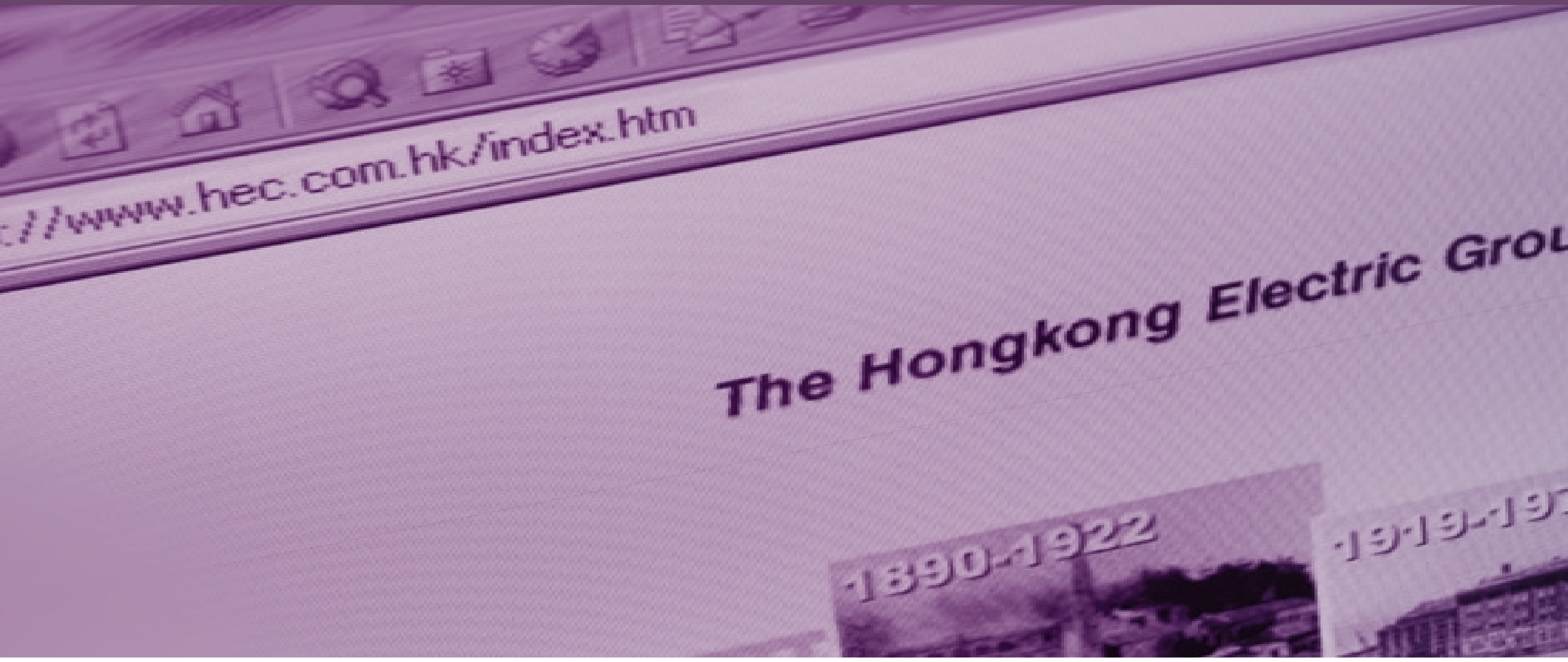
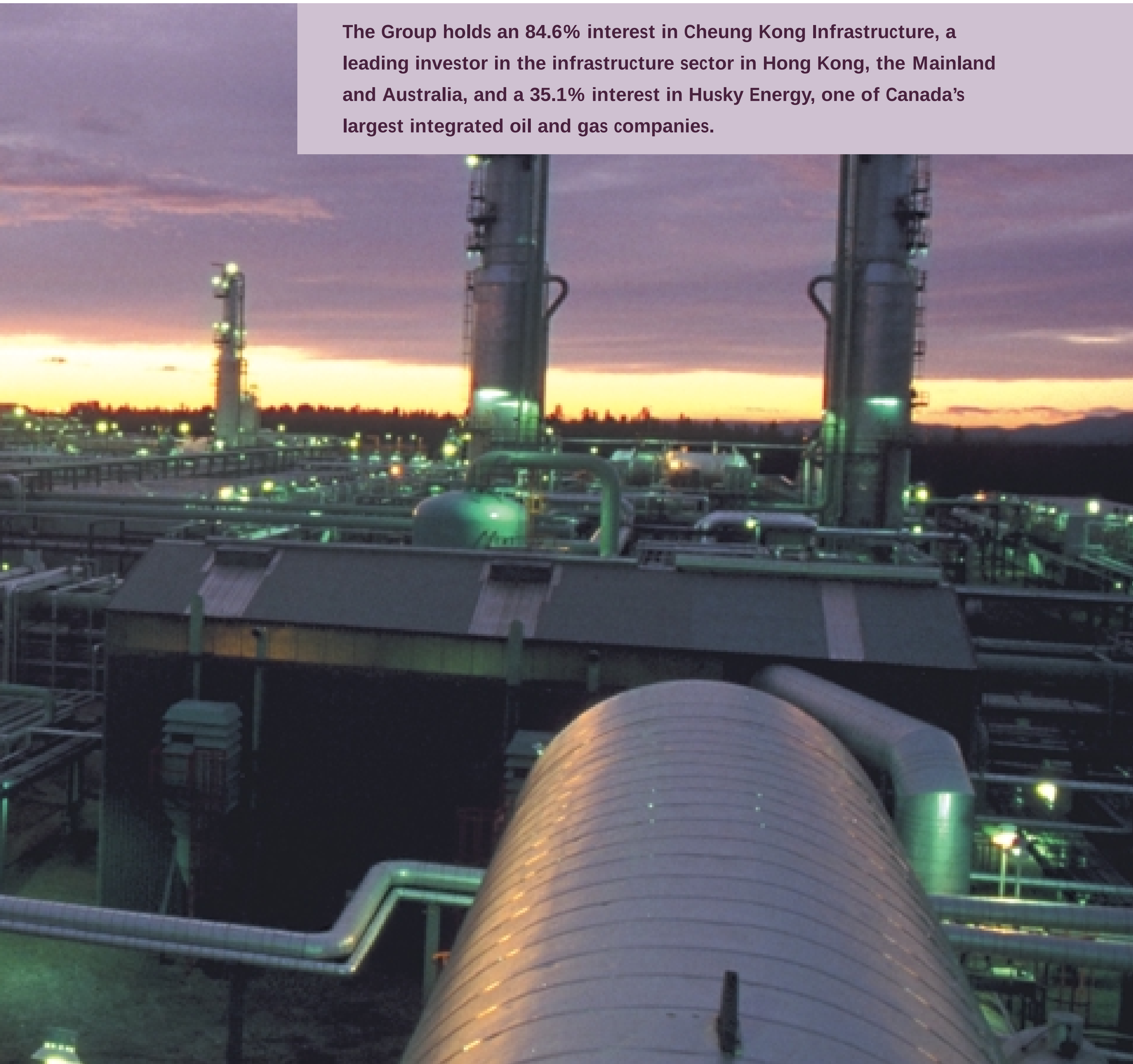


One of the largest plants of its kind in North America, the Ram River plant processes sour gas from western Alberta.

Operations Review

The Group holds an 84.6% interest in Cheung Kong Infrastructure, a leading investor in the infrastructure sector in Hong Kong, the Mainland and Australia, and a 35.1% interest in Husky Energy, one of Canada's largest integrated oil and gas companies.



ETSA Utilities and Powercor together have made CKI-Hongkong Electric the largest electricity distributor in Australia, serving over 1.3 million customers in the states of South Australia and Victoria.

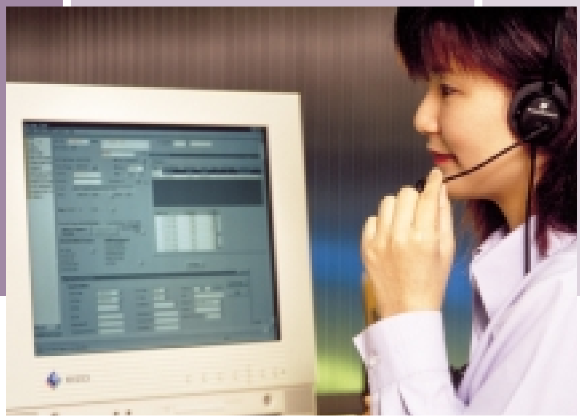
Turnover for the energy, infrastructure, finance and investments division for 2000 totalled HK$26,021 million in 2000, a 56% increase over 1999. EBIT from this division totalled HK$11,549 million, a 55% increase over the EBIT reported in 1999 of HK$7,432 million. The increase in turnover and EBIT are primarily due to the strong performance of Husky Energy, as a result of increased oil and gas prices and production volumes, and to increased finance and investments income derived from interest earned on surplus cash as a result of significantly higher cash reserves which arose from the sale of selected telecommunication assets and the Group's recurring cash flow.

CHEUNG KONG INFRASTRUCTURE

The Group has an 84.6% interest in Cheung Kong Infrastructure ("CKI"), which is listed on the Stock Exchange of Hong Kong ("SEHK"). CKI reported an increase in profit attributable to the shareholders of HK$3,228 million, an increase of 3% compared with the previous year, and successfully acquired several overseas investments which further diversified its portfolio.

CKI's energy division which recorded a 52% increase in profits after the commissioning of the Zhuhai power plant during the year, accounted for 78% of CKI's total earnings with the largest contribution attributable to its 38.9% interest in Hongkong Electric Holdings ("HEH"). HEH, which is listed on the SEHK and is the sole provider of electricity to Hong Kong and Lamma islands, reported a profit attributable to the shareholders of HK$5,535 million, a 4.7% increase compared with HK$5,286 million in 1999. In addition, CKI currently has joint venture interests in power plants in four provinces in the Mainland with a total capacity of 2,539 MW. In September, CKI formed a joint venture with HEH, with each holding a 50% interest, and entered into an agreement to acquire Powercor, the largest of five electricity distributors

An exciting milestone for CKI transportation in 2000 was the completion of the 360 metre, Ya Jia Sha Bridge, which enabled the entire 39 kilometre Guangzhou East-South-West Ring Road to become fully operational in June 2000, one year ahead of schedule.



The new integrated voice and data support system installed in the Hongkong Electric customer centre provides more efficient telephone service to customers.

in the state of Victoria, Australia, for a consideration of A$2,315 million. Powercor's principal activity is to operate an electricity distribution network which covers more than half of the state of Victoria, with approximately one third of its population and manufacturing output.

CKI's transportation division recorded a 9% increase in its profits in 2000 reflecting increased traffic from projects completed in the later part of last year. CKI currently has joint venture interests in toll roads and bridges with a total length of approximately 660 kilometers in five provinces in the Mainland.

CKI's cement, concrete, asphalt, aggregates and spray coating businesses in Hong Kong and the Mainland recorded a 44% decline in profits during the year due to excess production capacity and a slowdown of construction in the Hong Kong property sectors and infrastructure.

HUSKY ENERGY

Husky Energy, the Group's 35.1% owned listed Canadian based integrated oil and gas company, announced profit, before ownership charges, of C$546 million, a 241% increase over the comparable 1999 profit. The growth is mainly attributable to strong oil and gas prices and increased production volumes, partly from the merger with Renaissance Energy, as well as increased profitability from Husky's midstream business.

The merger of Husky Oil with Renaissance Energy, which was mentioned in the Group's interim report, was completed in August and, as a result, a profit of HK$4,222 million was recorded at that time. The merged entity, Husky Energy, is listed on the Toronto Stock Exchange.

In 2000, Husky Energy's annual production volumes averaged 176,800 BOE (barrels of oil equivalent) per day compared to 110,400 in 1999. At the end of 2000, Husky Energy had estimated proved reserves of crude oil, liquids and natural gas of 872 million BOE and a production replacement ratio of 143%. Husky Energy has a significant land position that includes 8.6 million acres of

Husky's 1,900 kilometre pipeline system transports oil production from Alberta and Saskatchewan to the company's upgrading and refining operations in Lloydminster.

Two oil rig workers, known as "rough necks", prepare a new drill stem at an exploration drilling site.

undeveloped land in Western Canada that provides opportunities for future exploration and development of conventional crude oil and natural gas, as well as heavy oil reserves. Husky Energy's upstream division has continued its delineation and development programme off the east coast of Canada and production from the Terra Nova oil field is expected to commence near the end of this year. Husky Energy has filed a development application for the promising White Rose oil field which is targeted to commence production by 2004. Husky Energy is one of the largest working interest holders in the Jeanne d'Arc basin off the east coast of Canada and the development of these offshore fields has the potential to provide significant growth to Husky Energy's light oil production and reserves.

Husky Energy has continued to expand its midstream division which includes the upgrader facility at Lloydminster, pipeline systems, commodity marketing, and power generation. Husky Energy's midstream operations enhance the value of the upstream commodities and help to modify the effects of commodity price volatility. The refined products division comprises the wholesale, commercial and retail marketing of a range of refined petroleum products, through a network of more than 575 branded retail outlets, as well as the marketing of asphalt products.

GROUP CAPITAL RESOURCES AND LIQUIDITY

The Group's total shareholders funds increased to HK$248,147 million at the year end compared to HK$245,950 million at the end of last year, mainly due to the Group's profit for the year.

At 31 December 2000, the Group's cash, managed funds and other listed investments (including equity investments in Vodafone Group of HK$52,268 million at book cost and VoiceStream of HK$43,874 million at their 31 December 2000 market value) totalled HK$174,976 million (1999 - HK$214,279 million) of which 10% (1999 - 6%) were denominated in HK dollars, 56% (1999 – 36%) in US dollars, 30% (1999 – 1%) in

Pounds Sterling, 2% (1999 – 57%) in Euro dollars and 2% in other currencies. This pool of cash and liquid assets exceeded the Group's total borrowings by HK$50,295 million (1999 – net debt of HK$842 millon, excluding Mannesmann and VoiceStream investments). Approximately 36% of the Group's total borrowings of HK$124,681 million (1999 – HK$90,642 million) were denominated in HK dollars, 49% in US dollars, 5% in Pounds Sterling, 3% in Euro dollars and the remaining 7% in other currencies. Total borrowings include US$3,000 million principal amount of 2.875% exchangeable notes due in 2003 which are exchangeable on the basis of US$1,000 principal amount for 196.61 ordinary shares of Vodafone Group at an exchange price of US$5.086 per share. If all of the notes are exchanged, the Group's interest in Vodafone Group will reduce by 0.9% to 2.4%. The non-HK dollar and non-US dollar denominated loans are either directly related to the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies.

Approximately 55% of the Group's total borrowings bear interest at floating rates and the remaining 45% are at fixed rates.

During the year, all bilateral borrowings that matured were either renewed at satisfactory rates and terms or, at the Group's option, were repaid on maturity. A HK$5,000 million, five year syndicated bank loan and other loans totalling HK$1,629 million that matured during the year were repaid on maturity. A loan of US$600 million was repaid early, without penalty and funded by a HK$5,000 million five year loan to better match the currency of the underlying assets. In addition, bridging loans totalling HK$21,600 million were drawn down to temporarily fund the purchase of 3G licences and infrastructure investments and repaid during the year. Loan notes issued during the year and to date this year were as follows:

(i) In September the Group issued HK$1,000 million principal amount, three year, 7% fixed interest rate notes due in 2003, which are listed on the SEHK.

(ii) In September, the Group issued US$3,000 million principal amount of 2.875% notes due in 2003, exchangeable into ordinary shares of Vodafone Group on the basis of US$1,000 principal amount for 196.61 ordinary shares at an exchange price of US$5.086 per share. If all of the notes are exchanged, the Group's interest in Vodafone Group will reduce by 0.9% to 2.4%. The notes are listed on the Luxembourg stock exchange.

(iii) In January this year the Group issued US$2,657 million principal amount of 2% notes due in 2004, exchangeable into ordinary shares of Vodafone Group on the basis of US$1,000 principal amount for 214.51 ordinary shares at an exchange price of US$4.6618 per share. If all of the notes are exchanged, the Group's interest in Vodafone Group will be further reduced by 0.9%. These notes are also listed on the Luxembourg stock exchange.

(iv) In February this year the Group issued US$1,500 million principal amount of 7% notes due in 2011 which are listed on the Luxembourg stock exchange. The proceeds from this issue are scheduled to be used later this month to repay early, without penalty, a US$1,500 million bank loan facility which was due to mature in 2003.

At the end of the year assets of HK$7,272 million (1999 – HK$3,566 million) were pledged as security for bank and other loans of the Group. The Group's investment in the ordinary shares of Vodafone Group are not pledged or otherwise restricted pursuant to the covenants of the two notes described above which are exchangeable into Vodafone Group shares. Committed borrowing facilities available to Group companies, but not drawn at 31 December 2000, amounted to the equivalent of HK$6,554 million. Excluding non-interest bearing loans from minority shareholders, the Group's borrowings at the year end were repayable as shown on the following page.

	HK$	US$	£	Euro	Others	Total
Within 1 year	5%	6%	–	–	3%	14%
In years 2 to 4	23%	31%	1%	–	3%	58%
In year 5	8%	–	–	–	1%	9%
In years 6 to10	–	6%	1%	3%	–	10%
In years 11 to 20	–	3%	3%	–	–	6%
Beyond 20 years	–	3%	–	–	–	3%
	36%	49%	5%	3%	7%	100%

At the year end, the Group was in a net cash position of HK$50,295 million (1999 net debt to net capital ratio of 1%) and the earnings before interest expense, tax, depreciation and amortisation covered the gross interest expense for the year 6.2 times (1999 – 3.6 times). The Group's share of expenditures for spectrum for 3G licences for the year totalled HK$44,371 million (1999 – nil). The Group's capital expenditures, excluding expenditures for properties under development and for sale, totalled HK$6,324 million (1999 – HK$7,565 million). These expenditures were funded primarily from cash generated from the sale of selected telecommunications assets, cash on hand, internal cash generation, and to the extent required, by borrowings. The Group's 65% owned subsidiary, Hutchison 3G UK is commencing the development of its high speed wireless network and the related capital expenditures are estimated to total approximately £2,100 million over the next three years. Hutchison 3G UK has arranged a three year stand-alone project financing facility of £3,000 million, including a tranche of £375 million held by the Group, bearing interest at LIBOR plus 1.75% to 2.25%, to fund these capital expenditures and the budgeted operating losses during this period. Hutchison 3G Italy (78.3% owned) is also planning to develop its 3G network, with related capital expenditures estimated to total approximately €1,700 million over the next three years, and is currently in discussions to arrange loan financing for this project.

TREASURY POLICIES

The Group's overall treasury and funding policies focus on managing financial risks, including interest rate and foreign exchange risks, and on cost efficient funding of the Group and its companies. For synergies, efficiency and control, the Group operates a central cash management system for all its unlisted subsidiaries in Hong Kong. Except for listed companies and certain overseas companies, the Group generally obtains long term financing at the Group level to on-lend to its subsidiaries and associates to meet their funding requirements. For overseas subsidiaries and associates and other investments which consist of non-HK and non-US dollar assets, the Group endeavors to hedge its foreign currency position with the appropriate level of borrowings in those currencies. For transactions directly related to the underlying businesses, 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. At the year end the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

COMMUNITY RELATIONS

The Group is aware of and gives serious consideration to its role as a corporate citizen and regularly supports numerous community programmes through active participation and financial assistance.

In particular, the Group has been a significant donor to educational institutions such as the Chinese University of Hong Kong, the Hong Kong Museum of Medical Sciences, the Qing Hua University and Beijing Polytechnic University in the Mainland, Stanford University in the United States of America, and the University of Cambridge in the UK to further various research projects ranging from future Internet technology to Western and traditional Chinese medicine projects.

At the *Clean Up The World in Hong Kong 2000* opening ceremony, the Group's deputy chairman Mr Victor Li reminded all citizens to help keep Hong Kong clean.

Watson's Water has a fine tradition of sports sponsorship and development – from grass roots athletic training to world class tennis tournaments.

The Group established the Metro Mutual Aid Foundation during the year to provide emergency relief to the needy in times of crisis. In addition, the Group also made donations to several charities including the Community Chest, which provides funds to more than 140 member agencies. Some of the other organisations that received assistance from the Group included China Disabled Persons' Federation, Children's Miracle Charity and several arts and culture related programmes.

The Group also supports various sports events and for a second consecutive year, sponsored the "Watson's Water Challenge", a four day tennis tournament in January bringing top women tennis stars to Hong Kong.

EMPLOYEE RELATIONS

Excluding associated companies, the Group employs 49,570 people (1999 - 42,510 people) of whom 22,405 (1999 - 20,858) are employed in Hong Kong. Employee costs, excluding Directors' emoluments, totalled HK$7,642 million (1999 - HK$7,036 million). All of the Group's subsidiary companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit 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 employees. In addition, training and development programmes are provided on an ongoing 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. Many social, sporting and recreational activities were arranged during the year for employees on a Group-wide basis. Group employees regularly participated in charity walks as well as other community oriented events.

OUTLOOK

The Group's results for 2000 were achieved in a year characterised by a continued, but gradual recovery in the Hong Kong and Asian economies, increased global trade

The chairman Mr Li Ka-shing enjoying his moment with staff and their families at the fun filled Sports and Family Day.

flows, and volatile and declining equity markets, particularly in the technology sector in the second half of the year. More recently, there are signs of a slowing economy in the United States of America and of worsening economic conditions in Japan. Despite this environment, the Group reported improved and solid results from its recurring operations and in the first half of the year realised significant profits from value creation from its timely disposal of selected telecommunications interests in Europe and Hong Kong.

The Group is approaching this year cautiously and, although the Group will not be immune to the effects of the slowing major economies of the world nor to the interest rate policies of the United States of America, our solid businesses and well diversified operations provide a platform for another solid operating performance this year.

The Group's financial position is exceptionally strong with cash and marketable securities exceeding total borrowings, a long term debt profile, and geographically and sectorally diversified core businesses which continue to generate healthy recurrent cash flows. Hong Kong continues to provide a strong home base of operations to expand the Group's core businesses overseas and in the Mainland as it enters the World Trade Organisation. Overseas investments have made significant contributions to the Group and investments overseas in 3G telecommunications businesses, which are currently in a start up phase, and in other expansion opportunities are viewed as investments that will provide future growth and value for our shareholders.

The results for 2000 were achieved with the effort and dedication of the Group's employees and I would like to join our Chairman in thanking them for their support and hard work throughout the year.

FOK Kin-ning, Canning
Group Managing Director

Hong Kong, 22 March 2001