

The directors hereby present their report together with the consolidated profit and loss statement for the year ended 31 December 2000 and the balance sheets of the company and the group at that date, as set out on pages 46 to 48.

Share capital

Particulars of changes in the share capital of the company during the year are set out in note 19 to the accounts.

Performance

A discussion and analysis of the group's performance during the year, the material factors underlying its results and financial position, and details of the group's principal activities appear in the financial review on pages 30 to 40. A summary of the group's financial data for the last ten years is shown on pages 28 and 29.

Subsidiary companies

Particulars of principal subsidiary companies are set out on page 70.

Dividends

No interim dividend was paid in respect of the six months ended 30 June 2000. The directors recommend that a final dividend be declared of 5 cents per share payable on 11 May 2001 to members whose names appear on the register on 7 May 2001.

Fixed assets and investment properties

Movements in fixed assets during the year and details of investment properties are set out in note 10 to the accounts.

Capitalised interest

Interest amounting to HK\$53 million was capitalised during the year as set out in note 5 to the accounts.

Reserves

Movements in the reserves of the company and the group during the year are set out in note 20 to the accounts.

Purchase, sale and redemption of listed securities

During the year, HSH Overseas Finance Limited, a wholly owned subsidiary of the company, repurchased convertible bonds, by private arrangement, with a nominal value of US\$29.0 million, for an aggregate price of US\$28.6 million, at prices ranging from 98.25 to 99.50. In January 2001, the remaining outstanding convertible bonds (nominal value US\$142.3 million) were fully repaid.

Save as disclosed above, during the year, neither the company nor any of its subsidiary companies has purchased, sold or redeemed any of the group's listed securities.

Borrowings

Particulars of all borrowings are set out in note 18 to the accounts.

Charitable donations

Donations made by the group during the year amounted to HK\$372,164.

Major customers and suppliers

The diversity and nature of the group's activities are such that the percentage of sales or purchases attributable to the group's five largest customers or suppliers is significantly less than thirty per cent and the directors do not consider any one customer or supplier to be influential to the group.

Connected transactions

Details of connected transactions undertaken in the normal course of business are set out in note 27 to the accounts.

Directors

Profiles of the directors in office at the date of this report are shown on pages 3 and 4. The Hon. Sir Albert Rodrigues retired at the annual general meeting held on 8 May 2000 and Mr R L Smyth resigned with effect from 31 October 2000.

In accordance with the articles of association, The Hon. Michael D Kadoorie and Mr R C S Ng retire by rotation and being eligible, offer themselves for re-election. None of the aforementioned directors has a service contract with the company, which is not determinable within one year without payment of compensation.

Alternate directors

Mr Kadoorie, Mr Mocatta and Mr McAulay have appointed Mr Dickson Leach as their alternate and Sir Albert Rodrigues had appointed his son, Dr. A E Rodrigues, as his alternate. Mr Dickson Leach and Sir Sidney Gordon have appointed Mr Mocatta and Mr Kadoorie respectively as their alternates.

Directors' interests

As at 31 December 2000, the directors' interests in the number of shares of the company as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

	Number of shares held		
	Personal	Family	Other
The Hon. Michael D Kadoorie	-	-	625,459,075 ⁽¹⁾
W E Mocatta	-	1,017,000	-
Sir Sidney Gordon	96,000	-	-
R J McAulay	-	-	436,245,243 ⁽¹⁾
Dr. The Hon. David K P Li	400,000	-	-
R C S Ng	-	122,570	20,429 ⁽²⁾
I D Boyce	100,000	-	-

Notes:

(1) The Hon. Michael D Kadoorie and Mr R J McAulay are deemed (by virtue of the SDI Ordinance) to be interested in the shares held through discretionary trusts.

(2) Non-beneficial interest held by the wife of Mr R C S Ng.

The information on page 42 is misleading since these interests are duplicated amongst themselves to the extent of 370,968,444 shares. The net total of the directors' interests is 692,491,873 shares representing 59.1% of the shares as at 31 December 2000. Save as disclosed above, none of the directors or their associates had any interest in the equity or debt securities of the company or any associated corporations.

During the year, the company has not granted any rights to directors to subscribe for equity or debt securities of the company.

No director had a material interest in any contract at the end of the year or at any time during the year, which was significant in relation to the business of the company or its subsidiary companies.

At no time during the year was the company or any of its subsidiary companies a party to any arrangement which enabled the directors of the company or their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate.

Substantial shareholders' interests

As at 31 December 2000, the following companies had interests in the number of shares of the company as recorded in the register maintained under section 16(1) of the SDI Ordinance:

Bermuda Trust Company Limited	690,735,874
Esko Limited	370,968,444
Hesko Limited	370,968,444
Xenon Holding Corporation	316,447,411
Rostik Limited	135,998,024
Mikado Holding Inc.	254,490,631
Mikado Investments Limited	254,490,631

The above information has been set out solely in order to comply with the requirements of the SDI Ordinance, but is misleading firstly since these interests are duplicated amongst themselves to the extent of 1,703,363,585 shares, and secondly since the net total of 690,735,874 shares is duplicated with various of the directors' interests as recorded in the preceding note. Save as stated above, no person had disclosed interests in more than 10% of the issued share capital of the company at 31 December 2000.

Corporate governance

During the year the company has remained in compliance with the guidelines contained in Appendix 14 of the stock exchange Listing Rules, save that the two independent non-executive directors have not been appointed for a specific term but are subject to retirement by rotation and the audit committee is not comprised of a majority of independent directors.

Practice Note 19 of the Listing Rules

Pursuant to paragraph 3.7.1 of Practice Note 19 of the Listing Rules, the company discloses that covenants relating to loan facilities at 31 December 2000, of an aggregate amount of HK\$3,776 million require that the Kadoorie family retains control and/or majority ownership of the company. These facilities have maturities ranging from three to seven years, in amounts ranging from HK\$75 million to HK\$1,650 million and are denominated in a number of currencies.

Auditors

A resolution for the reappointment of KPMG as auditors will be proposed at the forthcoming annual general meeting.

A handwritten signature in black ink, appearing to be 'D R G Henderson', written over a horizontal line.

By Order of the Board
D R G Henderson, *Company Secretary*,
Hong Kong, 1 March 2001