

## **REPORT OF THE DIRECTORS**

The Directors have pleasure in submitting to Shareholders their Report and the Audited Accounts for the year ended 31st December, 2000 which are to be presented at the Annual General Meeting to be held in the Pheasant Room, Mandarin Oriental Hotel, Hong Kong on Thursday, 3rd May, 2001.

### **PRINCIPAL ACTIVITIES**

The principal activities of the Company continue to be the production, distribution and marketing of town gas and related activities. The activities of the subsidiaries are shown on pages 69 to 70 of this Annual Report. Turnover and contribution to operating profit are mainly derived from activities carried out in Hong Kong.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated profit and loss account on page 45 of this Annual Report.

An interim dividend of HK 12 cents per share was paid to shareholders on 23rd October, 2000 and the Directors recommend a final dividend of HK 23 cents per share payable on 4th May, 2001 to shareholders whose names are on the register of members on 20th April, 2001.

### **FINANCIAL SUMMARY**

A summary of the results of the Group for the past nine financial years is set out on pages 38 and 39 of this Annual Report.

### **RESERVES**

Changes in reserves of the Group and the Company during the year are set out in Note 14 to the Accounts.

### **FIXED ASSETS**

Changes in fixed assets including the details of properties under development are shown in Notes 17, 18 and 19 to the Accounts.

### **SHARE CAPITAL**

Changes in share capital of the Company are shown in Note 12 to the Accounts.

### **BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS**

Particulars of the bank loans, overdrafts and other borrowings of the Group are provided in Notes 16 and 28 to the Accounts.

### **CHARITABLE DONATIONS**

Charitable donations by the Group for 2000 amounted to HK\$878,600 (1999: HK\$812,310).

## DIRECTORS

At the Annual General Meeting held on 5th May, 2000, Dr. Lee Hon Chiu, Mr. Colin Lam Ko Yin and Mr. Lee Ka Shing were re-elected as Directors of the Company. Dr. Lee Shau Kee, Mr. Liu Lit Man, Mr. Leung Hay Man, Dr. The Hon David Li Kwok Po, Mr. Ronald Chan Tat Hung, Mr. Lee Ka Kit, Mr. Chan Wing Kin and Mr. Kwan Yuk Choi held office throughout the year.

According to the Company's Articles of Association, one-third of the non-executive directors are subject to retirement by rotation at every annual general meeting. Pursuant to Article 97, Mr. Leung Hay Man and Mr. Lee Ka Kit are due to retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment.

## BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of Directors and senior management who are also executive directors are set out on pages 9 to 11 of this Annual Report.

## DISCLOSURE OF INTERESTS

As at 31st December, 2000, the interests of each Director of the Company in the equity securities of the Company as recorded in the register required to be kept under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

### Shares

Director	Personal	Family	Corporate	Other
Dr. Lee Shau Kee	2,666,260	—	—	1,782,659,328 (Note 4)
Mr. Liu Lit Man	1,272,558	—	—	—
Mr. Leung Hay Man	—	—	—	—
Dr. Lee Hon Chiu	193,416	—	—	—
Mr. Colin Lam Ko Yin	—	—	—	—
Dr. The Hon. David Li Kwok Po	9,061,226	—	—	—
Mr. Ronald Chan Tat Hung	132,757	—	—	—
Mr. Lee Ka Kit	—	—	—	—
Mr. Chan Wing Kin	92,510 (Note 5)	—	—	—
Mr. Kwan Yuk Choi	31,944	36,641	—	—
Mr. Lee Ka Shing	—	—	—	—

Save as mentioned above, as at 31st December, 2000, the register maintained by the Company pursuant to section 29 of the SDI Ordinance recorded no other interests of the directors in the equity or debt securities of the Company and its associated corporations nor any rights to subscribe for equity or debt securities of the Company granted to any directors or their respective spouse or children under 18 years of age nor the exercise of any such rights.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 2000, the following interests in the shares of the Company were recorded in the register required to be kept under section 16(1) of the SDI Ordinance:

Name of Company	No. of shares in which interested
Disralei Investment Limited (Note 1)	957,871,570
Timpani Investments Limited (Note 1)	1,358,057,525
Henderson Investment Limited (Note 1)	1,712,869,052
Kingslee S.A. (Note 1)	1,712,869,052
Henderson Land Development Company Limited (Note 1)	1,712,869,052
Henderson Development Limited (Note 2)	1,716,147,129
Hopkins (Cayman) Limited (Note 3)	1,782,659,328
Rimmer (Cayman) Limited (Note 3)	1,782,659,328

Notes:-

1. Kingslee S.A., a subsidiary of Henderson Land Development Company Limited has a controlling interest in Henderson Investment Limited. The 1,712,869,052 shares were beneficially owned by some of the subsidiaries of Henderson Investment Limited. Timpani Investments Limited is a subsidiary of Henderson Investment Limited and, together with its subsidiary Disralei Investment Limited, beneficially owned 1,358,057,525 shares out of 1,712,869,052 shares.
2. Henderson Development Limited beneficially owned more than one third of the share capital in Henderson Land Development Company Limited. Of the 1,716,147,129 shares, 1,712,869,052 shares represented the shares described in Note 1 and the other shares were beneficially owned by a subsidiary of Henderson Development Limited.
3. Of these 1,782,659,328 shares, 1,716,147,129 shares represented the shares described in Notes 1 and 2. Rimmer (Cayman) Limited as trustee of a discretionary trust held a majority of units in a unit trust ("Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust beneficially owned all the issued shares which carry the voting rights in the share capitals of Henderson Development Limited and Fu Sang Company Limited.
4. Dr. Lee Shau Kee beneficially owned all the issued shares in Rimmer (Cayman) Limited and Hopkins (Cayman) Limited. These 1,782,659,328 shares included the shares described in Notes 1, 2 and 3.
5. These shares were jointly held by Mr. Chan Wing Kin and his spouse.

## SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming Annual General Meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## INTERESTS IN CONTRACTS

No Director has, or at any time during the year had, an interest, in anyway, directly or indirectly, in any contract with the Company or its subsidiaries which was significant in relation to the business of the Company.

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

**PURCHASE, SALE OR REDEMPTION OF OWN SHARES**

During the year, the Company repurchased 41,729,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$392,066,250 before expenses. The repurchased shares were subsequently cancelled. The nominal value of the cancelled shares was transferred to the capital redemption reserve and the aggregate consideration was charged to unappropriated profits. The repurchases were effected by the Directors for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of Repurchase	Number of Shares Repurchased	Price per Share Highest (HK\$)	Price per Share Lowest (HK\$)	Aggregate Consideration Paid (HK\$)
July 2000	29,240,000	9.55	8.75	269,571,750
September 2000	12,489,000	9.95	9.60	122,494,500
Total	41,729,000			392,066,250

Save as mentioned above, the Company and any of its subsidiaries had not purchased, sold or redeemed any of its own shares during the year.

**MAJOR CUSTOMERS AND SUPPLIERS**

The percentages of the purchases attributable to the Group's largest supplier and the five largest suppliers were 19.1 per cent and 61.9 per cent respectively during the year. None of the Directors, their associates, or any shareholder (who to the knowledge of the Directors owned more than 5 per cent of the Company's share capital) had any interest in the Group's five largest suppliers. The percentage of the turnover attributable to the Group's five largest customers is less than 30 per cent during the year.

**CORPORATE GOVERNANCE**

The Company had complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year.

In compliance with the requirements of paragraph 14 of the Code of Best Practice as referred to above, an audit committee was formed in May 1996 to review and supervise the financial reporting process and internal control of the Company.

**AUDITORS**

The Accounts have been audited by PricewaterhouseCoopers who retire at the forthcoming Annual General Meeting and offer themselves for re-appointment at a fee to be agreed by the Board. PricewaterhouseCoopers replaced Price Waterhouse in 1999 following their merger with Coopers & Lybrand.

**LEE SHAU KEE****Chairman**

Hong Kong, 16th March, 2001