Hutchison Whampoa Limited

ANNUAL REPORT 1997

Hutchison Whampoa Limited

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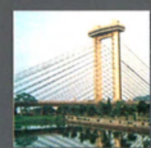

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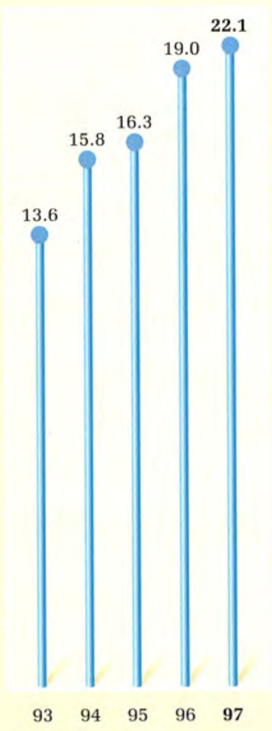
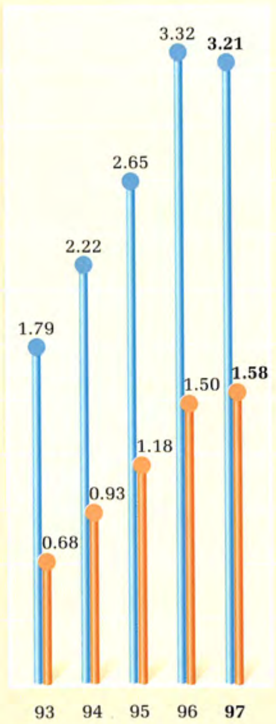
Net Assets per Share
HK dollars



Earnings and Dividends per Share
HK dollars



Earnings
Dividends

Financial Highlights

	1997 HK$ millions	1996 HK$ millions	Percentage change
Turnover			
Company and subsidiary companies	**44,590**	36,662	**+22%**
Share of associated companies	**16,969**	17,160	**– 1%**
	61,559	53,822	**+14%**
Earnings before interest expense and taxation			
Company and subsidiary companies	**12,679**	10,709	**+18%**
Share of associated companies	**3,744**	4,208	**– 11%**
Interest income, including share of associated companies	**3,423**	2,324	**+47%**
Total earnings before interest expense and taxation (EBIT)	**19,846**	17,241	**+15%**
Interest expense, including share of associated companies	**5,129**	3,248	**+58%**
Profit before taxation	**14,717**	13,993	**+5%**
Taxation	**1,179**	1,311	**– 10%**
Profit after taxation	**13,538**	12,682	**+7%**
Minority interests	**1,272**	662	**+92%**
Profit attributable to the shareholders	**12,266**	12,020	**+2%**

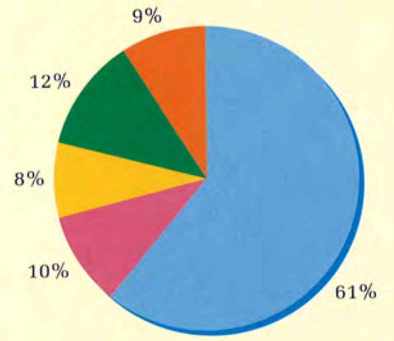
Total assets	**200,743**	131,579	**+53%**
Net debts	**29,601**	10,416	**+184%**
Shareholders' funds	**85,589**	68,899	**+24%**
Net assets per share – book value (HK$)	**22.1**	19.0	**+16%**
Earnings per share (HK$)	**3.21**	3.32	**– 3%**
Dividends per share (HK$)	**1.58**	1.50	**+5%**
Dividend cover	**2.0**	2.1	**– 5%**
Gearing	**31.2%**	14.0%	**+123%**
Return on average shareholders' funds	**15.9%**	18.8%	**– 15%**

Analysis by Core Business of Group Turnover, EBIT and Profit

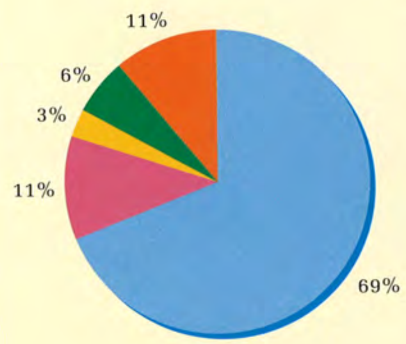
Turnover	1997 HK$ millions	1996 HK$ millions	Percentage change
Property	**3,002**	5,508	**– 45%**
Ports and Related Services	**10,723**	9,491	**+13%**
Retail, Manufacturing and Other Services	**22,842**	20,600	**+11%**
Telecommunications	**13,214**	10,461	**+26%**
Energy, Infrastructure, Finance and Investment	**11,778**	7,762	**+52%**
Total	**61,559**	53,822	**+14%**
Earnings before interest expense and taxation			
Property	**3,327**	2,803	**+19%**
Ports and Related Services	**5,449**	4,618	**+18%**
Retail, Manufacturing and Other Services	**3,129**	1,776	**+76%**
Telecommunications	**2,491**	4,139	**– 40%**
Energy, Infrastructure, Finance and Investment	**5,450**	3,905	**+40%**
Total	**19,846**	17,241	**+15%**
Profit attributable to the shareholders			
Property	**1,628**	1,409	**+16%**
Ports and Related Services	**3,097**	2,369	**+31%**
Retail, Manufacturing and Other Services	**2,107**	1,034	**+104%**
Telecommunications	**1,071**	3,642	**– 71%**
Energy, Infrastructure, Finance and Investment	**4,363**	3,566	**+22%**
Total	**12,266**	12,020	**+2%**

The above information includes the Company, its subsidiary companies and its proportionate share of associated companies' amount.

Turnover
by Geographical Area 1997



EBIT
by Geographical Area 1997



Hong Kong
Mainland China
Asia
Europe
North America

GLOBAL HIGHLIGHTS

PROPERTY DEVELOPMENT AND HOLDINGS

Hong Kong:
Cheung Kong Center is due for completion by the end of 1998.

Projects in Hung Hom, North Point, Tsing Yi, Tung Chung, Ma On Shan and Tai Po are well underway.

Mainland China:
Residential and commercial properties are under development in Beijing, Chongqing, Guangzhou, Qingdao, Shanghai and Zhuhai.

Grand Bahama Island:
The Group is redeveloping a resort hotel complex with golf courses.

United Kingdom:
The Royal Gate Kensington development is scheduled for completion in 1998. Other interests include sites near Sloane Square and the Albion and Bridge Wharves.

Japan:
The Group acquired an interest in a site adjacent to Tokyo Station.

Singapore:
The Group acquired an interest in a site to develop a residential complex.

PORTS AND RELATED SERVICES

Hong Kong:
Hongkong International Terminals' overall throughput totalled 5.1 million TEUs, an increase of 13.1% over 1996.

Mainland China:
Throughputs at Shanghai Container Terminals, Yantian International Container Terminals and Hutchison Delta Ports rose 22.8%, 80.6% and 22.1% respectively during the year.

Myanmar:
The Group increased its holdings in the container port facility at Thilawa (Yangon) to 80%.

United Kingdom:
The Port of Felixstowe recorded an 11.8% rise in throughput. The Group acquired the Thamesport and Harwich ports.

The Americas and the Caribbean:
The two ports at Balboa and Cristobal in Panama are operational.

The two-berth Freeport Container Port on Grand Bahama Island began operations.

RETAIL, MANUFACTURING AND OTHER SERVICES

Hong Kong:
Park'N Shop introduced the "wet market" concept for fresh foods in its superstores. Other retail chains and manufacturing operations achieved satisfactory results.

Harbour Plaza Hong Kong has an occupancy rate above the local industry average.

Mainland China:
Park'N Shop continued to expand in the Mainland, where it is now established as the largest non-local food retailer.

A S Watson's manufacturing division continued to strengthen its distribution network and production facilities.

Hutchison Whampoa (China) achieved another year of solid growth for its consumer products and aviation joint ventures.

Three new hotels were acquired in Beijing, Shenyang and Kunming.

Southeast Asia:
Stores operated by Watson's The Chemist in Southeast Asia produced satisfactory results.

TELECOMMUNICATIONS

Hong Kong:
Hutchison Telecommunications' Hong Kong subscriber base grew to 616,000 on its three networks – GSM, CDMA and PCS.

Metro Broadcast achieved break-even in the year.

Mainland China:
Chung Kiu Telecommunications (China), through a joint venture, provides consulting and engineering services to the Great Wall CDMA cellular networks.

Asia Pacific:
Operations in India and Australia performed well. The Group acquired a 100% interest in an established cellular operator in Sri Lanka.

United States:
Hutchison Telecommunications entered the US market through acquisition of an interest in Western Wireless.

Europe:
Orange passed the one million subscribers milestone in July. The company also holds a 17% interest in a consortium which won the third mobile phone licence in Austria.

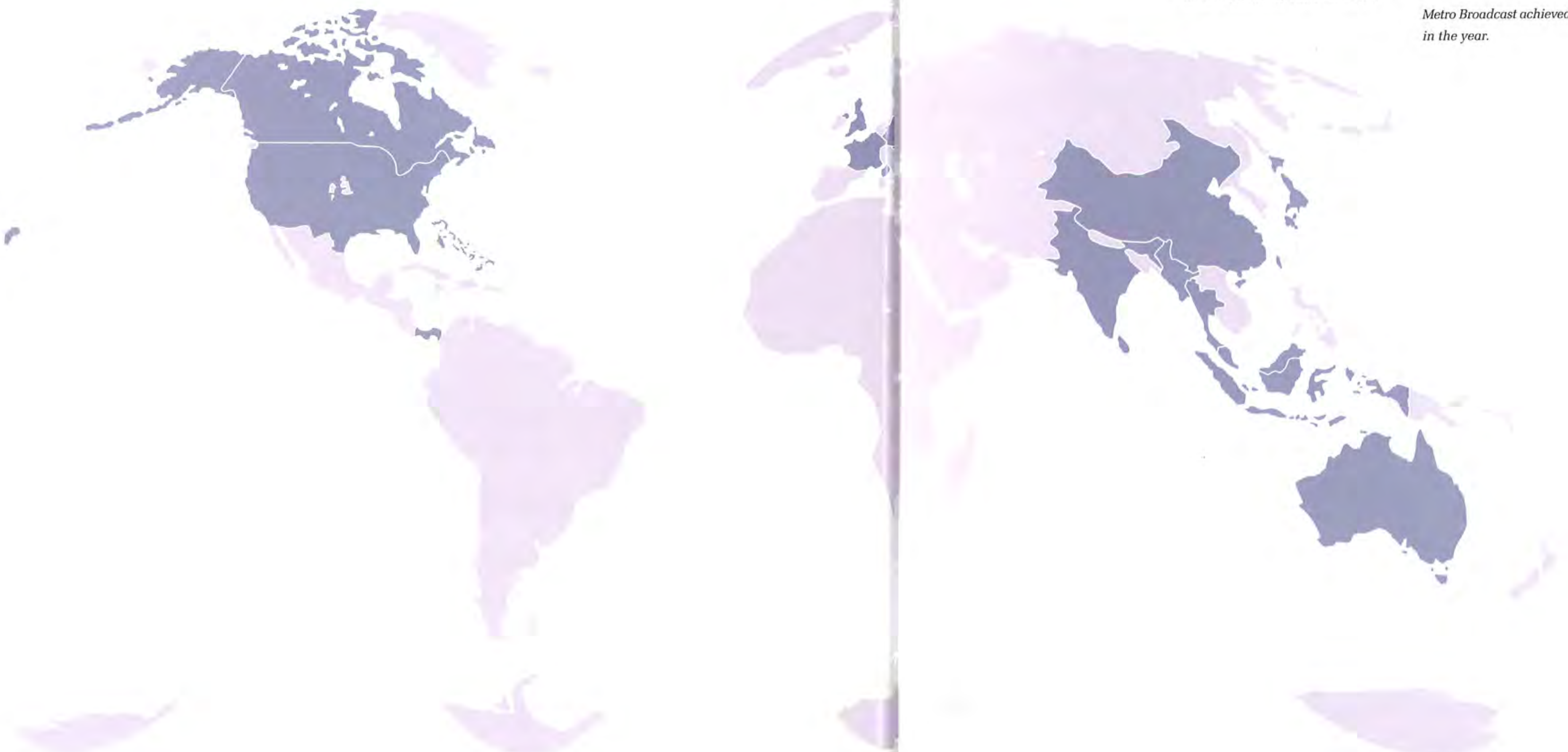
Service provider businesses in France and Germany also contributed to Orange's growth.

ENERGY, INFRASTRUCTURE, FINANCE & INVESTMENT

Hong Kong:
The Group acquired an 84.58% interest in Cheung Kong Infrastructure (CKI) through the reorganisation of the Cheung Kong Group.

Mainland China:
CKI operates three core businesses in the Mainland: infrastructure materials; energy; and transportation.

Canada:
Husky Oil substantially increased its earnings and achieved significant growth in shareholder value, cash flow, production volumes and reserves.



Chairman
Li Ka-shing, CBE, LLD, DSSc, JP

Deputy Chairman
Richard T K Li

Group Managing Director
Canning K N Fok, BA, DFM, ACA (Aus)

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Susan M F Chow, BSc
Deputy Group Managing Director
Frank J Sixt, MA, LLL
Group Finance Director
George C Magnus, MA
H L Kam, BSc, MBA

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C P Langley, OBE
Li Fook-wo, CBE, LLD, DSSc, FCIB, FHKIB, JP
Simon Murray, CBE
W Shurniak
P A L Vine, OBE, LLD, VRD, JP
C H Wong, MA, LLM, JP

Company Secretary
Edith Shih, MA, EdM

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http://www.hutchison-whampoa.com

CHAIRMAN'S STATEMENT

The Group's audited consolidated net profit after tax and after exceptional provisions for the year ended 31 December 1997 was HK$12,266 million compared with HK$12,020 million earned in 1996. The Group has made exceptional provisions of HK$750 million against the Group's property development at Wan Hoi Street and HK$920 million in respect of its portfolio of listed investments. Earnings per share were HK$3.21 compared with HK$3.32 in 1996.

Your Directors will recommend a final dividend of HK$1.10 at the forthcoming Annual General Meeting. This, together with the interim dividend of HK$0.48 paid on 17 October 1997, gives a total dividend of HK$1.58 per share and represents a 5.3% increase on the HK$1.50 paid in respect of 1996.

OVERALL REVIEW

The successful implementation of the "one country-two systems" principle since the reunification has provided a positive and stable framework for businesses in the Hong Kong SAR. The Group's operations in Hong Kong, the Mainland and in over 20 other countries around the globe have continued to grow steadily. Although the Asian region has experienced unprecedented financial turmoil over the past several months, the impact on the Group in respect of 1997 was nominal, with the exception of a property project in Hong Kong, due to the diversification of the Group's businesses both in sectorial and geographic terms.

The Group's portfolio of investment properties recorded improved rental levels during the year, which together with increased earnings from other divisions compensated for lower property development profits. However, the recent financial turmoil in Hong Kong and South East Asia is likely to exert some pressures on rental levels in 1998, particularly as new office space comes onto the market.

Cheung Kong Center is being built on the site of the former Hilton Hotel. Part of the tower will be ready for occupation by the end of 1998, with the second phase of underground parking and the remainder of the development to be completed in 2000. Meanwhile, the Group's replenished land bank of development properties in Hong Kong and the Mainland provides the potential for strong growth and profitability. Several of the properties are in various stages of development and, depending on prevailing market conditions, the Tsing Yi and Tai Po projects could start contributing to the Group's results this year.

The Group's ports and related services activities recorded a strong performance for the year with the combined throughput of its operations worldwide up significantly over 1996. In Hong Kong, we have increased our shareholding in Kwai Chung's Hongkong International Terminals ("HIT") from 77.5% to 85%. HIT's operations continued to expand, with total throughput handled during the year up by 13%, exceeding the port average. Operations also benefited from programmes designed to achieve improvements in cost-control, capacity and the overall efficiency of the port. Progress continued to be made by the Group and its consortium partners in the development of a site in Tuen Mun which will serve the water-borne trade between the Pearl River Delta and Hong Kong. On the Mainland, all the Group's container terminal operations performed well and construction of the second phase at the Yantian facility is progressing satisfactorily. The Port of Felixstowe in the UK had a good year and consolidated its ranking as the UK's leading container port facility. The Group's presence in the UK is in the process of being further strengthened as a result of the recent agreements to acquire the Thamesport and Harwich ports. Similarly, our activities in the Caribbean were broadened during the year through the acquisition of a number of transportation, hotel and leisure properties for redevelopment on Grand Bahama Island.

Although faced with difficult retail market conditions during the second half of the year, A S Watson & Company made a solid contribution to the Group through expansion of its operations in the region and strengthening manufacturing and distribution on the Mainland. Park'N Shop had a successful year, increasing market share in Hong Kong and making good headway on the Mainland, particularly in the southern area. Watson's The Chemist's regional operations grew profitably, although earnings were marginally affected by the decline in Asian currency values. The Fortress consumer electronics and electrical appliance chain in Hong Kong recorded strong sales and another year of profit growth. During the year, Pan Asian Systems was merged with Fortress and new areas of operation are being explored.

The Group's telecommunications businesses operated profitably during the year despite difficult regional economic conditions and heightened competition in all markets. In Hong Kong, the Group has made impressive gains in market share, increasing the total number of subscribers to its GSM, CDMA and PCS networks to approximately 616,000 at present. The launch of our PCS network was well received by consumers, and considerable progress was made in the development of this network, which will provide the Group with additional capacity to meet future demand. Construction of the Group's fixed-line network continued satisfactorily and is proceeding ahead of schedule. As well as increasing its availability in key business districts, several high-density housing estates and private residential developments were connected to the network. Operating in a highly competitive environment, the IDD 0080 service more than doubled its subscriber base and generated a respectable increase in the number of call minutes. The Group's paging business in Hong Kong maintained its dominant position although the market continues to experience significant decline. Going forward, these businesses will continue to pursue the strict cost-control programmes initiated during the year as well as selectively pursue new service offerings.

Internationally, the Group increased cellular subscriber levels in India and Australia and acquired a cellular operator in Sri Lanka. As part of an ongoing initiative to take advantage of investment opportunities globally, and a first step into the vast US mobile market, an interest was acquired in a US-based PCS business providing service to an area with a total population of 66 million. In Europe, Orange passed the one million subscribers milestone in July to account for 25% of the UK's net market growth. Currently, Orange has approximately 1,300,000 subscribers, and a 14% share of the national market. During the year, Orange acquired a 17% interest in the consortium which was awarded the third mobile phone licence in Austria, further enhancing its business opportunities in Europe.

Husky Oil in Canada performed well in 1997, substantially increasing its earnings and achieving significant growth in shareholder value, cash flow, production volumes and reserves. International operations progressed at an encouraging pace with the conclusion of agreements for an incremental oil recovery project in China.

Cheung Kong Infrastructure (CKI), in which the Group acquired an 84.58% interest through the reorganisation of the Cheung Kong Group, had a year of strong growth. During the year, the company has signed up projects totalling HK$4.3 billion. In line with the growing participation of private firms in the development of the Mainland's infrastructure, the pace of CKI's investments on the Mainland is expected to continue in the years ahead. Hongkong Electric again provided satisfactory earnings growth achieving a 13.4% increase in net profits over 1996.

OUTLOOK

The prolonged financial turmoil in the Asian region has had a significant negative impact on Hong Kong's economic growth. Both consumer spending power and sentiment have declined, which will in turn affect the prospects of Hong Kong's many businesses. With reduced growth, volatile interest rates and heightened competition, 1998 will be particularly challenging.

The Group's fundamentals and financial position are strong. During the past year, steps were taken to lengthen the term of the Group's financing, thereby further strengthening its financial position and enhancing its cash flow and liquidity. As a result, the Group is well positioned to take advantage of emerging opportunities to expand its existing core businesses and to face this economic situation with strong financial resources.

The Group has made investments in overseas countries over the past years in projects where the Group has the experience and expertise. The Group is pleased with the investment experience brought about by these overseas projects which in general have achieved better than expected results. These investments are also expected to bring substantial returns to the Group in the near term.

As the Mainland further strengthens its reform policies, there will be even greater expansion opportunities for the Group. We have full confidence in the economic future of Hong Kong and the Mainland. Hong Kong will always be the main and home base for our operations and the Group will continue to uphold its long-term policy of exploring every available investment opportunity both in Hong Kong and the Mainland, and to make selective investments overseas on a prudent basis.

Mr William Shurniak retired as group finance director on 31 December 1997 and will continue to be associated with the Group as Hutchison Whampoa's non-executive director and as Husky Oil's deputy chairman. I would like to thank Bill for his loyalty and the valuable contribution he made to the Group during his fourteen years of service.

I would like to thank the Board of Directors and all the Group's employees for their support, dedication and hard work.

Li Ka-shing

Chairman

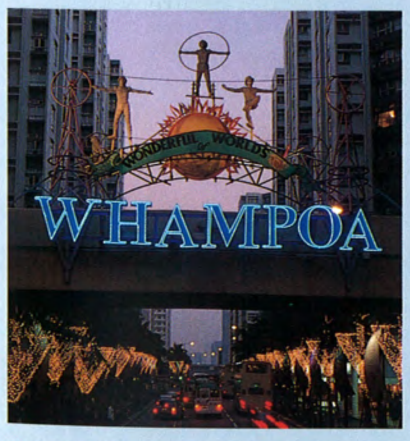
Hong Kong, 26 March 1998

OPERATIONS REVIEW

The Group's activities are concentrated on five core businesses - property development and holdings; ports and related services; retail, manufacturing and other services; telecommunications; and energy, infrastructure, finance and investment. Each of the Group's principal subsidiaries operated profitably during the year and will be further developed to ensure future growth in profits.

Property Development & Holdings

The Group's property activities include the development and sale of high quality residential, commercial and recreational projects in Hong Kong, the Mainland and overseas. An investment portfolio comprising approximately 10 million sq ft of commercial, industrial and residential premises provides steady flows of recurrent income.



Wonderful Worlds of Whampoa in Hung Hom is one of the largest shopping and entertainment complexes in Kowloon.

Towering 62 stories in the heart of Central, Cheung Kong Center will become a new Hong Kong landmark.

Profit from the property division, after a provision of HK$750 million against the Group's property development at Wan Hoi Street, totalled HK$1,628 million (1996 - HK$1,409 million) which arose mainly from rental income and the sale of properties and carparking spaces.

HONG KONG – PROPERTY SALES

During the first half of the year the Group disposed of its interest in a 24 storey office block on Chiu Lung Street in Central and also sold the Park Commercial Centre in Causeway Bay. The latter is being redeveloped into a hotel for the new owner. In addition, a total of 2,763 carparks were sold during the year.

HONG KONG – NEW ACQUISITIONS & PROPERTIES UNDER DEVELOPMENT

Steady progress was made with the Group's projects under development in Hong Kong. The superstructure work on Cheung Kong Center is progressing

The Harbourfront, a twin-tower office complex, and Harbour Plaza Hong Kong stand prominently along the Hung Hom waterfront.

on schedule, with the first 25 floors of the 62 storey office tower expected to be ready for occupancy during the fourth quarter of this year. The tower, which is scheduled for completion by the end of this year, will provide approximately 1.27 million sq ft of gross floor area as well as extensive underground parking. Once the tower is completed, construction will start on the second phase of underground parking, which will replace the existing above-ground parking facility. Cheung Kong Center, which will include 1,050 carparks, will be one of Hong Kong's most intelligent buildings. A leasing campaign is underway and the response to date has been encouraging.

Construction of the Group's 39% owned North Point twin-tower office and hotel is progressing satisfactorily, and when completed in 1999 it will provide 212,000 sq ft of office and commercial space and approximately 700 hotel rooms and suites. A 672,000 sq ft residential and commercial complex is currently planned for the recently acquired building site on Wan Hoi Street in Hung Hom adjacent to the Harbour Plaza Hotel. The Group has a 50% interest in the development, which is expected to be completed in 2001.

Foundation work is on schedule for a 1.4 million sq ft commercial project above the Kowloon-Canton Railway Terminus in Hung Hom. The

Fashion World at Wonderful Worlds of Whampoa is home to international and local fashion labels.

The Paramount in Tai Po is a low-rise luxury residential complex.

Group has a 25% interest in this project, which will comprise three office towers, a 1,000 room hotel and a shopping arcade when completed in 2000.

The phased development of the 2.68 million sq ft residential complex above the Mass Transit Railway Station at Tsing Yi is on schedule. The first phase comprising five towers with 1.15 million sq ft of residential space is expected to be completed this year. The second phase comprising seven towers with 1.53 million sq ft of residential space is due for completion in 1999. The Group has a 60% interest in the consortium that is developing this project.

Construction of a 132,000 sq ft residential project in Tai Po, in which the Group has a 35% interest, is progressing satisfactorily and is scheduled to be completed this summer. A 1.39 million sq ft residential project at Ma On Shan, in which the Group has a 50% interest, is expected to be completed in 1999, as is a 50% owned 229,000 sq ft residential project on Broadcast Drive.

At Tung Chung, the Group successfully applied to increase the plot ratio of its 25% joint venture residential and commercial complex near the new Hong Kong International Airport. On schedule for completion in 2001, the development will provide approximately 4.4 million sq ft of residential units and a shopping centre.

The Westgate Mall and Tower complex comprises a high quality, grade A office tower and a unique shopping and entertainment complex in the central business district of Shanghai.

Qingdao Pacific Plaza, a property development combining office, residential and recreational facilities, provides a perfect blend of commercial and quality living space.

HONG KONG – RENTAL PROPERTIES

The Group's portfolio of approximately 10 million sq ft of commercial, industrial and residential investment properties remained virtually fully let, providing a regular flow of quality recurrent income. Net rental income grew approximately 6% during the year.

An additional 12,882 sq ft of retail space with 40 carparks at Baguio Villa was acquired during the year mainly for the use of Park'N Shop, which is part of the Group's retail division.

MAINLAND CHINA – PROPERTIES UNDER DEVELOPMENT

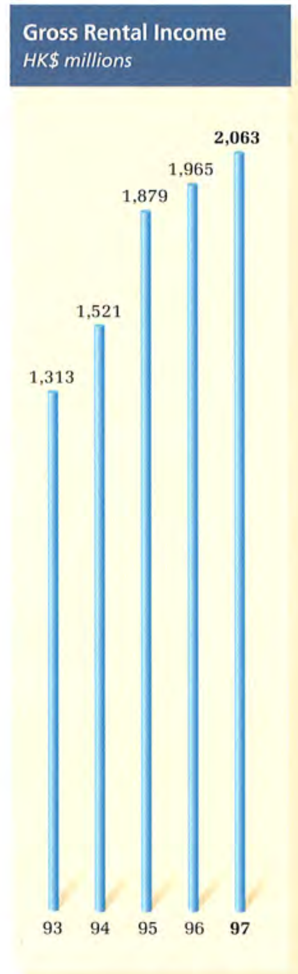
Beijing

Foundation work has begun on Beijing Oriental Plaza, which, when completed, will provide over six million sq ft of office and retail space as well as a hotel and service apartment complex. The shopping mall is expected to open in 2000.

(The Group has an 18% interest in this project)

Chongqing

The 957,000 sq ft shopping podium of Metropolitan Plaza, which has attracted several major anchor tenants, was officially opened and is virtually fully let. Construction of the complex's



luxury hotel and office tower, which together will comprise a further one million sq ft of space, is on schedule and is due for completion this year.

(The Group has a 40% interest in this project)

The first phase of a low-cost housing project in this city was completed, with work on the 898-flat second phase also expected to be completed this year.

(The Group has a 50% interest in this development)

Guangzhou

The Group is awaiting delivery of the site atop the Huangsha Metro Station, which is now in operation. Construction of this project will be done in phases over a period of several years and, when completed, will comprise approximately 1.3 million sq ft of residential and 531,000 sq ft of commercial space.

(The Group has a 45% interest in this project)

Twenty-two residential units in the Greenery development at Tianhe were sold during the year.

(The Group has a 65% interest in this project.)

Qingdao

Construction of Pacific Plaza is underway on the second phase of this development, which comprises five residential tower blocks with a total floor area of 485,000 sq ft. Two of the towers are due for completion this year, and construction of the remaining three is expected to commence in 1999. The first and second phases of the development will provide a total of 847,000 sq ft of commercial and residential space.

(The Group has a 30% interest in Phase 1 and a 15% interest in Phase 2 of this project.)

Shanghai

The 687,000 sq ft Westgate Mall, on Nanjing Road West in the Jing An district, was successfully opened last summer, with a range of quality anchor tenants. An office tower providing 367,000 sq ft of space atop the mall was also completed.

(The Group has a 21% interest in this project)

Construction is expected to start this year on the second and third phases of the 1.6 million sq ft urban development in the district of Xuhui. When completed, the overall project will comprise four residential towers, an international school and an office/

hotel tower. It is expected that the project will be completed in 2001.

(The Group has a 39.2% interest in this project)

Construction of 96 houses constituting the first phase of a low density housing development in Huamu, district of Pudong, continued on schedule, with completion expected this year. Construction of the second phase will begin when the units in the first phase have been substantially sold.

(The Group has a 50% interest in this project)

Zhuhai

Planning work is in progress for Phase 1 of a project comprising 75 houses.

(The Group has a 35% interest in this project)

OVERSEAS – PROPERTIES UNDER DEVELOPMENT

Grand Bahama Island

The Group is in the process of redeveloping a resort hotel complex together with associated golf courses on the island. Work on this project has commenced, with completion scheduled for early 2000.

London

Construction of the Group's 47.5% owned Royal Gate Kensington development is on schedule. The remaining 61 flats in this 132 unit development are scheduled to be presold this spring. Planning and design work have been completed for the Group's 50% owned residential site near Sloane Square, with construction expected to begin this year. The Group also acquired a 45% interest in a site near the Albion and Bridge Wharves on which a residential and commercial development is to be constructed. This project is currently going through the planning permission approvals process.

Tokyo

The Group acquired a 45% interest in a site, adjacent to the Tokyo Station Yaesu South area, on which is to be constructed a high-rise office tower. As a result of a recent agreement with East Japan Railway Company on merging an adjacent strip of land with this site, an enlarged office tower containing approximately 800,000 sq ft is planned for the location and design work is underway. The project is expected to be completed in 2000.

Singapore

The Group acquired a 24% interest in a site which is being developed into a 1.5 million sq ft residential complex. Completion is expected in 2001.

OPERATIONS REVIEW

PORTS & RELATED SERVICES

With the experience gained as the operator of Hongkong International Terminals, the world's largest independently owned container terminal, the Group has increasingly extended its expertise to Mainland China as well as several other countries around the world.

The strategic location of the Port of Felixstowe makes it the UK's premier marine transportation hub for serving deep sea and short sea trades.

The 3P Programme has helped Hongkong International Terminals (HIT) increase productivity and improve its services to shipping lines.

Profits from the Group's port and related services totalled HK$3,097 million (1996 - HK$2,369 million). As the world's biggest independent port operator, Hutchison Port Holdings has invested in 17 ports, operates 79 berths and handles about 10% of global container traffic. Combined throughput at all operations rose 16.3% to 13.1 million TEUs.

HONG KONG

The Group's 85% owned Hongkong International Terminals Limited (HIT) recorded strong growth with throughput totalling 5.1 million TEUs, an increase of 13.1% over 1996. HIT, the world's largest privately owned container port facility, operates Terminals 4, 6 and 7 at Kwai Chung and the Group has an effective 42.5% interest in Terminal 8 East. Combined throughput from both operations totalled 6.4 million TEUs, an increase of 13% over 1996.

Mid-Stream Holdings Limited performed satisfactorily during the year and the Group's interest was increased to 95.5%, thereby enabling the Group to offer its clients a wider range of services while enhancing efficiency and administration.

Satisfactory progress has been made by The River Trade Terminal Company (33% owned) in the development of an 8.5 million tonnes per year facility. The terminal is expected to begin operation late this year, and it will serve the water borne trade between the Pearl River Delta and Hong Kong.

Hongkong United Dockyards, (50% owned), experienced a difficult year due to high volatility in the ship repair industry. Steps have been introduced to minimise operating costs, where possible, in this sector.

On the other hand, its land engineering operations performed satisfactorily.

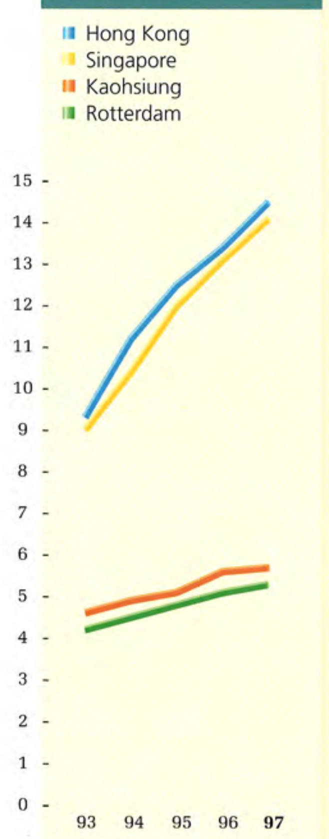
Fifty per cent owned Hongkong Salvage & Towage had another satisfactory year, with satisfactory growth in gross revenues and profit. The company is well positioned for further growth as two more waste disposal container vessels are brought into service this year on 15 year government contracts.

MAINLAND CHINA

Throughput at the Group's 40% owned Shanghai Container Terminals Limited rose 22.8% to more than 1.7 million TEUs during the year, fuelled by the growing demand for the port's services

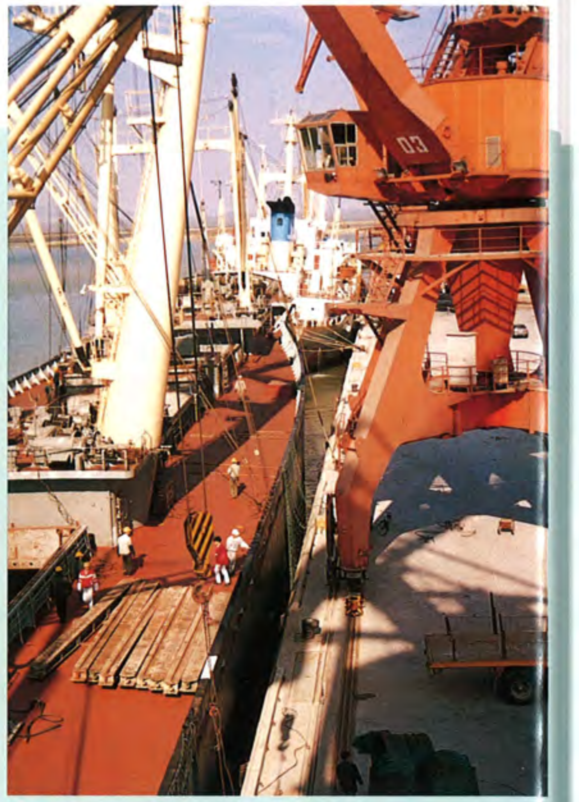
Yantian's Phase II project will be completed by the end of 1999, increasing its annual handling capacity to two million TEUs.

Comparison of Container Throughputs
Million TEUs



Zhuhai International Container Terminals is one of HDP's six ports. These ports attract cargo from the hinterland for transportation to hub ports for onward shipment to final destinations worldwide.

River Trade Terminal will handle and consolidate container and breakbulk cargo originating from South China river ports.



by foreign flagship carriers. Comprising 10 container berths, the facility is one of Mainland's most modern and has an annual capacity of 2 million TEUs.

Yantian International Container Terminals (YICT) recorded a strong performance, with total throughput at 638,000 TEUs, up 80.6% from 1996. Construction of YICT's HK$4.7 billion second phase is underway and, when completed in 1999, YICT will have six container berths and will be one of the largest deep water container terminals in Southern China.

Hutchison Delta Ports (HDP), the Group's wholly owned subsidiary which invests in, develops and operates river and coastal ports in the Mainland, performed satisfactorily, with combined throughput totalling 520,000 TEUs, an increase of 22.1% over 1996. Construction of the Shantou and Xiamen ports has been completed and both facilities commenced operations during the year. With these new facilities, HDP now has a total of six operating joint venture ports in the Mainland.

MYANMAR

In line with Myanmar joining ASEAN in 1997, and to better position itself to capture the growth potential of the container port facility at Thilawa (Yangon), the Group increased its

Myanmar International Terminals Thilawa has berthing capacity for four ocean going size vessels and a current capacity of 100,000 TEUs per year.

holdings in the facility to 80%.

INDONESIA

As a result of the recent financial turmoil in Indonesia, the government's review of infrastructural projects, including the new container port at Bojonegara, is still underway and therefore construction has yet to commence.

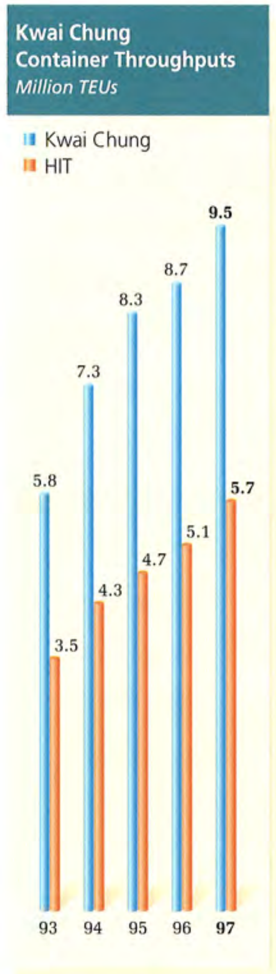
EUROPE

The Port of Felixstowe, in which the Group now has an effective 90% interest, had another very satisfactory year, consolidating its ranking as the UK's leading container facility with an 11.8% rise in throughput to 2.2 million TEUs. As part of a five year, £100 million modernisation programme, the port has ordered a range of advanced new equipment to enhance operational efficiency and productivity. Felixstowe comprises three terminals: Trinity III, which can handle up to seven of the largest container vessels at any one time; Landguard, which provides deep-sea and feeder services; and Dooley, which is one of the UK's busiest terminals for roll-on roll-off traffic.

The Group's 90% owned subsidiary, Hutchison Ports (UK) Limited, recently expanded its port operations in the UK with the acquisition of Thamesport container

The £45 million investment in Trinity III will further enhance port efficiency and secure the Port of Felixstowe's position well into the millennium as the UK's largest container port.

The two ports in Panama, Cristobal and Balboa, which are at the opposite ends of the Panama Canal, began operations in March 1997.



port. Thamesport is currently in the final stages of an expansion programme which will increase its annual capacity to about 600,000 TEUs. The port serves some of the world's leading shipping lines and offers connections between Europe and its major trading partners. The acquisition includes Maritime Haulage, a national road haulage operator.

The Group has also entered into an agreement to purchase Harwich International Port, which should further strengthen the Group's position in the UK port market.

Freeport Container Port is the closest offshore port to the east coast of the United States situated at the cross-roads of routes between Europe and the Americas and through the Panama Canal.

HPH has acquired Thamesport, the container terminal on the Isle of Grain in Kent in the United Kingdom.

THE AMERICAS AND THE CARIBBEAN

The Group acquired the concession to operate two ports in Panama, Balboa and Cristobal, which are located at opposite ends of the Panama Canal, and at the year end held an effective 72% interest. Major redevelopment of the Balboa facility, which will be the hub port on the Pacific end of the Panama Canal, will commence this year. When the upgrading of both ports is completed, they will have a combined throughput capacity of 650,000 TEUs.

The new two berth Freeport Container Port on Grand Bahama Island in which the Group now has an effective 45% interest was officially opened in July and is operating satisfactorily.

HPH also acquired a 50% interest in the Grand Bahama Airport Company, which comprises an 11,000 foot long runway capable of handling the world's biggest aircraft. This investment also includes a 780 acre tract of land between the airport and container port. Plans are being prepared to develop this into an industrial park which will also contain a sea/air business centre.

RETAIL, MANUFACTURING & OTHER SERVICES

The Group's A S Watson division is one of Asia's largest retailers, with more than 700 stores throughout the region providing high quality personal care products, food and household items and consumer electronics and electrical appliances. The Group also manufactures ice cream, soft drinks and distilled water.

Fortress - a young computer customer receiving expert advice.

Park'N Shop's superstores are bringing exciting product ranges and new standards of service and hygiene to Hong Kong's shoppers.

Profits from the retail, manufacturing and other services division totalled HK$2,107 million (1996 - HK$1,034 million).

A S WATSON & COMPANY

Despite increasingly difficult market conditions in the second half of the year, the Group's wholly owned subsidiary A S Watson & Company performed above the industry average to generate a satisfactory earnings growth.

The 173 store Park'N Shop supermarket chain in Hong Kong performed well. During the year, the chain increased its store space by 9% to 1,124,000 sq ft. In conjunction with this expansion, the Group accelerated the introduction of its highly successful "wet market" concept for fresh foods in Hong Kong and Macau.

Watson's - one of the most famous retail facias in Asia.

In the Mainland, Park'N Shop made good progress in the southern part of the country, where it is now established as the largest non-local food retailer with its 51 outlet network. Park'N Shop's network in Central and Northern China is currently comprised of 23 outlets.

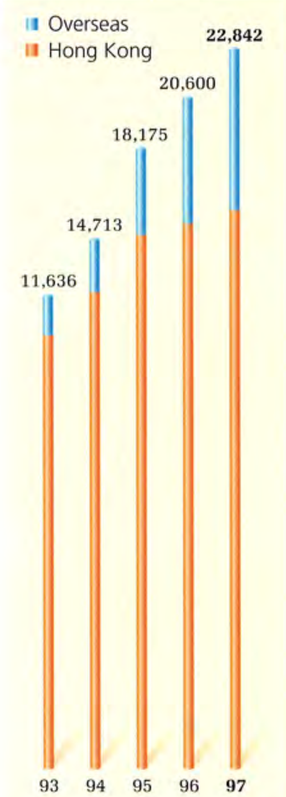
Watson's The Chemist, the Group's retailing chain of personal care products, produced a good increase in profit, tempered by the decline in Asian currency values. The chain now operates 385 outlets in Hong Kong, the Mainland and the region.

The 49 store Fortress consumer electronics and electrical appliance chain in Hong Kong generated strong sales and another year of increased profits. During the year, Pan Asian Systems was brought under the Fortress umbrella, with new areas of operations being explored to complement the existing telecommunications supply and engineering businesses.

Bhs (British Home Stores), which retails fashion and household goods and for which the A S Watson group has exclusive rights in Asia, had a disappointing start-up but it is still in its early stages of development in Hong Kong and Malaysia.

The Group's manufacturing division turned in a strong performance and further expanded its

Retail, Manufacturing and Other Services Turnover
HK$ Millions



Fresh meat is delivered daily and sold in the most hygienic conditions at Park'N Shop's superstores.

Watson's Water operates the world's biggest and most sophisticated distilled water plant.

product range of distilled water, soft drinks, fruit juices and ice cream with the successful launch of several new items. In the Mainland, the Group continued to strengthen its distribution network and production facilities with the opening of a new ice cream plant in Guangzhou and the acquisition of a major interest in a sparkling water facility in Shanghai. The Group currently operates eight factories in the Mainland.

HUTCHISON WHAMPOA (CHINA)

1997 was another year of solid growth for Hutchison Whampoa (China), which is involved in a number of successful consumer product, aviation and hotel joint ventures.

The Group's fast-expanding Procter & Gamble-Hutchison joint venture in the Mainland continued to generate strong profits from the manufacture and distribution of a widening range of hair, skin, soap, detergents, dental hygiene and paper products. To meet growing demands, production capacity at the joint venture's manufacturing facilities in the Mainland were increased.

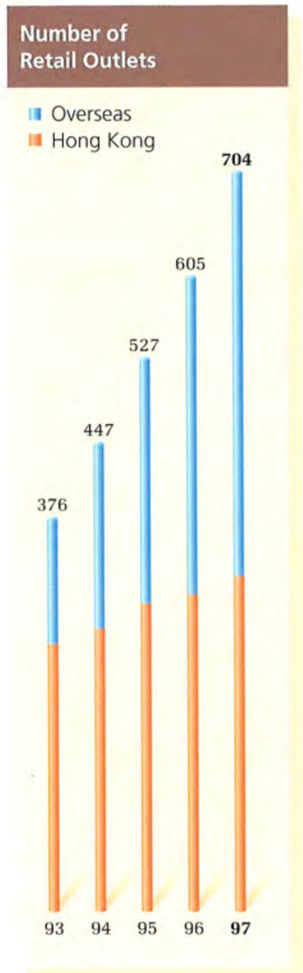
Juice brands of A S Watson account for over half of all juice consumed in Hong Kong.

Gameco, certified by the US Federal Aviation Administration and the Civil Aviation Administration of China, carries out repair and maintenance services on Boeing aircraft at the Guangzhou Baiyun International Airport.

Under the terms of an agreement to restructure, the Group obtained a series of options to sell its investment in its joint venture with Procter & Gamble ("P&G") to them. Throughout the 20-year option period, the Group retains the right to participate in P&G's expanding and, to date, highly successful activities in the Mainland. By exercising the initial options and reducing its interest from approximately 33% to 20%, the Group received US$650 million and realised an exceptional profit of HK$1,430 million in 1997 and a further exceptional profit of approximately HK$3,332 million this year.

The Guangzhou Aircraft Maintenance Engineering Company (GAMECO), in which the Group has a 25% interest, generated increased returns as its activities continued to expand. Plans are well advanced for a new maintenance facility in Wuhan, where a two-bay hangar is to be built. Construction of a joint venture aircraft maintenance facility at the new Hong Kong International Airport is proceeding on schedule and is expected to begin operation when the airport opens in July. The Group has a 20% interest in this joint venture with China National Aviation Company, British Airways and United Airlines.

Harbour Plaza Hong Kong is honoured with a World's Top Ten Hotel Award from Leaders Magazine, New York.



HOTELS

The performance of the Group's two hotels in Hong Kong was adversely affected by a decline in visitor arrivals during the second half of the year. At Sheraton Hong Kong Hotel and Towers, in which the Group has a 39% interest, revenues were also affected by the renovations being made to the shopping podium and reception area of the hotel. These enhancements are due to be completed early this year. The wholly owned Harbour Plaza Hong Kong performed satisfactorily, benefiting from occupancy rates above the local industry average and a strong performance in its food and beverage business.

Relaxing at the Whampoa Lounge of Harbour Plaza Hong Kong.

Harbour Plaza Beijing will reopen in April after a major renovation programme.

In a broadening of the Group's hotel activities in the Mainland, three new hotels were acquired and are currently being renovated, namely: Harbour Plaza Beijing, with 429 rooms and suites; Harbour Plaza Shenyang, with 284 rooms and suites; and Harbour Plaza Kunming, with 348 rooms and suites. Renovations to the Beijing property are now in the final stages and the hotel is scheduled to re-open for business in April this year. The development of the Shenyang and Kunming properties are expected to be completed in early 1999.

Other hotel projects under development, and which have been referred to in the Property Development and Holdings section, include two hotel projects in Hong Kong, one in Shanghai, one in Chongqing and a hotel resort complex on Grand Bahama Island.

The Group has recently established a 50:50 joint venture hotel management company with Cheung Kong (Holdings) Limited. Under the trading name of Harbour Plaza Hotels and Resorts, the hotel group will be responsible for the management of the hotels owned by the joint venture shareholders.

Hutchison Telecom customer service centres offer comprehensive services to suit customers' needs.

OPERATIONS REVIEW

TELECOMMUNICATIONS

The Group has built on its recognised telecommunications expertise to become a major player in Hong Kong and a participant in a growing number of countries in Asia-Pacific and Europe. The Group has recently expanded its activities to North America.

The Orange brand has been a key driving force in increasing the company's penetration of the UK mobile phone market.

Profit from the Group's telecommunications division totalled HK$1,071million (1996 - HK$3,642 million). The amount recorded for 1996 includes the profit derived from the flotation that year of Orange plc.

HONG KONG OPERATIONS

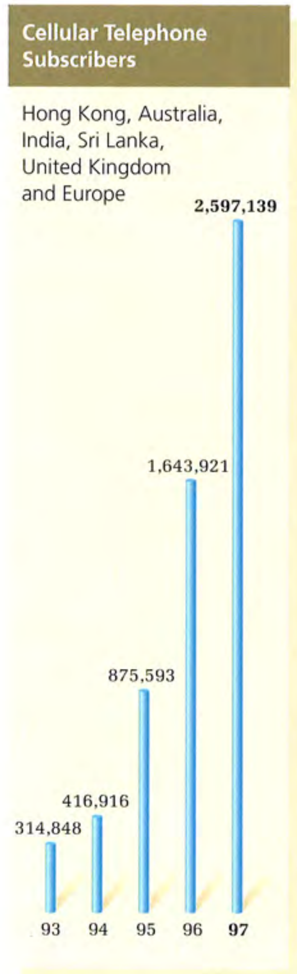
Operating in an increasingly competitive telecommunications marketplace, Hutchison Telecommunications, which provides cellular, fixed-line and paging services, continued to operate profitably. The positive results reflect strong growth in its cellular subscriber base and the ongoing benefits of cost control measures.

During the year, the Group concentrated on expanding its market share, improving service quality and providing value for money to subscribers. As a result, the GSM subscriber base grew by 123,000 to 363,000 subscribers at present, while the number of CDMA subscribers rose to 220,000 from 46,000 at the end of 1996.

Significant progress was made in the development of the Personal Communications Services (PCS) network, which will provide the Group with additional capacity to meet future demand. Feedback from consumers, who are being offered special tariffs while the system is being tested, has been highly encouraging. The network currently has 33,000 subscribers. As the PCS network operates on the GSM platform, the Group has a strong marketing advantage in being able to offer an integrated range of services and a wider coverage area to subscribers.

With approximately 616,000 subscribers on three networks, the Group presently has approximately 29% share of the Hong Kong cellular market.

In addition to launching a range of innovative new cellular services, such as InfoStar, Hong Kong's first prepaid mobile SIM card with IDD facilities was successfully introduced by the Group. Subscribers are now being served by five service centres and 42 retail outlets, many of which were upgraded to provide a more comprehensive level of services. The number of authorised dealer outlets carrying Hutchison handsets was increased to over 150. To improve service quality, the number of cellsites was expanded substantially, with the



The Hutchison Everyday Card Centre provides one stop shopping service to customers.

Using high technology support, Hutchison Telecom technical experts provide a wide range of quality maintenance services.

GSM network now covering 96% of the populated area of Hong Kong.

The Everyday Card, which provides a variety of discounts at leading retail outlets, continues to be popular with subscribers, and the number of merchants participating in the programme continues to expand.

Satisfactory progress was made in the development and marketing of the fixed-line network. In addition to its facilities to provide service to a growing number of business districts in Hong Kong, several high density housing estates and private residential developments were connected to the network ahead of schedule. The company was also awarded a contract to provide high-speed trunks for fixed-line voice services for the new Hong Kong International Airport. Despite strong competition, the IDD 0080 service grew its subscriber base to more than 615,000 from 230,000 the year before and posted an encouraging increase in the number of call minutes. Among new services launched during the year was DataEight Services, which will provide subscribers with flexible and secure data services.

Although the Group maintained its dominant position in the paging business, the market is in decline as subscribers shift from pagers to cellular telephones. During the year, the Group focused on developing innovative new products and value added messaging services, such as information-on-

Hutchison Telecom is the first fixed network operator to introduce a public payfax service in Hong Kong.

demand services providing real-time financial data to subscribers. As part of its cost control initiative, the Group achieved significant savings by transferring its main paging operator centre to Macau. The Group's paging business in Macau also performed satisfactorily.

MAINLAND OPERATIONS

The Group's joint venture telecommunications equipment manufacturer Chung Kiu Telecommunications (China) progressed satisfactorily as did the paging operations which are located in five cities. Progress was also made in marketing trunk radio network equipment and handsets in the Mainland and in Taiwan. In addition, Chung Kiu is participating in a joint venture to provide consulting and engineering services to the Great Wall CDMA cellular network.

ASIA PACIFIC OPERATIONS

The Group's Asia Pacific operations performed satisfactorily against the background of difficult economic conditions and heightened competition.

The Group's joint venture GSM network in Mumbai (formerly known as Bombay), India, performed well and currently has 131,000 subscribers, up from 50,000 in 1996. The joint venture has concentrated on consolidating its position as the market leader based on

The award winning Orange shops provide a stronger high street presence and offer more choices to customers.

the quality and reliability of its network, and currently has a market share of approximately 60%. The network is expected to generate a small profit this year. The Group's paging activities in India, located in seven cities and the state of Punjab, faced increasing competition but performed satisfactorily, with approximately 76,000 subscribers at present. The Group has an effective 29.4% interest in the company which controls both these businesses.

The Group's cellular service provider business in Australia performed well, with its subscriber base up by 120% to 143,000 subscribers at present. The Group's interest in its joint venture in Australia was increased from 56% to 70%. In Sri Lanka, the Group acquired a 100% interest in an established cellular operator and will transfer its retired analogue TACS equipment from Hong Kong to that venture. The resultant improved quality of service and coverage area of the network should be achieved at minimal cost.

Although significant efforts have gone into building up the subscriber levels of the Group's paging activities across the region, their performance has been affected by the recent turmoil in Asia's financial markets.

The client base and revenue earned by Hutchison Corporate Access increased from the year before as a result of progress made in developing a

The Group is bringing improved cellular services to Sri Lanka.

A customer centre of Max Touch, a Hutchison Telecom joint venture, at Santacruz, Mumbai.

marketing partnership network throughout the region. Hutchison Corporate Access provides communications services and equipment utilising very small aperture terminals (VSAT).

ASIA SATELLITE TELECOMMUNICATIONS HOLDINGS

Exceptional profits totalling HK$1,515 million were realised in 1997 from the sale of a portion of the Group's interest in Asia Satellite Telecommunications Holdings. As a result, the Group's shareholding in this company has been reduced to 11.49%. The company continues to generate steady income from transponder leases taken up by broadcasting and telecommunications providers. While the launch of AsiaSat III in December was not successful, the loss of the satellite was fully covered by insurance which will provide for the cost and launch of a replacement satellite.

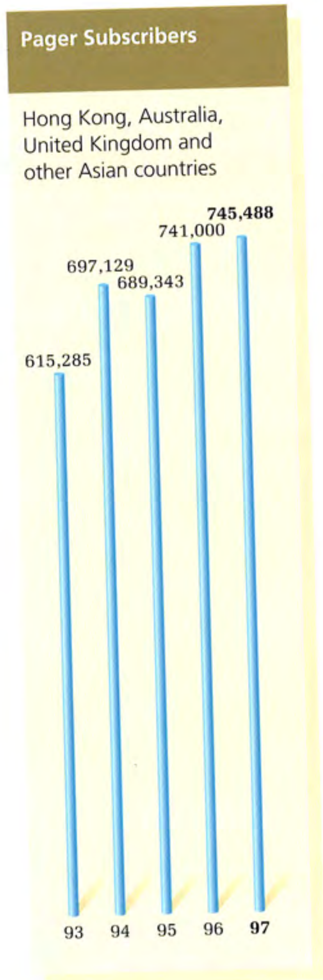
METRO BROADCAST

Metro Broadcast Corporation, in which the Group has a 50% interest, recorded its best result to date achieving break-even for the year. This was attributable both to increased sales and improved cost control measures.

NORTH AMERICA OPERATIONS

Early this year, the Group completed the acquisition of a 5% interest in

The new office of Metro Broadcast will unite all departments under one roof, improving efficiency and the standard of service.



Western Wireless, Inc. and a 19.9% interest in Western PCS Corporation. The Western Wireless Group is a US-based PCS business providing service to a number of Mid-western states with a total population of 66 million. This investment represents the Group's first entry into the mobile telephone market in the United States. Every effort will be made to work closely with the management of Western Wireless with the view to further develop the Group's mobile telephone business in that market.

EUROPE OPERATIONS

Orange continued to expand during 1997, passing the one million subscribers milestone in July to

Western Wireless's new call centre facility in Albuquerque, New Mexico.

account for 25% of the UK's net market growth. Currently, Orange has approximately 1,300,000 subscribers, and a 14.2% share of the national market, providing coverage to 96% of the population. Roaming services were established during the year, allowing customers with the dual band handsets launched in May to use more than 86 networks in 63 countries. Orange continues to explore expansion opportunities in Europe, and currently holds a 17% interest in the consortium which won the third mobile phone licence in Austria in 1997.

Under an accelerated network rollout and capital investment programme announced in 1997, which aims at ensuring Orange delivers optimal signal quality for in-building and on the move calls, its network's service area will be expanded to cover over 98% of the UK population.

The paging and cellular service provider businesses performed satisfactorily, focusing on higher value subscribers. In particular, PULSE, the dedicated high value financial information services offered by Hutchison Paging (UK), generated a positive contribution to the business.

The service provider businesses in France and Germany also contributed to Orange's growth, with 39% and 32% growth in their respective subscriber bases during the year.

Hongkong Electric's new Stores Building at the Apleichau Industrial Estate, which was completed at the end of 1997, is a 23-storey building with a total floor area of 588,560 sq ft.

ENERGY, INFRASTRUCTURE, FINANCE & INVESTMENT

The Group is one of the largest private investors in the Mainland's infrastructure sector and a leading cement and concrete manufacturer in Hong Kong and Southern China. Investments in Hongkong Electric and Husky Oil in Canada reflect the Group's diversification into power generation and distribution as well as oil and gas.

Comprising 11 roads and bridges, the Nanhai Road Network forms an integral part of the city's transportation system. This is the Nanhai Xiqiao Bridge.

Profits from the Group's energy, infrastructure, finance and investment division, after a provision of HK$920 million in respect of the Group's portfolio of listed investments, totalled HK$4,363 million, (1996 - HK$3,566 million). Finance and investment income was primarily derived from interest earned on surplus cash and dividends received.

CHEUNG KONG INFRASTRUCTURE

The year was one of strong growth for Cheung Kong Infrastructure (CKI), in which the Group acquired an 84.58% interest through a restructuring of the Cheung Kong Group during the early part of 1997. As part of the restructuring, CKI acquired a 35.01% interest (subsequently increased to 36.11%) in Hongkong Electric Holdings Limited (HEH), the sole provider of electricity to Hong Kong and Lamma islands. In addition to strengthening its energy sector, the holding in HEH provides CKI with a strong recurrent income base. HEH recorded a profit of HK$4,709 million in 1997, compared with HK$4,154 million in 1996.

The Nam Fung-Parker Cable Tunnel, the second cable tunnel in Hongkong Electric's transmission system, is 5.7 km long.

CKI is involved in three core areas: infrastructure materials; energy; and transportation. In 1997, CKI committed to invest a total of HK$4.3 billion in Mainland China, bringing the total amount of committed investment to HK$10.9 billion.

CKI's energy portfolio was further strengthened during the year through the signing of contracts for new power plant joint ventures in three provinces in the Mainland. Existing plants at Shantou and Nanhai operated smoothly during the year, while work proceeded on schedule on a 1,400 MW power plant in Zhuhai.

CKI's transportation activities made good progress, almost doubling the length of toll roads in which the company is involved to over 700 km. During the year, new contracts were signed for roads and bridges in six provinces in the Mainland.

CKI's cement and concrete businesses in Hong Kong performed satisfactorily and maintained market leadership. In the Mainland, CKI also expanded its activities into Southern China through a joint venture with Guangdong International Trust and Investment Corporation for the manufacture and distribution of cement and concrete.

HUSKY OIL

Husky Oil continued to perform well in 1997, making a positive contribution to the Group's results.

The commissioning of a new 350MW coal-fired unit – Unit 8 in December 1997 marked the completion of Stage III of the development of Lamma Power Station, raising the total installed capacity to 3,305 MW.

The mapping computer has been upgraded in 1997 to provide a more efficient, reliable and scaleable system capable of addressing the future needs of HEH.

During the year, Husky substantially increased its earnings and achieved significant growth in shareholder value, cash flow, production volumes and reserves. Husky's production in 1997 averaged 94,200 Boe (barrels of oil equivalent) per day, an increase of 5.1% over 1996. For 1997, Husky's Western Canadian reserve replacement rate was 123%.

Husky also significantly increased development and exploration activities in Canadian East Coast offshore oil projects, which are centred on the Jeanne d'Arc Basin offshore the province of Newfoundland. In February, Husky announced the opening of a regional office in St John's, Newfoundland, to manage these activities. The East Coast is considered a significant growth area for Husky's light oil production. Husky is one of the area's largest participants, with interests including 17.5% of Terra Nova, 43.8% of White Rose, 42.2% of North Ben Nevis and 50% of the Cape Race exploration licence.

At 31 December 1997, Husky had proved reserves of crude oil, liquids and natural gas of 387 million barrels.

During the year, Husky acquired the 50% interest which it did not already own in Western Canadian Place from Trizec Hahn for C$127 million. Concurrently, litigation with the vendor was terminated. Western Canadian Place is a 1.1 million sq ft office property in Calgary.

Green Island Cement is the only integrated cement manufacturer in Hong Kong.

Shantou Tuopu Power Plant highlights the stability and maturity of our power investments in China.

Husky also negotiated acquisition of the 50% interest it did not already own in the Bi-Provincial Upgrader at Lloydminster from the Government of Saskatchewan. The transaction was completed in early 1998 for C$310 million. The Upgrader processes heavy oil into high quality, low sulphur synthetic crude. Production in 1997 was 53,000 barrels per day.

COMPASS CARD

The CompAss credit card, in which the Group has a 50% interest, recorded a strong growth in its customer base, rising from 120,000 to more than 200,000. During the year, a new affiliation card, Everyday CompAss Visa, was launched with Hutchison Telecommunications (Hong Kong).

GROUP LIQUIDITY AND FINANCIAL RESOURCES

The Group's capital expenditure for the year, excluding expenditure for properties under development and for sale, totalled HK$7,236 million (1996 - HK$7,611 million), and were funded from cash on hand, internal cash generation, and to the extent required, by external borrowings. At 31 December 1997, the Group's borrowings, net of cash, managed funds and other listed investments, were HK$29,601 million (1996 - HK$10,416 million). Approximately 45% of the Group's total borrowings

Western Canadian Place's twin-office towers in Calgary, Alberta are the corporate headquarters for Husky Oil Ltd.

Throughput at Lloydminster Upgrader currently averages approximately 53,000 barrels per day.

were denominated in HK dollars, 51% in US dollars, 3% in pounds sterling and the remaining 1% in other currencies. The non-HK dollar and non-US dollar loans are either directly tied in with the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies. Action was taken during the year to lengthen the maturity profile of the Group's borrowings and, excluding non-interest bearing loans from minority shareholders, the Group's borrowings at year end were repayable as shown below.

Committed borrowing facilities available to Group companies, but not drawn at 31 December 1997, amounted to the equivalent of HK$8,823 million.

Two important borrowing facilities which were arranged during the year are:

(i) A HK$12,000 million, five year

	HK$ denominated	US$ denominated	Others	Total
within 1 year	7%	4%	1%	12%
in years 2 to 4	13%	7%	3%	23%
in year 5	25%	1%	-	26%
in years 6 to 10	-	28%	-	28%
in years 11 to 20	-	7%	-	7%
beyond 20 years	-	4%	-	4%
	45%	51%	4%	100%

The Group is a regular contributor to Helping Hand and supports the efforts of the aged in the annual cookie selling campaign.

Group employees work hard and play hard.

loan facility with a syndicate of financial institutions. The facility was fully drawn down in July and the proceeds used to repay short term debt. The Group was the recipient of the "1997 Asian Loan of the Year Award" from International Financing Review and IFR Asia for this loan.

(ii) On 1 August 1997, the Group entered the global bond market with a US$2,000 million, four tranche issue which was more than three times oversubscribed. The issue was split into 10 year US$750 million, 20 year US$500 million, 30 year US$500 million and 40 year US$250 million (with a put after 12 years) tranches. The bonds were sold in the Rule 144a market in the USA and also listed in Luxembourg. The issue was assigned an A3 credit rating by Moody's Investor Service and A+ by Standard and Poor's. The bonds bear interest at fixed rates varying from 6.95% to 7.5% per annum. The proceeds from the bond issue are being used for general corporate purposes including the funding of capital expenditures. For this issue, the Group was the recipient of six awards from leading international financial and business magazines.

The two borrowing facilities earned the Group the "1997 Asian Borrower of the Year" award from International Financing Review and IFR Asia.

TREASURY POLICIES AND CAPITAL STRUCTURE

The Group's overall treasury and funding policy is one of risk management and control, with transactions being directly related to the underlying businesses of the Group. We endeavour to match the Group's assets located in other countries and denominated in the currencies of those countries with an appropriate level of borrowings, where possible, in the same currencies. Forward foreign exchange contracts and interest and currency swaps are utilised when suitable opportunities arise and, when considered appropriate, to hedge against major non-HK and non-US dollar exposures as well as assist in managing the Group's interest rate exposures.

COMMUNITY SERVICE

As an organisation that places a strong emphasis on the achievement of high goals, the Group is a keen supporter of a range of activities and organisations which benefit people from all walks of life throughout the community.

During the year, the Group assisted a number of charities, including the Community Chest, which provides funds to more than 140 member agencies and concentrates on providing assistance and opportunities to youth, the handicapped and the elderly throughout the territory. Among the many other charities and organisations whose activities were sponsored were Helping Hand, the Save the Children Fund, the Hong Kong Red Cross, the Hong Kong Cancer Fund, Friends of the Earth, Oxfam Hong Kong, the Children's Miracle Charity, the Spastics Association of Hong Kong and Lifeline Express.

In recognition of the valuable role played by education and the arts in the community, the Group supported the China National Symphony Orchestra Trust, the Hong Kong Arts Festival Society, the Hong Kong Philharmonic Society, the Chinese Cultural Exchange Fund and the Sir Edward Youde Scholars' Association.

EMPLOYEE RELATIONS

Excluding associated companies, the Group employs 31,271 people (1996 - 27,733 people) of whom 17,306 (1996 - 16,946) are employed in Hong Kong. Employee costs, excluding Directors' emoluments, totalled HK$5,766 million (1996 - HK$5,301 million). All subsidiary operating companies of the Group are equal-opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The pay levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits including medical coverage, provident funds and retirement plans and long-service awards are also provided to the employees.

Many social, sporting and recreational activities were arranged during the year for employees on a Group-wide basis. Group employees also participated in charity walks as well as other community-oriented events. In addition, training and development programmes are provided on an on-going basis throughout the Group. Financial assistance is also available to qualifying employees who wish to further their education through part-time diploma or degree courses.

OUTLOOK

The unprecedented financial turmoil which has affected Asian economies has had an adverse impact on most countries in the region. Depending on the severity of the crises and the length of time it will take for the economies to recover, 1998 is likely to be a challenging year not only for Hong Kong but for the Asian region as a whole.

The Group, however, is in a strong financial position. With its longer-term debt capital structure, strong liquid financial position and a stream of quality recurrent earnings, the Group will not only be able to meet the challenges of the current Asian crises but also take advantage of attractive investment opportunities that may arise locally and/or regionally.

The Group remains firmly committed to its policy of focused strategy and controlled growth of its core businesses.

The results for 1997 were achieved through the hard work and dedication of the employees of the Group, and I would like to join our Chairman in thanking them for their efforts throughout the year.

Canning K N Fok
Group Managing Director

Hong Kong, 26 March 1998

Biographical Details of Directors

Li Ka-shing, CBE, JP, aged 69, has been an Executive Director since 1979 and Chairman since 1981. He is the founder and Chairman and Managing Director of Cheung Kong (Holdings) Limited ("Cheung Kong"), a substantial shareholder of the Company under the Securities (Disclosure of Interests) Ordinance and has been engaged in many major commercial developments in Hong Kong for more than 40 years. Mr Li served as a member of the Hong Kong Special Administrative Region's Basic Law Drafting Committee, Hong Kong Affairs Adviser, the Preparatory Committee and the Selection Committee for the First Government of the Hong Kong SAR. He is also an Honorary Citizen of Shantou, Guangzhou, Shenzhen, Nanhai, Foshan, Jiangmen and Chaozhou respectively. Mr Li is a keen supporter of community service organisations, and has served as honorary chairman of many such groups over the years. Mr Li has received Honorary Doctorates from Beijing University, University of Hong Kong, Hong Kong University of Science and Technology, Chinese University of Hong Kong and the University of Calgary in Canada. Mr Li Ka-shing is the father of Deputy Chairman, Mr Li Tzar Kai, Richard and Executive Director, Mr Li Tzar Kuoi, Victor.

Li Tzar Kai, Richard, aged 31, has been an Executive Director since 1992 and Deputy Chairman since 1993. He is also a Director of Hongkong Electric Holdings Limited ("Hongkong Electric"). He is the founder of Satellite Television Asian Region Limited (STAR TV) and Chairman and Chief Executive of the Pacific Century Group.

Fok Kin Ning, Canning, aged 46, has been an Executive Director since 1984 and Group Managing Director since 1993. He is also Chairman of Orange plc, Deputy Chairman of Hongkong Electric and Cheung Kong Infrastructure Holdings Limited ("Cheung Kong Infrastructure") and a Director of Cheung Kong. He holds a Bachelor of Arts degree and is a member of the Australian Institute of Chartered Accountants.

Li Tzar Kuoi, Victor, aged 33, has been an Executive Director since 1995. He is Chairman of Cheung Kong Infrastructure and Deputy Chairman and Deputy Managing Director of Cheung Kong. He is also a Director of Hongkong Electric and The Hongkong and Shanghai Banking Corporation Limited. He is a member of the Chinese People's Political Consultative Conference, the Commission on Strategic Development and the Business Advisory Group. He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering.

Susan M F Chow, aged 44, has been an Executive Director since 1993 and was appointed Deputy Group Managing Director on 1 January 1998. She is a solicitor and holds a Bachelor's degree in Business Administration. She is also a Director of Orange plc and Hongkong Electric and an Executive Director of Cheung Kong Infrastructure.

Frank J Sixt, aged 46, has been an Executive Director since 1991 and was appointed Group Finance Director on 1 January 1998. He is also an Executive Director of Cheung Kong and Cheung Kong Infrastructure and a Director of Orange plc and Hongkong Electric. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

George C Magnus, aged 62, has been an Executive Director since 1980. He is also Chairman of Hongkong Electric and Deputy Chairman of Cheung Kong and Cheung Kong Infrastructure. He holds a Master's degree in Economics.

Kam Hing Lam, aged 51, has been an Executive Director since 1993. He is also Deputy Managing Director of Cheung Kong, Group Managing Director of Cheung Kong Infrastructure and a Director of Hongkong Electric. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration.

Michael D Kadoorie, aged 56, has been a Director since 1995. He is also Chairman of CLP Holdings Limited and The Hongkong and Shanghai Hotels Limited as well as Heliservices (Hong Kong) Limited.

C P Langley, OBE, aged 53, has been a Director since 1996. He is a General Manager of The Hongkong and Shanghai Banking Corporation Limited and holds directorships in a number of listed companies in Hong Kong, including Hang Seng Bank Limited, Cathay Pacific Airways Limited, Hongkong Electric, Winsor Industrial Corporation Limited and Winsor Properties Holdings Limited.

Li Fook-wo, aged 81, has been a Director since 1977. He is also Director of The Bank of East Asia Limited and Johnson Electric Holdings Limited.

Simon Murray, CBE, aged 58, has been a Director since 1984. He has until recently been the Executive Chairman Asia Pacific of Deutsche Bank Group and is currently the Chairman of General Enterprise Management Services Limited, a private equity fund management company sponsored by Simon Murray And Associates Limited and Deutsche Bank. He is also a Director of a number of listed companies including Cheung Kong and Orient Overseas (International) Limited.

William Shurniak, aged 66, has been a Director since 1984 and retired as Group Finance Director and Executive Director on 1 January 1998. He is also Deputy Chairman of Husky Oil Ltd and of Asia Satellite Telecommunications Holdings Limited. He has broad experience in banking.

P A L Vine, OBE, LLD, VRD, JP, aged 76, is a solicitor and has been a Director since 1977. He is also a Director of the Cross Harbour Tunnel Company Limited, and a number of other listed companies in Hong Kong including International Maritime Carriers (Holdings) Limited, Liu Chong Hing Investments Limited and Liu Chong Hing Bank Limited.

C H Wong, aged 64, is a solicitor and has been a Director since 1984. He is also a Director of The Bank of East Asia Limited and Hongkong Electric.

Report of the Directors

The directors have pleasure in submitting to shareholders their report and statement of accounts for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiary and associated companies are shown on pages 88 to 91. The turnover and contribution to operating profit of the principal activities of the Company and its subsidiaries are as follows:

	Turnover		Operating Profit	
	1997 HK$ millions	1996 HK$ millions	1997 HK$ millions	1996 HK$ millions
By Activity				
Property	**2,853**	2,156	**3,306**	1,643
Ports and Related Services	**9,414**	7,813	**4,776**	4,008
Retail, Manufacturing and Other Services	**19,625**	18,102	**1,291**	1,528
Telecommunications	**7,538**	7,042	**655**	35
Energy, Infrastructure, Finance and Investment	**5,160**	1,549	**2,607**	1,605
Finance Charges	**–**	–	**(3,938)**	(2,557)
	44,590	36,662	**8,697**	6,262
By Geographical Area				
Hong Kong	**32,798**	25,563	**5,211**	4,846
Mainland China	**3,056**	2,048	**99**	36
Asia	**5,079**	4,478	**1,315**	760
Europe	**1,995**	4,254	**732**	436
North America	**1,662**	319	**1,340**	184
	44,590	36,662	**8,697**	6,262

GROUP PROFIT

The consolidated profit and loss account is set out on page 65 and shows the Group profit for the year ended 31 December 1997.

DIVIDENDS

An interim dividend of 48 cents per share was paid to shareholders on 17 October 1997 and the directors recommend the declaration of a final dividend at the rate of HK$1.10 per share payable on 22 May 1998 to all persons registered as holders of shares on 21 May 1998.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 21 to the accounts.

CHARITABLE DONATIONS

Donations to charities by the Group during the year amounted to HK$41,219,000 (1996 – HK$52,926,000).

FIXED ASSETS

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

SHARE CAPITAL

During the year, 254,316,978 ordinary shares were issued to subsidiaries of Cheung Kong (Holdings) Limited ("Cheung Kong") at a price of HK$58.50 per share in satisfaction in part of the transfer of Cheung Kong's shareholding in Cheung Kong Infrastructure Holdings Limited ("Cheung Kong Infrastructure") and 2,752,799 ordinary shares were issued on the exercise of options granted under the Senior Executive Share Option Scheme, the total consideration for these shares being HK$14,900,088,636.81.

DIRECTORS

The board of directors as at 31 December 1997 comprised Messrs Li Ka-shing, Richard T K Li, Canning K N Fok, Victor T K Li, Susan M F Chow, Frank J Sixt, George C Magnus, H L Kam, Michael D Kadoorie, C P Langley, Li Fook-wo, Simon Murray, W Shurniak, P A L Vine and C H Wong.

Messrs C Y K Lee and A N M Chow resigned as director on 12 March 1997 and 30 April 1997 respectively. Mr K A Miller retired and Mr William E Mocatta was appointed as alternate director to Mr Michael D Kadoorie on 31 July 1997. The directors would like to record their appreciation for the services of Messrs C Y K Lee, A N M Chow and K A Miller to the Group and are pleased to welcome the appointment of Mr William E Mocatta.

Messrs Victor T K Li, Frank J Sixt, George C Magnus, Michael D Kadoorie and C P Langley retire by rotation under the provisions of Article 85 and, being eligible, offer themselves for re-election.

The Directors' biographical details are set out on pages 56 and 57.

INTEREST IN CONTRACTS

No contracts of significance in relation to the Company and its subsidiaries' businesses 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, a substantial shareholder of the Company, leases under various lease agreements of varying duration, but none in excess of three years, approximately 66,333 sq ft of office space in a building owned by the Group. The leases were entered into in the ordinary course of business and on normal commercial terms. Rent received during 1997 amounted to approximately HK$42,309,000.

On 13 August 1997, companies in the Group entered into a joint venture with companies controlled by Mr Richard T K Li who is the Deputy Chairman of the Company. The joint venture is with respect to a property development project in the Marunouchi district of Tokyo, Japan which at the time of the agreement consisted of a site area of approximately 52,250 sq ft developable into a commercial building of approximately 549,000 sq ft.

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 with the exception of the Senior Executive Share Option Scheme, details of which are set out in note 20 to the accounts.

DIRECTORS' SERVICE CONTRACT

There is no unexpired service contract which is not determinable by the Company within one year of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS

As at 31 December 1997, 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

	No. of ordinary shares				
Name	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Li Ka-shing	–	–	–	1,942,547,978 (1)	1,942,547,978
Richard T K Li	1,297,000	–	–	1,942,547,978 (1)	1,943,844,978
Victor T K Li	–	–	610,000	1,942,547,978 (1)	1,943,157,978
Canning K N Fok	175,000	–	–	–	175,000
G C Magnus	1,000,000	9,000	–	–	1,009,000
M D Kadoorie	–	–	–	14,530,996 (2)	14,530,996
Simon Murray	–	–	–	340,000 (3)	340,000
W Shurniak	200,000	–	–	–	200,000
P A L Vine	30,000	–	–	–	30,000

Notes:

(1) The three references to 1,942,547,978 shares relate to the same block of shares in the Company comprising:

(a) 1,934,547,978 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 1,934,547,978 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 company controlled 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 D Kadoorie is deemed to be interested by virtue of the SDI Ordinance in 14,530,996 shares in the Company.

(3) Mr Simon Murray and members of his family are discretionary beneficiaries of a family trust which is interested in 340,000 shares in the Company.

(b) Interests in Associated Corporations

As at 31 December 1997, Mr Li Ka-shing, Mr Li Tzar Kuoi Victor and Mr Li Tzar Kai Richard, as directors of the Company, are deemed to be interested in (i) 1,912,109,945 shares in Cheung Kong Infrastructure which shares are held by a subsidiary of the Company, (ii) 729,605,362 shares in Hongkong Electric Holdings Limited ("Hongkong Electric") which shares are 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 1997, a corporate interest in 4,600 class C common shares in Husky Oil Holdings Limited and 13,800 common shares in Husky Oil Ltd. Mr Li Ka-shing, Mr Li Tzar Kuoi Victor and Mr Li Tzar Kai Richard are deemed to be interested in 1,000,000 ordinary shares in Orange plc ("Orange") which are held by the LKS Unity Trust and another unit trust as described in Note (1) above under the SDI Ordinance.

Mr Li Tzar Kai Richard had, as at 31 December 1997, a personal interest in 362,000 ordinary shares in Hongkong Electric and 250,000 ordinary shares in Orange. He also had, as at 31 December 1997, a corporate interest in 26 ordinary shares in Hutchvision Hong Kong Limited.

Mr Li Tzar Kuoi Victor had, as at 31 December 1997, a corporate interest in 250,000 ordinary shares in Orange.

Mr Canning K N Fok, Mrs Susan M F Chow and Mr W Shurniak had, as at 31 December 1997, personal interests in 24,390, 14,634 and 14,634 ordinary shares respectively in Orange.

Mr G C Magnus is, as at 31 December 1997, a discretionary beneficiary of a family trust which owns a company which is interested in 25,000 ordinary shares in Orange.

Mr H L Kam had, as at 31 December 1997, a personal interest in 100,000 shares in Cheung Kong Infrastructure.

Mr Simon Murray and members of his family are, as at 31 December 1997, discretionary beneficiaries of a family trust which is interested in 50,000 ordinary shares in Orange.

Mr P A L Vine had, as at 31 December 1997, a personal interest in 79,650 shares in Hongkong Electric.

Save as outlined above, none of the directors had, as at 31 December 1997, 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 has 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 has 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 1997, the register required to be kept under Section 16 (1) of the SDI Ordinance shows that the Company has been notified of the following interests in the issued ordinary share capital of the Company. These interests are in addition to those disclosed above in respect of the directors.

Name	No of ordinary shares
Cheung Kong (Holdings) Limited	1,934,547,978 (1)
Continental Realty Limited	422,969,063 (2)

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, 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 1,934,547,978 shares of the Company as described in Note (1) (a) on pages 60 and 61.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its ordinary shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's 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, none of the directors is aware of any information that would reasonably indicate that the Company is not, or was not during the year in compliance 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 Price Waterhouse who retire and, being eligible, offer themselves for re-appointment.

THE YEAR 2000

The Group is positively addressing the year 2000 financial and operating systems risks by the establishment of a central programme office in 1997 to ensure a consistent process and application of practice. Measures taken include problem identification and evaluation, systems and software/hardware conversion, replacement and upgrading and software and equipment manufacturers liaison and compliance. The programme targets to complete resolving 90% of the identified problem areas by the end of 1998 with all the problems cleaned up by the second quarter of 1999.

By order of the board

Edith Shih
Company Secretary

Hong Kong, 26 March 1998

Auditors' Report

To the Members of Hutchison Whampoa Limited
(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 65 to 91 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view, in all material respects, of the state of the affairs of the Company and the Group at 31 December 1997 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Price Waterhouse
Certified Public Accountants

Hong Kong, 26 March 1998

Consolidated Profit and Loss Account

for the year ended 31 December 1997

1997 US$ millions		Note	1997 HK$ millions	1996 HK$ millions
5,754	Turnover	2	**44,590**	36,662
1,122	Operating profit		**8,697**	6,262
457	Share of profits less losses of associated companies	3	**3,537**	3,631
1,579	Profit before exceptional items	3	**12,234**	9,893
320	Exceptional items	4	**2,483**	4,100
1,899	Profit before taxation		**14,717**	13,993
152	Taxation	7	**1,179**	1,311
1,747	Profit after taxation		**13,538**	12,682
164	Minority interests		**1,272**	662
1,583	**Profit Attributable to the Shareholders**	8	**12,266**	12,020
790	Dividends	9	**6,123**	5,703
793	**Profit for the Year Retained**	10	**6,143**	6,317
US 41 cents	**Earnings per Share**	11	**HK$ 3.21**	HK$ 3.32

Consolidated balance sheet

at 31 December 1997

1997 US$ millions		Note	1997 HK$ millions	1996 HK$ millions
9,863	Fixed assets	12	**76,439**	63,188
326	Deferred expenditures	13	**2,529**	1,086
4,668	Associated companies	15	**36,176**	26,369
2,270	Infrastructure joint ventures	16	**17,597**	–
3,469	Managed funds and other investments	17	**26,881**	22,551
5,306	Current assets	18	**41,121**	18,385
3,885	Current liabilities	19	**30,107**	20,288
1,421	Net current assets (liabilities)		**11,014**	(1,903)
22,017	**Employment of Capital**		**170,636**	111,291
125	Share capital	20	**969**	905
10,919	Reserves	21	**84,620**	67,994
11,044	**Shareholders' Funds**		**85,589**	68,899
1,576	Minority interests	22	**12,216**	7,814
9,383	Long term liabilities	23	**72,720**	34,459
14	Deferred taxation	24	**111**	119
22,017	**Capital Employed**		**170,636**	111,291

Canning K N Fok
Director

Frank J Sixt
Director

Balance sheet

at 31 December 1997

1997 US$ millions		Note	1997 HK$ millions	1996 HK$ millions
6,607	Subsidiary companies	14	**51,208**	23,394
606	Current assets	18	**4,698**	4,250
600	Current liabilities	19	**4,652**	4,230
6	Net current assets		**46**	20
6,613	**Employment of Capital**		**51,254**	23,414
125	Share capital	20	**969**	905
4,988	Reserves	21	**38,660**	18,642
5,113	**Shareholders' Funds**		**39,629**	19,547
1,500	Long term liabilities	23	**11,625**	3,867
6,613	**Capital Employed**		**51,254**	23,414

Canning K N Fok
Director

Frank J Sixt
Director

Consolidated Cash Flow Statement

for the year ended 31 December 1997

1997 US$ millions		Note	1997 HK$ millions	1996 HK$ millions
1,718	**Net cash inflow from operating activities**	25 (a)	13,316	11,435
	Returns on investments			
272	Dividends received from associated companies		2,107	2,397
442	Interest and other dividends received		3,423	2,328
714			5,530	4,725
	Servicing of finance			
(517)	Interest paid		(4,006)	(2,821)
(67)	Dividends paid to minority shareholders		(520)	(439)
(780)	Dividends paid to shareholders		(6,043)	(4,594)
(1,364)			(10,569)	(7,854)
	Taxation			
(117)	Hong Kong profits tax paid		(907)	(785)
(15)	Overseas profits tax paid		(113)	(168)
(132)			(1,020)	(953)
	Investing activities			
133	Proceeds on disposal of fixed assets		1,032	82
163	Proceeds on disposal of subsidiary companies	25 (b)	1,261	132
624	Proceeds on disposal of and repayments from associated companies		4,839	11,010
854	Proceeds on disposal of other investments		6,618	2,343
(1,095)	Purchase of fixed assets		(8,491)	(12,964)
91	Interest capitalised as fixed assets		707	261
(223)	Additions to deferred expenditures		(1,728)	(1,378)
(765)	Purchase of subsidiary companies	25 (c)	(5,929)	(229)
(1,513)	Purchase of and advances to associated companies		(11,729)	(8,394)
(342)	Additions to infrastructure joint ventures		(2,648)	–
(1,549)	Additions to managed funds and other investments		(12,002)	(9,106)
(3,622)			(28,070)	(18,243)
(2,686)	**Net cash outflow before financing activities**		(20,813)	(10,890)
5,307	**Net cash inflow from financing activities**	25 (d)	41,124	5,404
2,621	**Increase (decrease) in cash and cash equivalents**	25 (e)	20,311	(5,486)

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

A. Basis of consolidation

The consolidated accounts of the Group include the accounts for the year ended 31 December 1997 of the Company and of all its direct and indirect subsidiary companies and also incorporate the Group's interest in associated companies on the basis set out in note 1C below. Results of subsidiary and associated companies acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 1997 or up to the dates of disposal as the case may be. Goodwill is eliminated against reserves in the year in which it arises.

B. Subsidiary companies

A company is a subsidiary company if more than 50% of the issued voting capital is held long term. Investments in subsidiary companies are carried at cost.

C. Associated companies

A company is an associated company if not less than 20% nor more than 50% of the issued voting capital is held as a long term investment and a significant influence is exercised over its management. Results of the associated companies are incorporated in the accounts to the extent of the Group's share of the post-acquisition results calculated from their accounts made up to 31 December 1997. The investment in associated companies represents the Group's share of their net assets less provision for diminution in value and goodwill, after attributing fair values to their net tangible and intangible assets at the date of acquisition. Goodwill arising on acquisition of the investments and the Group's share of goodwill reported in the associated companies' accounts are eliminated against reserves in the year in which they arise.

D. Joint ventures

Sino-foreign joint ventures established in Mainland China in respect of which the partners' profit-sharing ratios and asset entitlement upon termination or dissolution of the joint ventures are in proportion to their capital contribution ratios as defined in the joint venture contracts, are classified and accounted for as subsidiary companies (where the Group controls the composition of the board of directors) or as associated companies (in which the Group exercises significant influence).

Sino-foreign joint ventures established in Mainland China in respect of which the partners' profit-sharing ratios and share of net assets upon their termination or dissolution are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts and in respect of which the Group is not entitled to share the assets of the joint ventures at the end of the joint ventures period are classified as investments under joint ventures and carried at cost less accumulated amortisation. The cost of investment is amortised over the respective contract period on a straight line basis upon commencement of operations. Cost of investments includes capital contributions and loans to the joint ventures, capitalised interest on related loans incurred up to the date of commencement of operations, and, in circumstances where the Group acquired the joint venture's holding company, after the allocation of the purchase consideration based upon the estimated fair value of the joint venture's business. Income from these investments is accounted for on the accrual basis in the determination of operating profit.

E. Managed funds and other investments

Managed funds represents the cost of the funds' investments less provision for permanent diminution in value. Gains and losses on the sale of the funds' investments and interest and dividend income are accounted for on the accrual basis in the determination of operating profit. Other investments are carried at cost less provision for permanent diminution in value and represent listed and unlisted investments in companies which are not subsidiary or associated companies. Results of these companies are included in the accounts to the extent of dividends received and receivable.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

F. Fixed assets

Fixed assets are stated at cost or valuation less depreciation. Leasehold land is amortised over the remaining period of the lease. Buildings are depreciated on the basis of an expected life of fifty years, or the remainder thereof, or over the remaining period of the lease, whichever is less. The period of the lease includes the period for which a right of renewal is attached.

Depreciation of other fixed assets is provided at rates calculated to write off their costs over their estimated useful lives on a straight line basis at the following annual rates:

Motor vehicles	20 – 25%
Plant, machinery and equipment	3-1/3 – 33-1/3%
Container terminal equipment	5 – 20%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is the greater

G. Investment properties

Investment properties are interests in land and buildings in respect of which construction work has been completed and which are held for their investment potential. Such properties are included in fixed assets at their open market value on the basis of an annual professional valuation. Changes in the value of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Upon disposal of an investment property, the relevant revaluation surplus is credited to operating profit. Investment properties are not depreciated except where the unexpired term of the lease is twenty years or less.

H. Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased whereby an amount equivalent to cost is recorded as a fixed asset and as a long term liability. Depreciation is provided in accordance with the Group's depreciation policy. Payments to the lessor are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account. All other leases are accounted for as operating leases and the rental payments are charged to the profit and loss account on the accrual basis.

I. Deferred expenditures

Commissions paid to dealers and certain other selling costs incurred to add new subscribers to the communication service networks are deferred and amortised on a straight line basis over periods of up to three years.

Pre-operating expenses, including interest, are deferred and amortised over periods of up to ten years from the date of commencement of commercial operations.

J. Borrowing costs

Borrowing costs are accounted for on the accrual basis and charged to the profit and loss account in the year incurred, except for costs related to funding of fixed assets, properties under development and infrastructure joint ventures which are capitalised as part of the cost of that asset up to the date of commencement of its operations.

Fees paid for the arrangement of syndicated loan facilities and debt securities are deferred and amortised on a straight line basis over the period of the loans.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

K. Properties under development

Land for properties under development is stated at cost, and development expenditure is stated at the aggregate amount of costs, including capitalised interest on related loans, incurred up to the date of completion. The profit and turnover on sales of property are recorded either on the date of sale or on the date of issue of the occupation permit, whichever is the later.

L. Stocks

Stocks are stated at the lower of cost and net realisable value. Stocks consist mainly of retail goods and cost is determined as the estimated selling price less the normal gross profit margin.

M. Deferred taxation

Deferred taxation is provided for when there is a reasonable probability that such taxation will become payable within the foreseeable future. Deferred taxation is calculated by the liability method at the applicable tax rate on timing differences arising from the recognition of income and expenditures in different fiscal periods for accounting and for tax purposes.

N. Foreign exchange

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the determination of operating profit.

The accounts of overseas subsidiary and associated companies are translated into Hong Kong dollars using the year end rates of exchange for the balance sheet items and the average rates of exchange for the year for the profit and loss account. Exchange differences are dealt with as a movement in reserves.

2. TURNOVER

	Group 1997 HK$ millions	Group 1996 HK$ millions
Sales of goods	**20,238.1**	16,032.7
Rendering of services	**20,922.7**	18,268.0
Interest	**3,189.3**	2,209.9
Dividends	**240.0**	151.4
	44,590.1	36,662.0

The turnover of the Group comprises the gross value of goods and services invoiced to customers, income from investments and infrastructure joint ventures, proceeds from the sales of development properties, rental income from operating leases, interest income and finance charges earned. It does not include the turnover of associated companies.

3. PROFIT BEFORE EXCEPTIONAL ITEMS

Profit before exceptional items is shown after crediting and charging the following items:

	Group 1997 HK$ millions	Group 1996 HK$ millions
Credits:		
Share of profits less losses of associated companies		
Listed	**1,687.5**	1,651.6
Unlisted	**1,850.0**	1,979.8
	3,537.5	3,631.4
Gross rental income from investment properties	**2,063.2**	1,964.7
Less: Related outgoings	**(430.2)**	(423.7)
Net rental income	**1,633.0**	1,541.0
Dividend and interest income from managed funds and other investments		
Listed	**775.3**	558.3
Unlisted	**349.1**	333.2
Profit on disposal of investment properties	**827.6**	9.2
Charges:		
Interest		
Bank loans and overdrafts	**3,489.7**	2,095.2
Other loans repayable within 5 years	**281.1**	328.0
Other loans not wholly repayable within 5 years	**874.4**	395.1
	4,645.2	2,818.3
Less: Interest capitalised	**(706.8)**	(261.2)
	3,938.4	2,557.1
Depreciation of fixed assets	**2,128.8**	1,866.8
Amortisation of deferred expenditures	**538.5**	663.1
Amortisation of investment costs in infrastructure joint ventures	**271.2**	–
Share of depreciation and amortisation of associated companies included in associated companies profits above	**2,118.0**	1,348.5
Operating leases		
Properties	**1,715.1**	1,375.4
Hire of plant and machinery	**419.9**	76.2
Auditors' remuneration	**30.7**	25.7

4. EXCEPTIONAL ITEMS

	Group 1997 HK$ millions	Group 1996 HK$ millions
Profit on disposals of investments in associated companies	**4,152.2**	–
Provision for diminution in value of listed investments	**(919.7)**	–
Provision for diminution in value of a property development of an associated company	**(750.0)**	–
Profit on flotation of Orange plc after a provision for losses	–	4,100.0
	2,482.5	4,100.0

Profit on disposals of investments in associated companies comprises the profit from the sales of part of the Group's shareholdings in Asia Satellite Telecommunications Holdings Limited and Procter & Gamble-Hutchison Limited and the profit realised from the transfer of the Group's interest in Hongkong Electric Holdings Limited ("Hongkong Electric") to Cheung Kong Infrastructure Holdings Limited ("CKI").

NOTES TO THE ACCOUNTS

5. DIRECTORS' EMOLUMENTS

The emoluments of the directors of the Company are as follows:

	Group 1997 HK$ millions	Group 1996 HK$ millions
Fees	**0.8**	0.8
Basic salaries and allowances	**37.7**	37.4
Provident fund contributions	**3.2**	3.2
Bonuses	**90.7**	75.6
Benefit from share options exercised	**115.3**	68.7

The emoluments of the non-executive directors of the Company are HK$0.3 million (1996 - HK$0.3 million).

No management remuneration was paid to Mr. Li Ka-shing during the year other than a director's fee of HK$50,000 which he paid to Cheung Kong (Holdings) Limited.

The Senior Executive Share Option Scheme provides share options to selected senior executives, including certain directors. Details of the Scheme are set out in note 20.

Emoluments of all directors of the Company are analysed as below:-

HK$	1997 Number of Directors	1996 Number of Directors
Nil – 1,000,000	**8**	7
4,500,001 – 5,000,000	–	2
5,000,001 – 5,500,000	**1**	–
7,500,001 – 8,000,000	–	1
8,500,001 – 9,000,000	**1**	–
10,000,001 – 10,500,000	**1**	–
11,000,001 – 11,500,000	–	1
12,500,001 – 13,000,000	–	1
14,500,001 – 15,000,000	**1**	–
18,000,001 – 18,500,000	**1**	–
25,000,001 – 25,500,000 #	–	2
27,000,001 – 27,500,000 #	–	1
28,000,001 – 28,500,000 #	–	1
37,500,001 – 38,000,000	–	1
42,000,001 – 42,500,000 *	**1**	–
48,000,001 – 48,500,000	**1**	–
49,000,001 – 49,500,000 *	**1**	–
49,500,001 – 50,000,000 *	**1**	–

Includes benefits from share options exercised of HK$68.7 million in 1996.

* *Includes benefits from share options exercised of HK$115.3 million in 1997.*

The five individuals whose emoluments were the highest for the year were all directors of the Company.

6. PENSION SCHEMES

The Group has established pension schemes for employees located in Hong Kong and in some overseas locations. Total pension expense for the year was HK$241.8 million (1996 - HK$230.4 million) of which HK$69.1 million (1996 - HK$76.2 million) related to overseas schemes. Contributions to all plans are charged to the profit and loss account in the year incurred.

The Group's Hong Kong employees, excluding CKI group employees, who commenced employment prior to 1 January 1994 are members of a scheme which provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. Employees' contributions are either 5% or 7% of basic monthly salary. The employers' annual contribution is designed to fully fund the scheme as advised by independent actuaries. A formal independent actuarial valuation using the aggregate cost method completed at 30 June 1996 reported a market value of the scheme assets of HK$1,449.6 million and a level of funding of 110% of the accrued actuarial liabilities on an ongoing basis. The main assumptions in the valuation are an investment return of 8.5%per annum and salary increases of 6.5% per annum. The valuation was performed by Mark Baxter, Fellow of the Institute of Actuaries of Australia, of William M Mercer Limited. The Scheme was registered under the Occupational Retirement Schemes Ordinance on 31 October 1995.

The Group's Hong Kong employees, excluding CKI group employees, who commenced employment subsequent to 31 December 1993 are members of a defined contribution scheme. All contributions are made by the employers at either 7.5% or 10% of the employee's basic monthly salary. Benefits are equal to the vested contributions plus a minimum interest thereon of 5% per annum. The Scheme was registered under the Occupational Retirement Schemes Ordinance on 21 May 1996. Except for the employees of the Group's port business in the United Kingdom, overseas employees are members of defined contribution schemes in their respective country of operation. Forfeited contributions of the Group's defined contribution schemes in the amount of HK$23.0 million (1996 - HK$10.3 million) were used to reduce the current year's level of contributions and HK$2.3 million (1996 - HK$0.9 million) is available at 31 December 1997 to reduce future years' contributions.

The CKI group provides defined contribution retirement schemes for the majority of its employees. One of its subsidiary companies provides a defined benefit scheme. Contributions to the defined contribution schemes are made either by the employers only at 10% of the employees' basic monthly salary or by both the employers and employees each at 10% of the employees' basic monthly salary. Forfeited contributions of the CKI group's defined contribution schemes in the amount of HK$2.3 million were used to reduce the current year's level of contributions.

The CKI group's defined benefit scheme is substantially the same as that described above for the Group's Hong Kong employees. The latest actuarial valuation of this defined benefit scheme was completed in January 1998 by Joseph K.L.Yip, a fellow member of the Society of Actuaries, of The Watson Wyatt Hong Kong Limited. The actuarial method adopted was the Attained Age Funding Method and the main assumptions were an annual investment return on the scheme assets of 10% per annum and annual salary increases of 8% per annum. The market value of the defined benefit scheme's assets as at 31 December 1997 was HK$97 million and the latest actuarial valuation showed that the scheme's assets covered 69% of the accrued actuarial liabilities at the valuation date. CKI's future annual contribution is designed to fund the shortfall over a period of time and additional contributions to the scheme were made in 1998.

The employees of the Group's United Kingdom port business are members of a defined benefit scheme. Employees contribute 5% of pensionable salary. The employers' annual contribution is designed to fully fund the plan as advised by an independent actuary. A formal valuation using the projected unit method completed at 1 January 1995 reported a market value of the scheme assets of HK$559.0 million and a level of funding of 106% of the accrued actuarial liabilities on an ongoing basis. The main assumptions in the valuation are an investment return of 9.5% per annum and pensionable salary increases of 7% per annum. The valuation was performed by Colin Hedderwick, Fellow of the Institute of Actuaries.

7. TAXATION

	Group 1997 HK$ millions	Group 1996 HK$ millions
Current taxation expense		
Hong Kong		
Subsidiary companies	**641.6**	557.4
Associated companies	**240.2**	274.5
Overseas		
Subsidiary companies	**137.1**	209.8
Associated companies	**56.3**	82.7
	1,075.2	1,124.4
Deferred taxation expense (credit)		
Hong Kong		
Subsidiary companies	**(10.3)**	(1.5)
Associated companies	**(19.1)**	49.5
Overseas		
Subsidiary companies	**(1.4)**	(7.6)
Associated companies	**134.7**	146.1
	103.9	186.5
	1,179.1	1,310.9

Hong Kong profits tax has been provided for at the rate of 16.5% (1996 – 16.5%) on the estimated assessable profit less available tax losses. Overseas taxation has been provided for at the applicable rates on the estimated assessable profit less available tax losses.

The potential tax liabilities (assets) which have not been provided for in respect of the current year are as follows:

Arising from accelerated depreciation allowances on continuing operations	**277.0**	(31.3)
Arising from tax losses	**60.3**	(258.2)

No provision for taxation has been made for taxes which would arise on the remittance of retained profits of overseas companies to Hong Kong as it is not anticipated that these amounts will be remitted in the near future.

8. PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS

The net profit of the Company is HK$11,351.2 million (1996 - HK$6,931.6 million) and is included in determining the profit attributable to the shareholders in the consolidated profit and loss account.

9. DIVIDENDS

	Company 1997 HK$ millions	Company 1996 HK$ millions
Interim dividend paid of 48 cents per share (1996 - 42 cents)	1,861.1	1,520.5
Proposed final dividend of 110 cents per share (1996 - 108 cents)	4,262.4	4,181.9
	6,123.5	5,702.4

10. PROFIT FOR THE YEAR RETAINED

Profit for the year retained after deducting minority interests is as follows:

	Group 1997 HK$ millions	Group 1996 HK$ millions
Retained by Company and subsidiary companies		
Profit for the year	11,858.0	11,200.3
Dividends	(6,123.5)	(5,702.4)
	5,734.5	5,497.9
Retained by associated companies		
Profit for the year	2,367.8	3,048.5
Dividends	(1,959.4)	(2,228.8)
	408.4	819.7
	6,142.9	6,317.6

11. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to the shareholders of HK$12,266 million (1996 - HK$12,020 million) and on the weighted average of 3,825,914,582 shares in issue during 1997 (1996 - 3,616,784,011 shares). Fully diluted earnings per share is not shown as the dilution is not material.

12. FIXED ASSETS - GROUP

	Investment properties HK$ millions	Other properties HK$ millions	Other assets HK$ millions	1997 Total HK$ millions	1996 Total HK$ millions
Cost or valuation					
At 1 January	25,373.2	29,767.2	16,882.2	72,022.6	62,991.2
Exchange translation differences	–	(54.9)	(94.1)	(149.0)	259.0
Additions	139.5	4,041.0	4,310.3	8,490.8	12,964.1
Disposals	(676.8)	(134.8)	(555.9)	(1,367.5)	(474.0)
Relating to subsidiaries acquired (Note 25 (c))	–	8,051.1	1,904.2	9,955.3	409.3
Relating to subsidiaries disposed of	(554.1)	(1.7)	(0.3)	(556.1)	(7,754.6)
Revaluation	(412.2)	–	–	(412.2)	3,627.6
Transfer between categories	(91.5)	(8.3)	99.8	–	–
At 31 December	23,778.1	41,659.6	22,546.2	87,983.9	72,022.6
Accumulated depreciation					
At 1 January	–	1,332.6	7,502.2	8,834.8	8,482.9
Exchange translation differences	–	(12.0)	(54.0)	(66.0)	102.5
Charge for the year	–	504.3	1,624.5	2,128.8	1,866.8
Disposals	–	(12.6)	(405.9)	(418.5)	(327.8)
Relating to subsidiaries acquired (Note 25 (c))	–	241.3	824.9	1,066.2	173.6
Relating to subsidiaries disposed of	–	–	(0.1)	(0.1)	(1,463.2)
At 31 December	–	2,053.6	9,491.6	11,545.2	8,834.8
Net book value at 31 December	23,778.1	39,606.0	13,054.6	76,438.7	63,187.8
Cost or valuation at 31 December					
At cost	–	41,659.6	22,546.2	64,205.8	46,649.4
At valuation	23,778.1	–	–	23,778.1	25,373.2
	23,778.1	41,659.6	22,546.2	87,983.9	72,022.6

Net book value of investment and other properties comprises:	1997 HK$ millions	1996 HK$ millions
Hong Kong		
Long leasehold (not less than 50 years)	19,220.0	48,267.4
Medium leasehold (less than 50 years but not less than 10 years)	35,834.5	163.3
Short leasehold (less than 10 years)	9.0	–
Overseas		
Freehold	192.9	182.0
Long leasehold	2,292.1	1,989.4
Medium leasehold	5,792.4	3,189.8
Short leasehold	43.2	15.9
	63,384.1	53,807.8

Properties under development are included in other properties in the amount of HK$15,674.7 million at 31 December 1997 (1996 - HK$11,709.6 million).

The investment properties have been revalued as at 31 December 1997 by C. Y. Leung & Company Limited, professional valuers, on an open market value basis.

13. DEFERRED EXPENDITURES

	Group 1997 HK$ millions	Group 1996 HK$ millions
Deferred expenditures comprise:		
Subscribers' costs	**1,018.6**	491.8
Pre-operating expenses	**975.3**	374.0
Loan facilities fees	**534.8**	220.6
	2,528.7	1,086.4

14. SUBSIDIARY COMPANIES

	Company 1997 HK$ millions	Company 1996 HK$ millions
Unlisted shares	**728.0**	728.0
Amounts due from subsidiary companies	**50,479.7**	22,665.5
	51,207.7	23,393.5

Particulars regarding the principal subsidiary companies are set out on pages 88 to 91.

15. ASSOCIATED COMPANIES

	Group 1997 HK$ millions	Group 1996 HK$ millions
Unlisted shares	**6,131.7**	5,322.0
Listed shares, Hong Kong	**7,506.6**	6,732.0
Listed shares, overseas	**989.1**	741.5
Share of undistributed post-acquisition reserves	**3,824.8**	2,599.2
Investment in associated companies	**18,452.2**	15,394.7
Amounts due from associated companies	**19,317.5**	11,268.6
Amounts due to associated companies	**(1,593.8)**	(294.7)
	36,175.9	26,368.6

The market value of the listed investments at 31 December 1997 was HK$41,779.0 million (1996 – HK$35,502.2 million).

Particulars regarding the principal associated companies are set out on pages 88 to 91.

16. INFRASTRUCTURE JOINT VENTURES

	Group 1997 HK$ millions	Group 1996 HK$ millions
Cost of investments	**18,012.6**	–
Accumulated amortisation	**(415.6)**	–
	17,597.0	–

17. MANAGED FUNDS AND OTHER INVESTMENTS

	Group 1997 HK$ millions	Group 1996 HK$ millions
Managed funds, overseas		
Listed marketable securities	**3,664.3**	9,666.2
Cash and cash equivalents and accrued interest	**11,187.4**	3,503.0
	14,851.7	13,169.2
Listed shares, Hong Kong	**2,640.2**	4,554.8
Listed shares, overseas	**2,991.7**	1,345.8
Unlisted shares and advances	**926.8**	540.3
Long term deposits	**4,850.6**	2,750.6
Convertible redeemable notes	**620.5**	189.9
	26,881.5	22,550.6

The market value of the listed investments in managed funds, Hong Kong and overseas at 31 December 1997 was HK$8,946.0 million (1996 - HK$16,841.4 million).

Convertible redeemable notes carry interest and are convertible into ordinary shares of the issuers which are listed companies in Hong Kong.

18. CURRENT ASSETS

	Company 1997 HK$ millions	Company 1996 HK$ millions	Group 1997 HK$ millions	Group 1996 HK$ millions
Stocks	**–**	–	**2,980.9**	2,463.9
Debtors	**–**	0.1	**6,814.3**	5,081.0
Dividends and other receivables from subsidiary companies	**4,696.4**	4,250.0	**–**	–
Bank balances and cash equivalents	**1.7**	–	**31,325.7**	10,839.7
	4,698.1	4,250.1	**41,120.9**	18,384.6

19. CURRENT LIABILITIES

	Company 1997 HK$ millions	Company 1996 HK$ millions	Group 1997 HK$ millions	Group 1996 HK$ millions
Bank loans and overdrafts	253.9	2.8	10,437.5	6,156.9
Other loans	–	–	38.4	42.3
Creditors	135.3	45.8	14,920.9	9,290.5
Taxation	–	–	447.7	615.8
Proposed final dividend	4,262.4	4,181.9	4,262.4	4,181.9
	4,651.6	4,230.5	30,106.9	20,287.4

The bank and other loans of the Group are secured to the extent of HK$88.9 million (1996 - HK$78.2 million).

20. SHARE CAPITAL

	Number of shares 1997	Number of shares 1996	Company 1997 HK$ millions	Company 1996 HK$ millions
Authorised:				
Ordinary shares of HK$0.25 each	4,650,000,000	4,350,000,000	1,162.5	1,087.5
7.5% cumulative redeemable participating preference shares of HK$1 each	402,717,856	402,717,856	402.7	402.7
			1,565.2	1,490.2
Issued and fully paid:				
Ordinary shares				
At 1 January	3,617,823,624	3,614,859,733	904.4	903.7
Issue of shares	254,316,978	–	63.6	–
Senior Executive Share Option Scheme	2,752,799	2,963,891	0.7	0.7
At 31 December	3,874,893,401	3,617,823,624	968.7	904.4

During the year, 254,316,978 ordinary shares were issued at a price of HK$58.5 per share in part satisfaction of the purchase of CKI. On 10 March 1997 the Group transferred its 35.01% interest in Hongkong Electric to CKI in exchange for 39.3% of CKI's shares at a market value of HK$18,743 million and purchased a further 42.88% of CKI shares from Cheung Kong (Holdings) Limited, a major shareholder of the Company, for cash consideration of HK$5,568 million and the issuance of 254,316,978 ordinary shares of the Company at a market value of HK$14,877 million. As a result, CKI became an 84.58% owned subsidiary of the Group and the Group realised a profit on the Hongkong Electric transaction of HK$1,207 million which has been accounted for as exceptional profit (Note 4).

Pursuant to a Senior Executive Share Option Scheme, options to purchase ordinary shares in the Company are granted to selected executives and executive directors. The option price is the average of the closing bid prices of an ordinary share of the Company on the five dealing days immediately preceding the date on which an invitation to apply for the option is given. The options granted under the Scheme are exercisable between the third and tenth anniversaries of the Grant Date. At 31 December 1997 options to purchase 898,218 ordinary shares at option prices from HK$8.19 to HK$11.12 per share were outstanding (1996 - 3,651,017 ordinary shares).

21. RESERVES

	Share premium HK$ millions	Investment properties revaluation HK$ millions	Exchange translation HK$ millions	Retained profit HK$ millions	1997 Total HK$ millions	1996 Total HK$ millions
Company						
At 1 January	13,656.9	–	–	4,984.8	18,641.7	17,389.0
Premium on issue of shares	14,813.9	–	–	–	14,813.9	–
Premium on exercise of share options	21.9	–	–	–	21.9	23.7
Share issue expenses	(44.7)	–	–	–	(44.7)	(0.2)
Profit for the year retained	–	–	–	5,227.7	5,227.7	1,229.2
At 31 December	28,448.0	–	–	10,212.5	38,660.5	18,641.7
Group						
At 1 January	13,656.9	19,640.9	(612.5)	35,308.8	67,994.1	57,934.7
Premium on issue of shares	14,813.9	–	–	–	14,813.9	–
Premium on exercise of share options	21.9	–	–	–	21.9	23.7
Share issue expenses	(44.7)	–	–	–	(44.7)	(0.2)
Revaluation surplus (deficit)	–	(506.6)	–	–	(506.6)	3,565.8
Revaluation surplus of associated companies	–	527.7	–	–	527.7	203.4
Valuation released to profit and loss account	–	(649.7)	–	–	(649.7)	(7.0)
Valuation of associated companies released to profit and loss account	–	(495.7)	–	–	(495.7)	–
Transfer between categories	–	(0.4)	–	0.4	–	–
Net goodwill on consolidation	–	–	–	(3,034.2)	(3,034.2)	1.4
Exchange translation differences	–	–	(167.3)	–	(167.3)	(294.6)
Exchange translation differences of associated companies	–	–	18.1	–	18.1	249.3
Profit for the year retained	–	–	–	6,142.9	6,142.9	6,317.6
At 31 December	28,448.0	18,516.2	(761.7)	38,417.9	84,620.4	67,994.1
Including retained reserves of associated companies	–	602.2	431.7	3,778.1	4,812.0	3,413.8

Included in share premium of the Company and the Group is a capital redemption reserve of HK$404.3 million (1996 – HK$404.3 million). Reserves of the Company available for distribution to shareholders amount to HK$10,212.5 million (1996 – HK$4,984.8 million).

22. MINORITY INTERESTS

	Group 1997 HK$ millions	Group 1996 HK$ millions
Equity interests	6,968.3	3,683.3
Loans – interest free	2,182.5	1,713.7
Loans – interest bearing	3,065.1	2,417.0
	12,215.9	7,814.0

The loans are unsecured and have no fixed terms of repayment.

23. LONG TERM LIABILITIES

	Company 1997 HK$ millions	Company 1996 HK$ millions	Group 1997 HK$ millions	Group 1996 HK$ millions
Bank loans repayable within 5 years	–	–	**36,431.0**	19,342.2
Bank loans not wholly repayable within 5 years	**11,625.0**	3,867.0	**12,346.5**	6,975.8
Other loans repayable within 5 years	–	–	**2,173.5**	2,155.6
Other loans not wholly repayable within 5 years	–	–	**6,284.9**	5,980.1
Notes - Series A to D	–	–	**15,483.6**	–
	11,625.0	3,867.0	**72,719.5**	34,453.7
Creditors	–	–	–	5.7
	11,625.0	3,867.0	**72,719.5**	34,459.4

The loans are repayable as follows:

	Company 1997 HK$ millions	Company 1996 HK$ millions	Group 1997 HK$ millions	Group 1996 HK$ millions
Bank loans				
After 1 year, but within 2 years	–	–	**5,656.3**	3,853.9
After 2 years, but within 5 years	–	–	**31,268.5**	17,951.5
After 5 years	**11,625.0**	3,867.0	**11,852.7**	4,512.6
Other loans				
After 1 year, but within 2 years	–	–	**31.1**	15.5
After 2 years, but within 5 years	–	–	**2,189.2**	2,149.7
After 5 years	–	–	**6,238.1**	5,970.5
Notes				
In year 2007	–	–	**5,806.4**	–
In year 2017	–	–	**3,870.9**	–
In year 2027	–	–	**3,870.9**	–
In year 2037	–	–	**1,935.4**	–
	11,625.0	3,867.0	**72,719.5**	34,453.7

The bank and other loans of the Group are secured to the extent of HK$2,880.5 million (1996 - HK$2,844.7 million).

Other loans repayable within five years include HK$2,131.3 million (1996 - HK$2,125.8 million) of 7% exchangeable bonds. The bonds are exchangeable for shares of Hutchison Delta Ports Limited, a wholly owned subsidiary company, after an initial public offering of its shares. If there is no such offering, the bonds will mature in 2001.

Other loans not wholly repayable within five years mainly represent HK$6,207.7 million (1996 - HK$5,959.8 million) of floating rate notes bearing interest at LIBOR plus 0.85% due in 2004.

Notes in the aggregate principal amount of US$2,000 million were issued on 1 August 1997, comprised of US$750 million principal amount of 6.95% Notes due 2007 (the "Series A Notes"), US$500 million principal amount of 7.45% Notes due 2017 (the "Series B Notes"), US$500 million principal amount of 7.5% Notes due 2027 (the "Series C Notes") and US$250 million principal amount of 6.988% Notes due 2037 (the "Series D Notes", and together with the Series A Notes, Series B Notes and Series C Notes, the "Notes"). The Notes are not redeemable by the Group prior to maturity except the Series D Notes are subject to repayment at the option of the holders thereof on 1 August 2009.

24. DEFERRED TAXATION

	Group 1997 HK$ millions	Group 1996 HK$ millions
The movements in deferred taxation, arising from accelerated depreciation allowances, are as follows:		
At 1 January	**118.7**	111.8
Exchange translation differences	**(0.3)**	1.9
Relating to subsidiaries acquired	**4.6**	14.1
Net credit for the year	**(11.7)**	(9.1)
At 31 December	**111.3**	118.7
The potential tax liabilities (assets) which have not been provided for in the accounts are as follows:		
Arising from accelerated depreciation allowances	**763.6**	486.6
Arising from tax losses	**(331.7)**	(392.0)

Properties revaluation surpluses do not constitute a timing difference for taxation purposes because the realisation of the surpluses would not be subject to taxation. Therefore the above potential liability does not include deferred taxation related to the revaluation surpluses.

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow from operating activities

	Group 1997 HK$ millions	Group 1996 HK$ millions
Profit before taxation	**14,717.1**	13,993.1
Dividend and interest income	**(3,429.3)**	(2,361.3)
Interest expense	**3,938.4**	2,557.1
Share of profits less losses of associated companies	**(3,537.5)**	(3,631.4)
Exceptional items	**(2,482.5)**	(4,100.0)
Depreciation and amortisation	**2,938.5**	2,529.9
Loss (profit) on sale of fixed assets	**(733.0)**	57.1
Profit on disposal of subsidiary companies, associated companies and other investments	**(664.1)**	(314.0)
Increase in stocks	**(266.4)**	(137.1)
Increase in debtors	**(1,319.1)**	(1,602.3)
Increase in creditors	**4,292.6**	4,534.9
Other non cash items	**(138.3)**	(91.1)
Net cash inflow from operating activities	**13,316.4**	11,434.9

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

	Group 1997 HK$ millions	Group 1996 HK$ millions
(b) Disposal of subsidiary companies		
Net assets disposed of (excluding cash and cash equivalents):		
Fixed assets	**556.0**	6,291.4
Deferred expenditures	**–**	2,134.3
Stocks	**–**	362.2
Debtors	**186.5**	1,401.0
Bank and other loans	**–**	(5,161.5)
Creditors and taxation	**–**	(6,285.1)
Goodwill	**–**	524.3
Minority interests	**34.3**	2,085.3
	776.8	1,351.9
Profit on disposal:		
Included in operating profit	**484.4**	0.8
Included in exceptional items	**–**	4,100.0
	1,261.2	5,452.7
Satisfied by:		
Net cash consideration		
Cash consideration	**1,261.2**	439.7
Less: Cash and cash equivalents sold	**–**	(307.8)
Total net cash consideration	**1,261.2**	131.9
Non cash consideration		
Increase in net assets of associated companies	**–**	5,320.8
	1,261.2	5,452.7
(c) Purchase of subsidiary companies		
Net assets acquired (excluding cash and cash equivalents):		
Fixed assets	**8,889.1**	235.7
Deferred expenditures	**256.2**	0.9
Associated companies	**87.2**	(81.5)
Infrastructure joint ventures	**15,220.4**	–
Stocks	**250.6**	–
Debtors	**594.4**	283.0
Bank and other loans	**(2,363.2)**	(161.5)
Creditors and taxation	**(1,147.6)**	(142.8)
Deferred taxation	**(4.6)**	(14.1)
Goodwill	**3,005.1**	71.1
Minority interests	**(3,661.9)**	38.4
	21,125.7	229.2
Discharged by:		
Net cash consideration		
Cash consideration	**10,165.9**	263.3
Less: Cash and cash equivalents acquired	**(4,237.0)**	(34.1)
Total net cash consideration	**5,928.9**	229.2
Non cash consideration		
Shares issued	**14,877.5**	–
Investments in subsidiary companies held prior to acquisition	**319.3**	–
Total non cash consideration	**15,196.8**	–
	21,125.7	229.2

The consideration for the purchase of CKI (note 20) was allocated amongst the underlying assets of CKI on the basis of their estimated fair values and the remaining balance of HK$2,545.4 million was accounted for as goodwill.

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

	Share capital and premium HK$ millions	Bank and other loans HK$ millions	Minority interests HK$ millions	Group 1997 Total HK$ millions	Group 1996 Total HK$ millions
(d) Analysis of changes in financing during the year					
At 1 January	**14,561.3**	**40,615.9**	**7,814.0**	**62,991.2**	60,241.8
Issue of ordinary share capital less expenses	**(22.1)**	**–**	**–**	**(22.1)**	24.2
Issue of Notes (Note 23)	**–**	**15,483.6**	**–**	**15,483.6**	–
New loans	**–**	**31,805.2**	**936.0**	**32,741.2**	21,716.4
Repayment of loans	**–**	**(7,193.9)**	**(267.2)**	**(7,461.1)**	(16,419.4)
Issue of shares by subsidiary companies to minorities	**–**	**–**	**432.2**	**432.2**	84.3
Redemption of preference shares of subsidiary companies	**–**	**–**	**(49.4)**	**(49.4)**	(1.3)
Net cash inflow (outflow) from financing	**(22.1)**	**40,094.9**	**1,051.6**	**41,124.4**	5,404.2
Minority interests in profit	**–**	**–**	**1,271.6**	**1,271.6**	662.2
Dividend paid to minority shareholders	**–**	**–**	**(520.1)**	**(520.1)**	(438.9)
Minority interests in revaluation surplus	**–**	**–**	**94.4**	**94.4**	–
Exchange translation differences	**–**	**(96.1)**	**(3.1)**	**(99.2)**	54.4
Purchase of minority interests	**–**	**–**	**(791.9)**	**(791.9)**	(102.8)
Relating to subsidiary companies acquired	**14,877.5**	**2,363.2**	**4,453.8**	**21,694.5**	225.9
Relating to subsidiary companies disposed of	**–**	**–**	**34.3**	**34.3**	(3,076.2)
Gain on transfer of Hongkong Electric to CKI (Note 20)	**–**	**–**	**(1,207.0)**	**(1,207.0)**	–
Others	**–**	**–**	**18.3**	**18.3**	20.6
At 31 December	**29,416.7**	**82,977.9**	**12,215.9**	**124,610.5**	62,991.2

	Group 1997 HK$ millions	Group 1996 HK$ millions
(e) Movement in cash and cash equivalents		
At 1 January	**10,797.0**	16,282.9
Increase (decrease) in cash and cash equivalents	**20,311.2**	(5,485.9)
At 31 December	**31,108.2**	10,797.0
(f) Analysis of the balances of cash and cash equivalents		
Bank balances and cash equivalents	**31,325.7**	10,839.7
Bank overdrafts	**(217.5)**	(42.7)
	31,108.2	10,797.0

26. CONTINGENT LIABILITIES

	Company 1997 HK$ millions	Company 1996 HK$ millions	Group 1997 HK$ millions	Group 1996 HK$ millions
Guarantees have been executed in respect of bank and other borrowing facilities available as follows:				
To subsidiary companies	**59,085.4**	25,369.8	**–**	–
To associated companies	**5,115.2**	58.4	**6,779.7**	1,366.8

At 31 December 1997 the Company had contingent liabilities in respect of other guarantees amounting to HK$100.0 million (1996 - HK$907.6 million) and the Group had contingent liabilities in respect of other guarantees amounting to HK$953.4 million (1996 - HK$1,750.9 million).

27. COMMITMENTS

Outstanding Group commitments not provided for in the accounts at 31 December 1997 are as follows:

Capital commitments

1. Contracted for:
    - i. Investment properties in Hong Kong - HK$3,488.5 million (1996 - HK$533.6 million).
    - ii. Investments in Mainland China investment properties joint venture projects - HK$410.2 million (1996 - HK$283.5 million).
    - iii. Container terminals, United Kingdom - HK$2,561.8 million (1996 - HK$143.3 million).
    - iv. Container terminals, Mainland China - HK$1,218.3 million (1996 - HK$1,732.6 million).
    - v. Container terminals, Hong Kong - HK$89.4 million (1996 - HK$236.4 million).
    - vi. Telecommunications - HK$1,416.8 million (1996 - HK$1,117.5 million).
    - vii. Investments in Mainland China infrastructure joint venture projects - HK$3,448.4 million (1996 - Nil).
    - viii. Other fixed assets - HK$612.3 million (1996 - HK$35.7 million).
    - ix. Other investments - HK$503.9 million (1996 - HK$125.7 million).

2. Authorised but not contracted for:
    - i. Investment properties in Hong Kong - HK$109.6 million (1996 - HK$2,988.6 million).
    - ii. Investments in Hong Kong investment properties joint venture projects - HK$438.1 million (1996 - HK$45.1 million).
    - iii. Investments in Mainland China investment properties joint venture projects - HK$2,604.0 million (1996 - HK$2,690.8 million).
    - iv. Investments in overseas investment properties joint venture projects - HK$788.8 million (1996 - Nil).
    - v. Container terminals, Hong Kong - HK$1,982.2 million (1996 - HK$2,823.6 million).
    - vi. Container terminals, Mainland China - HK$1,339.0 million (1996 - HK$2,474.4 million).
    - vii. Container terminals, others - HK$1,404.2 million (1996 - HK$616.0 million).
    - viii. Investments in Mainland China ports - HK$636.1 million (1996 - HK$220.6 million).
    - ix. Telecommunications - HK$2,217.7 million (1996 - HK$3,152.1 million).
    - x. Other fixed assets - HK$5,087.1 million (1996 - HK$2,312.5 million).
    - xi. Other investments - HK$506.3 million (1996 - HK$858.7 million).

27. COMMITMENTS *(continued)*

Operating lease commitments - amount payable within one year for land and buildings leases

1. Expiring in the first year - HK$297.8 million (1996 - HK$269.4 million).
2. Expiring in the second to fifth years inclusive - HK$900.9 million (1996 - HK$820.6 million).
3. Expiring after the fifth year - HK$245.1 million (1996 - HK$191.2 million).

Operating lease commitments - amount payable within one year for other assets

1. Expiring in the first year - HK$22.2 million (1996 - HK$13.3 million).
2. Expiring in the second to fifth years inclusive - HK$91.9 million (1996 - HK$33.9 million).
3. Expiring after the fifth year - HK$107.2 million (1996 - HK$1.0 million).

28. SUBSEQUENT EVENT

Subsequent to the year end, the Group sold a further portion of its shareholding in Procter & Gamble-Hutchison Limited pursuant to an agreement with The Procter & Gamble Company. As a result, the Group's interest in Procter & Gamble-Hutchison Limited was reduced to 20% and an exceptional profit was realised of approximately HK$3,332 million. The agreement further provides for options, exercisable over the next 20 years, facilitating the sale of the Group's remaining 20% interest based upon an agreed formula using the market value of the business at that time.

29. US DOLLAR EQUIVALENTS

The US dollar equivalents of the figures shown in the accounts have been translated at the rate of HK$7.75 to US$1.

30. APPROVAL OF ACCOUNTS

The accounts set out on pages 65 to 91 were approved by the board of directors on 26 March 1998.

PRINCIPAL SUBSIDIARY AND ASSOCIATED COMPANIES

at 31 December 1997

	Subsidiary and associated companies	Country of incorporation/ principal country of operations	Nominal value of issued ordinary share capital		Percentage of equity attributable to the Group	Principal activities
	Property					
	Aberdeen Commercial Investments Limited	Hong Kong	HK$	2	100	Property owning
#	Afford Limited	Hong Kong	HK$	20	45	Property investment
#+	Becogate Limited	Hong Kong	HK$	4	50	Property investment
#	Bayswater Development Limited	British Virgin Islands	US$	2	50	Property investment
#	Chesgold Limited	Hong Kong	HK$	4	50	Property investment
#	Cheung Wo Hing Fung Enterprises Limited	British Virgin Islands	US$	100	35	Property investment
#	Conestoga Limited	Hong Kong	HK$	10,000	21	Property owning
	Elbe Office Investments Limited	Hong Kong	HK$	2	100	Property owning
#	Forton Investments Limited	Hong Kong	HK$	4	50	Property investment
	Foxton Investments Limited	Hong Kong	HK$	10,000	100	Property owning
	Glenfuir Investments Limited	Hong Kong	HK$	1,000,000	100	Property owning
#	Glory Sense Limited	Hong Kong	HK$	100	50	Property investment
	Grafton Properties Limited	Hong Kong	HK$	100,000	100	Property owning
	Harley Development Inc	Panama / Hong Kong	US$	2	100	Property owning
	Hongkong and Whampoa Dock Company, Limited	Hong Kong	HK$	139,254,060	100	Holding company
	Hongville Limited	Hong Kong	HK$	2	100	Property owning
	Hutchison Estate Agents Limited	Hong Kong	HK$	50,000	100	Property management
	Hutchison Properties Limited	Hong Kong	HK$	166,758,910	100	Holding company
	Hutchison Whampoa Properties Limited	Hong Kong	HK$	2	100	Holding company
	Hutchison Whampoa Properties (Management and Agency) Limited	Hong Kong	HK$	20	100	Property management & related services
	Hybonia Limited	Hong Kong	HK$	20	100	Property owning
#	Marketon Investment Limited	Hong Kong	HK$	4	50	Property owning
#	Marunochi N V	Netherland Antilles	US$	20,000	45	Property owning
#	Montoya (HK) Limited	Hong Kong	HK$	140	50	Property investment
	Mossburn Investments Limited	Hong Kong	HK$	1,000	100	Property owning
#	New China Sheen Limited	Hong Kong	HK$	4	50	Property investment
#	New China Target Limited	Hong Kong	HK$	4	50	Property investment
	Omaha Investments Limited	Hong Kong	HK$	10,000	88	Property owning
	Palliser Investments Limited	Hong Kong	HK$	100,000	100	Property owning
	Provident Commercial Investments Limited	Hong Kong	HK$	2	100	Property owning
#+	Ranon Limited	Hong Kong	HK$	2	50	Property owning
	Rhine Office Investments Limited	Hong Kong	HK$	2	100	Property owning
#+	Secan Limited	Hong Kong	HK$	10	50	Property owning
	Shinta Limited	Hong Kong	HK$	2	60	Property developing
#	Southern Mount Limited	Hong Kong	HK$	4	50	Property developing
#+	Talent Sun Limited	British Virgin Islands	US$	100	35	Property investment
	Trillium Investment Limited	Bahamas / Hong Kong	US$	1,060,000	100	Property owning
	Turbo Top Limited	Hong Kong	HK$	2	100	Property owning
	Vember Lord Limited	Hong Kong	HK$	2	100	Property owning
#	Wonder Pacific Investment Limited	Hong Kong	HK$	4	50	Property developing
	Ports and Related Services					
	C&P (Myanmar) Private Limited	Myanmar	Kyat	2,000	80	Container terminal operating
#	COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	HK$	40	43	Container terminal operating
#+	Freeport Container Port Limited	Bahamas	B$	2,000	45	Container terminal operating
	Hongkong International Terminals Limited	Hong Kong	HK$	20	85	Container terminal operating
#	The Hongkong Salvage and Towage Company, Limited	Hong Kong	HK$	20,000,000	50	Tug fleet operating
#	Hongkong United Dockyards Limited	Hong Kong	HK$	76,000,000	50	Ship repairing & general engineering
	Hutchison Delta Finance Limited	Cayman Islands / Luxembourg	US$	3	100	Finance
	Hutchison Delta Ports Limited	Cayman Islands	US$	2	100	Holding company
	Hutchison International Port Holdings Limited	British Virgin Islands / Hong Kong	US$	1	100	Holding company

	Subsidiary and associated companies	Country of incorporation/ principal country of operations	Nominal value of issued ordinary share capital		Percentage of equity attributable to the Group	Principal activities
	Ports and Related Services *(continued)*					
#	Jiangmen International Container Terminals Limited	China	US$	14,461,665	50	Container terminal operating
	Mid-Stream Holdings Limited	British Virgin Islands	US$	25,400	96	Holding company & mid-stream container operating
#	Nanhai International Container Terminals Limited	China	US$	22,000,000	50	Container terminal operating
#	River Trade Terminal Holdings Limited	British Virgin Islands / Hong Kong	US$	100	33	River trade terminal operation
	Panama Ports Company, S A	Panama	US$	10,000,000	72	Container terminal operating
	Port of Felixstowe Limited	United Kingdom	GBP	100,002	90	Holding company
#	Shanghai Container Terminals Limited	China	RMB	2,000,000,000	40	Container terminal operating
	Shantou International Container Terminals Limited	China	US$	88,000,000	70	Container terminal operating
#	Xiamen International Container Terminals Limited	China	RMB	900,000,000	49	Container terminal operating
	Yantian International Container Terminals Limited	China	HK$	2,400,000,000	48	Container terminal operating
#	Zhuhai International Container Terminals (Gaolan) Limited	China	US$	23,500,000	50	Container terminal operating
#	Zhuhai International Container Terminals (Jiuzhou) Limited	China	US$	52,000,000	50	Container terminal operating
	Retail, Manufacturing, and Other Services					
	A S Watson & Company, Limited	Hong Kong	HK$	109,550,965	100	Holding company
	A S Watson Group (HK) Limited	British Virgin Islands / Hong Kong	US$	1	100	Retailing; supermarket operating; water, beverage, fruit juice & frozen products manufacturing & distributing
	Cavendish Hotels (Holdings) Limited	Hong Kong	HK$	100,000,000	51	Investment in hotel
+	Consolidated Hotels Limited	Hong Kong	HK$	78,000,000	39	Investment in hotel
	Fortress Limited	Hong Kong	HK$	20	100	Retailing
#+	Guangzhou Aircraft Maintenance Engineering Company Limited	China	US$	27,500,000	25	Aircraft maintenance
	Guangzhou Watson's Food and Beverages Company Limited	China	US$	12,000,000	95	Beverage manufacturing & trading
	Guangzhou Park'N Shop Supermarkets Limited	China	HK$	30,000,000	95	Supermarket operating
	Guangzhou Watson's Ice Cream Company Limited	China	US$	12,000,000	95	Frozen products manufacturing & distributing
*#+	Hanny Holdings Limited	Bermuda / Hong Kong	HK$	392,440,334	31	Distribution & manufacturing of data storage media
*#+	Harbour Ring International Holdings Limited	Bermuda / Hong Kong	HK$	172,912,740	21	Trading & manufacturing of toys
	Hutchison Hotel Hong Kong Limited	Hong Kong	HK$	2	100	Investment in hotel
	Hutchison International Hotels Limited	British Virgin Islands	US$	1	100	Holding company
	Hutchison Lucaya Limited	Bahamas	US$	5,000	100	Investment in hotel
	Hutchison Whampoa (China) Limited	Hong Kong	HK$	15,000,000	100	Investment holding & China services
	Mountain Cream (International) Limited	Hong Kong	HK$	1,000	100	Frozen products manufacturing & distributing
	Pan Asian Systems Limited	Hong Kong	HK$	100,000	100	Trading satellite equipment
	Park'N Shop Limited	Hong Kong	HK$	1,000,000	100	Supermarket operating
	Parkview Plaza Beijing Company Limited	China	US$	10,000,000	95	Investment in hotel
#	Plaza Hotel Management (International) Limited	British Virgin Islands / Hong Kong	US$	2	50	Hotel Management
#+	Procter & Gamble-Hutchison Limited	Hong Kong	US$	52,750,000	28	Investments in manufacturing consumer products
#+	Randash Investment Limited	Hong Kong	HK$	2	50	Investment in hotel

	Subsidiary and associated companies	Country of incorporation/ principal country of operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Group	Principal activities
	***Retail, Manufacturing and Other Services** (continued)*				
	Shanghai A S Watson Yimin Food Company, Limited	China	US$ 18,000,000	51	Frozen products manufacturing & distributing
	Shanghai Baijia Supermarket Company Limited	China	HK$ 15,600,000	70	Supermarket operating
#	Shenzhen Park'N Shop Supermarkets Limited	China	HK$ 25,000,000	50	Supermarket operating
	United Soft Drinks Limited	Hong Kong	HK$ 34,500,000	51	Beverage distributing
+	Watson Asia Beverage Company Limited	China	US$ 2,722,500	60	Beverage manufacturing & trading
	Watson Park'N Shop Limited	Taiwan	NT$ 711,000,000	100	Retailing
	Watson's Personal Care Stores Pte Ltd	Singapore	S$ 5,000,000	100	Retailing
	Watson's The Chemist Limited	Hong Kong	HK$ 1,000,000	100	Retailing
	Telecommunications				
	Chung Kiu Telecommunications (China) Holdings Limited	British Virgin Islands / China	US$ 14,286	66	Trading & manufacturing of communications equipment
	Hutchison Communications Limited	Hong Kong	HK$ 20	100	Fixed line communications & paging services
#	Hutchison Max Telecom Limited	India	INR 1,000,000,000	29	Cellular & paging services
	Hutchison Paging Limited	Hong Kong	HK$ 10,000	100	Dormant
#+	Hutchison Serting Telecom Sdn Bhd	Malaysia	M$ 5,000,000	25	Paging services
	Hutchison Telecommunications (Hong Kong) Limited	Hong Kong	HK$ 20	100	Telecommunications
	Hutchison Telecommunications Limited	Hong Kong	HK$ 10,000	100	Holding company
	Hutchison Telecommunications Technology Investments Limited	British Virgin Islands	US$ 10	100	Holding company and corporate access networks
	Hutchison Telecommunications (Australia) Limited	Australia	A$ 18,750,000	70	Holding company & telecommunications
#	Hutchison Telecommunications (Thailand) Limited	Thailand	THB 360,000,000	45	Paging services
	Hutchison Telephone Company Limited	Hong Kong	HK$ 1,000,000	70	Cellular mobile telephone services
+	Lanka Cellular Service (Private) Limited	Sri Lanka	LKR 875,000,000	100	Cellular mobile telephone services
#	Metro Broadcast Corporation Limited	Hong Kong	HK$ 1,000,000	50	Radio broadcasting
*#	Orange plc	United Kingdom	GBP 239,607,187	49	Holding company & telecommunications
	Energy, Infrastructure, Finance and Investment				
+	Anderson Asia (Holdings) Limited	Hong Kong	HK$ 1	85	Quarry operation and production & distribution of concrete & aggregates
+	Cheung Kong China Infrastructure Limited	Hong Kong / China	HK$ 2	85	Investment in infrastructure projects
*+	Cheung Kong Infrastructure Holdings Limited	Bermuda / Hong Kong	HK$2,254,209,945	85	Holding Company
+	Green Island Cement (Holdings) Limited	Hong Kong	HK$ 203,098,914	85	Cement manufacturing & distributing
*#+	Hongkong Electric Holdings Limited	Hong Kong	HK$2,020,334,691	30	Electricity generating
#+	Husky Oil Ltd	Canada	C$ 559,368,303	49	Investment in oil and gas

	Subsidiary and associated companies	Country of incorporation/ principal country of operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Group	Principal activities
	***Energy, Infrastructure, Finance and Investment** (continued)*				
#+	Asian Growth International Limited	British Virgin Islands	US$ 100	45	Finance
	Baulkham Limited	British Virgin Islands	US$ 1	100	Overseas portfolio investment
	Binion Investment Holdings Limited	Cayman Islands	US$ 3	100	Overseas portfolio investment
	Cavendish International Holdings Limited	Hong Kong	HK$2,898,985,782	100	Holding company
	Hutchison International Finance (BVI) Limited	British Virgin Islands	US$ 1	100	Finance
	Hutchison International Limited	Hong Kong	HK$ 446,349,093	100	Holding company & corporate head office
	Hutchison Whampoa (Europe) Limited	United Kingdom	GBP 1,000	100	Consultancy services
	Hutchison Whampoa Finance (CI) Limited	Cayman Islands	US$ 1	100	Finance
	Lunogo Limited	British Virgin Islands	US$ 1	85	Overseas portfolio investment
#+	Ostani Limited	Hong Kong	HK$ 20	50	Finance
	Sandalwood Group Limited	British Virgin Islands	US$ 359,582,001	100	Overseas portfolio investment
	Strategic Investments International Limited	British Virgin Islands	US$ 1	85	Overseas portfolio investment & treasury
	Union Faith (Lincoln) Limited	Canada	C$ 1	100	Finance
	Union Faith Energy (HK) Limited	Hong Kong	HK$ 10,000	100	Holding company
	Yanlock Limited	British Virgin Islands	US$ 1	100	Portfolio investment
	Zeedane Investments Limited	British Virgin Islands	US$ 1	100	Overseas portfolio investment

The above table lists the principal subsidiary and associated companies of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiary and associated companies would, in the opinion of the directors, result in particulars of excessive length.

Unless otherwise stated, the principal country of operation of each company is the same as its country of incorporation. The activity of portfolio investment is international, and not attributable to a principal country of operation.

Except Hutchison International Limited which is 100% directly held by the Company, the interests in the remaining subsidiary and associated companies are held indirectly.

* *Company listed in Hong Kong except Orange plc which is listed on the London Stock Exchange and the NASDAQ Stock Market.*

\# *Associated company.*

\+ *The accounts of these subsidiary and associated companies have been audited by firms other than Price Waterhouse. In this respect, (a) the turnover (excluding the turnover of associated companies) is HK$3,587 million, (b) the profit before taxation of subsidiary companies and the profit before taxation of associated companies attributable to Hutchison Whampoa Limited is HK$3,743 million and (c) the net assets are HK$15,096 million.*

Schedule of Principal Properties

at 31 December 1997

Description	Lot number	Lease term	Group's interest	Approximate gross floor area (sq. ft. unless otherwise stated)	Type	Estimated completion date (% completed)
Aberdeen Centre, Aberdeen, Hong Kong	A.I.L. 302 & 304	Long	100%	345,026	C	Existing
Provident Centre, Wharf Road, Hong Kong	I.L. 8465	Long	100%	193,569	C	Existing
Hunghom Bay Centre, Hunghom, Kowloon	R.P. of H.H.M.L. 1	Long	100%	80,402	C	Existing
Whampoa Garden, Hunghom, Kowloon	K.I.L. 10750 Sec. A-H & Sec. J-L	Long	100%	1,713,990	C	Existing
Hutchison House, 10 Harcourt Road, Hong Kong	I.L. 8286	Long	100%	503,715	C	Existing
China Building, 29 Queen's Road, Central, Hong Kong	I.L. 2317	Long	100%	258,751	C	Existing
Cheung Kong Center 2 Queen's Road, Central, Hong Kong (site area approximately 103,937 sq. ft.)	I.L. 8887	Medium	100%	1,273,412	C	1998 (25%)
Chun Fai Centre, Chun Fai Road, Jardine's Lookout, Hong Kong	I.L. 8734	Medium	100%	32,270	C	Existing
12/F Kwun Tong Harbour Plaza 182 Wai Yip Street, Kowloon	K.T.I.L. 711	Medium	100%	24,586	C	Existing
1/F of Frankie Centre, Junction Road, Kowloon Tong, Kowloon	N.K.I.L. 5746	Medium	100%	23,027	C	Existing
A composite development at 41 Smithfield Road, Kennedy Town, Hong Kong (site area approximately 964 sq. ft.)	I.L. 6075	Long	100%	4,690	R/C	1999 (15%)
A commercial development at 661- 665 King's Road, North Point, Hong Kong (site area approximately 36,641 sq. ft.)	I.L 8885	Long	50% 21%	348,901 212,170	H C	1999 (13%) 1999 (13%)
Trust Tower, Unit B, Basement, G/F and Mezzanine Floors, 68-74 Johnston Road, Wanchai, Hong Kong	I.L. 4280 & R.P. of Sec. A of M.L. 64A	Long	100%	4,993	C	Existing
Trust Tower, 1/F -20/F, 68-74 Johnston Road, Wanchai, Hong Kong	I.L. 4280 & R.P. of Sec. A of M.L. 64A	Long	43%	56,260	C	Existing
Shops Nos. 4-9 Smithfield Court, 41A & 43 Smithfield Road, Hong Kong	Sections C & D of I.L. 906	Long	100%	7,054	C	Existing
Shopping Centre of Greenview Court, Castle Peak Road, Tsuen Wan, New Territories	Sec. A of T.W.T.L. 96	Medium	100%	39,834	C	Existing
Shopping Centre of Belvedere Garden, Phase I Phase II Phase III Castle Peak Road, Tsuen Wan, New Territories	T.W.T.L. 308 T.W.T.L. 316 (Plot A) T.W.T.L. 316 (Plot B)	Medium Medium Medium	100% 60% 100%	21,340 120,039 131,945	C C C	Existing Existing Existing
Watson House, Wo Liu Hang Road, Shatin, New Territories	S.T.T.L. 61	Medium	100%	280,900	C/W	Existing
Hongkong International Distribution Centre, Kwai Chung, New Territories	M/F to 6/F on K.C.L. No. 4 G/F on K.C.L. No. 4	Medium Medium	88% 85%	4,705,141 737,394	C/W C/W	Existing Existing
798 guest rooms & shopping mall at the Sheraton Hong Kong Hotel & Towers, Salisbury Road, Tsimshatsui, Kowloon	K.I.L. 9172	Long	39%	729,945	H	Existing
One and Two Harbourfront and Harbour Plaza Hong Kong, Hunghom, Kowloon	Sec. A, B & R.P. of H.H.M.L. 6 and extension thereto	Long	100% 100%	862,988 473,623	C H	Existing Existing
KCRC freightyard extension development, Hunghom Bay, Kowloon (site area approximately 538,837 sq. ft.)	K.I.L. 11077	Long	25% 25%	992,724 430,598	C H	2000 (10%) 2000 (10%)
Harbour Plaza Beijing, 8 Jiang Tai West Road, Chao Yang District, Beijing, China	Chao Yang District Beijing	Medium	95%	370,000	H	Existing
Great Wall Hotel, 10 North Dong Sang Hun Road, Chao Yang District, Beijing, China	Chao Yang District Beijing	Medium	49.8%	898,800	H	Existing
Harbour Plaza Shenyang Bai Lu, North Station, Shenhe District Shenyang, China	Shenhe District Shenyang	Medium	88%	357,472	H	1998 (50%)
Holiday Resort in Freeport, Grand Bahamas Bahamas (site area approximately 372 acres)	Lucaya, Freeport, Grand Bahama Island	Freehold	100% 100%	1,300,000 320 acres	H G	2000 (1%) 2000 (1%)
Watson Centre, 16-24 Kung Yip Street, Kwai Chung, New Territories	K.C.T.L. 258	Medium	100%	687,200	I	Existing
13 Chong Yip Street, Kwun Tong, Kowloon (site area approximately 10,394 sq. ft.)	K.T.I.L. 444	Medium	64%	124,725	I	2000 (20%)
Watson's Water Centre 6 Dai Li Street, Tai Po Industrial Estate, New Territories	Tai Po Town Lot 1 Sec. B. SS2	Medium	100%	255,138	I	Existing

Description	Lot number	Lease term	Group's interest	Approximate gross floor area (sq. ft. unless otherwise stated)	Type	Estimated completion date (% completed)
LG/F of Edwick Industrial Centre, 4-30 Lei Muk Road, Kwai Chung, New Territories	R.P. of K.C.T.L. 302	Medium	100%	13,570	I	Existing
Cavendish Centre, 23 Yip Hing Street, Wong Chuk Hang, Hong Kong	A.I.L. 399	Long	100%	342,868	I	Existing
One half of M/F, whole of 6/F-10/F & the Roof, 1-11 Ka Ting Road, Kwai Chung, New Territories	R.P. of K.C.T.L. 129	Medium	100%	100,800	I	Existing
Food distribution depot, Sheung Shui, New Territories	F.S.S.T.L. 97	Medium	100%	163,075	I	Existing
Cement manufacturing plant, Tap Shep Kok, Tuen Mun, New Territories	T.M.T.L. 201	Medium	85%	1,645,331	I	Existing
682 - 684 Castle Peak Road, Kowloon (site area approximately 15,000 sq. ft.)	N.K.I.L. 6224	Medium	25%	179,931	I/O	1998 (26%)
Provident Villas, 27, 29 & 30 Sassoon Road, Pokfulam, Hong Kong	R.B.L. 648 R.P. & R.B.L. 650	Long	100%	19,338	R	Existing
Peak Villas, 86-88 Peak Road, Hong Kong	R.B.L. 308	Medium	100%	9,974	R	Existing
Knightsbridge Court, 28 Barker Road, Hong Kong	R.B.L. 126 & Extension	Long	100%	29,400	R	Existing
16 Houses E1 to E16, Las Pinadas, Clearwater Bay Road, Sai Kung, New Territories	Lot 250 in Demarcation District 223	Medium	100%	28,124	R	Existing
2 & 2A Henderson Road, Jardine's Lookout, Hong Kong	I.L. 6930	Long	100%	6,230	R	Existing
23 Coombe Road, Hong Kong	R.B.L. 731	Medium	100%	6,130	R	Existing
Laguna City (Phase IV), Cha Kwo Ling, Kwun Tong, Kowloon	N.K.I.L. 6055	Medium	50% 50%	1,532 12,488	R C	Existing Existing
South Horizons, Ap Lei Chau, Aberdeen, Hong Kong	R.P. of A.L.C.I.L. 121	Medium	50% 50%	41,641 1,835	C R	Existing Existing
The Paramount, Tai Po, New Territories (site area approximately 164,688 sq. ft.)	T.P.T.L. 97	Medium	35%	132,037	R	1998 (20%)
A residential development at 77 Broadcast Drive (site area approximately 50,880 sq. ft.)	N.K.I.L. 5104	Medium	50%	228,600	R	1999 (7%)
Tierra Verde, Tsing Yi Airport Railway Station (site area approximately 581,250 sq. ft.)	T.Y.T.L. 132	Medium	60% 60%	1,154,911 1,524,856	R R	1998 (60%) 1999 (35%)
A residential development at Ma On Shan (site area approximately 277,980 sq. ft.)	S.T.T.L. 446	Medium	50%	1,389,900	R	1999 (5%)
A residential development at Tung Chung Station Package 3 (site area approximately 730,876 sq. ft.)	T.C.T.L. 5	Medium	25% 25%	4,384,177 53,820	R C	2001 (1%) 2001 (1%)
A commercial/residential development at Hunghom Wan Hoi Street, Hunghom, Kowloon (site area approximately 79,675 sq. ft.)	K.I.L. 11055	Medium	50% 50%	597,555 74,285	R C	2001 (1%) 2001 (1%)
6/F of Beijing Tower, 10 Dong Chang An Jie Beijing, China	Dong Chang An Jie, Beijing	Medium	50%	23,644	C	Existing
Oriental Plaza Dong Chang An Jie, Beijing, China (site area approximately 1,018,557 sq. ft.)	Dong Chang An Jie, Beijing Phase 1 Phase 2 Phase 3	Medium	18% 18% 18%	1,808,396 1,722,282 2,529,602	C C C	2000 (3%) 2001 (3%) 2002 (3%)
The Greenery, Tianhe, Guangzhou, China	No.3 North Residential District, Tiyu Road East, Tianhe, Guangzhou	Medium	65% 65%	27,173 31,600	R C	Existing Existing
Huangsha Metro Station, Guangzhou, China (site area approximately 369,060 sq. ft.)	Huangsha MTR Station Podium	Medium	45%	1,868,721	R/C	2001 (3%)
Lakeview, Hwang Gang Lake, Dongguan, Guangdong, China (site area approximately 7,910,291 sq. ft.)	Hwang Gang Lake, Dongguan Phase 1.1 Phase 1.2 Golf Course	Medium	10% 10% 39%	210,138 399,706 14,244,106	R R G	Existing Existing 1998 (40%)
Metropolitan Plaza, Chongqing, China (site area approximately 201,468 sq. ft.)	Ba Yi Lu / Zhou Yung Lu, Chongqing	Medium	40% 40% 40%	957,126 482,765 545,713	C H C	Existing 1998 (60%) 1998 (60%)
Low Cost Housing, Chongqing, China (site area approximately 982,129 sq. ft.)	Yang He District, Chongqing Phase 1.2 Phase 1.3	Long	50% 50%	877,784 740,642	R R	1998 (80%) 2000 (10%)
Westgate Mall & Tower Mei Long Zhen, Shanghai, China (site area approximately 127,424 sq. ft.)	Nanjing Xi Lu / Jiang Ning Lu, Shanghai	Medium	21%	1,053,553	C	Existing
Zhang Jia Zhai, Beijing Road West, Shanghai, China (site area approximately 102,250 sq. ft.)	Shanghai Beijing Xi Lu / Shi Mun Er Lu	Medium	25%	510,810	R/C	2002 (1%)

Description	Lot number	Lease term	Group's interest	Approximate gross floor area (sq. ft. unless otherwise stated)	Type	Estimated completion date (% completed)
Low-density housing (site 1), Pudong Huamu Shanghai, China (site area approximately 2,559,559 sq. ft.)	Pudong Huamu Road, Shanghai	Medium	50%	1,151,737	R	2000 (20%)
Tang Jia Bay, Zhuhai, China (site area approximately 4,796,943 sq. ft.)	Tang Jia Bay, Zhuhai	Medium				
	Phase 1		35%	165,500	R	1999 (5%)
	Phase 2 - 4		35%	3,441,789	R	2003 (1%)
Walton Plaza Xuhui, Shanghai, China (site area approximately 346,353 sq. ft.)	Changsu Lu / Changle Lu Xuhui District, Shanghai	Medium				
	Phase 2 & 3		39%	1,600,000	R/C/H	2001 (2%)
Pacific Plaza, Qingdao, China (site area approximately 238,192 sq. ft.)	Dong Hai Lu, Qingdao	Medium				
	Phase 1		30%	108,432	C	Existing
	Phase 2.1		15%	193,905	R	1998 (70%)
	Phase 2.2		15%	290,767	R	2000 (5%)
Royal Gate Kensington Kensington, London , United Kingdom (site area approximately 21,456 sq. ft.)	Kensington, London	Freehold	48%	140,024	R	1998 (75%)
Graham Terrace Sloane Square, London , United Kingdom (site area approximately 47,243 sq. ft.)	Westminster, London	Freehold	50%	131,030	R	2000 (1%)
Albion & Bridge Wharves, United Kingdom (site area approximately 180,030 sq. ft.)	Wandsworth, London	Freehold	45%	242,000	R/C	2002 (1%)
A residential development at Bayshore Road, Singapore (site area approximately 427,349 sq. ft.)	7455 PTMK 27, Singapore	Long	24%	1,495,903	R	2001 (1%)
An office / commercial development at Tokyo, Japan (site area approximately 68,696 sq. ft.)	Marunouchi, Tokyo	Freehold	45%	800,000	C	2000 (1%)
Container Terminal No. 4, Kwai Chung New Territories	K.C.L. No. 4	Medium	85%	70.08 acres	CT	Existing
Container Terminal No. 6, Kwai Chung, New Territories	K.C.L. No. 6	Medium	85%	71.13 acres	CT	Existing
Container Terminal No. 7, Kwai Chung, New Territories	K.C.L. No. 7	Medium	85%	77.87 acres	CT	Existing
Container Terminal No. 8, East, Kwai Chung, New Territories	K.C.L. No. 8	Medium	43%	72.13 acres	CT	Existing
Container Terminal at Felixstowe, United Kingdom	Felixstowe, County of Suffolk	Long	90%	800 acres	CT	Existing
Freeport International Airport, Bahamas	Freeport, Grand Bahama Island	Freehold	50%	2,709 acres	A	Existing
Port Operation at Freeport, Bahamas	Freeport, Grand Bahama Island	Freehold	50%	1,630 acres	P	Existing
Container Terminal at Freeport, Bahamas	Freeport, Grand Bahama Island	Freehold	45%	56 acres	CT	Existing
Container Terminal at Yantian Port, Shenzhen, China	Yantian, Shenzhen, Guangdong Province	Medium	48%	7,755,206	CT	Existing
Container Terminal at Jiuzhou, Zhuhai, Guangdong, China	Shihua Donglu Zhuhai SEZ	Medium	50%	1,659,592	CT	Existing
Multi-purpose Terminal at Zhuhai Port, Gaolan, Zhuhai, Guangdong, China	Zhuhai Port, Zhuhai Guangdong Province	Medium	50%	2,238,891	CT	Existing
Container Terminal at Zhuchi Port, Shantou, Guangdong, China	Zhuchi Port, Shantou Guangdong Province	Medium	70%	4,582,505	CT	1998 (80%)
Container Terminals at Zhang Hua Bang, Jun Gong Lu & Bao Shan, Shanghai, China	Zhang Hua Bang, Jun Gong Lu & Bao Shan, Shanghai	Medium	40%	8,983,662	CT	Existing
Container Terminal at San Shan Port, Nanhai, Guangdong, China	San Shan Island, Nanhai Guangdong Province	Medium	50%	2,152,783	CT	1999 (80%)
Container Terminal at Gaosha Port, Jiangmen, Guangdong, China	Gaoshawei, Baishi Administration Area, Jiangmen Guangdong Province	Medium	50%	1,337,675	CT	Existing
Container Terminal at Haicang Port, Xiamen, Fujian, China	Haicang Port Zone, Xiamen, Fujian Province	Medium	49%	4,167,867	CT	Existing
Container Terminal at Yangon, Myanmar	Thilawa, Yangon Myanmar	Medium	80%	185.33 acres	CT	1999 (50%)

Note:
Lease term: Long = lease not less than 50 years; Medium = lease less than 50 years but not less than 10 year.

C = Commercial H = Hotel I = Industrial I / O = Industrial / Office R = Residential
CT= Container Terminal W = Warehouse P = Port Operation G = Golf Course A = Airport

TEN YEAR SUMMARY

	1988	1989	1990	1991	1992	1993	1994	1995	1996	**1997**
Consolidated Profit and Loss Account HK$ millions										
Turnover	12,875	17,685	15,975	19,212	21,030	24,748	30,168	35,026	36,662	**44,590**
Profit attributable to the shareholders	3,623	6,080	4,370	4,340	3,052	6,304	8,021	9,567	12,020	**12,266**
Dividends	1,308	1,644	1,980	2,073	1,846	2,461	3,362	4,267	5,703	**6,123**
Profit for the year retained	2,315	4,436	2,390	2,267	1,206	3,843	4,659	5,300	6,317	**6,143**
Consolidated Balance Sheet HK$ millions										
Fixed assets	13,040	18,856	20,781	27,381	32,467	42,292	52,192	54,508	63,188	**76,439**
Deferred expenditures	–	–	168	894	1,240	395	1,153	2,536	1,086	**2,529**
Associated companies	10,559	11,229	11,690	11,377	12,569	14,434	21,705	22,778	26,369	**36,176**
Infrastructure joint ventures	–	–	–	–	–	–	–	–	–	**17,597**
Managed funds and other investments	3,310	3,544	3,460	5,720	6,813	14,423	13,223	15,965	22,551	**26,881**
Net current assets (liabilities)	1,822	6,012	5,575	491	(3,930)	(6,807)	361	(5,329)	(1,903)	**11,014**
Employment of capital	28,731	39,641	41,674	45,863	49,159	64,737	88,634	90,458	111,291	**170,636**
Share capital	757	761	762	762	839	904	905	904	905	**969**
Reserves	15,094	21,752	23,834	26,893	35,004	48,157	56,252	57,935	67,994	**84,620**
Shareholders' funds	15,851	22,513	24,596	27,655	35,843	49,061	57,157	58,839	68,899	**85,589**
Minority interests	4,055	4,764	5,092	6,023	2,018	1,795	5,144	5,333	7,814	**12,216**
Long term liabilities	7,794	11,469	11,925	12,074	11,126	13,696	26,189	26,174	34,459	**72,720**
Deferred items	1,031	895	61	111	172	185	144	112	119	**111**
Capital employed	28,731	39,641	41,674	45,863	49,159	64,737	88,634	90,458	111,291	**170,636**
Performance Data										
Earnings per share – (cents)	120	200	143	142	96	179	222	265	332	**321**
Dividends per share – (cents)	43	54	65	68	55	68	93	118	150	**158**
Dividend cover	2.8	3.7	2.2	2.1	1.7	2.6	2.4	2.2	2.1	**2.0**
Return on average shareholders' funds (%)	24.0	31.7	18.6	16.6	9.6	14.8	15.1	16.5	18.8	**15.9**
Current ratio	1.3	1.9	1.7	1.0	0.7	0.6	1.0	0.8	0.9	**1.4**
Gearing (%)	16.9	10.5	7.0	11.9	18.3	7.0	19.6	19.4	14.0	**31.2**
Net assets per share – book value (HK$)	5.2	7.4	8.1	9.1	10.7	13.6	15.8	16.3	19.0	**22.1**

Gearing represents the ratio of net debts to shareholders' funds and minority interests. Net debts is defined as total interest bearing borrowings net of bank balances and cash equivalents, long term cash deposits, managed funds and listed investments.

Notes:

1. *In order to qualify for the final dividend payable on Friday, 22 May 1998, all transfers, accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Wheelock Marden and Company Limited, for registration not later than 4 pm, Wednesday, 13 May 1998.*

2. *Only members are entitled to attend and vote at the meeting.*

3. *A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of that member. A proxy need not be a member. The Company's Articles of Association require proxy forms to be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the meeting.*

4. *Concerning Ordinary Resolution No 1, the directors wish to state that they have no immediate plans to issue any new shares of the Company other than the shares that may be issued under the Senior Executive Share Option Scheme. Approval is being sought from the members under Ordinary Resolution No 1 as a general mandate for the purposes of Section 57B of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.*

5. *Concerning Ordinary Resolution No 2, an Explanatory Statement containing the information regarding the repurchase by the Company of its own shares will be sent to shareholders together with the Company's 1997 Annual Report.*

NOTICE is hereby given that the Annual General Meeting of shareholders will be held in the Ballroom, 1st Floor, The Harbour Plaza, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 21 May 1998 at 12:15 pm for the following purposes:

1. To receive and consider the statement of accounts and reports of the directors and auditors for the year ended 31 December 1997.
2. To declare a final dividend.
3. To elect directors.
4. To appoint auditors and authorise the directors to fix their remuneration.
5. As special business to consider and, if thought fit, pass the following Ordinary Resolutions:

Ordinary Resolutions

1. "THAT a general mandate be and is hereby unconditionally given to the directors to issue and dispose of additional ordinary shares of the Company (in addition to ordinary shares issued under the Senior Executive Share Option Scheme) not exceeding 20% of the existing issued ordinary share capital of the Company."

2. "THAT:

   (A) subject to paragraph (B) below, the exercise by the directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase ordinary shares of HK$0.25 each in the capital of the Company in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

   (B) the aggregate nominal amount of ordinary shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (A) above shall not exceed 10% of the aggregate nominal amount of the ordinary share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and

   (C) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of
   (i) the conclusion of the next Annual General Meeting of the Company;
   (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
   (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

3. "THAT the general mandate granted to the directors to issue and dispose of additional ordinary shares pursuant to Ordinary Resolution No 1 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the ordinary share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No 2 set out in the notice convening this meeting, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of this Resolution."

The register of members will be closed from Thursday, 14 May 1998 to Thursday, 21 May 1998 both days inclusive.

By order of the board

Edith Shih
Company Secretary

Hong Kong, 26 March 1998

DESIGN & PRODUCTION: THE DESIGN ASSOCIATES LTD. / OCCASIONS

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