

Report of the directors

The directors have pleasure in submitting to shareholders their report and statement of accounts for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiary and associated companies and jointly controlled entities are shown on pages 94 to 99. The turnover and contribution to operating profit of the principal activities of the Company and its subsidiaries are as follows:

	Turnover		Operating profit	
	1999 HK\$ millions	1998 HK\$ millions	1999 HK\$ millions	1998 HK\$ millions
By activity				
Ports and related services	10,333	9,401	4,127	3,892
Telecommunications	7,216	6,938	811	532
Property development and holdings	10,618	8,475	2,355	2,809
Retail, manufacturing and other services	21,553	19,211	1,388	689
Energy, infrastructure, finance and investment	5,722	7,358	4,697	4,865
	55,442	51,383	13,378	12,787
By geographical area				
Hong Kong	39,092	37,425	6,278	8,544
Mainland China	4,278	3,815	1,783	709
Asia	6,297	5,336	767	1,072
Europe	3,290	2,771	1,044	709
North America	2,485	2,036	3,506	1,753
	55,442	51,383	13,378	12,787

GROUP PROFIT

The consolidated profit and loss account is set out on page 62 and shows the Group profit for the year ended 31 December 1999.

DIVIDENDS

An interim dividend of 48 cents per share was paid to shareholders on 15 October 1999 and the directors recommend the declaration of a bonus issue of one ordinary share for every ten ordinary shares held by the shareholders and a final dividend at the rate of HK\$1.15 per share payable on 26 May 2000 to all persons registered as holders of shares on 25 May 2000.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 24 to the accounts.

CHARITABLE DONATIONS

Donations to charitable organisations by the Group during the year amounted to HK\$50,434,000 (1998 – HK\$62,195,000).

FIXED ASSETS

Particulars of the movements of fixed assets are set out in note 12 to the accounts.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 to the accounts.

DIRECTORS

The board of directors as at 31 December 1999 comprises Messrs Li Ka-shing, Li Tzar Kuoi, Victor, Li Tzar Kai, Richard, Fok Kin-ning, Canning, Chow Woo Mo Fong, Susan, Frank John Sixt, George Colin Magnus, Kam Hing Lam, Michael David Kadoorie, Christopher Patrick Langley, Li Fook-wo, Simon Murray, William Shurniak, Peter Alan Lee Vine and Wong Chung Hin.

Mr Christopher Patrick Langley resigned as a director with effect on 31 January 2000. Messrs Lai Kai Ming, Dominic and Or Ching Fai, Raymond were appointed as directors with effect from 1 February 2000. The directors would like to record their appreciation for the services of Mr Langley to the Group and welcome Messrs Lai Kai Ming, Dominic and Or Ching Fai, Raymond to the board of directors.

Messrs Lai Kai Ming, Dominic and Or Ching Fai, Raymond who were appointed directors subsequent to the previous annual general meeting will retire from office at the forthcoming annual general meeting under the provisions of Article 91 of the Articles of Association of the Company and, being eligible, will offer themselves for reelection.

Messrs Chow Woo Mo Fong, Susan, Simon Murray, William Shurniak and Peter Alan Lee Vine will retire by rotation at the forthcoming annual general meeting under the provisions of Article 85 of the Articles of Association of the Company and, being eligible, will offer themselves for reelection.

The Directors' biographical details are set out on pages 52 and 53.

INTEREST IN CONTRACTS

No contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a subsidiary was a party in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Cheung Kong (Holdings) Limited ("Cheung Kong"), a substantial shareholder of the Company, rented under various rental agreements of varying duration, but none in excess of three years, an aggregate of approximately 64,985 sq ft of office space at Aon China Building, a building owned by the Company. All such agreements were entered into in the ordinary course of business and on normal commercial terms. Rent received during 1999 amounted to approximately HK\$7,963,006. All the rented space had been surrendered by the end of 1999.

On 1 June 1999, a loan agreement (the "Loan") between Celltel Limited ("Celltel"), a company incorporated in Ghana and Certwell Limited ("Certwell") for an amount of up to US\$13,000,000 (approximately HK\$101 million) was entered into. Both Celltel and Certwell are subsidiaries of the Company. On the same day, Hutchison Telecommunications Limited ("HTL"), a wholly owned subsidiary of the Company granted a guarantee (the "Guarantee") in favour of Standard Chartered Bank ("SCB") to secure certain payment obligations of Celltel to SCB. Both the Loan and the Guarantee constituted the granting of financial assistance by the Company to Celltel. The other shareholder of Celltel, Kludjeson International Limited, is a connected person by virtue of it being a substantial shareholder in Celltel and an associate of certain directors of Celltel.

On 15 June 1999, Hutchison Telecommunications (Australia) Limited ("HTAL") entered into agreements with certain banks (the "Banks") whereby the Banks provided loan facilities (the "Loan Facilities") totalling A\$340 million (approximately HK\$1,751 million) to HTAL. At that time, HTAL was a non wholly owned subsidiary of the Company incorporated in Australia in which the Company had a 70% interest, and in which Leanrose Pty Ltd ("Leanrose") had a 30% interest. As a condition of the Loan Facilities, the Company granted a guarantee (the "HWL Guarantee") to Citisecurities Limited (the "Security Trustee"), as agent and security trustee for the Banks in respect of the payment obligations of HTAL under the Loan Facilities and had further undertaken (the "HWL Undertaking") to pay and provide credit support for the payment of up to A\$57 million (approximately HK\$293.55 million) to HTAL on behalf of Leanrose for Leanrose to meet its funding obligations to HTAL. Both the HWL Guarantee and the HWL Undertaking constituted connected transactions between the Company and Leanrose. Leanrose is a connected person by virtue of it being a substantial shareholder of a non wholly owned subsidiary of the Company and of it being an associate of certain directors of HTAL.

On 15 June 1999, an agreement for the sale and purchase (the "Agreement") of 90% of the issued share capital of Eastern Harbour Crossing Company Limited ("EHCC") at an aggregate consideration of approximately HK\$248 million was entered into between (i) Kumagai Gumi Company Limited and Kumagai International Limited as sellers (the "Sellers") and (ii) Eastway Venture Limited (a wholly owned subsidiary of Cheung Kong Infrastructure Holdings Limited ("Cheung Kong Infrastructure"), a subsidiary of the Company) and (iii) Prime Star Enterprises Limited ("Prime Star"), a wholly owned subsidiary of CITIC Pacific Limited both as purchasers (the "Purchasers"). A deed of tax covenant (the "Tax Deed") was also entered into at completion of the Agreement between the Sellers, the Purchasers and EHCC whereby the Sellers covenant to indemnify the Purchasers and EHCC against certain tax liabilities. The Agreement and the Tax Deed constituted connected transactions of the Company as Prime Star was a connected person by virtue of it being a wholly owned subsidiary of a substantial shareholder of another subsidiary of the Company.

CONNECTED TRANSACTIONS (continued)

On 15 March 2000, the Company has agreed to make available a short term bridging loan of A\$670 million (approximately HK\$3,220 million) through Hutchison Communications (Australia) Pty Ltd, a wholly owned subsidiary of the Company, to HTAL, a 54% owned subsidiary of the Company listed on the Australian Stock Exchange, upon normal commercial terms to fund the purchase of certain spectrum licences in Australia. The making of the loan was a connected transaction for the Company as Leanrose is a connected person by virtue of it being a substantial shareholder of a non wholly owned subsidiary of the Company and of it being an associate of a director of HTAL.

On 16 March 2000, Hutchison International Limited ("HIL"), a wholly owned subsidiary of the Company, entered into an agreement (the "Subscription Agreement") with Shenzhen International Holdings Limited ("SIHL") and its controlling shareholder, Shenzhen Investment Holding Corporation ("SIHC"), whereby SIHL agreed to issue and HIL agreed to subscribe or procure its subsidiary(ies) to subscribe for a convertible bond in the principal sum of HK\$513,660,800 upon the terms and conditions set out in the Subscription Agreement. The Subscription Agreement constituted a connected transaction of the Company as SIHL is a connected person of the Company by virtue of the fact that it is an associate of SIHC which is indirectly a substantial shareholder of one of the Company's indirect subsidiaries.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or a subsidiary a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACT

There is no unexpired directors' service contract which is not terminable by the Company within one year of any director proposed for reelection at the forthcoming annual general meeting.

DIRECTORS' INTERESTS

As at 31 December 1999, the interests of the directors in the shares 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	Personal interests	Family interests	No of ordinary shares		Total
			Corporate interests	Other interests	
Li Ka-shing	–	–	–	1,944,547,978 ⁽¹⁾	1,944,547,978
Li Tzar Kuoi, Victor	–	–	610,000	1,944,547,978 ⁽¹⁾	1,945,157,978
Li Tzar Kai, Richard	100,000	–	–	1,944,547,978 ⁽¹⁾	1,944,647,978
Fok Kin-ning, Canning	875,089	–	–	–	875,089
George Colin Magnus	800,000	9,000	–	–	809,000
Michael David Kadoorie	–	–	–	14,530,996 ⁽²⁾	14,530,996
William Shurniak	150,000	–	–	–	150,000
Peter Alan Lee Vine	30,000	–	–	–	30,000

DIRECTORS' INTERESTS (continued)

Notes:

(1) The three references to 1,944,547,978 shares relate to the same block of shares in the Company comprising:

- (a) 1,936,547,978 shares held by certain subsidiaries of Cheung Kong. Li Ka-Shing Unity Trustee Company Limited ("TUT") as trustee of The Li Ka-Shing Unity Trust (the "LKS Unity Trust") and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong. All the 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 and his wife and daughter and Mr Li Tzar Kai, Richard. Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard, as directors of the Company, are taken to be interested in such shares in the Company held by the subsidiaries of Cheung Kong by virtue of their deemed interests in the shares of Cheung Kong as discretionary beneficiaries of such discretionary trusts. In accordance with the provisions of the SDI Ordinance, Mr Li Ka-shing is also taken to be interested in such 1,936,547,978 shares by virtue of his owning more than one-third of the issued share capital of Li Ka-Shing Unity Holdings Limited which in turn owns more than one-third of the issued share capital of the trustees of the LKS Unity Trust and the abovementioned discretionary trusts; and
- (b) 8,000,000 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 and his wife and daughter and Mr Li Tzar Kai, Richard and accordingly Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard, as directors of the Company, are taken to be interested in such 8,000,000 shares under the SDI Ordinance. In accordance with the provisions of the SDI Ordinance, Mr Li Ka-shing also is taken to be interested in the same 8,000,000 shares in the Company by virtue of his owning more than one-third of the issued share capital of Li Ka-Shing Castle Holdings Limited which in turn owns more than one-third of the issued share capital of the trustees of the abovementioned unit trust and discretionary trusts.

(2) The Hon Michael David Kadoorie is deemed to be interested by virtue of the SDI Ordinance in 14,530,996 shares in the Company.

(b) Interests in associated corporations

As at 31 December 1999, Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard, as directors of the Company, were deemed to be interested in (i) 1,912,109,945 shares in Cheung Kong Infrastructure of which 1,906,681,945 shares were held by a subsidiary of the Company and 5,428,000 shares were held by companies controlled by TUT as trustee of the LKS Unity Trust as described in Note (1) above under the SDI Ordinance, (ii) 784,707,677 shares in Hongkong Electric Holdings Limited ("Hongkong Electric") which shares were held by certain subsidiaries of Cheung Kong Infrastructure and (iii) all the shares of the subsidiary and associated companies of the Company held by the Company and its subsidiary companies by virtue of their interests in the shares of the Company as described in Note (1) above.

In addition, Mr Li Ka-shing had, as at 31 December 1999, corporate interests in 4,600 class C common shares in Husky Oil Holdings Limited and 13,800 common shares in Husky Oil Ltd.

(b) Interests in associated corporations (continued)

Mr Li Tzar Kai, Richard had, as at 31 December 1999, corporate interests in 11,066 shares in Marunochi N V and 55 shares in Asian Growth International Limited.

Mr Fok Kin-ning, Canning had, as at 31 December 1999, (i) a personal interest in 100,000 ordinary shares in HTAL and (ii) corporate interests in a notional amount of US\$7,500,000 in the 6.95% Notes due 2007 issued by Hutchison Whampoa Finance (CI) Limited and 25,000 American Depositary Shares (each representing one ordinary share) of Partner Communications Company Ltd ("Partner Communications").

Mr George Colin Magnus had, as at 31 December 1999, a personal interest in 25,000 American Depositary Shares (each representing one ordinary share) in Partner Communications.

Mr Kam Hing Lam had, as at 31 December 1999, a personal interest in 100,000 shares in Cheung Kong Infrastructure.

Mr Peter Alan Lee Vine had, as at 31 December 1999, a personal interest in 79,650 shares in Hongkong Electric and a corporate interest in 308,000 units of the 8.875% Senior Notes due 2009 issued by Orange plc.

Save as outlined above, none of the directors had, as at 31 December 1999, any interests in the ordinary shares of the Company and its associated corporations or any right to subscribe for ordinary shares of the Company or its associated corporations which had been granted and exercised as recorded in the register required to be kept under Section 29 of the SDI Ordinance since no right to subscribe for the ordinary shares of the Company or its associated corporations had been granted to any director or his spouse or children under 18 years of age since 1 September 1991, the commencement of the SDI Ordinance.

Certain directors held qualifying shares in certain subsidiaries of the Company on trust for other subsidiaries.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 1999, the register required to be kept under Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following interests in the issued ordinary share capital of the Company. These interests were in addition to those disclosed above in respect of the directors.

Name	No of ordinary shares
Cheung Kong (Holdings) Limited	1,936,547,978 ⁽¹⁾
Continental Realty Limited	422,969,063 ⁽²⁾

SUBSTANTIAL SHAREHOLDERS (continued)

Notes :

- (1) *This interest represents the total number of ordinary shares of the Company held by certain subsidiaries of Cheung Kong where Cheung Kong is taken to be interested in such shares under Sections 8(2) and (3) of the SDI Ordinance.*
- (2) *This is a subsidiary of Cheung Kong and its interests in the ordinary shares of the Company is duplicated in the interests of Cheung Kong. In addition, Li Ka-Shing Unity Holdings Limited, TUT as trustee of The LKS Unity Trust and Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust have notified the Company that each of them is to be taken as interested in the same 1,936,547,978 shares of the Company as described in Note (1)(a) above.*

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares. In addition, the Company has not redeemed any of its ordinary shares during the year.

CODE OF BEST PRACTICE

With the exception that non executive directors have no set term of office but retire from office on a rotational basis, the Company has complied throughout the year ended 31 December 1999 with Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the turnover attributable to the Group's five largest customers combined was less than 30% of the total value of Group purchases and total Group turnover.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for reappointment.

By order of the board

Edith Shih

Company Secretary

Hong Kong, 23 March 2000