

# DIRECTORS' REPORT

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## DIRECTORS' INTERESTS IN SECURITIES - continued

### Notes:

- (1) 236,233,628 shares in the Bank are attributed as follows:
  - (i) 196,233,628 shares held by public listed Liu Chong Hing Investment Limited's wholly-owned subsidiary, Liu Chong Hing Estate Company, Limited ("Liu Chong Hing Estate"), in which each of Messrs Liu Lit Man, Liu Lit Mo, Liu Lit Chi, Liu Lit To and Liu Lit Chung is deemed under the SDI Ordinance to be interested through Liu's Holdings Limited, a private company holding approximately 45 percent of Liu Chong Hing Investment Limited's issued and fully-paid share capital; and
  - (ii) 40,000,000 shares held by The Bank of Tokyo-Mitsubishi, Ltd ("Bank of Tokyo-Mitsubishi"). Pursuant to an agreement in 1994, Bank of Tokyo-Mitsubishi has granted an option to Liu Chong Hing Estate exercisable at any time during the term of that agreement to purchase all such shares and Bank of Tokyo-Mitsubishi is required to offer to sell all such shares to Liu Chong Hing Estate in certain circumstances. By virtue of the interests of Messrs Liu Lit Man, Liu Lit Mo, Liu Lit Chi, Liu Lit To and Liu Lit Chung in Liu Chong Hing Estate through Liu's Holdings Limited, each of them is deemed under the SDI Ordinance to be interested in such shares.
- (2) 2,263,211 shares in the Bank are held by Alba Holdings Limited, shareholders of which include Mr Liu Lit Chi and his associates. Accordingly, Mr Liu Lit Chi is deemed under the SDI Ordinance to be interested in such shares.
- (3) 1,018,000 shares in the Bank are held collectively by Bangkok Mercantile (HK) Company Limited and United Asia Company Limited. These corporations or their directors are accustomed to acting in accordance with Dr Robin Yau Hing Chan's directions or instructions.

Other than those interests disclosed above and certain nominee shares in subsidiaries held by directors in trust for the Bank, as at 31 December 2000, none of the directors and the chief executive, nor their respective associates, had any interests in any securities of the Bank and its associated corporations as defined in the SDI Ordinance, and none of the directors and the chief executive, nor their respective spouses and children under 18 years of age, had been granted any rights to subscribe for the securities of the Bank, much less had any such rights exercised.

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 10% or more in the securities of the Bank:

Name	Number of Ordinary Shares Held	%
Liu Chong Hing Estate Company, Limited	196,233,628 <i>Note (1)</i>	45.11
Liu Chong Hing Investment Limited	196,233,628 <i>Note (1)</i>	45.11
Liu's Holdings Limited	196,233,628 <i>Note (1)</i>	45.11
Bauhinia 97 Ltd	87,000,000 <i>Note (2)</i>	20.00
COSCO Pacific Limited	87,000,000 <i>Note (2)</i>	20.00
COSCO (Hong Kong) Group Limited	87,000,000 <i>Note (2)</i>	20.00
China Ocean Shipping (Group) Company	87,000,000 <i>Note (2)</i>	20.00

### Notes:

- (1) These interests are the same as those of certain directors disclosed above under the heading "DIRECTORS' INTERESTS IN SECURITIES" Note (1)(i). Liu Chong Hing Estate Company, Limited is a wholly-owned subsidiary of Liu Chong Hing Investment Limited, a public company listed on The Stock Exchange of Hong Kong Limited. Liu's Holdings Limited, a private company, had interest in about 45 percent of Liu Chong Hing Investment Limited's issued and fully-paid share capital. The references to the 196,233,628 shares concerned all relate to the same block of 196,233,628 shares registered in the name of Liu Chong Hing Estate Company, Limited.
- (2) China Ocean Shipping (Group) Company is the holding company of COSCO (Hong Kong) Group Limited, which is in turn the holding company of COSCO Pacific Limited, a public company listed on The Stock Exchange of Hong Kong Limited. The references to the 87,000,000 shares in question all relate to the same block of 87,000,000 shares registered in the name of Bauhinia 97 Ltd, which is a company wholly-owned by COSCO Pacific Limited.

Other than those interests disclosed above under the SDI Ordinance, the Bank had not been notified of any other interests representing 10% or more in the securities of the Bank as at 31 December 2000.

# DIRECTORS' REPORT

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## CONNECTED TRANSACTIONS

The connected transactions between the Group, Liu Chong Hing Investment Limited and its subsidiaries ("Liu Chong Hing Investment Group") and COSCO Pacific Limited, its subsidiaries, its holding companies and/or its fellow subsidiaries ("COSCO Group") during the year are as follows:

- A. The Bank handled routine banking transactions for the members of the Liu Chong Hing Investment Group. Services provided by the Bank are cheque clearing, current, savings and deposit accounts, remittances, and other banking facilities.
- B. Members of the Group provided securities and futures brokerage, nominee and data processing services to members of the Liu Chong Hing Investment Group.
- C. Liu Chong Hing Investment Limited through its wholly-owned subsidiary, Liu Chong Hing Insurance Company Limited, provided insurance agency and underwriting services to members of the Group. In addition, Liu Chong Hing Investment Limited through another wholly-owned subsidiary, Liu Chong Hing Property Management and Agency Limited, provided property management, property consultancy and property maintenance services to the Bank.
- D. The Bank leased office premises of the Western Harbour Centre, a property owned by the Liu Chong Hing Investment Group. On the other hand, Liu Chong Hing Investment Limited subleased office premises of the Liu Chong Hing Bank Building from the Bank.
- E. The Bank and its subsidiaries provided banking and related financial services to the COSCO Group including cheque clearing, current and savings accounts and fixed deposits in a number of currencies, foreign exchange, remittances, stockbroking and nominee services. The Bank also provided loan facilities to the COSCO Group on a bilateral basis or through participating in syndicated loans.

# DIRECTORS' REPORT

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## **CONNECTED TRANSACTIONS - continued**

Messrs Liu Lit Man, Liu Lit Mo, Liu Lit Chi, Peter Alan Lee Vine, Robin Yau Hing Chan, Timothy George Freshwater, Liu Lit To, Liu Lit Chung, Andrew Liu, Chang Ying Kuang, Dominic Bing Hoi Lam, Don Tit Shing Liu and Christopher Kwun Shing Liu (alternate director to Dr Liu Lit Chung) are interested, directly or indirectly, in the respective share capitals of Liu Chong Hing Investment Limited and/or the Bank.

In the opinion of the directors, including the independent non-executive directors, the transactions in question were conducted in the ordinary and usual course of business of the Group on normal commercial terms which are fair and reasonable as far as the shareholders of the Bank are concerned.

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Other than those interests disclosed above under the heading "CONNECTED TRANSACTIONS", no contracts of significance to which the Bank or any of its subsidiaries was a party and in which a director of the Bank had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

Other than the share option scheme referred to in note 21 to the financial statements, at no time during the year was the Bank or any of its subsidiaries a party to any arrangements to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

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

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

## **DONATIONS**

During the year, the Group made charitable and other donations amounting to approximately HK\$246,000 (1999: HK\$266,000).

# DIRECTORS' REPORT

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## **COMPLIANCE WITH THE GUIDELINE “FINANCIAL DISCLOSURE BY LOCALLY INCORPORATED AUTHORISED INSTITUTIONS” (THE “GUIDELINE”)**

The Bank has complied with the Guideline which was issued by the Hong Kong Monetary Authority in December 2000.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

The Bank has complied throughout the year ended 31 December 2000 with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **AUDITORS**

Messrs Deloitte Touche Tohmatsu will retire at the conclusion of the Bank's forthcoming annual general meeting. Being eligible, they will offer themselves for re-appointment as the Bank's auditors at that meeting.

On behalf of the Board

**Liu Lit Man**

*Chairman & Managing Director*

15 March 2001