

The Directors have pleasure in submitting their Report and the Audited Statement of Accounts for the financial year ended December 31, 2000.

#### **PRINCIPAL ACTIVITIES AND TRADING OPERATIONS**

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 101 and 102.

During the financial year, more than 90 per cent of the trading operations of the Company and its subsidiaries in terms of both turnover and operating profit were carried on in Hong Kong. An analysis of the principal activities of the trading operations of the Company and its subsidiaries during the financial year is set out in Note 2 to the Accounts on page 80.

#### **SUBSIDIARIES**

Particulars of the Company's principal subsidiaries at December 31, 2000 are set out on pages 101 and 102.

#### **RESULTS, APPROPRIATIONS AND RESERVES**

The results of the Group and appropriations of profits for the financial year ended December 31, 2000 are set out in the Consolidated Profit and Loss Account on page 63.

Movements in reserves during the financial year are set out in Note 21 to the Accounts on pages 91 to 94.

#### **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last ten financial years/periods is given on pages 107 and 108.

#### **DIVIDENDS**

An interim dividend of 28 cents per share was paid on November 2, 2000. The Directors now recommend the payment on June 22, 2001 of a final dividend of 50 cents per share in respect of the financial year ended December 31, 2000, payable to shareholders on record as at May 22, 2001. This recommendation has been incorporated in the Accounts.

### SHARE CAPITAL

During the year, a total of 70,000 ordinary shares of HK\$1.00 each of the Company, credited as fully paid, were allotted and issued by the Company, of which 50,000 shares were issued at a price of HK\$7.60 per share and 20,000 shares at a price of HK\$9.50 per share, as a result of exercises by certain grantees of options granted under the Company's Executive Share Incentive Scheme.

### FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 9 to the Accounts on pages 85 and 86.

### BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of all bank loans, overdrafts and/or other borrowings of the Company and the Group as at December 31, 2000 repayable on demand or within a period not exceeding one year are set out in Note 19 to the Accounts on page 89. Particulars of all other bank loans and certain other borrowings as at December 31, 2000 which would fall due for repayment after a period of one year are set out in Note 22 to the Accounts on pages 95 and 96.

Set out below is information regarding certain borrowings of the Group outstanding as at December 31, 2000, all in the form of debt securities issued by wholly-owned subsidiaries of and guaranteed by the Company:-

<b>Name of Subsidiary/Borrower</b>	<b>Description of Debt Securities Issued</b>	<b>Outstanding Principal Amount</b>
(1) Wharf International Finance Limited	US\$ Guaranteed Notes due 2004	US\$200 Million
	US\$ Guaranteed Series A Notes due 2007	US\$350 Million
(2) Wharf Treasury (1995) Limited	HK\$ Floating Rate Notes due 2002	HK\$1,417 Million

#### **INTEREST CAPITALISED**

The amount of interest (all being borrowing costs) capitalised by the Group during the financial year is set out in Note 3 to the Accounts on page 82.

#### **DONATIONS**

The Group made donations during the financial year totalling HK\$2 million.

#### **DIRECTORS**

The Directors of the Company during the financial year were Messrs G W J Li, R H Burns, Vincent Fang, J T Hung, Q Y K Law, K H Leung, I H Melrose, S T H Ng, T Y Ng and P Y C Tsui.

Mr P Y C Tsui was appointed a Director and was also designated as an Executive Director, effective September 1, 2000.

Mr K H Leung and Mr T Y Ng will retire from the Board by rotation in accordance with Article 103(A) of the Company's Articles of Association at the forthcoming Annual General Meeting. Both Mr Leung and Mr Ng, being eligible, offer themselves for re-election. None of the retiring Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation.

With the exception of the Chairman and those Directors holding executive offices of the Company (who are all not subject to retirement by rotation under the provisions of the Company's Articles of Association) together with Messrs K H Leung and T Y Ng (who are due to retire from the Board at the forthcoming Annual General Meeting as mentioned above), all the present Directors were respectively re-elected at Annual General Meetings held in the past three years, upon their retirement thereat in accordance with the provisions of the Company's Articles of Association, to continue to serve on the Board for a further term of approximately three years, until they respectively become due to retire from the Board again by rotation in accordance with Article 103(A) of the Company's Articles of Association.

### DIRECTORS' INTERESTS IN SHARES

At December 31, 2000, Directors of the Company had the following beneficial interests in the securities of the Company and of two subsidiaries of the Company, namely, i-CABLE Communications Limited ("i-CABLE") and Wharf International Finance Limited ("Wharf International Finance"):-

	Quantity held	Nature of Interest
<b>The Company - Ordinary Share</b>		
Mr Gonzaga W J Li	686,549	Personal interest
Mr Robert H Burns	17,000	Personal interest
Mr Stephen T H Ng	230,057	Personal interest
Mr T Y Ng	128,016	Personal interest
<b>i-CABLE - Ordinary Shares</b>		
Mr Stephen T H Ng	750,000	Personal interest
<b>Wharf International Finance</b>		
<b>- US\$ Guaranteed Series A Notes due 2007</b>		
Mr Ian H Melrose	US\$300,000	Personal interest

Directors of the Company held the following personal interests as at December 31, 2000 in options to subscribe for shares of the Company granted under the Executive Share Incentive Scheme (the "Scheme") of the Company:-

Name of Directors		No. of ordinary shares	Date granted	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of option	Consideration paid for the options granted
Mr Gonzaga W J Li:	(i)	210,000	June 22, 1993	17/6/1997 to 16/6/2003	HK\$19.00	HK\$1
Mr Quinn Y K Law:	(i)	100,000	June 22, 1993	17/6/1996 to 16/6/2003	HK\$19.00	HK\$1
Mr Stephen T H Ng:	(i)	200,000	Aug. 13, 1991	13/8/1994 to 12/8/2001	HK\$9.50	HK\$1
	(ii)	500,000	Apr. 16, 1992	13/4/1995 to 12/4/2002	HK\$12.00	HK\$1
	(iii)	200,000	June 22, 1993	17/6/1996 to 16/6/2003	HK\$19.00	HK\$1
Mr T Y Ng:	(i)	250,000	Apr. 16, 1992	13/4/1995 to 12/4/2002	HK\$12.00	HK\$1
	(ii)	100,000	June 22, 1993	17/6/1996 to 16/6/2003	HK\$19.00	HK\$1

During the financial year, Mr Stephen T H Ng exercised his option under the Scheme to subscribe for a total of 50,000 ordinary shares of the Company at an exercise price of HK\$7.60 per share.

## Report of the Directors (continued)

Save as disclosed above, as recorded in the register kept by the Company under section 29 of the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance") or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:-

- (i) there were no interests held as at December 31, 2000 by any Directors and Chief Executive of the Company in securities of the Company and its associated corporations (within the meaning of the SDI Ordinance), and
- (ii) during the financial year, there existed no rights to subscribe for equity or debt securities of the Company which were held by any Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises of any such rights by any of them.

### **SUBSTANTIAL SHAREHOLDERS' INTERESTS**

Given below are the names of all parties which were, directly or indirectly, interested in 10 per cent or more of the nominal value of the share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at December 31, 2000 as recorded in the register kept by the Company under section 16(1) of the SDI Ordinance:-

	<b>Names</b>	<b>No. of Ordinary Shares</b>
(i)	Deakin Limited	402,654,377
(ii)	Diplock Holdings Limited	633,227,925
(iii)	WF Investment Partners Limited	1,078,236,184
(iv)	Wheelock and Company Limited	1,250,210,213
(v)	Bermuda Trust (Guernsey) Limited	1,250,210,213

Note: For the avoidance of doubts and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against parties (i) and (ii) above are entirely duplicated or included in the shareholdings stated against party (iii) above, with the same duplication of the shareholdings in respect of (iii) in (iv) and (iv) in (v); all of the abovenamed parties were deemed to be interested in the relevant shareholdings under the SDI Ordinance as at December 31, 2000.

### **INTERESTS IN CONTRACTS**

No contract of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

### **MANAGEMENT CONTRACTS**

No contracts for the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the financial year.

### **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

At no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate with the exception of the options to subscribe for ordinary shares of the Company and i-CABLE Communications Limited ("i-CABLE") granted under the Company's Executive Share Incentive Scheme and i-CABLE's Share Option Scheme to certain executives of the Company or its subsidiaries and certain employees of i-CABLE or its subsidiaries respectively, some of whom were Directors of the Company during the year.

Under both schemes, shares of the Company and i-CABLE are to be issued at such prices, not being less than 90 per cent and 80 per cent of their respective average closing prices on the Stock Exchange for the five trading days immediately preceding the date of offer of the options, and the relevant options are exercisable during such periods, not being beyond the expiration of ten years from the date of grant, as determined by the boards of directors of the Company and i-CABLE respectively.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

**FURTHER CORPORATE INFORMATION**

Certain further information in relation to the Group required to be disclosed pursuant to the provisions of the Listing Rules of the Stock Exchange are set out on pages 39 to 44 and pages 45 to 53.

**AUDITORS**

The Accounts now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board

**Wilson W S Chan**

Secretary

Hong Kong, March 26, 2001