



*The Cheung Kong Group is committed to creating value for its shareholders. It will continue to innovate and add value in order to stay on top of the latest trends and to increase its competitiveness.*



# Report of the Chairman and the Managing Director

## PROFIT FOR THE YEAR

The Group's audited consolidated net profit after tax for the year ended 31st December, 2000 amounted to HK\$19,436 million (1999 – HK\$59,373 million). Earnings per share were HK\$8.42 (1999 – HK\$25.84).

## DIVIDEND

The Directors have decided to recommend the payment of a final dividend of HK\$1.22 per share in respect of 2000, to shareholders whose names appear on the Register of Members of the Company on 24th May, 2001. This together with the interim dividend of HK\$0.38 per share gives a total of HK\$1.60 per share for the year (1999 – HK\$1.38 per share), up 16% over the previous year. The proposed dividend will be paid on 29th May, 2001 following approval at the Annual General Meeting.

## OPERATIONS REVIEW

The following are important events that took place during 2000 :

### 1. Buildings completed during the year, further to those recorded in the 2000

#### Interim Report :

Name	Location	Total Gross Floor Area (sq. m.)	Group's Interest
Fisherman's Wharf	Kowloon Inland Lot No. 11056	25,338	Joint Venture
Office Building and Shopping Arcade Beijing Oriental Plaza Phase I	No. 1, East Chang An Ave., Dong Cheng District, Beijing	188,000	33.3775%

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**2. Developments in Progress and Scheduled for Completion in 2001 :**

<b>Name</b>	<b>Location</b>	<b>Total Gross Floor Area (sq. m.)</b>	<b>Group's Interest</b>
No. 1 Star Street	The Remaining Portion of Section A of Inland Lot No. 2837	9,320	100%
University Court	Section A of New Kowloon Inland Lot No. 2491	4,072	100%
The Metropolis	Kowloon Inland Lot No. 11077	97,180	Joint Venture
Laguna Grande Laguna Verde	Kowloon Inland Lot No. 11056	121,280	Joint Venture
Ocean Vista Laguna Verde	Kowloon Inland Lot No. 11056	65,390	Joint Venture
Harbourfront Landmark	Kowloon Inland Lot No. 11055	62,460	50%
Villa Esplanada Phase III	Tsing Yi Town Lot No. 129	79,640	22.5%
Office Building, Hotel and Serviced Apartments Beijing Oriental Plaza Phase II	No. 1, East Chang An Ave., Dong Cheng District, Beijing	328,000	33.3775%

### 3. New Acquisitions and Joint Developments and Other Major Events :

- (1) In February 2000, a joint venture company equally owned by the Group and Hutchison Whampoa Limited acquired two properties in Cairnhill Circle, Singapore to be redeveloped together for residential purposes. The site area is approximately 14,600 sq. m. and the total gross floor area is about 40,870 sq. m. Completion is scheduled for 2003.
- (2) In May 2000, an associated company which is 50% owned by the Group successfully bid for New Kowloon Inland Lot No. 6275, West Kowloon Reclamation Area at a Government auction. With an area of approximately 16,000 sq. m., the site is earmarked for a residential/commercial complex estimated to have a total developable gross floor area of about 134,900 sq. m. Completion is scheduled for 2003.
- (3) In May 2000, the Group entered into an agreement with Mr. Li Ka-shing to acquire his 52% interest in the property development known as Costa del Sol in Singapore. The transaction was approved by shareholders at the Extraordinary General Meeting of the Company on 14th June, 2000 and completed on 19th June, 2000. The total consideration of HK\$1,489 million was satisfied by the issue of 18,608,098 shares of the Company at a price of HK\$79.75 per share with the balance in cash. Together with the 24% interest originally held by the Group in the project, the Group has a total 76% interest in the project.
- (4) In June 2000, the Group completed the agreement with the owner to purchase the Tiger Balm Garden, Tai Hang. The site area of Inland Lot No. 5330 RP and the Extension thereto and Inland Lot No. 3564 and the Extensions thereto is about 8,600 sq. m. Lease modification is in progress.

*The Group continues to build up a sizable quality landbank comprising rural and urban prime sites acquired at strictly controlled cost levels.*

- (5) In August 2000, the Group obtained approval from the Town Planning Board for a planning application for various lots in DD11, Fung Yuen, Tai Po for a residential development. Total developable gross floor area for Phase I development is approximately 80,000 sq. m. Further design and planning are underway. Preparation for land exchange is also in progress.
- (6) In August 2000, an associated company which is 22.5% owned by the Group acquired Lots Road Power Station, Chelsea, London, United Kingdom for residential and commercial purposes. The site area is approximately 25,000 sq. m. and the total developable net floor area is 54,600 sq. m. This project is scheduled for completion in phases from 2003 to 2006.
- (7) In October 2000, an associated company which is 50% owned by the Group successfully bid for Tsuen Wan Town Lot No. 395, Area 40, Route Twisk, Tsuen Wan for residential development. The proposed development has a site area of approximately 25,600 sq. m. and a total developable gross floor area of 76,800 sq. m. and is planned for completion in 2004.
- (8) In October 2000, a subsidiary of the Group acquired the remaining shares of Lot Nos. 289 and 309 in DD 444, 29-51 Wo Yi Hop Road, Kwai Chung, New Territories for a development comprising serviced apartments, hotel and retail space. The site area is about 7,870 sq. m. and the gross floor area is approximately 74,300 sq. m.
- (9) In March 2001, an associated company in which the Group has a 33.33% interest was awarded the tender for Land Parcel A (comprising Land Parcels A1 and A2) at Marina Boulevard, Singapore to be developed for commercial purposes. With a total site area of approximately 15,600 sq. m. and a developable gross floor area of approximately 152,000 sq. m., the proposed project is scheduled for completion in 2006.

*The Group's existing landbank is sufficient to ensure a steady supply of quality properties in the coming four to five years.*



- (10) Approvals from the Town Planning Board were obtained for the Group's planning applications for various lots in DD110, Shek Kong and various lots in DD106, Yuen Kong. The two sites have an area of about 26,000 sq. m. and 20,500 sq. m. respectively. Lease modification is in progress for the sites for residential purposes.
- (11) During the year under review, the Group continued to acquire agricultural land with potential for development. Some of these sites are under varying stages of design and planning applications.
- (12) The Group's property projects in the Mainland are on schedule, both for sale and leasing.
- (13) In January 2000, the Group, Hutchison Whampoa Limited, The Hongkong and Shanghai Banking Corporation Limited and Hang Seng Bank Limited announced the formation of a joint venture called iBusinessCorporation.com to facilitate e-commerce businesses and Internet related investments.

#### **4. Major Associated Company :**

The associated Hutchison Whampoa Group reported profits after tax of HK\$34,118 million (1999 – HK\$117,345 million), a drop of 71% as compared to the previous year.

## **PROSPECTS**

The 21st century is an exciting era in which knowledge and information allied to new technologies will take the lead. To meet the opportunities and challenges ahead, continuous pursuit of knowledge and innovation should be the key to success in staying ahead of the changing trends. The Group strives to remain at the forefront by continuous improvement and innovation while at the same time following its traditional discipline of controlled expansion. In the years to come, the Group will focus on three main strategies that will ensure its solid growth in this exciting new era :

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## 1. Strengthening its Core Business

Property development, the well-established core business of the Group, has been the cornerstone of its success over the years. The local property market is poised for a healthy growth to be accompanied by steady rises in both property transactions and residential prices, given the recent solid economic recovery and declining interest rates.

Our proactive and innovative strategies in different aspects of property development, from project planning and architectural design to the provision of related facilities and services, are all customer-oriented and market-driven. Tailored to meet the needs of different customer segments and the changing market trends, these strategies enhance the Group's competitive edge in the property market, and further improve its good reputation and pre-eminent market position. For instance, as part of its strategy in setting new standards of quality living, the Group is introducing the latest technology and value-added services to its property projects, in addition to the quality materials and sophisticated designs that have been widely acclaimed.

The Group has made it a long-term policy to build up a sizable quality landbank comprising rural and urban prime sites acquired at strictly controlled cost levels to support its various property development plans. Our existing landbank is sufficient to ensure a steady supply of quality properties in the coming four to five years.

The Group enjoyed satisfactory rental income in 2000 when occupancy rate and rental billings for Grade-A offices were boosted by increased demand. At the same time, our quality portfolio of investment properties has expanded significantly, following the completion of the office building and shopping arcade of the Beijing Oriental Plaza Phase I. As a visible addition to the Group's rental floor areas is expected in the next few years, the proportion of investment properties is set to rise further, contributing a steady stream of solid recurrent earnings to the Group.

*The Group's proactive and innovative strategies in property development are all customer-oriented and market-driven.*

The Group is committed to expanding globally while continuing to strengthen its foundation in Hong Kong. This is well demonstrated by its active pursuit of property investments in the Mainland and overseas markets in recent years whenever suitable opportunities have arisen. The Group's proven record and extensive experience in developing high quality properties in Hong Kong and overseas has placed it in a favourable position to tap the enormous potential of these markets.

## 2. **Venturing into New Technologies**

The Group has been focusing on promoting new technology developments. As the world economy becomes increasingly knowledge and technology based, the Group's enterprising corporate culture embracing ongoing learning, innovation and improvement, combined with its professional team of hi-tech experts has enabled it to respond flexibly to and benefit from the latest technological trends. Given the promising prospects of new, value added technology businesses, the Group has positioned itself to pursue suitable investments with great potential in this area, such as biotechnology, e-commerce and other Internet-related businesses.

New technology businesses are normally long-term investments. However, the capital required is not necessarily large, given their potential for long-term growth and profitability. The Group is well poised to earn solid returns from these businesses when they mature in the next one or two years.

## 3. **Diversification and Globalisation**

The Group's active drive for diversification and globalisation has been underpinned not only by its own ventures, but also through strategic investments made by Hutchison Whampoa, which strengthen the Group's long term capacity for steady earnings growth and better returns and value creation for the shareholders.

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The various local and overseas businesses of the Hutchison Whampoa Group achieved satisfactory growth during the year under review. Performance of its core businesses was particularly encouraging and the momentum of their steady earnings growth has continued. While no return has yet been recorded for some newly established businesses that require a longer initial investment period, such as the third generation mobile phone services, they are poised to open a new and more exciting chapter for the Hutchison Whampoa Group when they reach maturity in the next two or three years as their huge potential comes into full play. One of the enviable advantages of the Hutchison Whampoa Group is its strong liquidity position. Its cash and marketable securities total over HK\$200 billion and this figure exceeds its total debt by a comfortable margin. This advantage will help it to carry out its strategic expansion plans and at the same time help cushion it against external changes and volatility.

The Hutchison Whampoa Group has developed a successful business model. Its initiatives of diversification and globalisation have been the key to its success in minimising investment risks and mitigating any negative impact from a particular industry or geographic location. Cheung Kong Infrastructure Holdings Limited and Hongkong Electric Holdings Limited are also active in expanding their footprints overseas, with their investments in Australia being the best example.

The guiding principle of the Cheung Kong Group has always been to advance while maintaining stability, and to nurture innovative ideas in order to increase momentum for solid growth. The shareholders' interest is our primary concern in guiding our investments, which will be made only at the right time and at the right price, and when the long-term potential of the market for value creation is sustainable. We are prudent not only in investments, but also in financial management. A good illustration is our traditional policy of maintaining a strong financial position with ample liquidity and a low debt ratio. The Cheung Kong Group will continue to reinforce its strong financial position so that we are fully prepared to seize new and attractive investment opportunities.

*The Group's active drive for diversification and globalisation has been further underpinned through strategic investments made by Hutchison Whampoa.*

The two greatest intangible assets of the Cheung Kong Group are its excellent management team and its 100,000 diligent employees around the globe, and the good reputation that it has established over the years, and this has been reflected during the year under review when the Cheung Kong Group received top honours from several authoritative international business magazines, as recognition of its prudent and effective management. As a carefully diversified multi-national group, the Cheung Kong Group understands the importance of being alert to the dynamics and challenges of economic and political developments worldwide. Following its tradition of being market oriented, the Cheung Kong Group will continue to innovate and add value in order to stay on top of the latest trends and to increase its competitiveness.

We continue to be confident about the economic future of both Hong Kong and the Mainland. Hong Kong's prospects are positive as its economy is definitely recovering following the strong GDP growth recorded last year. The Mainland's overall economy is expected to be further boosted by two major catalysts: the Tenth Five-Year Plan adopted at the recent session of the National People's Congress, under which an encouraging GDP growth of an average of 7% per year over the next five years is forecast; and China's impending entry to WTO which will offer tremendous opportunities for investments, giving a further boost to its economic development. We are optimistic that, given these two favourable factors, the Greater China region is destined to be a more promising and exciting place for investments. While impressive returns have been made overseas, the Cheung Kong Group will continue to be based in Hong Kong and the Mainland, and remains steadfast in its diversification and globalisation strategies based on an even stronger foundation.

Our innovative and dedicated staff have been a major force supporting our solid growth. We take this opportunity to extend our thanks to our colleagues on the Board and the staff members of the Group for their hard work, loyal service and continuing support during the year.

**Li Ka-shing**

Chairman

**Li Tzar Kuoi, Victor**

Managing Director

Hong Kong, 22nd March, 2001

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