.2)
Rebate of 10% of 1997/1998 profits tax	57.0	-
Tax paid	(205.5)	(1,120.8)
Investing activities		
Purchase of fixed assets	(2,485.8)	(2,543.3)
Purchase of subsidiaries (Note b)	(1,144.9)	(120.9)
Increase in investment in associates	(31.2)	(31.6)
Purchase of non-trading securities	(2,781.7)	(35.6)
Proceeds from sale of investment properties	55.0	-
Proceeds from sale of other fixed assets	4.7	6.3
Proceeds from disposal of subsidiaries (Note c)	4,138.0	-
Net advances to associates	(2,287.0)	(316.4)
Proceeds from sale of non-trading securities	6,901.1	910.0
Net advances to deferred debtors	(60.1)	(111.3)
Payments deferred	(540.8)	(191.2)
Net cash inflow/(outflow) from investing activities	1,767.3	(2,434.0)
Net cash inflow/(outflow) before financing	5,290.4	(748.8)

	1999 HK\$ MILLION	1998 RESTATED HK\$ MILLION
Financing		
Proceeds from issue of ordinary share capital	1,796.0	1.0
Net draw down of long term loans	7,644.5	855.6
Net (repayment) / draw down of short term loans and overdrafts	(7,589.5)	1,275.5
Placement of bank deposits	(732.6)	(1,035.4)
Repayment of advances from minority interests	(71.2)	(106.5)
Issue of club debentures	-	4.7
Net cash inflow from financing (Note d)	1,047.2	994.9
Increase in cash and cash equivalents	6,337.6	246.1
Effect of foreign exchange rates	(0.3)	1.9
Cash and cash equivalents at January 1	66.9	(181.1)
Cash and cash equivalents at December 31	6,404.2	66.9
Analysis of the balance of cash and cash equivalents		
Deposits and cash	6,406.5	530.1
Bank loans, overdrafts and other loans	(2.3)	(463.2)
	6,404.2	66.9

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	1999 HK\$ MILLION	1998 RESTATED HK\$ MILLION
Operating profit	1,504.4	2,548.5
Interest income	(259.4)	(219.7)
Interest expenses	1,939.2	1,295.1
Dividends receivable from investments in securities	(142.1)	(229.4)
Depreciation	884.0	845.2
Amortisation	267.9	213.0
Other provisions	298.3	54.7
Loss on disposal of investment properties	49.7	-
Loss on sale of other fixed assets	15.7	2.3
Other net income	(1,088.0)	(34.1)
Provision for impairment in value of properties under development and for sale	1,508.0	676.0
Exchange adjustments	30.3	5.6
Decrease in properties held for sale	83.6	130.8
Decrease in properties under development for sale	1,489.8	99.8
Decrease in spare parts and consumables	46.5	37.4
(Increase) / decrease in trading securities	(2.6)	563.4
Decrease in debtors	332.1	94.9
Increase in creditors	257.2	7.0
Net movement in provision for planned maintenance	22.5	10.4
Decrease in other deferred liabilities	(5.8)	(12.2)
Net cash inflow from operating activities	<u>7,231.3</u>	<u>6,088.7</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

b. Purchase of subsidiaries

	1999 HK\$ MILLION	1998 HK\$ MILLION
Net assets acquired		
Fixed assets	3,100.0	347.0
Deferred debtors	208.3	-
Deferred items	63.0	44.8
Current assets	350.4	308.2
Current liabilities	(317.9)	(21.9)
Other deferred liabilities	(15.3)	-
Deferred taxation	(9.1)	-
Minority interests	<u>(1,121.3)</u>	<u>(143.1)</u>
	2,258.1	535.0
(Capital reserve)/goodwill	<u>(12.2)</u>	<u>43.1</u>
	<u>2,245.9</u>	<u>578.1</u>
Satisfied by :		
Cash consideration	1,146.5	120.9
Decrease in interest in associates	<u>1,099.4</u>	<u>457.2</u>
	<u>2,245.9</u>	<u>578.1</u>
Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiaries		
Cash consideration	1,146.5	120.9
Deposits and cash acquired	<u>(1.6)</u>	<u>-</u>
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	<u>1,144.9</u>	<u>120.9</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

c. Disposal of subsidiaries

	1999 HK\$ MILLION	1998 HK\$ MILLION
Net assets disposed of		
Long term investments	17.2	-
Deferred items	0.6	-
Current assets	0.2	-
Current liabilities	(0.2)	-
Minority interests	454.3	-
	472.1	-
Gain on disposal	3,593.5	-
Goodwill realised upon disposal	72.6	-
	4,138.2	-
Satisfied by :		
Cash consideration received net of transaction costs	4,138.2	-
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries		
Cash consideration received net of transaction costs	4,138.2	-
Deposits and cash disposed of	(0.2)	-
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	4,138.0	-

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, 1998	7,536.8	25,563.9	1,941.4	4,566.2	215.4	39,823.7
Issue of shares for cash	1.0	-	-	-	-	1.0
Cash inflow / (outflow) from financing	-	855.6	1,275.5	(106.5)	4.7	2,029.3
Purchase of subsidiaries (Note b)	-	-	-	143.1	-	143.1
Dividends paid to minority interests	-	-	-	(540.8)	-	(540.8)
Minority interests' share of capital and revenue reserves in subsidiaries	-	-	-	(111.8)	-	(111.8)
Exchange adjustments	-	18.5	0.1	1.4	-	20.0
Reclassification and other adjustments	-	(4,546.9)	4,546.9	(27.7)	-	(27.7)
Balance at December 31, 1998 and January 1, 1999	7,537.8	21,891.1	7,763.9	3,923.9	220.1	41,336.8
Issue of shares for cash	1,796.0	-	-	-	-	1,796.0
Scrip issue in lieu of cash dividend	841.4	-	-	-	-	841.4
Cash inflow / (outflow) from financing	-	7,644.5	(7,589.5)	(71.2)	-	(16.2)
Purchase of subsidiaries (Note b)	-	-	-	1,121.3	-	1,121.3
Disposal of subsidiaries (Note c)	-	-	-	454.3	-	454.3
Dividends paid to minority interests	-	-	-	(761.2)	-	(761.2)
Minority interests' share of capital and revenue reserves in subsidiaries	-	-	-	944.9	-	944.9
Exchange adjustments	-	17.6	-	0.6	-	18.2
Reclassification and other adjustments	-	(3,214.1)	3,234.5	(36.3)	(0.3)	(16.2)
Balance at December 31, 1999	10,175.2	26,339.1	3,408.9	5,576.3	219.8	45,719.3

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice 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 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 an impairment 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, and 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.

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 acquisition, construction or production of such equipment which necessarily take 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.

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 hotels 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 required to support fully operating systems at rates determined by the estimated useful lives of the assets of five to 20 years, adjusted by the appropriate pre-maturity fraction during the pre-maturity period (see note 1(i)(iii)). 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 the 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 investments 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 investments revaluation reserve to the consolidated profit and loss account.

Transfers from the investments 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.

iv. With effect from January 1, 1999, the Group adopted the above accounting policy in order to comply with Statement of Standard Accounting Practice 24 "Accounting for investments in securities" issued by the Hong Kong Society of Accountants. In prior years non-trading securities were stated at cost less provision for permanent diminution in the underlying value of the investment and trading securities were stated at the lower of cost and market value in the balance sheet. The effect of this change in accounting policy is set out in Note 10 to the accounts.

i. **Deferred items**

i. **Prepaid revenue expenses**

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

ii. **Pre-operating expenses**

Pre-operating expenses in relation to the Group's cable television operations include all operating costs incurred before the launch of the service on October 31, 1993. These costs are amortised on a straight line basis over the licence period of 12 years as adjusted by the pre-maturity fraction during the pre-maturity period.

Pre-operating expenses in relation to the Group's telecommunications operations include all operating costs incurred before the launch of the service on October 1, 1995. These costs are amortised on a straight line basis over the licence period of 15 years as adjusted by the pre-maturity fraction during the pre-maturity period.

Pre-operating expenses in relation to other projects under development are deferred and amortised over a period not exceeding five years from the dates the projects come into operation and less such provisions as considered appropriate by the Directors.

iii. **Pre-maturity expenses**

The pre-maturity period is applicable to the Group's cable television and telecommunications operations and refers to the periods during which the systems are only partially in service. The pre-maturity period for each business begins with the first earned subscriber or telecommunication line revenue and continues until the earlier of the attainment of a pre-determined subscriber or line level and December 31, 1996 for the cable television operations and September 30, 2000 for the telecommunications operations. During these periods, costs associated with servicing a fully operating system are partially deferred as pre-maturity expenses, and partially expensed to the consolidated profit and loss account.

The pre-determined subscriber level for the Group's cable television operations was reached in November, 1996 and, accordingly, the pre-maturity period for the Group's cable television operations ended in that month.

The amounts expensed to the consolidated profit and loss account are determined monthly by a pre-maturity fraction applicable to each business, calculated as the higher of actual and expected subscribers or telecommunication lines achieved during each month, divided by the expected subscribers or telecommunication lines at the end of the respective pre-maturity period.

Amortisation of pre-maturity expenses begins upon the end of each relevant pre-maturity period and is calculated on a straight line basis over the remaining term of the operating licences, which expire on May 31, 2005 and June 30, 2010 for cable television and telecommunications operations respectively.

iv. **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 property 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 speculative purpose 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 terminal and warehouse operations, hotel and club operations, cable television and internet operations, telecommunications operations and public transport services 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. Derivative financial instruments

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

Options undertaken for trading purposes are marked to market with the resultant gains and losses included in the consolidated profit and loss account.

Where options are, in the opinion of the Directors, in substance, undertaken as part of a financing arrangement, premiums received on the options and the transfer value of the rights on the underlying assets at date of inception of the arrangement are included in the balance sheet as loans. The difference between the strike value of the options and the sum of the transfer value of the rights on the underlying assets and the premium received is treated as a finance cost and is amortised over the period of the options.

p. 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

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 100 and 101.

Turnover represents income derived from the following:-

	1999 HK\$ MILLION	1998 RESTATED HK\$ MILLION
Property investment	3,314.2	3,380.7
Property sales	993.2	856.1
Terminal operations	2,887.4	2,843.9
Cable television and Internet operations	1,318.5	1,212.2
Telecommunications operations	636.7	1,061.4
Hotel and club operations	571.1	608.4
Public transport services	292.3	306.6
Treasury management, investment and others	507.1	570.4
	<u>10,520.5</u>	<u>10,839.7</u>

3. OTHER NET INCOME

Other net income represents net profit on disposal of investments and includes net revaluation deficits of HK\$394.7 million (1998 : HK\$118.4 million) which were previously recognised in the investments revaluation reserve.

4. OPERATING PROFIT BEFORE BORROWING COSTS AND PROVISION FOR PROPERTIES

	1999 HK\$ MILLION	1998 HK\$ MILLION
a. Operating profit before borrowing costs and provision for properties is arrived at after charging :		
Depreciation	884.0	845.2
Amortisation of deferred and prepaid expenses	267.9	213.0
Staff costs	1,985.7	2,164.2
Auditors' remuneration	9.1	9.1
Cost of properties sold during the year	914.1	696.4
and crediting :		
Rental income less direct outgoings	2,890.8	3,115.9
– which includes gross rental income from investment properties	2,694.9	2,713.0
Dividend income from listed securities	142.1	202.0
Dividend income from unlisted securities	–	27.4
b. Directors' emoluments		
Fees	0.4	0.4
Basic salaries, housing and other allowances, and benefits in kind	11.2	10.0
Deemed profit on share option exercise	1.3	0.2
Retirement scheme contributions	0.5	0.4
Discretionary bonuses and / or performance related bonuses	11.0	11.4
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 (1998 : HK\$0.1 million), being wholly in the form of Directors' fees, were paid / payable to Independent Non-executive Directors of the Company.

5. BORROWING COSTS

	1999 HK\$ MILLION	1998 RESTATED HK\$ MILLION
Interest on:-		
Bank loans and overdrafts	971.4	1,156.6
Other loans repayable within five years	984.1	496.6
Other loans repayable after more than five years	178.1	666.1
Other borrowing costs	168.9	141.2
Less : Gains on forward exchange contracts entered into to reduce funding costs	(6.9)	(343.7)
Amount capitalised *	<u>(722.2)</u>	<u>(821.7)</u>
Net borrowing costs for the year	1,573.4	1,295.1
Deferred loan arrangement expenses written off on early repayment of the related loans	<u>365.8</u>	<u>–</u>
Total borrowing costs	<u>1,939.2</u>	<u>1,295.1</u>

* The borrowing costs have been capitalised at annual rates of between 6.2% and 8.3% (1998 : 6.4% to 7.7%)

6. TAXATION

- The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16 per cent (1998 : 16 per cent).
- Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.
- Taxation in the consolidated profit and loss account represents :

	1999 HK\$ MILLION	1998 HK\$ MILLION
The Company and its subsidiaries		
Hong Kong profits tax for the year	341.3	504.4
Rebate of 10% of 1997/1998 profits tax	(57.0)	–
Underprovision for Hong Kong profits tax relating to prior years	–	118.8
Overseas taxation for the year	–	19.3
Deferred taxation (Note 22)	<u>(20.4)</u>	<u>1.2</u>
	263.9	643.7
Share of associates' Hong Kong profits tax for the year	<u>(0.2)</u>	<u>96.3</u>
	<u>263.7</u>	<u>740.0</u>

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

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$2,025.4 million (1998 : HK\$1,932.7 million).

Profit attributable to shareholders includes deemed profit on partial disposal of a subsidiary, i-CABLE Communications Limited ("i-CABLE"), arising from the issue of new shares to third parties, pursuant to its listing on NASDAQ and the Hong Kong Stock Exchange. The new shares issued represented 20.55% of i-CABLE's expanded share capital.

8. DIVIDENDS

	1999 HK\$ MILLION	1998 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	0.9	-
Interim dividend of 28.0 cents (1998 : 28.0 cents) per share	657.3	642.7
Final dividend of 50.0 cents (1998 : 50.0 cents) per share	<u>1,223.1</u>	<u>1,147.6</u>
	<u>1,881.3</u>	<u>1,790.3</u>

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the earnings for the year of HK\$3,216.5 million (1998 : HK\$1,871.0 million) and the weighted average of 2,320.7 million ordinary shares (1998 : 2,295.1 million ordinary shares) in issue during the year.

The calculation of diluted earnings per share is based on earnings for the year of HK\$3,216.5 million (1998 : HK\$1,871.0 million) and the weighted average of 2,327.5 million ordinary shares (1998 : 2,295.1 million ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares as shown below:

	1999 NO. OF SHARES MILLION	1998 NO. OF SHARES MILLION
Weighted average number of ordinary shares used in calculating basic earnings per share	2,320.7	2,295.1
Deemed issue of ordinary shares for no consideration	<u>6.8</u>	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,327.5</u>	<u>2,295.1</u>

- (a) The existence of unexercised options and warrants during the year ended December 31, 1999 (see note 18) has a dilutive effect on the calculation of diluted earnings per share for the year ended December 31, 1999.
- (b) Earnings for the year include provision for properties under redevelopment and for sale of HK\$1,508.0 million (1998: HK\$676.0 million), deemed profit on partial disposal of a subsidiary of HK\$3,593.5 million (1998 : HK\$Nil) and provision for litigation of HK\$1,000.0 million (1998 : HK\$Nil). In order to give a fairer presentation of the results of the Group, earnings per share before provisions for properties and litigation and deemed profit of partial disposal of a subsidiary is also shown in the consolidated profit and loss account. The reconciliation of the two figures is as follows:-

9. EARNINGS PER SHARE (continued)

	1999		1998	
	EARNINGS HK\$ MILLION	PER SHARE HK\$	EARNINGS HK\$ MILLION	PER SHARE HK\$
Earnings per share per profit and loss account	3,216.5	1.39	1,871.0	0.82
Add / (less) : Provision for properties under redevelopment and for sale	1,508.0	0.65	676.0	0.29
Deemed profit on partial disposal of a subsidiary	(3,593.5)	(1.55)	-	-
Provision for litigation	<u>1,000.0</u>	<u>0.43</u>	-	-
Earnings per share before provisions for properties and litigation and deemed profit on partial disposal of a subsidiary	<u>2,131.0</u>	<u>0.92</u>	<u>2,547.0</u>	<u>1.11</u>

10. CHANGE IN ACCOUNTING POLICIES

In prior years, long term investments were stated at cost less provision for permanent diminution in the underlying value of the investment and short term investments were stated at the lower of cost and market value in the consolidated balance sheet. With effect from January 1, 1999, the Group adopted an accounting policy of stating all investments at fair value as set out in Note 1 (h) in order to comply with Statement of Standard Accounting Practice 24 ("SSAP 24") issued by the Hong Kong Society of Accountants. The new accounting policy has been adopted retrospectively. In adjusting prior years' figures, revenue reserves as at January 1, 1998 were restated and decreased by HK\$960.3 million as a result of the transfer to the prior year consolidated profit and loss account of additional provisions for impairment in value of the Group's non-trading securities at December 31, 1997 as considered necessary by the Directors upon the adoption of SSAP 24. In addition, an investments revaluation reserve has been established as at January 1, 1998 in an amount of HK\$1,008.3 million (deficit).

As a result of the adoption of SSAP 24 and restating the prior years' results and reserves, the Group's profit for the year attributable to shareholders has increased by HK\$403.0 million as a result of the disposal of certain non-trading securities considered to be impaired as referred to above (1998 : decrease of HK\$51.2 million) and the Group's net assets at December 31, 1999 have decreased by HK\$159.7 million (1998 : HK\$1,912.2 million).

11. FIXED ASSETS

	GROUP					
	INVESTMENT PROPERTIES HK\$ MILLION	PROPERTIES UNDER OR HELD FOR REDEVELOPMENT HK\$ MILLION	HOTEL AND CLUB PROPERTIES HK\$ MILLION	BROADCASTING & COMMUN- ICATIONS EQUIPMENT HK\$ MILLION	OTHER PROPERTIES AND FIXED ASSETS HK\$ MILLION	TOTAL HK\$ MILLION
a. Cost or valuation						
Balance at January 1, 1999	38,460.5	20,489.6	3,959.0	4,747.3	8,258.6	75,915.0
Additions	39.5	2,080.7	-	679.5	124.2	2,923.9
Acquisition of a subsidiary	3,100.0	-	-	-	-	3,100.0
Disposals	(104.7)	-	-	(5.9)	(93.4)	(204.0)
Reclassification	17,810.1	(17,037.3)	-	-	(0.6)	772.2
Provision for impairment	-	(2,047.0)	-	-	-	(2,047.0)
Revaluation deficit	(1,920.1)	-	(120.0)	-	-	(2,040.1)
Balance at						
December 31, 1999	<u>57,385.3</u>	<u>3,486.0</u>	<u>3,839.0</u>	<u>5,420.9</u>	<u>8,288.8</u>	<u>78,420.0</u>
Accumulated depreciation						
Balance at January 1, 1999	-	-	-	1,454.1	2,817.8	4,271.9
Charge for the year	-	-	11.7	489.0	383.3	884.0
Written back on disposals	-	-	-	(2.9)	(76.0)	(78.9)
Reclassification	-	-	-	-	(0.6)	(0.6)
Written back on revaluation	-	-	(11.7)	-	-	(11.7)
Balance at						
December 31, 1999	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,940.2</u>	<u>3,124.5</u>	<u>5,064.7</u>
Net book value						
at December 31, 1999	<u>57,385.3</u>	<u>3,486.0</u>	<u>3,839.0</u>	<u>3,480.7</u>	<u>5,164.3</u>	<u>73,355.3</u>
at December 31, 1998	<u>38,460.5</u>	<u>20,489.6</u>	<u>3,959.0</u>	<u>3,293.2</u>	<u>5,440.8</u>	<u>71,643.1</u>
b. The analysis of cost or valuation of the above assets is as follows:						
1999 valuation	57,385.3	-	3,839.0	-	-	61,224.3
1994 valuation	-	288.0	-	-	-	288.0
Cost less provisions	-	3,198.0	-	5,420.9	8,288.8	16,907.7
	<u>57,385.3</u>	<u>3,486.0</u>	<u>3,839.0</u>	<u>5,420.9</u>	<u>8,288.8</u>	<u>78,420.0</u>

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\$389.6 million (1998 : HK\$401.3 million).

11. FIXED ASSETS (continued)

	GROUP					
	INVESTMENT PROPERTIES HK\$ MILLION	PROPERTIES UNDER OR HELD FOR REDEVELOPMENT HK\$ MILLION	HOTEL AND CLUB PROPERTIES HK\$ MILLION	BROADCASTING & COMMUN- ICATIONS EQUIPMENT HK\$ MILLION	OTHER PROPERTIES AND FIXED ASSETS HK\$ MILLION	TOTAL HK\$ MILLION
c. Tenure of title to properties :-						
Held in Hong Kong						
Long lease	46,748.9	647.0	3,839.0	-	-	51,234.9
Medium lease	7,771.2	2,438.0	-	-	4,465.0	14,674.2
Short lease	-	-	-	-	0.8	0.8
	<u>54,520.1</u>	<u>3,085.0</u>	<u>3,839.0</u>	<u>-</u>	<u>4,465.8</u>	<u>65,909.9</u>
Held outside Hong Kong						
Medium lease	2,865.2	401.0	-	-	10.9	3,277.1
	<u>57,385.3</u>	<u>3,486.0</u>	<u>3,839.0</u>	<u>-</u>	<u>4,476.7</u>	<u>69,187.0</u>

d. Properties revaluation

The Group's investment properties together with its hotel and club properties have been revalued as at December 31, 1999 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\$57,931.8 million (1998 : HK\$40,297.1 million).
- f. Properties under redevelopment of HK\$16,724.3 million (1998 : HK\$3,249.2 million) have been reclassified as investment properties upon completion during the year.

12. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	1999 HK\$ MILLION	1998 HK\$ MILLION
Unlisted shares, at cost less provision	19,947.3	24,045.3
Amounts due by subsidiaries	22,912.4	24,510.9
	42,859.7	48,556.2
Amounts due to subsidiaries	(31,432.1)	(37,675.5)
	11,427.6	10,880.7

Details of principal subsidiaries at December 31, 1999 are shown on pages 100 to 101.

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

13. INTEREST IN ASSOCIATES

	GROUP	
	1999 HK\$ MILLION	1998 RESTATED HK\$ MILLION
Share of net tangible assets other than goodwill		
Shares listed in Hong Kong	652.8	541.3
Unlisted shares	203.9	214.2
	856.7	755.5
Amounts due by associates	4,362.7	3,145.3
Amounts due to associates	(22.8)	(37.6)
	5,196.6	3,863.2
Market value of listed shares	470.7	446.9

Details of principal associates at December 31, 1999 are shown on pages 100 to 101.

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

Included in the amounts due by associates are loans in the amount of HK\$4,237.8 million (1998 : HK\$3,037.4 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 6.0% and 10.0% for the current year (1998 : 6.5% to 13.8%). The loans are unsecured and are repayable as may from time to time be agreed among the shareholders.

14. LONG TERM INVESTMENTS

	GROUP	
	1999 HK\$ MILLION	1998 RESTATED HK\$ MILLION
Non-trading securities		
Equity securities		
Listed in Hong Kong	4,955.1	6,860.5
Listed outside Hong Kong	253.9	217.5
	5,209.0	7,078.0
Unlisted	49.5	28.8
	5,258.5	7,106.8
Market value of listed securities	5,209.0	7,078.0

15. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

16. DEFERRED ITEMS

	GROUP	
	1999 HK\$ MILLION	1998 HK\$ MILLION
Prepaid revenue expenses	352.4	530.4
Pre-operating expenses	510.0	536.3
Pre-maturity expenses	1,176.7	1,216.6
Programming library	222.9	122.6
	2,262.0	2,405.9

17. INVENTORIES

	GROUP	
	1999 HK\$ MILLION	1998 HK\$ MILLION
Properties under development for sale, less pre-sale proceeds received and receivable	2,029.2	5,031.5
Properties held for sale	976.1	248.0
Spare parts and consumables	83.5	130.0
	3,088.8	5,409.5

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\$2,384.0 million (1998 : HK\$2,358.6 million).

18. SHARE CAPITAL

	1999 NO. OF SHARES MILLION	1998 NO. OF SHARES MILLION	1999 HK\$ MILLION	1998 HK\$ MILLION
Authorised				
Ordinary shares of HK\$1 each	<u>2,900.0</u>	<u>2,900.0</u>	<u>2,900.0</u>	<u>2,900.0</u>
Issued and fully paid				
Balance at January 1	2,295.1	2,295.0	2,295.1	2,295.0
Exercise of share options granted under the executive share incentive scheme	0.4	0.1	0.4	0.1
Shares issued on exercise of bonus warrants	102.6	-	102.6	-
Scrip issue in lieu of cash dividend	48.1	-	48.1	-
Balance at December 31	<u>2,446.2</u>	<u>2,295.1</u>	<u>2,446.2</u>	<u>2,295.1</u>

Executive share incentive scheme

As at December 31, 1999, options to subscribe for 5.2 million ordinary shares of the Company at prices ranging from HK\$7.6 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 0.4 million ordinary shares of HK\$1.00 each at a consideration between HK\$7.6 and HK\$19.0 per share.

Warrants

A bonus issue of 1 warrant for every 20 shares held by shareholders was approved by the shareholders at an Extraordinary General Meeting held on June 30, 1998. Each warrant entitled warrant holders to subscribe for 1 new share in the Company at an exercise price of HK\$17.5 per share, which was adjusted to HK\$17.45 per share due to the scrip dividend scheme, during the year. Unexercised warrants expired on December 30, 1999.

During the year, warrants were exercised to subscribe for 1.8 million and 100.8 million ordinary shares of HK\$1.00 each at a consideration of HK\$17.5 and HK\$17.45 per share respectively.

19. 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, 1998							
- as previously reported	5,241.8	7.4	50,008.4	-	14,633.8	7,186.3	77,077.7
- prior period adjustment (Note 10)	-	-	-	(990.4)	-	(927.3)	(1,917.7)
- as restated	5,241.8	7.4	50,008.4	(990.4)	14,633.8	6,259.0	75,160.0
Exchange reserve	-	-	-	-	(27.6)	-	(27.6)
Exercise of share options and bonus warrants	0.9	-	-	-	-	-	0.9
Goodwill on acquisition of subsidiaries and an associate	-	-	-	-	(4.4)	-	(4.4)
Transferred to profit and loss account on disposal of non-trading securities	-	-	-	118.4	-	-	118.4
Revaluation surplus / (deficit)							
- investment properties	-	-	(22,995.3)	-	-	-	(22,995.3)
- other properties	-	-	-	-	(1,080.6)	-	(1,080.6)
- non-trading securities	-	-	-	87.7	-	-	87.7
Reclassification	-	-	1,888.5	-	(1,783.7)	(104.8)	-
Retained profit for the year	-	-	-	-	-	29.4	29.4
Balance at December 31, 1998 and January 1, 1999	5,242.7	7.4	28,901.6	(784.3)	11,737.5	6,183.6	51,288.5

19. 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 Company and subsidiaries (continued)							
Balance at December 31, 1998							
and January 1, 1999	5,242.7	7.4	28,901.6	(784.3)	11,737.5	6,183.6	51,288.5
Exchange reserve	-	-	-	-	11.1	-	11.1
Exercise of share options, bonus warrants and scrip issue in lieu of cash dividend	2,486.3	-	-	-	-	-	2,486.3
Reserve on acquisition of subsidiaries and an associate	-	-	-	-	12.2	-	12.2
Goodwill written off on disposal of subsidiaries and associates	-	-	-	-	88.5	-	88.5
Transferred to profit and loss account on disposal of non-trading securities	-	-	-	394.7	-	-	394.7
Revaluation surplus/(deficit)							
- investment properties	-	-	(2,073.2)	-	-	-	(2,073.2)
- other properties	-	-	-	-	(1,124.5)	-	(1,124.5)
- non-trading securities	-	-	-	857.6	-	-	857.6
Reclassification	-	-	11,463.6	-	(11,461.5)	-	2.1
Retained profit for the year	-	-	-	-	-	1,323.5	1,323.5
Balance at December 31, 1999	<u>7,729.0</u>	<u>7.4</u>	<u>38,292.0</u>	<u>468.0</u>	<u>(736.7)</u>	<u>7,507.1</u>	<u>53,266.8</u>

19. 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, 1998							
- as previously reported	-	-	350.7	-	18.8	159.5	529.0
- prior period adjustment (Note 10)	-	-	-	(17.9)	-	(33.0)	(50.9)
- as restated	-	-	350.7	(17.9)	18.8	126.5	478.1
Exchange reserve	-	-	-	-	(18.8)	-	(18.8)
Transferred to profit and loss account on impairment of non-trading securities	-	-	-	5.5	-	-	5.5
Revaluation deficit							
- investment properties	-	-	(331.7)	-	-	-	(331.7)
- non-trading securities	-	-	-	(104.0)	-	-	(104.0)
Retained profit for the year	-	-	-	-	-	51.3	51.3
Balance at December 31, 1998							
and January 1, 1999	-	-	19.0	(116.4)	-	177.8	80.4
Revaluation surplus/(deficit)							
- investment properties	-	-	(16.9)	-	-	-	(16.9)
- non-trading securities	-	-	-	97.2	-	-	97.2
Reclassification	-	-	(2.1)	-	-	-	(2.1)
Retained profit for the year	-	-	-	-	-	11.7	11.7
Balance at December 31, 1999	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19.2)</u>	<u>-</u>	<u>189.5</u>	<u>170.3</u>
Total reserves							
At December 31, 1999	<u>7,729.0</u>	<u>7.4</u>	<u>38,292.0</u>	<u>448.8</u>	<u>(736.7)</u>	<u>7,696.6</u>	<u>53,437.1</u>
At December 31, 1998	<u>5,242.7</u>	<u>7.4</u>	<u>28,920.6</u>	<u>(900.7)</u>	<u>11,737.5</u>	<u>6,361.4</u>	<u>51,368.9</u>

19. 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, 1998	5,241.8	7.4	305.5	1,291.2	6,845.9
Exercise of share options and bonus warrants	0.9	-	-	-	0.9
Retained profit for the year	-	-	-	142.4	142.4
Balance at December 31, 1998 and January 1, 1999	<u>5,242.7</u>	<u>7.4</u>	<u>305.5</u>	<u>1,433.6</u>	<u>6,989.2</u>
Exercise of share options and bonus warrants and scrip issue in lieu of cash dividend	2,486.3	-	-	-	2,486.3
Retained profit for the year	-	-	-	144.1	144.1
Balance at December 31, 1999	<u>7,729.0</u>	<u>7.4</u>	<u>305.5</u>	<u>1,577.7</u>	<u>9,619.6</u>

Reserves of the Company available for distribution to shareholders at December 31, 1999 amounted to HK\$1,577.7 million (1998 : HK\$1,433.6 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.

20. LONG TERM LOANS

	GROUP		COMPANY	
	1999 HK\$ MILLION	1998 HK\$ MILLION	1999 HK\$ MILLION	1998 HK\$ MILLION
Bonds and notes (unsecured) (a)				
Samurai yen bonds due March 3, 2000	-	2,577.9	-	-
HK dollar floating rate notes due July 16, 2002	3,000.0	3,000.0	-	-
US dollar notes due November 1, 2004	1,553.0	1,549.0	-	-
US dollar notes due March 13, 2007	2,717.6	2,710.8	-	-
	<u>7,270.6</u>	<u>9,837.7</u>	<u>-</u>	<u>-</u>
Bank loans (secured)				
Due after more than 1 year but not exceeding 2 years	1,148.2	335.0	-	-
Due after more than 2 years but not exceeding 5 years	7,258.9	3,032.4	-	-
Due after more than 5 years	120.0	1,400.0	-	-
	<u>8,527.1</u>	<u>4,767.4</u>	<u>-</u>	<u>-</u>
Bank loans (unsecured)				
Due after more than 1 year but not exceeding 2 years	5,937.0	-	-	-
Due after more than 2 years but not exceeding 5 years	126.9	7,286.0	-	-
	<u>6,063.9</u>	<u>7,286.0</u>	<u>-</u>	<u>-</u>
Other loans (secured)				
Due after more than 2 years but not exceeding 5 years	4,457.0	-	-	-
	<u>4,457.0</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other loans (unsecured)				
Due after more than 2 years but not exceeding 5 years	20.5	-	-	-
	<u>20.5</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total long term loans	<u>26,339.1</u>	<u>21,891.1</u>	<u>-</u>	<u>-</u>

20. LONG TERM LOANS (continued)

- (a) 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.
- (b) An amount of HK\$5,071.0 million included in long term loans is expected to be settled within one year.
- (c) The banking facilities of the Group are secured by mortgages over certain investment properties, and land and buildings with carrying value of HK\$39,483.2 million (1998 : HK\$18,955.0 million) and HK\$3,589.4 million (1998 : HK\$737.3 million) respectively.

21. OTHER DEFERRED LIABILITIES

	GROUP	
	1999 HK\$ MILLION	1998 HK\$ MILLION
Club debentures (non-interest bearing)		
due after more than 5 years	219.8	220.1
Planned maintenance provision	128.9	106.4
Other provisions	114.2	104.7
	<u>462.9</u>	<u>431.2</u>

22. DEFERRED TAXATION

- (a) Movements on deferred taxation comprise:-

	GROUP	
	1999 HK\$ MILLION	1998 HK\$ MILLION
Balance at January 1	518.2	517.0
Transfer (to)/from the profit and loss account		
- Effect of change in Profits Tax rate	-	(15.7)
- Movement during the year	(20.4)	16.9
Acquisition of a subsidiary	9.1	-
Balance at December 31	<u>506.9</u>	<u>518.2</u>

22. DEFERRED TAXATION (continued)

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

	GROUP			
	1999		1998	
	PROVIDED HK\$ MILLION	POTENTIAL LIABILITIES / (ASSETS) UNPROVIDED HK\$ MILLION	P ROVIDED HK\$ MILLION	POTENTIAL LIABILITIES / (ASSETS) UNPROVIDED HK\$ MILLION
Depreciation allowances in excess of the related depreciation	499.2	240.5	468.0	209.8
Unutilised tax losses	-	(819.7)	-	(845.0)
Others	7.7	-	50.2	(16.1)
	<u>506.9</u>	<u>(579.2)</u>	<u>518.2</u>	<u>(651.3)</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 value 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.

23. SHORT TERM LOANS AND OVERDRAFTS

	GROUP		COMPANY	
	1999 HK\$ MILLION	1998 HK\$ MILLION	1999 HK\$ MILLION	1998 HK\$ MILLION
Samurai yen bonds due March 3, 2000	2,584.6	-	-	-
Secured bank loans	745.9	3,312.9	-	-
Unsecured bank loans and overdrafts	80.7	1,274.0	78.4	845.7
Other secured loans	-	1,340.2	-	-
HK dollar floating rate notes due December 6, 1999	-	2,300.0	-	-
	<u>3,411.2</u>	<u>8,227.1</u>	<u>78.4</u>	<u>845.7</u>

The payment obligation (principal yen 33.0 billion plus interest and redemption commission) with respect to the Samurai yen bonds has been swapped into a United States dollar denominated obligation.

24. 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, 1999 :

- (a) As disclosed in Note 13 to the accounts, loans in the amount of HK\$4,237.8 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 25(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\$880.0 million.

Such guarantees given by the Company constitutes 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 a one-third interest in the Diamond Hill project from a subsidiary of its principal shareholder for a consideration of HK\$1,140.1 million. The consideration was calculated on the basis of one-third of the audited consolidated net tangible asset value of the project as at March 15, 1999 including the value of the underlying property as assessed by an independent valuer.

Subsequent to the year end, the Group acquired the remaining one-third interest of the same project, which is now wholly owned by the Group. Details are set out in Note 28 to the accounts.

25. CONTINGENT LIABILITIES

As at December 31, 1999 :

- (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 and performance bonds for cable television and telecommunications operations of up to HK\$31,645.0 million (1998 : HK\$30,723.5 million).
- (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 the certain subsidiaries of an associate to finance its property development project. The amount attributable to the Company is HK\$880.0 million (1998 : HK\$ Nil).
- (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\$825.0 million (1998 : HK\$825.0 million).
- (d) (i) Claims for damages plus interest have been brought by a third party against, inter alia, a former subsidiary as a consequence of financing commitments previously entered into by former subsidiaries of that company. In March 1997, judgement was handed down in Hong Kong against the former subsidiary and the third party was awarded a sum including interest of approximately HK\$406 million. The judgement sum was paid in July 1997. The former subsidiary appealed to the Court of Appeal and judgement was handed down in its favour on June 12, 1998. The plaintiff appealed to the Court of Final Appeal and judgement was handed down on March 9, 2000 in favour of the former subsidiary. The judgement sum previously paid, plus interest, has now been returned.

25. CONTINGENT LIABILITIES (continued)

(ii) 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 in favour of the third party approximately HK\$1,187.3 million (US\$153.3 million) including damages, costs and interest. A judgement for the award has been entered into. Having regard to legal advice, the management of the Company filed an appeal against both the verdict and the amount of the award.

Subsequent to the year end, the Court of Appeals in Denver rendered a verdict affirming the judgement and the awards made by the District Court. The Company has submitted a petition for rehearing by the entire Tenth Circuit Court in Denver. Having regard to legal advice, the management takes the view that there are strong grounds to appeal against both the verdict and the amount of award and will appeal and resist the claim accordingly.

The Company has posted a bond totalling HK\$1,445.8 million (US\$186.2 million) as surety for the payment of the damages 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\$2,499.2 million at December 31, 1999.

A general provision was made in the accounts at December 31, 1996 in the amount of HK\$500.0 million in respect of these contingencies including legal fees incurred which may not be recovered. Notwithstanding that the Company has submitted a petition for rehearing the above case, the Board of Directors of the Company have considered it prudent to set aside an additional provision of HK\$1,000.0 million for these contingencies in the current year.

(e) Forward exchange contracts amounting to HK\$482.2 million (1998 : HK\$2,754.9 million) were outstanding which will mature in March 2000.

26. COMMITMENTS

	GROUP	
	1999 HK\$ MILLION	1998 HK\$ MILLION
(a) Capital commitments		
No provision has been made in the accounts for planned capital expenditure of	<u>4,787.1</u>	<u>4,909.1</u>
In respect of which contracts have been entered into for	<u>1,330.4</u>	<u>1,795.3</u>

(b) The Company's subsidiary, Modern Terminals Limited, together with certain other third parties, have entered into a Joint Development Agreement to jointly procure the construction of Container Terminal 9. The total cost of construction is estimated at HK\$8.3 billion and will be shared by respective parties to the agreement at a ratio to be agreed.

27. COMPARATIVE FIGURES

The presentation and classification of items in the accounts have been changed due to the adoption of the requirements in SSAP 1 (revised) "Presentation of financial statements" and SSAP 24 "Accounting for investments in securities". As a result, long-term investments have been reclassified as investments in held-to-maturity securities, trading securities and non-trading securities as required by SSAP 24 and additional line items have been included on the face of the consolidated profit and loss account and the balance sheets as required by SSAP 1 (revised), such as other net income, finance costs, an analysis of expenses, inventories and debtors. Comparative figures have been reclassified to conform with the current year's presentation. Certain comparative figures have also been adjusted as a result of a change in accounting policy for investments in securities in order to comply with SSAP 24, details of which are set out in Note 10.

28. POST BALANCE SHEET EVENT

Subsequent to the year end, the Group acquired a one-third interest in the Diamond Hill project from its principal shareholder. The consideration for the acquisition was HK\$1,185.7 million, calculated on the basis of one-third of the audited consolidated net tangible asset value of the project as at January 17, 2000, including the value of the underlying property as assessed by an independent valuer.

29. APPROVAL OF ACCOUNTS

The accounts were approved by the Directors on May 15, 2000.

Principal Subsidiaries and Associates

AT DECEMBER 31, 1999

	SUBSIDIARIES			ASSOCIATES		
	PLACE OF INCORPORATION / OPERATION	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	PRINCIPAL ACTIVITIES
Properties						
Diamond Hill Development Holdings Limited	British Virgin Islands			Ordinary	33	Holding company
Feckenham Limited	Hong Kong	2 HK\$10 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
Spintrade Investments Limited	British Virgin Islands	600 US\$1 shares	67			Holding company
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
Hotels						
* Harbour Centre Development Limited	Hong Kong	315,000,000 HK\$0.5 shares	61			Holding company
Manniworth Company Limited	Hong Kong	10,000 HK\$1 shares	61			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	61			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
Infrastructure						
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
* The Cross-Harbour Tunnel Company, Limited	Hong Kong			Ordinary	25	Tunnel operation and investment holding
The "Star" Ferry Company, Limited	Hong Kong	1,440,000 HK\$5 shares	100			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

	SUBSIDIARIES			ASSOCIATES		
	PLACE OF INCORPORATION / OPERATION	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	PRINCIPAL ACTIVITIES
Communication						
COL Limited	Hong Kong	40,000 HK\$500 shares	100			Computer services
Hong Kong Cable Television Limited	Hong Kong	1,000,000,000 HK\$1 shares	79			Cable television
* i-CABLE Communications Limited	Hong Kong	2,014,000,000 HK\$1 shares	79			Holding company
New T&T Hong Kong Limited	Hong Kong	100,000,000 HK\$1 shares	100			Telecommunication
Rediffusion Satellite Services Limited	Hong Kong	1,000 HK\$10 shares	79			Telecommunication
# Wharf Communications Investments Limited	Hong Kong	1,000,000 HK\$10 shares	100			Holding company
Wharf Communications Network Limited	Hong Kong	100 HK\$1 shares	79			Telecommunication
		2 HK\$1 non-voting deferred shares	100			
Wharf Interactive Network Limited	Hong Kong	2 HK\$1 shares	79			Internet access services
China						
Cattenwood Company Limited	Hong Kong	2 HK\$1 shares	100			Property
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
Quodworth Company Limited	Hong Kong	2 HK\$1 shares	100			Property
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
Wharf Property Management and Consultancy (Shanghai) Company Limited	Shanghai	US\$500,000	100			Property management
Wharf Shanghai Limited	Hong Kong	10,000,000 HK\$1 shares	100			Holding company
Investment, corporate and others						
* Beauforte Investors Corporation Limited	Hong Kong			Ordinary	49.9	Holding company
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	61			Finance
Kelmscot Company Limited	Hong Kong	2 HK\$1 shares	100			Finance
Mercantile Investments Limited	Bermuda	12 US\$1,000 shares	61			Investment
		(10% paid up)				
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
Uxbridge Limited	Hong Kong	10,000 HK\$10 shares	61			Investment
# 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	Bermuda	12,000 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 Overseas Capital (1994) Limited	Cayman Islands	1,000 US\$1 shares	100			Finance
# 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 5% and 6% respectively of the corresponding consolidated totals.

All the subsidiaries listed above were, as at December 31, 1999, 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, 1999

ADDRESS	LOT NUMBER	YEAR OF COMPLETION	LEASE EXPIRY	SITE AREA (sq.ft.)	APPROXIMATE GROSS FLOOR AREAS (SQ.FT.)						ATTRIBUTABLE INTEREST
					OFFICE	RETAIL	RESIDENTIAL	INDUSTRIAL-OFFICE / INDUSTRIAL	CLUB HOUSE	HOTEL (NO. OF ROOMS)	
a) Investment and other properties and hotels											
Investment and other properties											
Ocean Terminal, Harbour City, Tsimshatsui	KPP 83	1966	2012	346,719	10,000	648,000					100%
Ocean Centre, Harbour City, Tsimshatsui	KML 11 S.A.	1977	2880	126,488	677,000	224,000					100%
New T & T Centre, Harbour City, Tsimshatsui	KML 11 S.B.	1981	2880	(a)	257,000						100%
World Commerce Centre, Harbour City, Tsimshatsui	KML 11 S.B.	1981	2880	(a)	257,000						100%
World Finance Centre, Harbour City, Tsimshatsui	KML 11 S.D.	1983	2880	(a)	512,000						100%
Ocean Galleries, Harbour City, Tsimshatsui	KML 11 S.B. & D.	1981/83	2880	(a)		386,000					100%
Gateway I, Harbour City, Tsimshatsui	KML 11 R.P.	1994	2880	(a)	1,128,000	108,000					100%
Gateway II, Harbour City, Tsimshatsui	KML 11 S.B. & D.	1998/99	2880	(a)	1,570,000	400,000	670,000				100%
The Hongkong Hotel, Harbour City, Tsimshatsui (Commercial Section)	KML 91 S.A. & KML 10 S.B.	1969	2863	(b)	35,000	135,000					61%
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	2850/60/80	112,441	1,033,000	936,000					100%
Plaza Hollywood, 3 Lung Poon Street, Diamond Hill	NKIL 6160	1997	2047	280,510		562,000					67%
World Trade Square, Hoi Bun Road, Kwun Tong	KTIL 713	1991	2047	48,438	330,000	65,000					100%
26-27/F, World-Wide House, Central	IL 8432	1979	2053	N/A	21,000						100%
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	2047	66,005				523,000			100%
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	2047	88,480				481,000			100%
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	2027/28	380,000				37,000			100%
77 Peak Road, The Peak	RBL 836	1951	2029	76,728				32,000			100%
3-5 Gough Hill Path, The Peak	RBL 104 & 720	1952	2031/50	47,640				20,000			100%
Delta House, 3 On Yiu Street, Shatin	STTL 422	1999	2047	70,127				349,000			100%
Beijing Capital Times Square 88 West Changan Avenue, Xidan, Beijing		1999	2044	141,007	625,000	436,000					88%
Shanghai Times Square 93-111 Huai Hai Zhong Road, Luwan District, Shanghai		1999	2043	148,703	345,000	462,000	291,000				85%
Hotels and clubs											
The Hongkong Hotel, Harbour City, Tsimshatsui	KML 91 S.A. & KML 10 S.B.	1969	2863	58,814						665	61%
Marco Polo Hotel, Harbour City, Tsimshatsui	KML 11 S.B.	1981	2880	(a)						438	100%
Prince Hotel, Harbour City, Tsimshatsui	KML 11 S.D.	1983	2880	(a)						400	100%
Pacific Club Kowloon, Harbour City, Tsimshatsui	KPP 6	1990	2006	48,309				139,000			100%

ADDRESS	LOT NUMBER	EXPECTED YEAR OF COMPLETION	STAGE OF COMPLETION	LEASE EXPIRY	SITE AREA (sq.ft.)	APPROXIMATE GROSS FLOOR AREAS (SQ.FT.)					ATTRIBUTABLE INTEREST
						OFFICE	RETAIL	RESIDENTIAL	INDUSTRIAL-OFFICE / INDUSTRIAL	HOTEL (NO. OF ROOMS)	
b) Properties under redevelopment											
Chelsea Court 63 Mount Kellett Road, The Peak	RBL 556 R.P.S.A. & S.B.	2000	Superstructure in progress	2035	29,640			42,000			100%
Mountain Court 11-13 Plantation Road, The Peak	RBL 522, 639, 661	2000	Superstructure in progress	2027	32,145			46,000			100%
Serenade Cove 621-625 Castle Peak Road, Tsuen Wan	TWIL 17	2001	Superstructure in progress	2047	77,169			599,000			100%
Nos. 41, 43, 45 and 47 Waterloo Road & No. 30-40 Kwong Wa Street	KIL 11047	2001	Superstructure in progress	2047	10,564		8,500	81,000			100%
22-24 Plunkett's Road	RBL 534 S.E. & F.	2002	Superstructure in progress	2028	97,670			91,000			100%
60 Victoria Road, Kennedy Town, Hong Kong	IL 8079	N/A	Planning stage	2064	6,100					260	61%
Cable TV Tower South Chai Wan Kok Street, Tsuen Wan	TWIL 36	N/A	Planning stage	2047	66,005			324,000			100%
Kowloon Godown, 1-3 Kai Hing Road, Kowloon Bay	NKIL 5805, 5806 & 5982	N/A	Planning stage	2047	166,000				1,923,000		100%

Notes :

- (a) Part of Harbour City, total site area is 428,719 sq. ft.
(b) Part of The Hongkong Hotel building.
(c) All crown leases in Hong Kong that contractually expired in 1997 are deemed to expire in 2047 in accordance with the Sino-British Joint Declaration.

Ten-year Financial Summary

DOLLAR AMOUNTS IN HK\$ MILLION	1990/91	1991 +	1992	1993	1994	1995	1996	RESTATED 1997	RESTATED 1998	1999
Summary of Profit and Loss Account										
Turnover (Note 1)	<u>2,700.0</u>	<u>2,394.8</u>	<u>4,391.6</u>	<u>6,266.2</u>	<u>8,143.6</u>	<u>6,769.6</u>	<u>8,404.5</u>	<u>10,980.1</u>	<u>10,839.7</u>	<u>10,520.5</u>
Group profit attributable to shareholders	1,480.0	1,283.6	2,051.4	2,725.7	3,100.6	3,604.8	2,238.5	1,882.7	1,922.2	3,216.5
Prior year adjustment (Note 2)	–	–	–	–	–	–	–	(960.3)	(51.2)	–
Restated amount	<u>1,480.0</u>	<u>1,283.6</u>	<u>2,051.4</u>	<u>2,725.7</u>	<u>3,100.6</u>	<u>3,604.8</u>	<u>2,238.5</u>	<u>922.4</u>	<u>1,871.0</u>	<u>3,216.5</u>
Dividends	<u>1,028.0</u>	<u>1,185.4</u>	<u>1,364.0</u>	<u>1,871.4</u>	<u>2,060.2</u>	<u>2,277.9</u>	<u>2,593.4</u>	<u>1,792.8</u>	<u>1,790.3</u>	<u>1,881.3</u>
Summary of Balance Sheet										
Fixed assets	29,409.6	37,427.6	50,403.2	86,952.9	93,378.2	85,215.3	98,326.3	93,434.1	71,643.1	73,355.3
Associates (Note 2)	2,790.0	2,650.6	2,332.4	5,389.6	7,048.3	4,180.5	2,768.9	4,462.9	3,863.2	5,196.6
Long term investments (Note 2)	594.7	1,398.6	1,620.7	1,565.2	1,697.7	2,327.6	4,324.1	7,824.1	7,106.8	5,258.5
Deferred debtors	360.7	402.1	118.7	300.7	482.9	96.9	104.5	238.0	349.3	505.7
Deferred items	11.7	438.3	536.1	1,119.9	1,730.7	2,128.6	2,390.6	2,431.8	2,405.9	2,262.0
Current assets	<u>6,694.1</u>	<u>2,286.6</u>	<u>4,274.4</u>	<u>5,133.6</u>	<u>12,778.4</u>	<u>10,118.1</u>	<u>8,336.9</u>	<u>8,776.9</u>	<u>8,529.3</u>	<u>12,535.7</u>
	<u>39,860.8</u>	<u>44,603.8</u>	<u>59,285.5</u>	<u>100,461.9</u>	<u>117,116.2</u>	<u>104,067.0</u>	<u>116,251.3</u>	<u>117,167.8</u>	<u>93,897.6</u>	<u>99,113.8</u>
Representing :										
Share capital	2,098.1	2,098.1	2,098.4	2,164.3	2,168.4	2,169.4	2,300.5	2,295.0	2,295.1	2,446.2
Reserves (Note 2)	<u>27,288.2</u>	<u>31,878.6</u>	<u>42,651.5</u>	<u>76,548.6</u>	<u>80,760.9</u>	<u>71,728.6</u>	<u>83,526.7</u>	<u>75,638.1</u>	<u>51,368.9</u>	<u>53,437.1</u>
Shareholders' funds	29,386.3	33,976.7	44,749.9	78,712.9	82,929.3	73,898.0	85,827.2	77,933.1	53,664.0	55,883.3
Convertible subordinated bonds	–	–	–	3,111.3	3,054.0	3,053.6	–	–	–	–
Deferred liabilities	531.5	1,505.0	5,390.7	9,004.2	20,362.8	18,570.5	15,983.3	25,996.5	22,322.3	26,802.0
Minority interests (Note 2)	1,440.7	1,600.1	1,890.3	2,779.1	3,082.2	2,555.8	4,382.0	4,264.4	3,923.9	5,576.3
Deferred taxation	20.7	17.9	13.0	73.7	140.4	181.7	470.3	517.0	518.2	506.9
Current liabilities	<u>8,481.6</u>	<u>7,504.1</u>	<u>7,241.6</u>	<u>6,780.7</u>	<u>7,547.5</u>	<u>5,807.4</u>	<u>9,588.5</u>	<u>8,456.8</u>	<u>13,469.2</u>	<u>10,345.3</u>
	<u>39,860.8</u>	<u>44,603.8</u>	<u>59,285.5</u>	<u>100,461.9</u>	<u>117,116.2</u>	<u>104,067.0</u>	<u>116,251.3</u>	<u>117,167.8</u>	<u>93,897.6</u>	<u>99,113.8</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" and Statement of Standard Accounting Practice 24 ("SSAP 24") "Accounting for investments in securities", 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 SSAP 24 as explained in Note 10 to the accounts.

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

A English version of this Annual Report is available from the Company upon request.

如有需要，可向本公司索取本年報之英文版本。