

# Report of the Directors

The Directors have pleasure in presenting to shareholders their annual report together with the audited financial statements of the Company and of the Group for the year ended 31st December, 2000.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and project management. Its subsidiaries are active in the field of property development and investment, real estate agency and management, hotel operation and investment in securities.

## RESULTS AND DIVIDENDS

Results of the Group for the year ended 31st December, 2000 are set out in the consolidated profit and loss account on page 34.

The Directors recommend the payment of a final dividend of HK\$1.22 per share which, together with the interim dividend of HK\$0.38 per share paid on 20th October, 2000, makes a total dividend of HK\$1.60 per share for the year.

## FIXED ASSETS

Movements in fixed assets during the year are set out in note (9) to the financial statements.

## SHARE CAPITAL

Movements in the share capital of the Company during the year are set out in the paragraph headed "Connected Transactions" on page 22 and note (17) to the financial statements.

## RESERVES

Movements in reserves during the year are set out in note (19) to the financial statements.

## GROUP FINANCIAL SUMMARY

Results, assets and liabilities of the Group for the last ten years are summarised on page 2.

## PROPERTIES

Particulars of major properties held by the Group are set out on pages 30 to 33.

## DIRECTORS

The Directors of the Company are listed on page 67. The Directors' biographical information is set out on pages 14 and 15.

Mr. Chiu Kwok Hung, Justin and Dr. Wong Yick-ming, Rosanna who were appointed as Directors of the Company in July 2000 and January 2001 respectively, will retire from office in accordance with the Company's articles of association and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with the Company's articles of association, the Directors of the Company (including Non-executive Directors) retire in every year by rotation. Mr. Chung Sun Keung, Davy, Mr. Ip Tak Chuen, Edmond, Mr. Chow Kun Chee, Roland, Mr. Yeh Yuan Chang, Anthony and Mr. Kwok Tun-li, Stanley retire from office and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## DIRECTORS' INTERESTS

As at 31st December, 2000, the interests of the Directors in the shares or debentures of the Company and its associated corporations as required to be recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

### (a) Interests in the Company

Name of Director	Number of Ordinary Shares				Total
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
Li Ka-shing	–	–	62,741,098 (Note 1)	771,705,406 (Note 2)	834,446,504
Li Tzar Kuoi, Victor	220,000	–	500,000	771,705,406 (Note 2)	772,425,406
George Colin Magnus	56,000	10,000	–	150,000 (Note 4)	216,000
Kam Hing Lam	10,000	–	–	–	10,000
Leung Siu Hon	633,100	64,500	–	–	697,600
Chow Kun Chee, Roland	65,600	–	–	–	65,600
Hung Siu-lin, Katherine	20,000	–	–	–	20,000
Yeh Yuan Chang, Anthony	–	384,000	–	–	384,000

**(b) Interests in Associated Corporations****Hutchison Whampoa Limited**

Name of Director	Number of Ordinary Shares				Total
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
Li Ka-shing	–	–	–	2,139,002,773 (Note 3)	2,139,002,773
Li Tzar Kuoi, Victor	–	–	971,000	2,139,002,773 (Note 3)	2,139,973,773
George Colin Magnus	880,000	9,900	–	–	889,900
Leung Siu Hon	11,000	28,600	–	–	39,600
Fok Kin-ning, Canning	962,597	–	48,278 (Note 6)	–	1,010,875
Chow Kun Chee, Roland	49,931	–	–	–	49,931
Yeh Yuan Chang, Anthony	–	100,000	–	–	100,000
Chow Nin Mow, Albert	97	–	–	–	97
Simon Murray	23,000	–	–	–	23,000

**Cheung Kong Infrastructure Holdings Limited**

Name of Director	Number of Ordinary Shares				Total
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
Li Ka-shing	–	–	–	1,912,109,945 (Note 5)	1,912,109,945
Li Tzar Kuoi, Victor	–	–	–	1,912,109,945 (Note 5)	1,912,109,945
Kam Hing Lam	100,000	–	–	–	100,000

Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, by virtue of their interests in the share capital of the Company as described in Note 2 and as Directors of the Company are deemed to be interested in the shares of the subsidiaries and associated companies of the Company held through the Company under the provisions of the SDI Ordinance.

Also by virtue of their interests as discretionary beneficiaries of certain discretionary trusts as described in Note 2 and as Directors of the Company, Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, are deemed to be interested in the shares of the following subsidiaries and associated company of the Company held by Li Ka-Shing Unity Trustee Company Limited (and companies it controls) as trustee of The Li Ka-Shing Unity Trust:

<b>Subsidiary</b>	<b>Number of Ordinary Shares</b>
Beautiland Company Limited	15,000,000
Jabrin Limited	2,000
Kobert Limited	75
Tsing-Yi Realty, Limited	945,000

  

<b>Associated Company</b>	<b>Number of Ordinary Shares</b>
Believewell Limited	1,000

In addition, Mr. Li Ka-shing is deemed to be interested in 3 shares of Tosbo Limited, a subsidiary of the Company, and 2 shares of Rasam Limited, an associated company of the Company, by virtue of his interest through his private companies.

Notes:

- Such shares are held by certain companies in which Mr. Li Ka-shing is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
- The two references to 771,705,406 shares relate to the same block of shares in the Company. Such shares are held by Li Ka-Shing Unity Trustee Company Limited (“TUT”) as trustee of The Li Ka-Shing Unity Trust (the “LKS Unity Trust”) and by companies controlled by TUT as trustee of the LKS Unity Trust. All issued and outstanding units in the LKS Unity Trust are held by Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust and by another discretionary trust. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, his wife and two daughters, and Mr. Li Tzar Kai, Richard.

More than one-third of the issued share capital of TUT and of the trustees of the aforementioned discretionary trusts are owned by Li Ka-Shing Unity Holdings Limited. Mr. Li Ka-shing owns more than one-third of the issued share capital of Li Ka-Shing Unity Holdings Limited and accordingly is taken to be interested in the 771,705,406 shares in the Company under the SDI Ordinance.

3. The two references to 2,139,002,773 shares in Hutchison Whampoa Limited (“HWL”) relate to the same block of shares comprising:
  - (a) 2,130,202,773 shares held by certain subsidiaries of the Company. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, as Directors of the Company, are deemed to be interested in such shares by virtue of their interests in the shares of the Company as described in Note 2 as, inter alia, discretionary beneficiaries of certain discretionary trusts. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, his wife and two daughters, and Mr. Li Tzar Kai, Richard; and
  - (b) 8,800,000 shares held by a unit trust. All issued and outstanding units of such unit trust are held by discretionary trusts. The discretionary beneficiaries of such discretionary trusts are, inter alia, Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor, his wife and two daughters, and Mr. Li Tzar Kai, Richard.

More than one-third of the issued share capital of the trustees of the aforementioned unit trust and discretionary trusts are owned by Li Ka-Shing Castle Holdings Limited in which Mr. Li Ka-shing owns more than one-third of its issued share capital and accordingly, Mr. Li Ka-shing is taken to be interested in the 8,800,000 shares in HWL under the SDI Ordinance.

4. Such interests in the shares are held by a company controlled by a trust under which Mr. George Colin Magnus is a discretionary beneficiary.
5. The two references to 1,912,109,945 shares in Cheung Kong Infrastructure Holdings Limited (“CKI”) relate to the same block of shares comprising:
  - (a) 1,906,681,945 shares held by a subsidiary of HWL. Certain subsidiaries of the Company hold more than one-third of the issued share capital of HWL. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor by virtue of their deemed interest in the shares of the Company as discretionary beneficiaries of certain discretionary trusts as described in Note 2 above, are deemed to be interested in such shares of CKI held by the subsidiary of HWL.

(b) 3,603,000 shares held by Pennywise Investments Limited (“Pennywise”) and 1,825,000 shares held by Triumphant Investments Limited (“Triumphant”). Pennywise and Triumphant are companies controlled by TUT as trustee of the LKS Unity Trust. Mr. Li Tzar Kuoi, Victor is deemed to be interested in such shares of CKI held by Pennywise and Triumphant by virtue of his interests as discretionary beneficiary of certain discretionary trusts as described in Note 2 above and as a Director of CKI. Mr. Li Ka-shing is deemed to be interested in such shares of CKI held by Pennywise and Triumphant by virtue of his deemed interest in TUT and the trustees of those discretionary trusts as described in Note 2 above.

6. These shares are held by a company which is equally owned by Mr. Fok Kin-ning, Canning and his wife.

As at 31st December, 2000, Mr. Li Tzar Kuoi, Victor had a corporate interest in a notional amount of HK\$25,000,000 in the 8.15% Notes due 2002 issued by Cheung Kong Finance Cayman Limited held through a company in which he is entitled to control one-third or more of the voting rights at its general meetings.

As at 31st December, 2000, Mr. Fok Kin-ning, Canning had a personal interest in 100,000 ordinary shares in Hutchison Telecommunications (Australia) Limited, and a corporate interest in a notional amount of US\$11,000,000 in the 6.95% Notes due 2007 issued by Hutchison Whampoa Finance (CI) Limited. Such interests in the Notes are held through a company which is equally owned by him and his wife.

As at 31st December, 2000, Mr. Frank John Sixt had a personal interest in a nominal amount of US\$530,000 in the 7% Convertible Bond due 2001 issued by Hutchison Delta Finance Limited.

Certain Directors held qualifying shares in certain subsidiaries in trust for the Company and other subsidiaries.

Apart from the above, as at 31st December, 2000 there was no other interest or right recorded in the register required to be kept under Section 29 of the SDI Ordinance.

Save as disclosed under the paragraph headed “Connected Transactions” below, at no time during the year was the Company or subsidiary a party to any arrangements which enabled any Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

Save as disclosed under the paragraph headed “Connected Transactions” below, no other contracts of significance to which the Company or a subsidiary was a party and in which a Director had a material interest subsisted at the balance sheet date or at any time during the year.

None of the Directors has any service contract with the Company or any of its subsidiaries.

## SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, the register required to be kept under Section 16(1) of the SDI Ordinance showed that, in addition to the interests disclosed above in respect of the Directors, the Company has been notified by Li Ka-Shing Unity Holdings Limited, Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust that each of them is taken to have an interest under the SDI Ordinance in the same 771,705,406 shares of the Company as described in Note 2 above.

## CONNECTED TRANSACTIONS

- (a) On 17th May, 2000, the Group entered into an agreement with Mr. Li Ka-shing to acquire his entire interest in Equisite Taste Investments Limited ("Equisite Taste") and the shareholder's loan for a total consideration of HK\$1,489,000,000 which was satisfied by the issue and allotment of 18,608,098 shares of the Company at a price of HK\$79.75 per share with the balance in cash. Equisite Taste indirectly owned 52% interest in the property development known as Costa del Sol located in Bayshore Road, Singapore (the "Development"). Completion of the Development is scheduled for end of 2003.

The above transaction was approved by the shareholders at the Extraordinary General Meeting of the Company on 14th June, 2000 in compliance with Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and was completed on 19th June, 2000. Together with the 24% interest originally held by the Group in the Development, the Group holds a total of 76% interest in the Development upon completion of the transaction.

Mr. Li had provided an undertaking to the Company to indemnify the Company for any reduction in the consolidated net tangible assets of Equisite Taste occurring between the completion of the transaction and the Determination Date (being six months after the issue of the final occupation permit in respect of the Development), and any payment under the indemnity will be made within 7 days of the requisite amount being duly determined.

Should any reduction materialise resulting in Mr. Li being called upon to fulfill his obligations under the indemnity, the Company will make an announcement of such fact and the Non-executive Directors will opine on whether Mr. Li has fulfilled his obligations under the above indemnity and such information will also be included in the next following annual report of the Company.



- (b) The Group had provided guarantees (“Guarantees”) to the following companies in respect of which both the Group and Hutchison Whampoa Limited or its wholly-owned subsidiaries (“Hutchison”) have interests. The Guarantees were provided by the Group and Hutchison on a several basis and pro-rated to their respective interests in the relevant company. Such arrangements constituted or might constitute connected transactions under Rule 14.25(2)(b) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

<b>Date</b>	<b>Name of Company</b>	<b>Guarantee provided by the Group</b>
20th June, 2000	Glenfield Investments Pte Ltd	50% of the obligations under a guarantee facility for SGD185 million made available by an independent financial institution.
3rd July, 2000	Glenfield Investments Pte Ltd	50% of the obligations under a revolving credit facility up to SGD300 million made available by independent financial institutions.
12th October, 2000	Guangzhou Metro-Ford Property Development Co., Ltd.	50% of the obligations under a loan of RMB800 million made available by an independent financial institution.
21st October, 2000	Shanghai Westgate Mall Co., Ltd.	50% of the obligations under a stand-by letter of credit for the maximum amount of US\$6,434,737 issued by an independent financial institution for securing a loan of RMB50 million made available by another independent financial institution.
14th November, 2000	Hutchison Whampoa Properties (Zhuhai) Company Limited	50% of the obligations under a loan of RMB200 million made available by an independent financial institution.
21st November, 2000	Beijing Oriental Plaza Co., Ltd.	33.8% of the liabilities under a loan of RMB4,460 million made available by an independent financial institution.



<b>Date</b>	<b>Name of Company</b>	<b>Guarantee provided by the Group</b>
23rd November, 2000	Shanghai Westgate Mall Co., Ltd.	50% of the obligations under two stand-by letters of credit each for the maximum amount of US\$6,310,771 issued by an independent financial institution for securing two loans of RMB50 million each made available by another independent financial institution.
8th December, 2000	Bayswater Developments (Shanghai) Limited	50% of the obligations under stand-by letters of credit for an aggregate amount of US\$31,820,785 issued by an independent financial institution for securing a loan of RMB250 million made available by another independent financial institution.
12th December, 2000	Shanghai Westgate Mall Co., Ltd.	50% of the obligations under a stand-by letter of credit for the maximum amount of US\$10,099,473 issued by an independent financial institution for securing a loan of RMB80 million made available by another independent financial institution.

#### MAJOR CUSTOMERS AND SUPPLIERS

67% of the Group's purchases were attributable to the Group's five largest suppliers. During the year, the Group acquired from Mr. Li Ka-shing his 52% interest in the property development known as Costa del Sol located in Bayshore Road, Singapore at a total consideration of HK\$1,489,000,000. As a result, Mr. Li Ka-shing became the largest supplier accounting for 47% of the Group's purchases.

The Group's turnover attributable to the Group's five largest customers was less than 30% .

Apart from the above, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, the interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (the "Competing Business") as required to be disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were as follows:

### (a) Core business activities of the Group

- (1) Property development and investment.
- (2) Real estate agency and management.
- (3) Hotel operation.
- (4) Investment in securities.
- (5) Information technology, e-commerce and new technology.

### (b) Interests in Competing Business

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Li Ka-shing	Hutchison Whampoa Limited	Chairman	(1), (2), (3), (4) & (5)
Li Tzar Kuoi, Victor	Hutchison Whampoa Limited	Deputy Chairman	(1), (2), (3), (4) & (5)
	Cheung Kong Infrastructure Holdings Limited	Chairman	(4) & (5)
	Hongkong Electric Holdings Limited	Executive Director	(4) & (5)
George Colin Magnus	Hutchison Whampoa Limited	Executive Director	(1), (2), (3), (4) & (5)
	Cheung Kong Infrastructure Holdings Limited	Deputy Chairman	(4) & (5)
	Hongkong Electric Holdings Limited	Chairman	(4) & (5)
	Paul Y. - ITC Construction Holdings Limited	Non-executive Director	(1), (4) & (5)
Kam Hing Lam	Hutchison Whampoa Limited	Executive Director	(1), (2), (3), (4) & (5)
	Cheung Kong Infrastructure Holdings Limited	Group Managing Director	(4) & (5)
	Hongkong Electric Holdings Limited	Executive Director	(4) & (5)

Name of Director	Name of Company	Nature of Interest	Competing Business (Note)
Ip Tak Chuen, Edmond	Cheung Kong Infrastructure Holdings Limited	Executive Director	(4) & (5)
	TOM.COM LIMITED	Non-executive Director	(4) & (5)
	CATIC International Holdings Limited	Non-executive Director	(1) & (4)
	Excel Technology International Holdings Limited	Non-executive Director	(4) & (5)
	Hanny Holdings Limited	Non-executive Director	(4) & (5)
	Paul Y. - ITC Construction Holdings Limited	Non-executive Director	(1), (4) & (5)
	Shougang Concord International Enterprises Company Limited	Executive Director	(1) & (4)
	Town Health International Holdings Company Limited	Non-executive Director	(4) & (5)
	Trasy Gold Ex Limited	Non-executive Director	(4) & (5)
	Fok Kin-ning, Canning	Hutchison Whampoa Limited	Group Managing Director
Cheung Kong Infrastructure Holdings Limited		Deputy Chairman	(4) & (5)
Hongkong Electric Holdings Limited		Deputy Chairman	(4) & (5)
Hanny Holdings Limited		Non-executive Director	(4) & (5)
Paul Y. - ITC Construction Holdings Limited		Non-executive Director	(1), (4) & (5)
Frank John Sixt		Hutchison Whampoa Limited	Group Finance Director
	Cheung Kong Infrastructure Holdings Limited	Executive Director	(4) & (5)
	Hongkong Electric Holdings Limited	Executive Director	(4) & (5)
	TOM.COM LIMITED	Chairman	(4) & (5)
	Chow Nin Mow, Albert	Hing Kong Holdings Limited	Managing Director

Note: Such businesses may be made through subsidiaries, associated companies or by way of other forms of investments.

Save as disclosed above, none of the Directors is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

## LIQUIDITY AND FINANCING

As at 31st December, 2000, the Group's borrowings amounted to HK\$21.1 billion representing an increase of HK\$3.4 billion over last year. The majority of the Group's borrowings is arranged on a medium term committed basis. Of the total borrowings at the year end date, the maturity profile spread over a period of ten years with HK\$7.3 billion repayable within 1 year, HK\$12.5 billion within 2 to 5 years and HK\$1.3 billion within 6 to 10 years.

The Group continued to maintain a low gearing ratio, calculated on the basis of the Group's net borrowings (after deducting cash and bank balances of HK\$2.4 billion) over shareholders' funds, at approximately 11.7% (1999 – 10.1%) at the year end date.

With cash and marketable securities on hand as well as available banking facilities at the year end date, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

## TREASURY POLICIES

The Group maintains a conservative approach on foreign exchange exposure management. The majority of the Group's borrowings, approximately 84% of the total at year end, was in HK\$ with the balance mainly in US\$. While the Group derives its revenue and maintains cash balances mainly in HK\$, it holds sufficient liquid investments denominated in US\$ to cover its exposure to fluctuations in foreign exchange rates.

The Group's borrowings are principally on a floating rate basis. For the fixed rate bonds and notes issued by the Group (totalling HK\$7 billion), interest rate swaps arrangements have been in place to convert the rates to floating rate basis. When appropriate and at times of interest rate uncertainty or volatility, hedging instruments including swaps and forwards are used in the Group's management of interest rate exposure.

## CHARGES ON ASSETS

As at 31st December, 2000, certain assets of the Group with aggregate carrying value of HK\$813 million (1999 – HK\$586 million) were pledged to secure loan facilities utilised by subsidiaries and affiliated companies.

## CONTINGENT LIABILITIES

As at 31st December, 2000,

- (a) the Group's share of contingent liabilities of jointly controlled entities in respect of guaranteed return payments payable to the other party of a co-operative joint venture in the next 49 years amounted to HK\$4,609 million;
- (b) the Company provided guarantees for loan financing as follows:
  - (i) bank and other loans utilised by subsidiaries – HK\$19,638 million (1999 – HK\$17,466 million);
  - (ii) bank loans utilised by jointly controlled entities – HK\$1,492 million (1999 – HK\$2,030 million);
  - (iii) bank loans utilised by associates and affiliated companies – HK\$155 million (1999 – HK\$168 million);and certain subsidiaries provided guarantees for bank loans utilised by jointly controlled entities amounted to HK\$692 million (1999 – HK\$448 million); and
- (c) the Company provided guarantees for the minimum revenue to be shared by the other parties of various joint development projects as follows:
  - (i) projects undertaken by subsidiaries – Nil (1999 – HK\$1,222 million);
  - (ii) projects undertaken by jointly controlled entities – HK\$125 million (1999 – HK\$125 million).

## EMPLOYEES

The Group, including its subsidiaries but excluding associates, employed approximately 5,160 (1999 – 4,380) employees at the year end date. Employees' cost (excluding directors' emoluments) amounted to approximately HK\$1,100 million (1999 – HK\$934 million) for the year. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group does not have any share option scheme for employees.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## COMMUNITY RELATIONS

During the year, the Group supported a wide variety of charities and activities beneficial to the community. Donations made by the Group during the year amounted to approximately HK\$5,042,000.

## CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this annual report, in compliance with Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## AUDIT COMMITTEE

Pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, an Audit Committee of the Company was established in December 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants. Regular meetings have been held by the Committee since its establishment and the Committee met twice in 2000.

The Audit Committee is answerable to the Board and the principal duties of the Committee include the review and supervision of the Company's financial reporting process and internal controls.

## AUDITORS

The financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu who retire and offer themselves for re-appointment.

On behalf of the Board

**Li Ka-shing**

Chairman

Hong Kong, 22nd March, 2001