

Notes to the Accounts

1 Principal Accounting Policies

A Basis of preparation

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants ("SSAP"). The accounts are prepared under the historical cost convention as modified by the revaluation of certain investment properties and managed funds and other investments. In the current year, the Group has adopted the new or revised SSAPs effective for accounting periods commencing on or after 1 January 2001. The adoption of these new SSAPs had no material effects on the Group's results. Certain comparative figures have been reclassified to conform with the current year's presentation.

B Basis of consolidation

The consolidated accounts of the Group include the accounts for the year ended 31 December 2001 of the Company and of all its direct and indirect subsidiary companies and also incorporate the Group's interest in associated companies and jointly controlled entities on the basis set out in Notes 1D and 1E below. Results of subsidiary and associated companies and jointly controlled entities acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2001 or up to the dates of disposal as the case may be.

C Subsidiary companies

A company is a subsidiary company if more than 50% of the equity voting rights or issued share capital is held long term. In the consolidated accounts, subsidiary companies are accounted for as described in Note 1B above. In the unconsolidated accounts of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

D Associated companies

A company or a joint venture is classified as an associated company if not less than 20% nor more than 50% of the equity voting rights are held as a long term investment, a significant influence is exercised over its management and there is no contractual agreement between the shareholders to establish joint control over the economic activities of the entity. Results of the associated companies are incorporated in the accounts to the extent of the Group's share of the post acquisition results calculated from their accounts made up to 31 December 2001. Investments in associated companies represent the Group's share of their net assets, after attributing fair values to their net tangible and intangible assets at the date of acquisition, less provision for impairment in value.

E Joint ventures

A joint venture is classified as a jointly controlled entity if it is held as a long term investment and a contractual arrangement between the shareholders establishes joint control over the economic activities of the joint venture. Results of the jointly controlled entities are incorporated in the accounts to the extent of the Group's share of the post acquisition results calculated from their accounts made up to 31 December 2001. Investments in jointly controlled entities represent the Group's share of their net assets, after attributing fair values to their net tangible and intangible assets at the date of acquisition, less provision for impairment in value.

1 Principal Accounting Policies (cont'd)

E Joint ventures (cont'd)

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

F Managed funds and other investments

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

G Fixed assets

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

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

Motor vehicles	20 – 25%
Plant, machinery and equipment	3½ – 33⅓%
Container terminal equipment	5 – 20%
Telecommunication equipment	5 – 10%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is the greater

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

H Investment properties

Investment properties are interests in land and buildings in respect of which construction work has been completed and which are held for their investment potential. Such properties are included in fixed assets at their open market value based on existing use as determined by an annual professional valuation. Changes in the value of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account.

1 Principal Accounting Policies (cont'd)

H Investment properties (cont'd)

Upon disposal of an investment property, the relevant revaluation reserve is recognised in the profit and loss account. Investment properties are not depreciated except where the unexpired term of the lease is twenty years or less.

I Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the profit and loss account. All other leases are accounted for as operating leases and the rental payments are charged to the profit and loss account on accrual basis.

J Other non-current assets

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

K Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of its acquisition.

The Group has adopted SSAP 30 to account for goodwill. Goodwill on acquisitions occurring on or after 1 January 2001 is required to be reported in the balance sheet as a separate asset or, as applicable, included within investments in associated companies and joint ventures, and is amortised using the straight line method over its estimated useful life. This is a change in accounting policy, as in previous years goodwill on acquisitions was written off directly to reserves in the year of acquisition. In accordance with a transitional provision under SSAP 30, no retrospective adjustment to the goodwill written off directly to reserves is required.

L Asset impairment

Intangible and tangible assets, except investment properties, are tested for impairment when an event that might affect asset values has occurred. A provision for impairment in value is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by discounting future earnings from operating the asset. Such provision is recognised in the profit and loss account except where the asset is carried at valuation and the provision does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

M Borrowing costs

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

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

1 Principal Accounting Policies (cont'd)

N Properties under development

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

O Stocks

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

P Deferred taxation

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

Q Foreign exchange

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

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

R Dividends

In accordance with revised SSAP 9, effective 1 January 2001, dividends are to be recorded as a liability on the date of declaration. This change in accounting policy for the final dividend has been applied retrospectively. As a result, shareholders' funds at 31 December 1999 and 2000 have increased by HK\$4,458 million and HK\$5,201 million respectively, and the final dividend has then been recorded as a dividend in the subsequent year.

2 Turnover

Turnover comprises the gross value of goods and services invoiced to customers, income from investments and other joint ventures, proceeds from the sales of development properties, rental income from investment properties, interest income and finance charges earned. An analysis of turnover of the Company and subsidiary companies is as follows:

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
Sales of goods	29,132	26,578
Rendering of services	26,096	23,691
Interest	5,221	5,914
Dividends	1,011	839
	61,460	57,022

3 Segment information

Segment information is presented in respect of the Group's primary business segment and secondary geographical segment.

Turnover from external customers is after elimination of inter-segment turnover. The amount eliminated attributable to Telecommunications is HK\$126 million (2000 – HK\$19 million), Property and hotels is HK\$468 million (2000 – HK\$420 million), Retail and manufacturing is HK\$96 million (2000 – HK\$80 million) and Finance and investments is HK\$209 million (2000 – HK\$130 million).

The column headed as Company and Subsidiaries refers to the Company and subsidiary companies' respective items. The column headed as Associates and JCE refers to the Group's share of associated companies and jointly controlled entities' respective items.

Business segment

	Turnover from external customers					
	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2001 Total HK\$ millions	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2000 Total HK\$ millions
Ports and related services	12,641	2,864	15,505	11,501	2,725	14,226
Telecommunications	8,743	2,725	11,468	7,653	2,404	10,057
Property and hotels	3,941	1,575	5,516	3,451	3,822	7,273
Retail and manufacturing	27,208	2,335	29,543	25,014	2,234	27,248
Cheung Kong Infrastructure	4,050	6,029	10,079	3,721	5,176	8,897
Husky Energy	–	11,801	11,801	–	11,442	11,442
Finance and investments	4,877	249	5,126	5,682	–	5,682
	61,460	27,578	89,038	57,022	27,803	84,825

	Earnings before interest and other finance costs and taxation					
	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2001 Total HK\$ millions	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2000 Total HK\$ millions
Ports and related services	5,006	785	5,791	4,445	896	5,341
Telecommunications	804	(85)	719	705	(229)	476
Property and hotels	1,595	122	1,717	1,566	(30)	1,536
Retail and manufacturing	473	64	537	630	35	665
Cheung Kong Infrastructure	355	4,234	4,589	605	3,367	3,972
Husky Energy	85	1,951	2,036	209	1,907	2,116
Finance and investments	6,264	193	6,457	5,187	274	5,461
	14,582	7,264	21,846	13,347	6,220	19,567

3 Segment information (cont'd)**Business segment** (cont'd)

	Company and subsidiary companies			
	Depreciation and amortisation		Capital expenditures	
	2001 HK\$ millions	2000 HK\$ millions	2001 HK\$ millions	2000 HK\$ millions
Ports and related services	1,401	1,291	1,169	1,127
Telecommunications	994	738	10,843	1,413
Property and hotels	454	357	735	1,826
Retail and manufacturing	657	555	1,292	1,158
Cheung Kong Infrastructure	257	258	108	150
Husky Energy	–	–	–	–
Finance and investments	64	23	146	650
	3,827	3,222	14,293	6,324

	Company and subsidiary companies					
	Associated companies and interests in joint ventures		Segment assets		Segment liabilities	
	2001 HK\$ millions	2000 HK\$ millions	2001 HK\$ millions	2000 HK\$ millions	2001 HK\$ millions	2000 HK\$ millions
Ports and related services	4,707	4,848	50,718	38,727	22,886	19,278
Telecommunications	1,827	3,164	165,338	189,510	63,451	37,438
Property and hotels	20,148	18,011	40,365	41,924	4,276	4,721
Retail and manufacturing	745	787	13,280	10,259	15,160	15,169
Cheung Kong Infrastructure	37,806	40,560	11,478	8,717	9,951	11,827
Husky Energy	11,030	10,896	–	–	–	–
Finance and investments	562	558	73,401	73,439	59,764	62,724
	76,825	78,824	354,580	362,576	175,488	151,157

Segment assets comprise tangible and intangible assets, managed funds and other investments, and current assets.

Segment liabilities comprise bank loans, trade payables, other payables and accruals.

3 Segment information (cont'd)

Geographical segment

	Turnover from external customers					
	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2001 Total HK\$ millions	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2000 Total HK\$ millions
Hong Kong	34,020	7,495	41,515	34,869	9,394	44,263
Mainland China	5,656	4,703	10,359	4,364	3,269	7,633
Asia and Australia	10,137	2,305	12,442	8,123	2,465	10,588
Europe	5,620	1,051	6,671	6,060	1,033	7,093
Americas and others	6,027	12,024	18,051	3,606	11,642	15,248
	61,460	27,578	89,038	57,022	27,803	84,825

	Earnings before interest and other finance costs and taxation					
	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2001 Total HK\$ millions	Company and Subsidiaries HK\$ millions	Associates and JCE HK\$ millions	2000 Total HK\$ millions
Hong Kong	6,376	3,505	9,881	5,633	3,456	9,089
Mainland China	958	1,037	1,995	921	985	1,906
Asia and Australia	914	709	1,623	1,207	(177)	1,030
Europe	990	48	1,038	2,594	48	2,642
Americas and others	5,344	1,965	7,309	2,992	1,908	4,900
	14,582	7,264	21,846	13,347	6,220	19,567

	Company and subsidiary companies			
	Segment assets		Capital expenditures	
	2001 HK\$ millions	2000 HK\$ millions	2001 HK\$ millions	2000 HK\$ millions
Hong Kong	77,955	80,586	2,804	2,266
Mainland China	14,196	12,923	460	632
Asia and Australia	16,673	9,798	386	616
Europe	162,499	144,861	9,893	538
Americas and others	83,257	114,408	750	2,272
	354,580	362,576	14,293	6,324

4 Earnings before interest and other finance costs and taxation ("EBIT")

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
EBIT is shown after crediting and charging the following items:		
Credits:		
Share of profits less losses of associated companies		
Listed	4,966	3,434
Unlisted	821	1,106
	5,787	4,540
Share of gross rental income from associated companies and jointly controlled entities	195	118
Gross rental income from investment properties of subsidiaries	2,044	2,065
Less: Intra group rental income	(286)	(300)
	1,758	1,765
Less: Related outgoings	(43)	(48)
Net rental income of subsidiaries	1,715	1,717
Dividend and interest income from managed funds and other investments		
Listed	2,386	1,989
Unlisted	533	666
Charges:		
Depreciation of fixed assets	3,792	3,222
Amortisation of goodwill	35	–
Share of depreciation and amortisation of associated companies and jointly controlled entities	4,046	2,677
Operating leases		
Properties	2,421	2,109
Hire of plant and machinery	1,463	1,159
Auditors' remuneration	46	35

5 Interest and other finance costs

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
Company and subsidiary companies		
Bank loans and overdrafts	3,011	4,415
Other loans repayable within 5 years	116	125
Other loans not wholly repayable within 5 years	45	–
Notes and bonds repayable within 5 years	3,162	1,314
Notes and bonds not wholly repayable within 5 years	1,387	1,585
	7,721	7,439
Less: Interest capitalised	(769)	(979)
	6,952	6,460
Share of associated companies	1,250	1,046
Share of jointly controlled entities	565	408
	8,767	7,914

6 Profit on disposal of investments less provisions

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
Profit on disposal of investments	30,000	59,742
Profit on disposal of investments pursuant to forward sales contracts	4,393	–
Provision for share price and exchange rate fluctuations on overseas investments	(29,769)	(34,000)
Provision for loss on property development projects	(1,500)	–
	3,124	25,742

Profit on disposal of investments for the year represents a profit of HK\$30,000 million arising from the merger of VoiceStream Wireless Corporation (“VoiceStream”) and Deutsche Telekom AG (“Deutsche Telekom”). The profit on disposal of investments pursuant to forward sales contracts is the aggregate profit arising from the sale of approximately 695 million shares of Vodafone Group Plc (“Vodafone”) at an average price of £1.75 per share and approximately 89 million shares of Deutsche Telekom at an average price of € 21.26 per share.

The 2000 profit on disposal of investments comprises of a profit of HK\$50,000 million on disposal of Mannesmann AG (“Mannesmann”) common shares in exchange for Vodafone ordinary shares, a profit of HK\$1,600 million on the subsequent disposal of 925 million Vodafone shares, a profit of HK\$2,200 million on sales of a 19% interest in Hong Kong mobile telecommunications operation, a profit of HK\$4,222 million on the merger of Husky Oil Limited with Renaissance Energy Ltd. and a profit of HK\$1,720 million on the sale of a 50% interest in fixed line telecommunications business.

7 Directors' emoluments

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
The emoluments of the directors of the Company are as follows:		
Fees	1	1
Basic salaries and allowances	39	39
Provident fund contributions	5	5
Bonuses	169	208

The emoluments of the seven independent non-executive directors of the Company are HK\$0.5 million (2000 – seven directors, HK\$0.5 million).

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

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

HK\$	Group 2001 Number of directors	Group 2000 Number of directors
Nil – 1,000,000	8	8
1,000,001 – 1,500,000	–	1
6,000,001 – 6,500,000	–	1
7,500,001 – 8,000,000	2	–
9,000,001 – 9,500,000	–	2
11,500,001 – 12,000,000	1	–
13,000,001 – 13,500,000	–	1
25,500,001 – 26,000,000	1	–
27,000,001 – 27,500,000	1	–
28,000,001 – 28,500,000	1	–
29,000,001 – 29,500,000	–	1
31,000,001 – 31,500,000	–	1
32,500,001 – 33,000,000	–	1
105,000,001 – 105,500,000	1	–
120,000,001 – 120,500,000	–	1

The five individuals whose emoluments were the highest for the year were four (2000 – four) directors of the Company and one (2000 – one) director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary and allowance – HK\$6 million (2000 – HK\$5.6 million); provident fund contribution – HK\$0.9 million (2000 – HK\$0.9 million); and bonus – HK\$12 million (2000 – HK\$12 million).

8 Pension schemes

The Group has established pension schemes for employees located in Hong Kong and in some overseas locations. Total pension expense for the year was HK\$362 million (2000 – HK\$313 million) of which HK\$157 million (2000 – HK\$112 million) related to overseas schemes. Contributions to all plans are charged to the profit and loss account in the year incurred.

The Group's Hong Kong employees, excluding Cheung Kong Infrastructure Holdings Limited ("CKI") and Hutchison Harbour Ring Limited ("HHR") group employees, who commenced employment prior to 1 January 1994 are members of a scheme which provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. Employees' contributions are either 5% or 7% of basic monthly salary. The employers' annual contribution is designed to fully fund the scheme as advised by independent actuaries. A formal independent actuarial valuation using the aggregate cost method completed at 30 June 2001 reported a market value of the scheme assets of HK\$1,709 million and a level of funding of 99% of the accrued actuarial liabilities on an ongoing basis. The main assumptions in the valuation are an investment return of 8.5% per annum and salary increases of 6.5% per annum. The valuation was performed by Tian Keat Aun, a fellow member of the Institute of Actuaries, of Watson Wyatt Hong Kong Limited.

The Group's Hong Kong employees, excluding CKI and HHR group employees, who commenced employment subsequent to 31 December 1993 are members of a defined contribution scheme. All contributions are made by the employers at either 7.5% or 10% of the employees' basic monthly salary. Benefits are equal to the vested contributions plus a minimum interest thereon of 5% per annum. Except for the employees of the Group's port business in the United Kingdom, overseas employees are members of defined contribution schemes in their respective country of operation. Forfeited contributions of the Group's defined contribution schemes in Hong Kong amounted to HK\$31 million (2000 – HK\$34 million) were used to reduce the current year's level of contributions and HK\$3 million was available at 31 December 2001 (2000 – HK\$8 million) to reduce future year's contribution.

The CKI group provides defined contribution retirement schemes for the majority of its employees. One of its subsidiary companies provides a defined benefit scheme. Contributions to the defined contribution schemes are made either by the employers only at 10% of the employees' basic monthly salary or by both the employers and employees each at 10% of the employees' basic monthly salary. Forfeited contributions of the CKI group's defined contribution schemes in the amount of HK\$2 million (2000 – HK\$3 million) were used to reduce the current year's level of contributions and HK\$1 million was available at 31 December 2001 (2000 – nil) to reduce future year's contribution.

8 Pension schemes (cont'd)

The CKI group's defined benefit scheme is substantially the same as that described above for the Group's Hong Kong employees. The latest actuarial valuation of this defined benefit scheme was completed at 1 January 2002 by Joseph KL Yip, a fellow member of the Society of Actuaries, of Watson Wyatt Hong Kong Limited. The actuarial method adopted was the attained age funding method and the main assumptions used were the long term average rate of annual investment return on the scheme assets at 8% per annum and long term average annual salary increases at 6% per annum. The net asset value for the actuarial valuation of the defined benefit scheme as at 31 December 2001 was HK\$128 million and the latest actuarial valuation showed that the scheme's assets covered 83% of the accrued actuarial liabilities at the valuation date. CKI's future annual contribution is designed to fund the shortfall over a period of time.

The HHR group provides defined contribution scheme for its Hong Kong employees who commenced employment before 1 September 2000 and qualified employees from operations outside Hong Kong. Contributions to the defined contribution scheme are made by both the employers and employees each at 5% of the employees' basic monthly salary. Forfeited contributions of the HHR group's defined contribution scheme are allocated to the benefit of the remaining members.

The Group's Hong Kong subsidiaries also participate in master trust Mandatory Provident Fund ("MPF") schemes operated by independent service providers. Mandatory contributions to these MPF schemes are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK\$20,000. As the Group's pension schemes in Hong Kong (including those of CKI and HHR) are all MPF-exempted recognised occupational retirement schemes ("ORSO schemes"), the Group's Hong Kong new employees, except for certain CKI group's subsidiaries and HHR group of which the new employees join the MPF schemes, can elect to become members of the MPF schemes or to become members of the ORSO schemes.

The employees of the Group's United Kingdom port businesses are members of one of three defined benefit schemes. Employees contribute 5% or 6% of pensionable salary depending on the scheme. The employers' annual contribution is designed to fully fund the plans as advised by independent actuaries. A formal valuation using the projected unit method completed at 1 January 2001 reported a market value of the Port of Felixstowe scheme assets of HK\$1,593 million and a level of funding of 92% of the accrued actuarial liabilities on an ongoing basis. The main assumptions in the valuation are an investment return of 6.0% per annum in respect of past service liabilities and pensionable salary increases of 4% per annum. The valuation was performed by Graham Mitchell, a fellow member of the Institute of Actuaries, of Watson Wyatt Partners.

9 Taxation

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
Current taxation expense		
Hong Kong		
Subsidiary companies	537	585
Associated companies	314	256
Jointly controlled entities	56	76
Overseas		
Subsidiary companies	543	280
Associated companies	92	54
Jointly controlled entities	64	51
	1,606	1,302
Deferred taxation expense (credit)		
Hong Kong		
Subsidiary companies	(6)	(44)
Jointly controlled entities	(2)	(5)
Overseas		
Subsidiary companies	(14)	(2)
Associated companies	710	727
Jointly controlled entities	11	–
	699	676
	2,305	1,978
Hong Kong profits tax has been provided for at the rate of 16% (2000 – 16%) on the estimated assessable profits less available tax losses. Overseas taxation has been provided for at the applicable rate on the estimated assessable profits less available tax losses.		
The potential tax liabilities (assets) which have not been provided for in respect of the current year are as follows:		
Arising from accelerated depreciation allowances	(121)	(230)
Arising from tax losses	(39)	276

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

10 Profit attributable to shareholders

The net profit of the Company is HK\$7,999 million (2000 – HK\$7,383 million) and is included in determining the profit attributable to shareholders in the consolidated profit and loss account.

11 Dividends

	Company 2001 HK\$ millions	Company 2000 HK\$ millions
Interim, paid of HK\$0.51 per share (2000 – HK\$0.51)	2,174	2,174
Final, proposed of HK\$1.22 per share (2000 – HK\$1.22)	5,201	5,201
	7,375	7,375

12 Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$12,088 million (2000 – HK\$34,118 million) and on 4,263,370,780 shares in issue during 2001 (2000 – 4,263,370,780 shares).

13 Fixed assets – Group

	Investment properties HK\$ millions	Other properties HK\$ millions	Other assets HK\$ millions	2001 Total HK\$ millions	2000 Total HK\$ millions
Cost or valuation					
At 1 January	30,427	41,696	31,177	103,300	99,366
Exchange translation differences	–	(215)	(376)	(591)	(858)
Additions	16	1,353	12,924	14,293	6,324
Disposals	–	(7)	(699)	(706)	(845)
Relating to subsidiaries acquired	599	5,693	7,444	13,736	1,549
Relating to subsidiaries disposed of	–	–	(183)	(183)	(2,805)
Revaluation	(2,503)	–	–	(2,503)	416
Transfer from (to) current assets	–	(37)	18	(19)	153
Transfer between categories	(81)	(193)	274	–	–
At 31 December	28,458	48,290	50,579	127,327	103,300
Accumulated depreciation					
At 1 January	–	4,207	13,655	17,862	15,679
Exchange translation differences	–	(28)	(118)	(146)	(270)
Charge for the year	–	1,045	2,747	3,792	3,222
Disposals	–	(1)	(486)	(487)	(693)
Relating to subsidiaries acquired	–	569	3,074	3,643	129
Relating to subsidiaries disposed of	–	–	(93)	(93)	(205)
At 31 December	–	5,792	18,779	24,571	17,862
Net book value at 31 December	28,458	42,498	31,800	102,756	85,438
Cost or valuation at 31 December					
At cost	–	48,290	50,579	98,869	72,873
At valuation	28,458	–	–	28,458	30,427
	28,458	48,290	50,579	127,327	103,300

13 Fixed assets – Group (cont'd)

	2001 HK\$ millions	2000 HK\$ millions
Net book value of investment properties and other properties comprises:		
Hong Kong		
Long leasehold (not less than 50 years)	15,081	16,463
Medium leasehold (less than 50 years but not less than 10 years)	33,564	34,523
Short leasehold (less than 10 years)	30	34
Overseas		
Freehold	5,067	4,255
Long leasehold	3,162	2,410
Medium leasehold	13,705	10,200
Short leasehold	347	31
	70,956	67,916

Other properties include projects under development in the amount of HK\$3,073 million at 31 December 2001 (2000 – HK\$2,567 million).

Other assets include telecommunication equipment held under finance leases at a cost of HK\$3,222 million (2000 – HK\$3,222 million) and accumulated depreciation of HK\$1,060 million (2000 – HK\$848 million) at 31 December 2001. Depreciation for the year amounted to HK\$212 million (2000 – HK\$215 million).

The investment properties have been revalued as at 31 December 2001 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis based on existing use.

	2001 HK\$ millions	2000 HK\$ millions
At 31 December, the analysis of the Group's aggregate future minimum lease payments receivable under non-cancellable leases is as follows:		
Within 1 year	1,584	1,488
After 1 year, but within 5 years inclusive	3,212	3,724
After 5 years	913	1,197

14 Other non-current assets

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
Cost of licences for 3G telecommunications spectrum		
At 1 January	80,039	–
Exchange translation differences	(3,571)	–
Additions	1,684	80,039
At 31 December	78,152	80,039

15 Goodwill

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
Cost		
At 1 January	–	–
Additions	413	–
Relating to subsidiaries acquired	27	–
At 31 December	440	–
Accumulated amortisation		
At 1 January	–	–
Charge for the year	35	–
At 31 December	35	–
Net book value at 31 December	405	–

16 Subsidiary companies

	Company 2001 HK\$ millions	Company 2000 HK\$ millions
Unlisted shares	728	728
Amounts due from subsidiary companies	48,032	60,016
	48,760	60,744

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

17 Associated companies

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
Unlisted shares	1,651	1,665
Listed shares, Hong Kong	9,512	9,422
Listed shares, overseas	10,342	10,342
Share of undistributed post acquisition reserves	11,175	10,104
Investments in associated companies	32,680	31,533
Amounts due from associated companies	7,476	9,313
Amounts due to associated companies	(1,628)	(1,555)
	38,528	39,291

The market value of the listed investments at 31 December 2001 was HK\$42,851 million (2000 – HK\$40,026 million).

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

18 Interests in joint ventures

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
Jointly controlled entities		
Unlisted shares	19,196	18,858
Share of undistributed post acquisition reserves	(6,004)	(4,479)
Investments in jointly controlled entities	13,192	14,379
Amounts due from jointly controlled entities	18,565	16,505
Amounts due to jointly controlled entities	(738)	(548)
	31,019	30,336
Other joint ventures		
Cost of investments	6,504	8,350
Amounts due from other joint ventures	774	847
	7,278	9,197
	38,297	39,533

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

19 Managed funds and other investments

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
Managed funds, overseas		
Listed held-to-maturity debt securities	22,675	14,868
Cash and cash equivalents	1,119	1,825
Other listed equity securities	–	11
	23,794	16,704
Held-to-maturity debt securities		
Listed debt securities	7,346	2,711
Long term deposits	173	4,174
Convertible debt securities	4,538	5,442
Other securities		
Listed equity securities, Hong Kong	3,473	4,813
Listed equity securities, overseas	63,176	99,044
Unlisted equity securities and advances	3,313	2,203
	105,813	135,091

The market value of the listed securities at 31 December 2001 was HK\$108,736 million (2000 – HK\$130,475 million).

Included in the listed equity securities, overseas are investments in approximately 695 million shares of Vodafone and approximately 89 million shares of Deutsche Telekom that are subject to forward sales contracts as described in Note 6. These shares are included in the above amount at their realisable value pursuant to the forward sales contracts.

The proceeds receivable pursuant to these contracts for the Vodafone shares totals approximately £1,216 million and for the Deutsche Telekom shares totals approximately €1,887 million. To hedge the currency risk, a number of currency swap forward contracts, with various expiry dates up to one year from the issue date, have been entered into, to exchange at agreed rates, approximately £376 million and €1,583 million into US dollars. In addition, the Group has granted options to the purchasers to acquire an additional of approximately 258 million shares of Vodafone and approximately 42 million shares of Deutsche Telekom. The options are exercisable in 2002.

Included in the listed debt securities are investment in notes totaling to HK\$4,274 million which are subject to certain callable asset swap arrangements with financial institutions. Pursuant to these arrangements, fixed rate notes were purchased and simultaneously interest rate swap agreements were entered into whereby the notes become floating interest rate bearing notes. The financial institution has a call option to purchase the notes anytime before maturity in 2004.

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

20 Current assets

	Company 2001 HK\$ millions	Company 2000 HK\$ millions	Group 2001 HK\$ millions	Group 2000 HK\$ millions
Stocks	–	–	4,821	4,132
Trade receivables	–	–	3,837	3,569
Other receivables and prepayments	–	–	11,422	6,932
Dividends and other receivables from subsidiary companies	8,000	7,400	–	–
	8,000	7,400	20,080	14,633
Cash and cash equivalents	–	–	47,374	47,375
	8,000	7,400	67,454	62,008

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

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
As 31 December, the ageing analysis of the trade receivables is as follows:		
Current	2,410	2,318
31–60 days	871	614
61–90 days	271	181
Over 90 days	285	456
	3,837	3,569

21 Current liabilities

	Company 2001 HK\$ millions	Company 2000 HK\$ millions	Group 2001 HK\$ millions	Group 2000 HK\$ millions
Bank loans	–	302	15,238	14,991
Other loans	–	–	161	48
Notes and bonds				
HK\$ notes, 7.88% due 2002	–	–	1,500	–
HK\$ notes, 7.82% due 2002	–	–	500	–
US\$ exchangeable bonds, 7% due 2001	–	–	–	2,145
Trade payables	–	–	6,180	4,717
Other payables and accruals	64	70	22,891	22,252
Taxation	–	–	544	806
	64	372	47,014	44,959

The bank and other loans of the Group are secured to the extent of HK\$1,749 million (2000 – HK\$3,816 million).

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
At 31 December, the ageing analysis of the trade payables is as follows:		
Current	3,642	2,748
31–60 days	1,183	914
61–90 days	644	620
Over 90 days	711	435
	6,180	4,717

22 Long term liabilities

	Company 2001 HK\$ millions	Company 2000 HK\$ millions	Group 2001 HK\$ millions	Group 2000 HK\$ millions
Bank loans				
Repayable within 5 years	–	12,002	41,324	66,352
Not wholly repayable within 5 years	–	–	17,769	3,207
Less: Current portion	–	(302)	(15,238)	(14,991)
	–	11,700	43,855	54,568
Other loans				
Repayable within 5 years	–	–	2,617	106
Not wholly repayable within 5 years	–	–	80	–
Less: Current portion	–	–	(161)	(48)
	–	–	2,536	58
Exchangeable notes				
US\$3,000 million exchangeable notes, 2.875% due 2003	–	–	23,400	23,393
US\$2,657 million exchangeable notes, 2% due 2004	–	–	20,723	–
Other notes and bonds				
HK\$ notes, 7.88% due 2002	–	–	–	1,500
HK\$ notes, 7.82% due 2002	–	–	–	500
HK\$ notes, 7% due 2003	–	–	1,000	1,000
HK\$ notes, HIBOR+0.8% due 2004	–	–	1,500	1,500
US\$199 million notes, LIBOR+0.85% due 2004	–	–	–	1,537
US\$750 million notes – Series A, 6.95% due 2007	–	–	5,807	5,807
US\$500 million notes – Series B, 7.45% due 2017	–	–	3,871	3,871
US\$500 million notes – Series C, 7.5% due 2027	–	–	3,871	3,871
US\$250 million notes – Series D, 6.988% due 2037	–	–	1,935	1,935
US\$1,500 million notes, 7% due 2011	–	–	11,700	–
EUR500 million bonds, 5.5% due 2006	–	–	3,450	3,675
GBP325 million bonds, 6.75% due 2015	–	–	3,679	3,789
AUD425 million notes, 6.5% due 2006	–	–	1,691	–
	–	–	82,627	52,378
	–	11,700	129,018	107,004

The Group has entered into interest rate swap agreements with banks and other financial institutions to swap HK\$31,550 million principal amount of fixed interest rate borrowings to floating interest rate borrowings. In addition, HK\$4,320 million principal amount of an infrastructure related floating interest rate borrowing was swapped to a fixed interest rate borrowing.

22 Long term liabilities (cont'd)

	Company 2001 HK\$ millions	Company 2000 HK\$ millions	Group 2001 HK\$ millions	Group 2000 HK\$ millions
The loans are repayable as follows:				
Bank loans				
After 1 year, but within 2 years	–	–	2,134	22,911
After 2 years, but within 5 years	–	11,700	37,114	29,928
After 5 years	–	–	4,607	1,729
Other loans				
After 1 year, but within 2 years	–	–	65	16
After 2 years, but within 5 years	–	–	2,398	42
After 5 years	–	–	73	–
Exchangeable notes				
After 1 year, but within 2 years	–	–	23,400	–
After 2 years, but within 5 years	–	–	20,723	23,393
Other notes and bonds				
After 1 year, but within 2 years	–	–	1,000	2,000
After 2 years, but within 5 years	–	–	6,641	4,037
After 5 years	–	–	30,863	22,948
	–	11,700	129,018	107,004

The bank and other loans of the Group are secured to the extent of HK\$11,937 million (2000 – HK\$2,882 million).

The exchangeable notes represent US\$3,000 million and US\$2,657 million notes exchangeable into ordinary shares of Vodafone anytime before maturity at the option of the holders on the basis of US\$1,000 principal amount for 196.61 shares at US\$5.086 per share and for 214.51 shares at US\$4.6618 per share respectively.

The US\$250 million notes – Series D due 2037 are subject to repayment at the option of the holders thereof on 1 August 2009.

23 Deferred taxation

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
The movements in deferred taxation, arising from accelerated depreciation allowances, are as follows:		
At 1 January	100	139
Relating to subsidiaries acquired	120	7
Net credit for the year	(20)	(46)
At 31 December	200	100
The potential tax liabilities (assets) which have not been provided for in the accounts are as follows:		
Arising from accelerated depreciation allowances	311	432
Arising from tax losses	(1,027)	(988)

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

24 Minority interests

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
Equity interests	30,901	28,351
Loans – interest free	5,424	7,300
Loans – interest bearing	575	338
	36,900	35,989

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

25 Share capital

	2001 Number of shares	2000 Number of shares	Company 2001 HK\$ millions	Company 2000 HK\$ millions
Authorised:				
Ordinary shares of HK\$0.25 each	5,500,000,000	5,500,000,000	1,375	1,375
7½% cumulative redeemable participating preference shares of HK\$1 each	402,717,856	402,717,856	403	403
			1,778	1,778
Issued and fully paid:				
Ordinary shares				
At 1 January	4,263,370,780	3,875,791,619	1,066	969
Bonus issue 1 for 10	–	387,579,161	–	97
At 31 December	4,263,370,780	4,263,370,780	1,066	1,066

26 Reserves

	Share premium HK\$ millions	Investment properties revaluation HK\$ millions	Investment revaluation HK\$ millions	Exchange translation HK\$ millions	Retained profit HK\$ millions	Total HK\$ millions
Company						
At 1 January 2001, as previously stated	28,359	–	–	–	21,446	49,805
Prior year adjustment for dividends (Note 1R)	–	–	–	–	5,201	5,201
At 1 January 2001, as restated	28,359	–	–	–	26,647	55,006
2000 final dividend paid	–	–	–	–	(5,201)	(5,201)
2001 interim dividend paid	–	–	–	–	(2,174)	(2,174)
Profit for the year	–	–	–	–	7,999	7,999
At 31 December 2001	28,359	–	–	–	27,271	55,630
At 1 January 2000, as previously stated	28,456	–	–	–	21,438	49,894
Prior year adjustment for dividends (Note 1R)	–	–	–	–	4,458	4,458
At 1 January 2000, as restated	28,456	–	–	–	25,896	54,352
Bonus issue	(97)	–	–	–	–	(97)
1999 final dividend paid	–	–	–	–	(4,458)	(4,458)
2000 interim dividend paid	–	–	–	–	(2,174)	(2,174)
Profit for the year	–	–	–	–	7,383	7,383
At 31 December 2000	28,359	–	–	–	26,647	55,006
Group						
At 1 January 2001, as previously stated	28,359	16,302	32,401	(3,296)	173,315	247,081
Prior year adjustment for dividends (Note 1R)	–	–	–	–	5,201	5,201
At 1 January 2001, as restated	28,359	16,302	32,401	(3,296)	178,516	252,282
2000 final dividend paid	–	–	–	–	(5,201)	(5,201)
2001 interim dividend paid	–	–	–	–	(2,174)	(2,174)
Revaluation deficit	–	(2,460)	(874)	–	–	(3,334)
Valuation released upon disposal of VoiceStream shares and other investments	–	–	(33,814)	–	–	(33,814)
Net goodwill realised upon disposal of subsidiary and associated companies and jointly controlled entities	–	–	–	–	661	661
Exchange translation differences	–	–	–	(3,307)	–	(3,307)
Company and subsidiaries' profit for the year	–	–	–	–	12,009	12,009
Share of reserves of associated companies	–	–	–	(336)	1,678	1,342
Share of reserves of jointly controlled entities	–	292	–	50	(1,599)	(1,257)
At 31 December 2001	28,359	14,134	(2,287)	(6,889)	183,890	217,207
Including retained reserves of						
– Associated companies	–	–	(34)	(114)	11,016	10,868
– Jointly controlled entities	–	592	–	299	(2,183)	(1,292)

26 Reserves (cont'd)

	Share premium HK\$ millions	Investment properties revaluation HK\$ millions	Investment revaluation HK\$ millions	Exchange translation HK\$ millions	Retained profit HK\$ millions	Total HK\$ millions
Group (cont'd)						
At 1 January 2000, as previously stated	28,456	15,963	48,821	(452)	152,193	244,981
Prior year adjustment for dividends (Note 1R)	–	–	–	–	4,458	4,458
At 1 January 2000, as restated	28,456	15,963	48,821	(452)	156,651	249,439
1999 final dividend paid	–	–	–	–	(4,458)	(4,458)
2000 interim dividend paid	–	–	–	–	(2,174)	(2,174)
Bonus issue	(97)	–	–	–	–	(97)
Revaluation surplus	–	425	8,810	–	–	9,235
Valuation released upon disposal of Mannesmann shares	–	–	(24,286)	–	–	(24,286)
Valuation released upon disposal of other investments	–	–	(950)	–	–	(950)
Elimination of goodwill on acquisition of subsidiary and associated companies and jointly controlled entities	–	–	–	–	(5,621)	(5,621)
Exchange translation differences	–	–	–	(2,408)	–	(2,408)
Company and subsidiaries' profit for the year	–	–	–	–	33,192	33,192
Share of reserves of associated companies	–	–	6	(478)	1,017	545
Share of reserves of jointly controlled entities	–	(86)	–	42	(91)	(135)
At 31 December 2000	28,359	16,302	32,401	(3,296)	178,516	252,282
Including retained reserves of						
– Associated companies	–	–	(34)	222	9,401	9,589
– Jointly controlled entities	–	300	–	249	(342)	207

Included in share premium of the Group is a capital redemption reserve of HK\$404 million (2000 – HK\$404 million).

Reserves of the Company available for distribution to shareholders amount to HK\$27,271 million

(2000 – HK\$26,647 million).

27 Notes to consolidated cash flow statement

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
(a) Reconciliation of profit before taxation to funds generated from operations		
Profit before taxation	16,203	37,395
Interest expense	6,952	6,460
Share of profits less losses of associated companies	(4,537)	(3,494)
Share of profits less losses of jointly controlled entities	(912)	(1,272)
Profit on disposal of investments less provisions	(3,124)	(25,742)
Profit on disposal of subsidiary and associated companies and other investments	(888)	(776)
Depreciation and amortisation	3,827	3,222
Loss on disposal of fixed assets	120	79
Funds generated from operations	17,641	15,872
(b) Changes in working capital		
Increase in stocks	(544)	(318)
Increase in debtors and prepayments	(2,469)	(1,292)
Increase (decrease) in creditors	141	(4,133)
Other non-cash items	(93)	(1,097)
	(2,965)	(6,840)
(c) Disposal of subsidiary companies		
Net assets disposed of (excluding cash and cash equivalents):		
Fixed assets	90	2,600
Interests in joint ventures	195	–
Stocks	–	24
Debtors	122	626
Bank and other loans	–	(15)
Creditors and taxation	(164)	(470)
Goodwill	617	266
Minority interests	1,000	19,141
	1,860	22,172
Provision	–	5,978
Profit on disposal	593	3,920
	2,453	32,070
Less: Investments amount retained subsequent to disposal	(1,066)	(6,046)
	1,387	26,024
Satisfied by:		
Cash consideration	1,458	26,109
Less : Cash and cash equivalents sold	(71)	(85)
Net cash consideration	1,387	26,024

27 Notes to consolidated cash flow statement (cont'd)

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
(d) Purchase of subsidiary companies		
Net assets acquired (excluding cash and cash equivalents):		
Fixed assets	10,093	1,420
Associated companies	178	–
Interests in joint ventures	226	–
Managed funds and other investments	74	–
Stocks	503	189
Debtors	1,588	284
Bank and other loans	(3,715)	(744)
Creditors and taxation	(2,466)	(742)
Deferred taxation	(120)	(7)
Goodwill	440	2,492
Minority interests	(1,371)	(1,002)
Loans from minority interests	(294)	–
	5,136	1,890
Less: Investments amount held prior to purchase	(1,309)	(424)
	3,827	1,466
Discharged by:		
Cash payment	5,684	1,622
Less : Cash and cash equivalents purchased	(1,857)	(156)
Net cash consideration	3,827	1,466

27 Notes to consolidated cash flow statement (cont'd)

	Share capital and premium HK\$ millions	Bank and other loans HK\$ millions	Minority interests HK\$ millions	Group Total HK\$ millions
(e) Analysis of changes in financing during the year				
At 1 January 2001	29,425	124,188	35,989	189,602
New loans	–	68,781	422	69,203
Repayment of loans	–	(49,116)	(371)	(49,487)
Issue of shares by subsidiary companies to minorities	–	–	27	27
Net cash flow from financing activities	–	19,665	78	19,743
Minority interests in profit	–	–	1,810	1,810
Dividends paid to minority shareholders	–	–	(2,207)	(2,207)
Minority interests in exchange reserve	–	–	(1,327)	(1,327)
Minority interests in properties revaluation reserve	–	–	(12)	(12)
Exchange translation differences	–	(1,151)	(96)	(1,247)
Purchase of minority interests	–	–	(165)	(165)
Relating to subsidiary companies acquired	–	3,715	1,830	5,545
Relating to subsidiary companies disposed of	–	–	1,000	1,000
At 31 December 2001	29,425	146,417	36,900	212,742
At 1 January 2000	29,425	89,815	10,099	129,339
New loans	–	67,434	4,601	72,035
Repayment of loans	–	(32,939)	(151)	(33,090)
Redemption of shares	–	–	(168)	(168)
Issue of shares by subsidiary companies to minorities	–	–	1,681	1,681
Net cash flow from financing activities	–	34,495	5,963	40,458
Minority interests in profit	–	–	1,299	1,299
Dividends paid to minority shareholders	–	–	(1,108)	(1,108)
Minority interests in revaluation reserve	–	–	(9)	(9)
Exchange translation differences	–	(851)	(398)	(1,249)
Purchase of minority interests	–	–	744	744
Relating to subsidiary companies acquired	–	744	258	1,002
Relating to subsidiary companies disposed of	–	(15)	19,141	19,126
At 31 December 2000	29,425	124,188	35,989	189,602

27 Notes to consolidated cash flow statement (cont'd)

	Group 2001 HK\$ millions	Group 2000 HK\$ millions
(f) Analysis of the balances of cash and cash equivalents		
Bank balances and cash equivalents	47,530	47,530
Bank overdrafts	(156)	(155)
	47,374	47,375

(g) Major non-cash transactions

During the year, the investment in VoiceStream was exchanged for approximately 206.6 million Deutsche Telekom shares and a cash consideration of HK\$6,908 million, giving rise to a profit of HK\$30,000 million (Note 6).

A provision of HK\$29,769 million was made during the year for share price and exchange rate fluctuations of overseas investments (Note 6).

28 Contingent liabilities

(a) The holding company, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities utilised by its associated companies and jointly controlled entities as follows:

	Company HK\$ millions	Subsidiaries HK\$ millions	2001 Total HK\$ millions	Company HK\$ millions	Subsidiaries HK\$ millions	2000 Total HK\$ millions
Associated companies	2,212	–	2,212	2,416	87	2,503
Jointly controlled entities	2,935	6,079	9,014	3,481	3,864	7,345

(b) The Company had contingent liabilities in respect of other guarantees of HK\$779 million (2000 – HK\$1,580 million) and subsidiaries had HK\$9,101 million (2000 – HK\$1,082 million), aggregating to a total of HK\$9,880 million (2000 – HK\$2,662 million).

(c) The Company has provided guarantees of its subsidiaries' performance and other commitments of HK\$2,539 million (2000 – nil).

(d) Pursuant to the disclosure requirements of the Hong Kong Companies Ordinance, the Company is required to disclose that it has guaranteed the borrowings of its financing and other subsidiary companies. Of the total debts included in Notes 21 and 22 totalling HK\$146,417 million (2000 – HK\$124,188 million), the Company has guaranteed a total of HK\$115,502 million (2000 – HK\$96,378 million).

29 Commitments

Outstanding Group commitments not provided for in the accounts at 31 December 2001 are as follows:

Capital commitments

1. Contracted for:

- i. Container terminals, Hong Kong – HK\$342 million (2000 – HK\$1,155 million).
- ii. Container terminals, Mainland China – HK\$19 million (2000 – HK\$115 million).
- iii. Container terminals, others – HK\$1,102 million (2000 – HK\$325 million).
- iv. Telecommunications – HK\$4,660 million (2000 – HK\$1,397 million).
- v. Investment properties in Hong Kong – HK\$82 million (2000 – HK\$129 million).
- vi. Investments in investment properties joint venture projects in Mainland China – HK\$111 million (2000 – HK\$81 million).
- vii. Investments in infrastructure joint venture projects in Mainland China – nil (2000 – HK\$433 million).
- viii. Other fixed assets – HK\$3,643 million (2000 – HK\$935 million).
- ix. Other investments – HK\$88 million (2000 – HK\$357 million).

2. Authorised but not contracted for:

- i. Container terminals, Hong Kong – HK\$560 million (2000 – HK\$1,439 million).
- ii. Container terminals, Mainland China – HK\$261 million (2000 – HK\$472 million).
- iii. Container terminals, others – HK\$2,875 million (2000 – HK\$1,683 million).
- iv. Telecommunications – HK\$41,824 million (2000 – HK\$39,737 million).
- v. Investment properties in Hong Kong – HK\$58 million (2000 – HK\$119 million).
- vi. Investments in investment properties joint venture projects in Hong Kong – HK\$1 million (2000 – HK\$18 million).
- vii. Investments in overseas investment properties joint venture projects – HK\$119 million (2000 – HK\$28 million).
- viii. Other fixed assets – HK\$10,632 million (2000 – HK\$8,958 million).
- ix. Other investments – HK\$1,264 million (2000 – HK\$1,342 million).

Operating lease commitments – future aggregate minimum lease payments for land and buildings leases

1. Expiring in the first year – HK\$2,208 million (2000 – HK\$1,928 million).
2. Expiring in the second to fifth years inclusive – HK\$6,115 million (2000 – HK\$1,555 million).
3. Expiring after the fifth year – HK\$8,071 million (2000 – HK\$4,489 million).

Operating lease commitments – future aggregate minimum lease payments for other assets

1. Expiring in the first year – HK\$415 million (2000 – HK\$315 million).
2. Expiring in the second to fifth years inclusive – HK\$904 million (2000 – HK\$285 million).
3. Expiring after the fifth year – HK\$1,657 million (2000 – HK\$326 million).

30 Related parties transactions

The Group has entered into joint ventures with various parties, including Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake property development projects. At 31 December 2001, in aggregate the Group had advanced HK\$20,748 million (2000 – HK\$15,597 million) to and had guaranteed bank and other borrowing facilities of HK\$1,220 million (2000 – HK\$3,039 million) for the benefit of these joint ventures. The Group has also entered into a joint venture, to develop a property in Japan, with a company controlled by Mr Li Tzar Kai, Richard, who at the inception of the joint venture, was a director of the Company (resigned 16 August 2000). At 31 December 2001, the Group had advanced HK\$449 million (2000 – HK\$40 million) to and had guaranteed a bank loan facility of HK\$1,449 million (2000 – HK\$1,653 million) for the benefit of this joint venture. The risks, benefits and financing obligations of these joint ventures are shared in proportion to the respective shareholdings.

31 US dollar equivalents

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

32 Approval of accounts

The accounts set out on pages 72 to 116 were approved by the Board of Directors on 21 March 2002.