

## *Report of the Directors*

The directors submit their report together with the audited accounts for the year ended 31 December 2000.

### PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries comprise the following:

- (i) property development and investment in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong");
- (ii) logistics and warehouse operations and ownership in Hong Kong and in the People's Republic of China excluding Hong Kong ("PRC");
- (iii) property development and investment in the PRC;
- (iv) property development and investment in the Asia Pacific region;
- (v) infrastructure-related investment in Hong Kong and the PRC; and
- (vi) hotel ownership and operations in the PRC.

The Group is also involved in project and property management, mainly of its own development projects and properties in Hong Kong and the PRC.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and markets is set out in note 2 to the accounts.

## REPORT OF THE DIRECTORS

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### RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 79.

Particulars of dividends proposed and paid during the year are set out in note 7 to the accounts.

### RESERVES

The movements in reserves of the Group and the Company during the year are set out in notes 22 to 24 to the accounts.

### DONATIONS

Charitable donations made by the Group during the year amounted to HK\$205,000.

### FIXED ASSETS

Particulars of the movements in fixed assets of the Group and the Company during the year are set out in note 11 to the accounts.

### INVESTMENT, HOTEL AND DEVELOPMENT PROPERTIES

Particulars of investment, hotel and development properties of the Group are set out on pages 46 to 55.

### SHARE CAPITAL

The movements in the share capital of the Company during the year are set out in note 20 to the accounts.

### CONVERTIBLE BONDS

Details of the convertible bonds of the Group are set out in note 26(c) to the accounts.

### CAPITALISED INTEREST

The amounts of interest capitalised by the Group during the year are set out in notes 3 and 4 to the accounts.

### SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2000 are set out in note 35 to the accounts.

## REPORT OF THE DIRECTORS

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### ASSOCIATED COMPANIES

Particulars of the Group's associated companies as at 31 December 2000 are set out in note 36 to the accounts.

### PARTICULARS OF BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group and the Company as at 31 December 2000 are set out in notes 26 and 32 to the accounts.

### FIVE YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years are summarised on page 142.

### DIRECTORS

The directors who held office during the year and up to the date of this report were:

Mr KUOK Khoon Loong, Edward (*Chairman*)

Mr ANG Keng Lam

*(Deputy Chairman and Joint Managing Director)*

Mr WONG Siu Kong (*Joint Managing Director*)

Mr HO Shut Kan

Mr Thaddeus Thomas BECZAK

Mr Paul James Cromwell BUSH<sup>#</sup>

Dr FUNG Kwok King, Victor \*

Mrs LEE Pui Ling, Angelina \*

Mr Christopher Roger MOSS, O.B.E. \*

Mr Thomas Joseph BARRACK, Jr.<sup>#</sup>

– resigned on 12 September 2000

Dr SHAN Weijian<sup>#</sup>

– ceased to act with effect from 12 September 2000

*(alternate to Mr Thomas Joseph BARRACK, Jr.)*

<sup>#</sup> *Non-executive directors*

\* *Independent non-executive directors*

Mr Christopher Roger Moss, O.B.E. retires by rotation in accordance with Bye-law 118 of the Company's Bye-laws and, being eligible, offers himself for re-election.

### BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

#### *Executive Directors*

**Mr KUOK Khoon Loong, Edward**, aged 48, is the Chairman of the Company. He has been an executive director of the Company since January 1996. Prior to his election as Chairman of the Board of the Company in June 1999, he was the Deputy Chairman and Joint Managing Director of the Company. He is also a director of Kerry Holdings Limited, the immediate holding company of the Company. In addition, Mr Kuok is also a director of Allgreen Properties Limited, which is listed on the Singapore Stock Exchange and a Director of EDSA Properties Holdings Inc., which is listed on the Philippines Stock Exchange. Mr Kuok is the nephew of Mr Kuok Hock Nien and has been with the Kuok Group since 1978. His responsibilities within the Kerry Properties Group have included the development, construction and establishment of certain hotels and other properties in Hong Kong, the PRC and other areas in the region. He has a Master's degree in Economics from the University of Wales in the United Kingdom.

**Mr ANG Keng Lam**, aged 54, is the Deputy Chairman and Joint Managing Director of the Company, with overall responsibilities for the PRC property activities of the Group and is also responsible for overseeing the daily operations of the warehouse and logistics division of the Group. He has been an executive director and the Joint Managing Director of the Company since May 1996, and was elected Deputy Chairman of the Board of the Company in August 1999. Mr Ang is also a director of Kerry Holdings Limited, the immediate holding company of the Company. He is also a member of the National Committee of the C.P.P.C.C. and the Beijing Committee of the C.P.P.C.C., the Vice-Chairman of China World Trade Center Ltd. in Beijing and chairman of a number of the Group's companies in the PRC. Mr Ang has been a senior executive of the Kuok Group since 1976 and has been responsible for the planning and development of many Kuok Group projects, including Heng Fa Chuen in Hong Kong and the China World Trade Center in Beijing. He attended the University of Western Australia, where he gained his Bachelor's degree in Civil Engineering and the University of Toronto, where he obtained a Master's degree in Business Administration. Mr Ang also attended and completed the International Advanced Management Program at Harvard Business School in November 1998.

**Mr WONG Siu Kong**, aged 49, has been the Joint Managing Director of the Company since June 1999. He has been an executive director of the Company since May 1996. He joined the Kuok Group in 1991 with responsibilities for the Group's developments in Shanghai and Shenzhen, in the PRC. Mr Wong is a director of Kerry Holdings Limited, the immediate holding company of the Company. He is also a director of Kerry Investments (China) Limited, the Managing Director of Hong Kong Shanghai Development Co Ltd. and a director of a number of the Company's subsidiaries. He was educated in the PRC.

### BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

#### *Executive Directors (Continued)*

**Mr HO Shut Kan**, aged 52, has been an executive director of the Company since May 1998. He is an executive director of Kerry Properties (H.K.) Limited, the main operating company of the Group in Hong Kong. He is also a director of EDSA Properties Holdings Inc., which is listed on the Philippines Stock Exchange. From 1985 to 1990, he was a director and the Group General Manager of the principal Kerry Group Hong Kong property operating company. He is responsible for the Group's Hong Kong residential and commercial investments, property developments and infrastructure-related investments. Mr Ho has over 20 years' experience in the property field in Hong Kong and the PRC. He holds a Master of Business Administration Degree from the University of East Asia. He is presently a member of the Human Resources Committee of the Housing Authority of Hong Kong.

**Mr Thaddeus Thomas BECZAK**, aged 50, has been an executive director of the Company since August 1999. He is an executive director of Kerry Holdings Limited, the immediate holding company of the Company, an executive director of Shangri-La Asia Limited, the Deputy Chairman of South China Morning Post (Holdings) Limited and the Vice-Chairman of Kuok Philippine Properties, Inc., Manila. Prior to joining the Kerry Group, Mr Beczak was a Managing Director of J.P. Morgan Inc. and President of J.P. Morgan Securities Asia Ltd., Hong Kong. While being a banker, Mr Beczak was a committee member of the Hong Kong Association of Banks and a director of the Bank of the Philippine Islands. In November 1997, Mr Beczak was elected as a council member of the Stock Exchange of Hong Kong. He is the Chairman of the Stock Exchange of Hong Kong Listing Committee. Mr Beczak is a graduate of Georgetown University (B.S.F.S.) and Columbia University (M.B.A.). He is a member of the Board of Advisors of the School of Foreign Service of Georgetown University.

### BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

#### *Non-executive Director*

**Mr Paul James Cromwell BUSH**, aged 69, has been a non-executive director of the Company since April 1999. Prior to becoming a non-executive director of the Company, he was an executive director of the Company from January 1996 to March 1999. He joined the Kuok Group in Hong Kong as Group Advisor in 1991 and is a director of a number of companies within the Kuok Group, including South China Morning Post (Holdings) Limited. He is a Chartered Accountant (Australia) and was formerly a partner with Coopers & Lybrand (now PricewaterhouseCoopers), Sydney, Australia. After retirement from Coopers & Lybrand in 1980, he became a financial advisor and director of a number of Australian and overseas companies.

#### *Independent Non-executive Directors*

**Dr FUNG Kwok King, Victor**, aged 55, has been an independent non-executive director of the Company since May 1996. He is the Chairman of the Li & Fung Group, Prudential Asia Investments Ltd. and the Hong Kong Airport Authority, a non-executive director of Pacific Century CyberWorks Limited, Hysan Development Company Limited, Orient Overseas (International) Ltd, DBS Kwong On Bank Ltd and Sun Hung Kai Properties Limited and director of a number of other companies. From 1991 to September 2000, Dr Fung was the Chairman of the Hong Kong Trade Development Council. He holds a Bachelor and a Master degree in Electrical Engineering from the Massachusetts Institute of Technology and a Doctorate in Business Economics from Harvard University.

**Mrs LEE Pui Ling, Angelina**, aged 52, has been an independent non-executive director of the Company since May 1996. She is a practising solicitor in Hong Kong and a partner in the firm of Woo, Kwan, Lee & Lo. She is active in public service and serves on, inter alia, the Standing Committee on Company Law Reform, the Takeovers and Mergers Panel and the Managing Board of the Land Development Corporation. She has a Bachelor of Laws degree from University College London, United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales.

**Mr Christopher Roger MOSS**, O.B.E., aged 64, has been an independent non-executive director of the Company since May 1996. He is an international advisor to Goldman Sachs (Asia) L.L.C.. He retired as the Finance Director of the Mass Transit Railway Corporation, which position he held from 1984 until his retirement in 1996. He was previously the Finance Director of British Airways. Mr Moss is a Chartered Accountant and a graduate of Cambridge University in the United Kingdom.

### BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

#### *Senior Management*

**Mr CHEW Fook Aun**, aged 38, is the Chief Financial Officer of the Company. He is a director of EDSA Properties Holdings Inc., which is listed on the Philippines Stock Exchange. He is also a director of Asia Airfreight Terminal Company Limited, Shenzhen Kaifeng Terminal Co., Ltd, Shangri-La Plaza Corporation and KSA Realty Corporation. Prior to joining Kerry Holdings Limited in January 1995 as corporate finance manager, he was a senior manager with Ernst & Young, an international accounting firm in Hong Kong. He is a graduate of the London School of Economics and Political Science of the University of London in the United Kingdom and holds a Bachelor of Science (Economics) degree from the University of London. He trained and qualified as a Chartered Accountant with Ernst & Young in London. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Hong Kong Society of Accountants and serves as a Member of the Financial Management Committee of the Hong Kong Society of Accountants. Mr Chew also serves as the Secretary to the Audit and Remuneration Committees of the Board of the Company.

**Mr MA Wing Kai, William**, aged 39, is the Executive Director and Group General Manager of Kerry Logistics Network Limited, the logistics and warehouse operating division of the Group. Mr Ma joined Kerry Properties (H.K.) Limited, the main operating company of the Group, in September 1990, and was transferred to the logistics and warehouse division of the Group in June 1999. Mr Ma holds a Bachelor of Science (Management Sciences) degree from the University of Lancaster in the United Kingdom. In September 2000, Mr Ma also completed an executive education program – Managing the Supply Chain, at Harvard Business School.

#### *Company Secretary*

**Ms CHOW Yin Ping, Anita**, aged 34, has been the Company Secretary of the Company since May 1996. She joined the Kerry Group in 1991. Ms Chow is an associate member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

## REPORT OF THE DIRECTORS

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### PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

As at 31 December 2000, the interests of the Directors in the shares of the Company or any of its associated corporations (within the meaning of Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) (the "Associated Corporations") as recorded in the register required to be kept under Section 29 of the SDI Ordinance were as follows:

#### (i) The Company

<b>Name of director</b>	<b>Number of ordinary shares</b>	<b>Notes</b>
Mr KUOK Khoon Loong, Edward	857,704	1
Mr ANG Keng Lam	846,408	2
Mr WONG Siu Kong	111,550	1
Mr HO Shut Kan	Nil	
Mr Thaddeus Thomas BECZAK	100,000	3
Mr Paul James Cromwell BUSH	61,398	1
Dr FUNG Kwok King, Victor	Nil	
Mrs LEE Pui Ling, Angelina	Nil	
Mr Christopher Roger MOSS, O.B.E.	Nil	

*Notes:*

1. The relevant director has deemed interest in these shares held through a discretionary trust.
2. This represents personal interests in 128,370 shares held by the relevant director, deemed corporate interests in 220,309 shares held through a company controlled by the relevant director and a deemed interest in 497,729 shares held through a discretionary trust.
3. The relevant director has personal interests in these shares.



## PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES (CONTINUED)

### (ii) Associated Corporations

The following Directors have interests in the shares of Kerry Group Limited and/or Shangri-La International Hotels (Seoul) Limited as follows:

#### ***Kerry Group Limited***

<b>Name of director</b>	<b>Number of ordinary shares</b>	<b>Notes</b>
Mr KUOK Khoon Loong, Edward	37,694,101	1
Mr ANG Keng Lam	11,850,000	1
Mr WONG Siu Kong	1,754,300	1
Mr HO Shut Kan	165,000	2
Mr Paul James Cromwell BUSH	1,700,000	1

#### ***Shangri-La International Hotels (Seoul) Limited***

<b>Name of director</b>	<b>Number of ordinary shares</b>	<b>Notes</b>
Mr KUOK Khoon Loong, Edward	4,300	2

Notes:

1. The relevant director has deemed interest(s) in these shares held through discretionary trust(s).
2. This represents personal interests held by the relevant director.

Save as aforesaid, as at 31 December 2000, none of the Directors had any other interests in shares in or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 29 of the SDI Ordinance.

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### DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

#### (i) The Company

Pursuant to the terms of an executive share option scheme (the "Share Option Scheme") of the Company approved by the shareholders of the Company on 27 March 1997, following changes in the Company's issued share capital in 1999 and 2000, the respective exercise prices per option share of the unexercised options and the respective number of options exercisable were adjusted as follows with effect from 4 December 2000:

<u>Date of grant</u>	<u>Exercise price per share before adjustment</u>	<u>Exercise price per share after adjustment</u>	<u>Additional number of option shares granted to the Directors for the purpose of adjustment</u>
11/04/1997	HK\$16.00	HK\$15.77	98,898
27/11/1999	HK\$10.33	HK\$10.19	33,796
01/06/2000	HK\$7.17	HK\$7.08	38,260

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### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (CONTINUED)

#### (i) The Company (Continued)

As at 31 December 2000, the number of outstanding options granted by the Company under the Share Option Scheme to the Directors to subscribe for shares of the Company, as recorded in the register required to be kept under Section 29 of the SDI Ordinance was as follows:

Name of director	Date of grant	Tranche	Exercise period	Number of option shares of the Company				Exercise price
				At 1 January 2000	Granted on 1 June 2000	Adjustment on 4 December 2000	At 31 December 2000	
Mr KUOK Khoon Loong, Edward	11/04/1997	N/A	11/04/1999-26/03/2007	2,734,375	N/A	39,879	2,774,254	HK\$15.77
	27/11/1999	I	27/05/2000-26/03/2007	400,000	N/A	5,495	405,495	HK\$10.19
		II	27/05/2001-26/03/2007	400,000	N/A	5,496	405,496	HK\$10.19
							810,991	
	01/06/2000	I	01/06/2001-31/05/2010	N/A	327,000	4,000	331,000	HK\$7.08
		II	01/06/2002-31/05/2010	N/A	327,000	4,000	331,000	HK\$7.08
		III	01/06/2003-31/05/2010	N/A	326,000	4,457	330,457	HK\$7.08
							992,457	
							4,577,702	

## REPORT OF THE DIRECTORS

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (CONTINUED)

#### (i) The Company (Continued)

Name of director	Date of grant	Tranche	Exercise period	Number of option shares of the Company				Exercise price
				At 1	Granted on	Adjustment	At 31	
				January 2000	1 June 2000	on 4 December 2000	December 2000	
Mr ANG Keng Lam	11/04/1997	N/A	11/04/1999- 26/03/2007	1,640,625	N/A	23,927	1,664,552	HK\$15.77
	27/11/1999	I	27/05/2000- 26/03/2007	400,000	N/A	5,495	405,495	HK\$10.19
		II	27/05/2001- 26/03/2007	400,000	N/A	5,496	405,496	HK\$10.19
							810,991	
	01/06/2000	I	01/06/2001- 31/05/2010	N/A	327,000	4,000	331,000	HK\$7.08
		II	01/06/2002- 31/05/2010	N/A	327,000	4,000	331,000	HK\$7.08
		III	01/06/2003- 31/05/2010	N/A	326,000	4,457	330,457	HK\$7.08
							992,457	
							3,468,000	
Mr WONG Siu Kong	11/04/1997	N/A	11/04/1999- 26/03/2007	1,093,750	N/A	15,951	1,109,701	HK\$15.77
	27/11/1999	I	27/05/2000- 26/03/2007	200,000	N/A	2,747	202,747	HK\$10.19
		II	27/05/2001- 26/03/2007	200,000	N/A	2,748	202,748	HK\$10.19
							405,495	
	01/06/2000	I	01/06/2001- 31/05/2010	N/A	167,000	2,000	169,000	HK\$7.08
		II	01/06/2002- 31/05/2010	N/A	167,000	2,000	169,000	HK\$7.08
		III	01/06/2003- 31/05/2010	N/A	166,000	2,355	168,355	HK\$7.08
							506,355	
							2,021,551	

## REPORT OF THE DIRECTORS

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (CONTINUED)

#### (i) The Company (Continued)

Name of director	Date of grant	Tranche	Exercise period	Number of option shares of the Company				Exercise price
				At 1	Granted on	Adjustment	At 31	
				January	1 June	on 4	December	
Mr HO Shut Kan	11/04/1997	N/A	11/04/1999-26/03/2007	765,625	N/A	11,166	776,791	HK\$15.77
	27/11/1999	I	27/05/2000-26/03/2007	130,000	N/A	1,786	131,786	HK\$10.19
		II	27/05/2001-26/03/2007	130,000	N/A	1,786	131,786	HK\$10.19
							263,572	
	01/06/2000	I	01/06/2001-31/05/2010	N/A	117,000	2,000	119,000	HK\$7.08
		II	01/06/2002-31/05/2010	N/A	117,000	2,000	119,000	HK\$7.08
		III	01/06/2003-31/05/2010	N/A	116,000	449	116,449	HK\$7.08
							354,449	
							1,394,812	
Mr Thaddeus Thomas BECZAK	27/11/1999	I	27/05/2000-26/03/2007	100,000	N/A	1,373	101,373	HK\$10.19
		II	27/05/2001-26/03/2007	100,000	N/A	1,374	101,374	HK\$10.19
							202,747	
	01/06/2000	I	01/06/2001-31/05/2010	N/A	67,000	1,000	68,000	HK\$7.08
		II	01/06/2002-31/05/2010	N/A	67,000	1,000	68,000	HK\$7.08
		III	01/06/2003-31/05/2010	N/A	66,000	542	66,542	HK\$7.08
							202,542	
							405,289	

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (CONTINUED)

(i) **The Company** (Continued)

Name of director	Date of grant	Tranche	Exercise period	Number of option shares of the Company				Exercise price
				At 1 January 2000	Granted on 1 June 2000	Adjustment on 4 December 2000	At 31 December 2000	
Mr Paul James Cromwell	11/04/1997	N/A	11/04/1999-26/03/2007	546,875	N/A	7,975	<u>554,850</u>	HK\$15.77

(ii) **Associated Corporations**

Pursuant to a share option scheme adopted by Kerry Group Limited, the ultimate holding company of the Company, on 17 November 1999, the directors of Kerry Group Limited granted options in favour of the following Directors to subscribe for shares in Kerry Group Limited as follows:

Name of director	Date of grant	Exercise period	Exercise price	Number of option shares of Kerry Group Limited
Mr KUOK Khoon Loong, Edward	04/05/2000	04/11/2000-04/05/2007	HK\$4.20	10,000,000
Mr ANG Keng Lam	04/05/2000	04/11/2000-04/05/2007	HK\$4.20	6,000,000
Mr WONG Siu Kong	04/05/2000	04/11/2000-04/05/2007	HK\$4.20	5,000,000
Mr HO Shut Kan	04/05/2000	04/11/2000-04/05/2007	HK\$4.20	1,000,000
Mr Thaddeus Thomas BECZAK	04/05/2000	04/11/2000-04/05/2007	HK\$4.20	5,000,000

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### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (CONTINUED)

Apart from the aforesaid, at no time during the year ended 31 December 2000 was the Company or any of its Associated Corporations a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or their spouses or children under 18 years of age was granted any right to subscribe for any shares in, or debentures of, the Company or any of its Associated Corporations.

### SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2000, as far as the Directors are aware, the interests of the substantial shareholders in the shares of the Company were as follows:

<b>Name of substantial shareholder</b>	<b>Number of ordinary shares</b>
Kerry Group Limited	731,326,336 <i>(Note)</i>
Kerry Holdings Limited	731,326,336 <i>(Note)</i>

*Note:* Kerry Properties Limited is a subsidiary of Kerry Holdings Limited. Kerry Holdings Limited itself is a subsidiary of Kerry Group Limited and, accordingly, the shares in which Kerry Holdings Limited is shown to be interested are also included in the shares in which Kerry Group Limited is shown to be interested.

Apart from the aforesaid, as at 31 December 2000, the Company had not been notified of any interest amounting to 10% or more of the issued share capital of the Company required to be disclosed pursuant to the SDI Ordinance.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the law in Bermuda.

### SERVICE AND MANAGEMENT CONTRACTS

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any Director proposed for re-election at the forthcoming Annual General Meeting.

Details of contracts of significance for the provision of services by related parties are set out in note 29 to the accounts.

### MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the five largest customers combined and the five largest suppliers combined are less than 30% of the Group's total turnover and purchases, respectively.

### DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this report, the Directors who are considered to have interests in the following businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors have been appointed/were appointed as directors to represent the interests of the Company and/or the Group, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out below.

Mr Kuok Khoon Loong, Edward is a director of the Allgreen Properties Limited ("Allgreen") group of companies which businesses consist of property investment and development, property and project management, operators of office, retail and service apartments in Singapore. In this regard, Mr Kuok is regarded to be interested in such competing businesses (the "Excluded Businesses") of the Group. Allgreen is listed on the Singapore Stock Exchange.

Messrs Kuok Khoon Loong, Edward, Ang Keng Lam, Wong Siu Kong and Thaddeus Thomas Beczak are directors of the Shangri-La Asia Limited ("SA") group of companies which businesses consist of hotel ownership and operation. In this regard, they are regarded to be interested in the Excluded Businesses of the Group. SA is listed on The Stock Exchange of Hong Kong Limited.

Messrs Kuok Khoon Loong, Edward and Thaddeus Thomas Beczak are directors of Kuok Philippine Properties, Inc. ("KPPI") which businesses consist of property investment and development and real estate management in the Philippines. In this regard, they are regarded to be interested in the Excluded Businesses of the Group. KPPI is listed on the Philippine Stock Exchange.



### DIRECTORS' INTEREST IN COMPETING BUSINESS (CONTINUED)

Mr Ang Keng Lam is a director of the China World Trade Center Ltd. group of companies which businesses consist of property investment and development, hotel ownership and operation in the PRC. In this regard, Mr Ang is regarded to be interested in the Excluded Businesses of the Group.

The abovementioned Excluded Businesses are managed by publicly listed companies (in the case of Allgreen, SA and KPPI) with independent management and administration.

All the incumbent executive directors and the incumbent non-executive director maintain certain personal and deemed interests and/or directorships in personal investment entities and/or other entities within the Kerry Group Limited group of companies which businesses consist of property investment and development, hotel ownership and operation, warehouse ownership and operation, port terminal ownership and operation and freight operations. In this regard, they are regarded to be interested in the Excluded Businesses of the Group. However, the size of the businesses undertaken by these entities in which they are appointed directors and/or they have deemed/beneficial interests are considered insignificant and immaterial as compared to the Group.

As the Board of Directors of the Company is independent of the boards of the abovementioned companies carrying out the Excluded Businesses, the Group is capable of carrying on its business independent of, and at arm's length from, the Excluded Businesses mentioned above.

### CONNECTED TRANSACTIONS

Details of the connected transactions of the Group during the year are set out below:

- (i) A shareholders agreement dated 19 June 2000 made between, amongst others, ISA Investments Limited ("ISA"), an indirect wholly-owned subsidiary of the Company, Lettonie Limited ("Lettonie") and New Top Finance Limited ("New Top"), pursuant to which ISA, Lettonie and New Top have subscribed for approximately 6.82%, 15.91% and 22.73% of the initial issued ordinary shares of C Tech Fund ("C Tech"), respectively. C Tech is a venture capital fund that intends to focus on investments in a portfolio of technology companies based in the PRC.

Lettonie is a subsidiary of Kerry Holdings Limited which is a substantial shareholder (as defined in the Listing Rules) of the Company. New Top's ultimate holding company is a substantial shareholder of a subsidiary of the Company. Hence, both Lettonie and New Top are connected persons (as defined in the Listing Rules) of the Company.

### CONNECTED TRANSACTIONS (CONTINUED)

- (ii) An agreement dated 28 August 2000 entered into between Win House Industries Limited, an indirect wholly-owned subsidiary of the Company, and Kai Tai Construction & Engineering Company Limited ("Kai Tai"), an associate of a director of certain subsidiaries of the Company, for the purpose of establishing a joint venture company in the name of Temmex Limited ("Temmex") with a proportionate shareholding of 75% and 25%, respectively. On the same date, Maple Crest Development Limited ("Maple Crest"), an indirect subsidiary of the Company entered into a contract with Temmex to engage Temmex to carry out the works in connection with the construction of the superstructure of a residential development on a site owned by Maple Crest.

Maple Crest is beneficially owned as to 75% by the Company and 25% by a group of parties in which Kai Tai is a member.

- (iii) A purchase agreement dated 7 September 2000 made between Travel Aim Investment B.V. ("Travel Aim"), an indirect wholly-owned subsidiary of the Company, and Ideal Sites And Properties, Inc. ("Ideal Sites"), a wholly-owned subsidiary of Kuok Philippine Properties, Inc. ("KPPI") (which is a member of the Kuok Group as defined in the prospectus of the Company dated 23 July 1996), pursuant to which Travel Aim has agreed to purchase from Ideal Sites 420,502,000 Philippine Deposit Receipts ("PDRs"), with 420,502,000 common shares of par value 1 Peso each of the capital stock of EDSA Properties Holdings Inc. ("EPHI") (a company listed on the Philippine Stock Exchange) beneficially owned by Ideal Sites serving as the underlying securities for the said PDRs, at a total issue price of Pesos 883,054,200.
- (iv) An agreement dated 26 September 2000 entered into between Auto Plaza Limited ("Auto Plaza"), Prolane Developments Limited ("Prolane"), the Company and Sino Land Company Limited ("Sino Land") in relation to the sale of 50,000 ordinary shares and 54,188,097 non-voting deferred shares held by Auto Plaza in the issued capital of Brisbane Trading Company Limited ("Brisbane") (being 50% and approximately 49.9999991% of the issued ordinary shares and non-voting deferred shares, respectively, in the capital of Brisbane) to Prolane at a total consideration of HK\$500,001. Upon the completion of the transaction, Brisbane became a joint venture entity beneficially owned by the Company and Sino Land as to 50% each. The principal activity of Brisbane is to undertake a residential project for the development of a site in Hong Kong.

Auto Plaza is an indirect wholly-owned subsidiary of the Company and Prolane is a wholly-owned subsidiary of Sino Land. Sino Land is a substantial shareholder (as defined in the Listing Rules) of certain subsidiaries of the Company and accordingly, both Sino Land and Prolane are connected persons (as defined in the Listing Rules) of the Company. Therefore, the sale of shares in Brisbane and the development of residential project jointly constitutes a connected transaction of the Company under the Listing Rules.

### CONNECTED TRANSACTIONS (CONTINUED)

- (v) Under a stock purchase agreement dated 31 October 2000, Travel Aim has agreed to purchase or procure its nominee to purchase from KPPI up to 302,569,038 common shares in EPHI at a price of Pesos 2.10 per share (i.e. at a total purchase price of Pesos 635,394,979.80), and under a PDR purchase agreement dated 31 October 2000, Travel Aim has agreed to purchase or procure its nominee to purchase from Ideal Sites up to 512,711,138 PDRs with an equivalent number of shares in EPHI beneficially owned by Ideal Sites serving as underlying securities at a price of Pesos 2.10 per PDR (i.e. at a total consideration of Pesos 1,076,693,389.80).
- (vi) The Group has made various advances to a 75% owned subsidiary (the "Developer") pursuant to an agreement (the "Agreement") with the minority shareholder which holds the remaining 25% interest in the Developer (the "Minority Shareholder"). Pursuant to the Agreement, advances are to be made by the Group to the Developer for financing the development of the property held by the Developer if external financing for the estimated construction and other costs of development cannot be obtained. Such advances shall bear interest at the rate of 1.5% per annum above the prime or best lending rate from time to time of The Hongkong and Shanghai Banking Corporation Limited for Hong Kong dollars in Hong Kong. The advances are secured by way of fixed and/or floating charges over the assets or any part thereof of the Developer. Shareholder's loans provided by the shareholders in proportion to their shareholdings in the Developer are subordinated to such advances by the Group.

The Minority Shareholder is connected to the Group by virtue only of its substantial shareholding in the Developer. As at 31 December 2000, the advances outstanding amounted to approximately HK\$181,774,000 (1999: HK\$122,751,000) and interest charged during the year ended 31 December 2000 amounted to approximately HK\$18,351,000 (1999: HK\$11,425,000).

All the above connected transactions are disclosed in accordance with Chapter 14 of the Listing Rules.

As disclosed by South China Morning Post (Holdings) Limited ("SCMP Holdings"), which is a connected person (as defined in the Listing Rules) of the Company by virtue of it being a member of the Kuok Group (as defined in the Company's prospectus dated 23 July 1996), on 31 July 2000, Kerry Logistics (Hong Kong) Limited ("KL- Hong Kong"), an indirect wholly-owned subsidiary of the Company, entered into 5 separate logistics services agreements (together the "Logistics Agreements"), one of which expired on 30 June 2000, with Highlight Trading Limited, Highlight Trading (HK) Limited, SCMP Retailing (HK) Limited and SCMP Book Publishing Limited, all wholly-owned subsidiaries of SCMP Holdings (the "SCMP Subsidiaries"), regarding the provision of logistics services by KL-Hong Kong to each of the SCMP Subsidiaries. The provision of such logistics services is within the ordinary course of business of KL-Hong Kong and the Logistics Agreements were reached on an arm's length basis.

### CONNECTED TRANSACTIONS (CONTINUED)

The entering into of the Logistics Agreements constitutes connected transactions of the Company under the Listing Rules. For the purpose of Rule 14.25(1) of the Listing Rules, both the respective basic service fee received as well as fees estimated to be received from the SCMP Subsidiaries under each of the Logistics Agreements and the aggregate basic service fee receivable for all 5 Logistics Agreements whether on an annual basis or in respect of the fixed term of all the Logistics Agreements was less than 0.03% of the book value of the net tangible assets of the Company at the time when SCMP Holdings disclosed the above connected transactions by way of a press notice on 31 July 2000.

As at the present date, the remaining 4 Logistics Agreements are still operative and the accumulated consideration received by KL-Hong Kong therefrom is still below the threshold for disclosure as required by Rule 14.25(1) of the Listing Rules. However, as the Logistics Agreements are still ongoing and the cumulative amounts involved might, in future, reach the level required for disclosure as stipulated by Rule 14.25(1) of the Listing Rules, the Company is aware and will make the appropriate disclosure as required by the Listing Rules when necessary.

During the year, there were other connected transactions as set out in Note 29 to the accounts, which are disclosed herein in accordance with a waiver previously granted by the Listing Division of the Stock Exchange of Hong Kong. In the opinion of the independent non-executive directors of the Company, these transactions were carried out on normal commercial terms and in the ordinary course of business of the Group.

### CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the financial year under review.

The term of office for the non-executive directors of the Company are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Bye-laws.

### AUDIT COMMITTEE

The Audit Committee has been established since 1998 and currently comprises all four non-executive directors of the Company, including all three independent non-executive directors. It acts in an advisory capacity and makes recommendations to the Board. It reviews the internal control systems throughout the Group, the completeness and accuracy of the financial statements and liaises on behalf of the Board with the auditors. The Audit Committee met three times during 2000 and twice in the year to date in conjunction with the auditors, to review audit reports, status of the Group's audits, internal controls and the interim and the final financial statements of the Group prior to recommending them to the Board for approval.

### PRACTICE NOTE 19 OF THE LISTING RULES

#### (i) **Specific Performance Obligations on Controlling Shareholder**

In accordance with the disclosure requirements of Paragraph 3.7.1 of Practice Note 19 of the Listing Rules ("PN 19"), the Company makes the following disclosures in relation to the details of loan agreements which contain covenants requiring specific performance obligations of the controlling shareholder of the Company and breach of such obligations will cause defaults in respect of loans that are significant to the operations of the Company:

- (a) pursuant to a loan agreement dated 27 September 1996 made between, inter alia, the Company as borrower and ABN AMRO Bank N.V., Hong Kong Branch as the agent, relating to a five-year unsecured syndicated term loan facility of HK\$4,000,000,000 (comprising a US\$ tranche of US\$122,000,000 and a HK\$ tranche of HK\$3,048,400,000), it would be a termination event if the Kuok Group, as defined therein, ceases to own beneficially directly or indirectly at least 51% of the shares in the Company's capital and this is not remedied within seven business days after the agent has given notice to the Company requiring it to be remedied; and
- (b) pursuant to a loan agreement dated 24 May 2000 made between, inter alia, the Company as borrower and BOCI Capital Limited as agent, relating to a five-year HK\$4.205 billion loan facility, it would be a termination event if Kerry Group Limited, its subsidiaries and its associated companies cease to own (directly or indirectly) beneficially the higher of 35% and any per cent which is greater than that which any other person owns beneficially of the shares in the Company's capital carrying rights to vote, or, cease to have the power to control and direct the policies and management of the Company, and, in either case, this is not remedied within seven business days after the agent has given notice to the Company requiring it to be remedied.

#### (ii) **Financial Assistance and Guarantees to Affiliated Companies**

As disclosed in the Company's 1999 annual report and 2000 interim report, the circumstances giving rise to a disclosure under paragraph 3.3 of PN 19 no longer exist. This is still the case as at 31 December 2000. However, the Directors, in accordance with the recommendation of the Audit Committee of the Board of Directors of the Company, consider that in the interest of good corporate governance and disclosure, the Company continues to make such disclosures.

## REPORT OF THE DIRECTORS

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### PRACTICE NOTE 19 OF THE LISTING RULES (CONTINUED)

#### (ii) Financial Assistance and Guarantees to Affiliated Companies (Continued)

In line with the disclosure requirements of Paragraph 3.10 of PN 19, the Company continues to disclose the following information as at 31 December 2000 in relation to the affiliated companies as at the end of the most recent financial period reported on by the affiliated companies. This information has been extracted from the relevant audited accounts or management accounts of the affiliated companies.

	Notes	HK\$'000
The Group's share of total indebtedness analysed as follows:		
Bank borrowings	1	2,450,847
Other borrowings including loans from shareholders	2	4,180,392
		<u>6,631,239</u>
The Group's share of capital commitments		
Authorised but not contracted for		1,618
Contracted but not provided for		690,467
		<u>692,085</u>

Notes:

1. As at 31 December 2000, banking and other facilities utilised by the affiliated companies and guaranteed by the Group amounted to approximately HK\$1,715 million.
2. The above amount includes borrowings from the Group. As at 31 December 2000, such borrowings amounted to approximately HK\$4,038 million and were included in amounts due from associated companies disclosed in note 13 to the accounts.

#### AUDITORS

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

**On behalf of the Board**



**Kuok Khoon Loong, Edward**

Chairman

23 February 2001