

# Directors' Report

## **DIRECTORS' REPORT**

The Directors have pleasure in submitting their Report together with the Audited Accounts of the Company and the Group for the financial year ended 31st December, 2000.

## **PRINCIPAL ACTIVITIES**

The Company is an investment company. The principal activities of the Company's subsidiaries include investment holding, property investment and development, property agency and management, project management and property finance and are more particularly set out in Note 12 to the Accounts.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the financial year ended 31st December, 2000 are set out in the Consolidated Profit and Loss Account on page 30.

No interim dividend (1999: Nil) was paid and the Directors do not recommend the payment of any final dividend for the year ended 31st December, 2000 (1999: Nil).

## **FIVE YEARS' FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 8.

## **RESERVES**

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

Under the Company Act of Bermuda, the capital redemption reserve and the contributed surplus are distributable to shareholders. Accordingly, total distributable reserves of the Company at 31st December, 2000 amounted to HK\$588,991,000 (1999: HK\$1,264,527,000).

## **FIXED ASSETS**

Details of the movements in fixed assets are shown in Note 11 to the Accounts.

## **PROPERTIES**

Details of the Group's interest in properties are set out on pages 14 to 16.

# Directors' Report

## **BORROWINGS AND INTEREST CAPITALISED**

Bank loans, overdrafts and other borrowings repayable within one year or on demand are classified in the Accounts as current liabilities. Particulars of long term borrowings outstanding at the end of the year and details regarding the maturity profile of bank loans and other borrowings are set out in Note 23 to the Accounts. Interest capitalised by the Group during the year amounted to HK\$1,178,000.

## **SHARE CAPITAL**

Details of the movements in share capital of the Company are shown in Note 20 to the Accounts. No pre-emptive rights exist in Bermuda in which the Company was incorporated.

## **FINANCIAL REVIEW**

The Group's net borrowings at 31st December, 2000 amounted to approximately HK\$832.4 million (1999: HK\$876.1 million), resulting in a gearing ratio of approximately 45.2% (1999: 34.8%) based on shareholders' equity of approximately HK\$1,840.3 million (1999: HK\$2,515.9 million). The Group's borrowings are subject to floating interest rates. Of the total amounts of bank borrowings and other borrowings outstanding as at the year end, 9% (1999: 26%) are repayable within the next year, 55% (1999: 34%) repayable within the second year with the remaining balance repayable in the third to fifth years, inclusive. The Group does not have significant foreign exchange exposure as most of the Group's borrowings are in Hong Kong dollars and United States dollars. The Group will continue its financial strategy by reducing its borrowings as appropriate. Taking into account available credit facilities and cash in hand, the Group has sufficient working capital for its present requirements.

# Directors' Report

## DIRECTORS

The Directors of the Company during the year were:–

Mr. Fa-kuang Hu, CBE, JP (*Chairman*)

Mr. Raymond Liang-ming Hu (*Deputy Chairman and Managing Director*)

Mr. Herman Shao-ming Hu, JP (*Executive Director*)

Mr. David Hsu (*Executive Director*)

Mr. Tony Ka-tung Leung (*Executive Director*)

Mr. Pei-fu Yao

Mr. Cham-son Chau, OBE, JP

Mr. Hon-chiu Lee, GBS, JP

Mr. Kai-shui Lo (*resigned on 18th May, 2000*)

Dr. Wai-yung Wu, OBE, JP

Ms. Maria Wai-chu Tam, GBS, JP

In accordance with the provisions in the Company's Bye-Laws, all the Directors for the time being shall retire from office and being eligible, offer themselves for re-election.

Mr. Fa-kuang Hu was appointed to the office of Executive Chairman of the Company under an appointment letter for a term of three years from 1st September, 1992 renewable automatically for successive terms of one year each unless terminated by not less than six months' notice in writing expiring at the end of the initial term or any renewed term of appointment given by Mr. Hu or by the Company. The said appointment letter was renewed in 2000.

Mr. Raymond Liang-ming Hu was appointed Managing Director of the Company under a service agreement for a term of three years from 1st September, 1992 renewable automatically for successive terms of one year each unless terminated by not less than six months' notice in writing expiring at the end of the initial term or any renewed term of appointment given by Mr. Hu or by the Company. The said service agreement was renewed in 2000.

Save as aforesaid, none of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation.

# Directors' Report

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Fa-kuang HU**, CBE, JP, BSc, FHKIE, aged 77, appointed on 20th August, 1992, is the founder and Chairman of the Group and the director of various subsidiaries of the Group. Mr. Hu is also the director of Designcase Limited and Summit Holdings Limited, the substantial shareholders of the Company. Mr. Hu also holds directorships in a number of listed companies in Hong Kong including The Cross-Harbour (Holdings) Limited, i-CABLE Communications Limited and Hysan Development Company Limited. Mr. Hu is a director of a listed company in the People's Republic of China, namely Shanghai Jin Jiang Tower Co., Ltd. Mr. Hu is also a member of the Chinese People's Political Consultative Conference. He is the father of Messrs. Raymond Liang-ming Hu and Herman Shao-ming Hu.

**Mr. Raymond Liang-ming HU**, BA, MBA, aged 44, appointed on 20th August, 1992, is the Deputy Chairman and Managing Director of the Group and the director of various subsidiaries of the Group. Mr. Hu is also the director of Designcase Limited and Summit Holdings Limited, the substantial shareholders of the Company. He is the alternate director to Mr. Fa-kuang Hu of Hysan Development Company Limited. Mr. Hu has extensive experience in property investment and development. He is the son of Mr. Fa-kuang Hu and the brother of Mr. Herman Shao-ming Hu.

**Mr. Herman Shao-ming HU**, JP, BSc, FCIBSE, FHKIE, MIEEE, C. Eng., aged 47, appointed on 20th August, 1992, is the director of various subsidiaries of the Group and non-executive director of Cheung Fung Technology (Holdings) Limited, a listed company in Hong Kong. Mr. Hu is also the director of Designcase Limited and Summit Holdings Limited, the substantial shareholders of the Company. He is also a member of Shanghai People's Political Consultative Conference. Mr. Hu has extensive experience in property and property related business. He is the son of Mr. Fa-kuang Hu and the brother of Mr. Raymond Liang-ming Hu.

**Mr. David HSU**, BSc, MBA, aged 48, appointed on 27th September, 1993, is the director of various subsidiaries of the Group. Prior to joining the Group, Mr. Hsu had over 16 years of experience in merchant banking's corporate finance activities.

**Mr. Tony Ka-tung LEUNG**, BSc (Hons), FHIREA, aged 51, appointed on 12th June, 1997, is the director of various subsidiaries of the Group. Prior to joining the Group, Mr. Leung had over 21 years of experience in the property industry through his prior employment with Buildings and Lands Department of the Hong Kong Government, various prominent listed property developers and a leading surveyor company. He is the Founder Chairman and Past President (1992-4) of the Hong Kong Institute of Real Estate Administration.

# Directors' Report

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT** *(continued)*

### **Non-Executive Directors**

**Mr. Pei-fu YAO**, aged 53, appointed on 20th September, 1997. Mr. Yao is the Vice Chairman of China Overseas Land & Investment Limited, a substantial shareholder of the Company. He has over 31 years' experience in structural engineering, project management and property development.

**Mr. Cham-son CHAU**, OBE, JP, B.Arch., LLD, aged 68, appointed as Independent Non-Executive Director on 20th August, 1992. Mr. Chau is a Fellow of the Royal Town Planning Institute (UK) and Fellow of the Hong Kong Institute of Planners. Mr. Chau has over 34 years of experience in the field of town planning, building and land development in Hong Kong and is a former director of the Buildings and Lands Department of the Hong Kong Government.

**Mr. Hon-chiu LEE**, GBS, JP, DBA (Hon), LLD (Hon), aged 72, appointed on 20th August, 1992. Mr. Lee is the Chairman of Hysan Development Company Limited, a director of Cathay Pacific Airways Limited, China Unicom Limited, Hang Seng Bank Limited, The Hong Kong & China Gas Company Limited and a number of other companies. He is also Chairman of the Council of The Chinese University of Hong Kong.

**Dr. Wai-yung WU**, OBE, JP, MBBS, FRCP, aged 63, appointed as Independent Non-Executive Director on 19th December, 1994. Dr. Wu was a member of the Basic Law Drafting Committee as well as a Hong Kong Affairs Advisor and a member of the Selection Committee and the Preparatory Committee for the Hong Kong Special Administrative Region. He is now a member of the Basic Law Committee and a Deputy to the 9th National People's Congress.

**Ms. Maria Wai-chu TAM**, GBS, JP, LLD (Hon), LLB (Hon), aged 56, appointed as Independent Non-Executive Director on 2nd August, 1999. Ms. Tam is a non-executive director of six other listed companies, namely Wing On Company International Limited, Guangnan (Holdings) Limited, Onfem Holdings Limited, Sinopec Kantons Holdings Limited, Tong Ren Tong Technologies Company Limited and eSun Holdings Limited. She is also a member of the Board of the Airport Authority Hong Kong. Her public duties also include being a member of the Basic Law Committee and a Deputy to the 9th National People's Congress.

# Directors' Report

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT** *(continued)*

### **Senior Management**

**Mr. Ka-hing WONG**, BBA, MBA, FCIH, FHKIH, MHIREA, RPHM, aged 41, joined the Group in 1993, is the Director and General Manager of Parkland Property Management Limited, a subsidiary of the Company. Mr. Wong has extensive experience in real estate management. He is responsible for the management and development of property management business in Hong Kong and mainland China. Mr. Wong is an appointed member of the Housing Managers Registration Board, the Chairman of the Education & Training Committee of the Hong Kong Association of Property Management Companies and the former Chairman of the Chartered Institute of Housing, Hong Kong Branch.

**Mr. Kam-kwan WONG**, BBA, aged 53, appointed as Senior Manager of Marketing Division of the Group on 15th June, 1994. Mr. Wong has over 29 years of working experience and extensive exposure in property marketing.

**Mr. Chok-man YIK**, FCCA, FHKSA, aged 41, joined the Group in 1994, is the Senior Manager of Accounting & Administration Division of the Group. Mr. Yik has over 18 years of experience in accounting and auditing.

**Mr. Francis Kai-wah LEE**, B.Arch., AIA, Reg. Arch. (Texas), Dip. B.M., aged 42, joined the Group in 1997. Mr. Lee is currently the General Manager of both Shanghai Hua Zhong Property Development Company Limited and Shanghai Winning Property Development Company Limited, an associated company and a subsidiary of the Company respectively. Mr. Lee has over 18 years of experience in project management, architectural practice and business management.

Corporate secretarial, treasury, management accounting, office and personnel administration, staff training, internal audit and centralised computer services are being provided to the Group by Ryoden (Holdings) Limited under a management contract entered into between Ryoden (Holdings) Limited and the Company on 1st September, 1992.

Key management staff of Ryoden (Holdings) Limited whose services are made available to the Group include Mr. Kam-kong WU, Mr. Ka-yiu KO, Mr. Ying-yu TAM, Mr. Eric Lam-ying CHIANG, Mr. Frank Chun-hung KWOK, Mr. Edmund Kwok-leung YEUNG and Ms. Shirley CHIU.

# Directors' Report

## DIRECTORS' INTERESTS IN SECURITIES

At 31st December, 2000, the interests of the directors, chief executive and their associates in the securities of the Company as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:–

### (1) The Company

	Shares		
	Personal Interests	Corporate Interests	Other Interests
Mr. Fa-kuang Hu <sup>(2)</sup>	844,000	52,184,000 <sup>(2)</sup>	483,532,000 <sup>(1)</sup>
Mr. Raymond Liang-ming Hu	40,000,000	–	483,532,000 <sup>(1)</sup>
Mr. Herman Shao-ming Hu	7,500,000	–	483,532,000 <sup>(1)</sup>
Mr. David Hsu <sup>(3)</sup>	650,000	–	–
Mr. Tony Ka-tung Leung <sup>(4)</sup>	–	–	–
Mr. Pei-fu Yao	–	–	–
Mr. Cham-son Chau	–	–	–
Mr. Hon-chiu Lee	–	–	–
Dr. Wai-yung Wu	600,000	–	–
Ms. Maria Wai-chu Tam	–	–	–

#### Notes:

- Messrs. F. K. Hu, Raymond Hu and Herman Hu are objects of a discretionary trust holding 99% interest in Designcase Limited which is deemed to be interested in 483,532,000 shares of the Company. Mr. and Mrs. F. K. Hu own the remaining 1% interest in Designcase Limited.
- Mr. F. K. Hu is deemed to be interested in 52,184,000 shares held by Zues Holdings Limited, a company wholly owned by Mr. Hu.
- Pursuant to the Company's share option scheme, Mr. David Hsu was granted options by the Company to subscribe for 2,000,000 shares at HK\$2.00 per share during the period from 16th April, 1997 to 15th April, 2002, both dates inclusive. Mr. David Hsu exercised options to subscribe for 650,000 shares at HK\$2.00 per share on 19th August, 1997. The option to subscribe for 100,000 shares of the Company at HK\$2.45 per share lapsed on 12th April, 2000.
- Pursuant to the Company's share option scheme, Mr. Tony Ka-tung Leung was granted options by the Company to subscribe for 4,000,000 shares at HK\$2.10 per share during the period from 12th June, 1998 to 31st August, 2002, both dates inclusive.
- Save as disclosed in (3) and (4) above, no director of the Company was granted option pursuant to the Company's share option scheme and no director of the Company has exercised any option to subscribe for shares of the Company during the year.

# Directors' Report

## **DIRECTORS' INTERESTS IN SECURITIES** (continued)

### (2) The subsidiary

Designcase Limited, in which Messrs. F. K. Hu, Raymond Hu and Herman Hu have the interest aforesaid disclosed, owns beneficially certain shares in the following subsidiary of the Company:—

Name of Subsidiary	No. of ordinary shares beneficially held
Kinbo Development Limited	340

Save as aforesaid, at no time during the year was the Company or its subsidiaries 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.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at 31st December, 2000, the register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

Name of shareholders	No. of shares beneficially held
Designcase Limited <sup>(1)</sup>	483,532,000
Summit Holdings Limited <sup>(1)</sup>	483,532,000
Cititrust (Cayman) Limited <sup>(1)</sup>	483,532,000
Supreme Class Limited <sup>(2)</sup>	214,060,000
China Overseas Land & Investment Limited <sup>(3)</sup>	243,002,000
China Overseas Holdings Limited <sup>(4)</sup>	243,706,000
China State Construction Engineering Corporation <sup>(4)</sup>	243,706,000

#### Notes:

- The figure of 483,532,000 shares includes 17,110,000 shares held by Topmile Investment Limited, a wholly-owned subsidiary of Designcase Limited in which Designcase Limited is deemed to be interested by virtue of the Securities (Disclosure of Interests) Ordinance. Designcase Limited is 99% owned by Summit Holdings Limited which is a wholly-owned subsidiary of Cititrust (Cayman) Limited. Messrs. F. K. Hu, Raymond Hu and Herman Hu are also the directors of Designcase Limited, Topmile Investment Limited and Summit Holdings Limited.
- Supreme Class Limited is the wholly-owned subsidiary of China Overseas Land & Investment Limited.
- The figure of 243,002,000 shares includes 28,942,000 shares held by Chung Hoi Finance Limited and 214,060,000 shares held by Supreme Class Limited.
- The figure of 243,706,000 shares includes 28,942,000 shares held by Chung Hoi Finance Limited, 214,060,000 shares held by Supreme Class Limited and 704,000 shares held by Silver Lot Development Limited.



# Directors' Report

## **DIRECTORS' INTERESTS IN CONTRACTS**

Mr. Hon-chiu Lee is the Chairman and a shareholder of Hysan Development Company Limited ("Hysan"). Hysan owns 25% of the issued share capital of Parallel Asia Engineering Company Limited, the owner of a 50% interest in Shanghai Jin Ming Housing Development Company Limited, the developer of Jin Ming Building, Shanghai.

Under a service agreement dated 1st September, 1992 entered into between the Company and Mr. Raymond Hu, Managing Director of the Company, Mr. Hu was granted a licence to occupy the duplex on the 3rd and 4th Floors of Block B, The Beachside as his family residence together with 2 carparking spaces free of charge. He was further granted an option to purchase at any time on or before 31st August, 2005 the duplex at a purchase price equal to the lower of the book cost of the duplex to the Company and the market value of the duplex subject to him having served the Company as its Managing Director throughout the initial term of three years from 1st September, 1992.

The Group's transactions with Ryoden (Holdings) Limited or its subsidiaries, Designcase Limited or companies controlled by the Hu Family during the year are included as transactions with related companies in Note 30 to the Accounts. These transactions do not constitute connected transactions pursuant to Rule 14.23 of the Listing Rules of the Stock Exchange.

## **CONNECTED TRANSACTIONS**

In November 1997, a wholly-owned subsidiary entered into a shareholders' agreement with the wholly-owned subsidiaries of China Overseas Land & Investment Limited ("COLI"), a substantial shareholder of the Company, Tai Cheung Holdings Limited ("Tai Cheung") and Kiu Kwong Investment Corporation Limited ("Kiu Kwong") in the equity ratio of 60 per cent. (as to COLI), 20 per cent. (as to Tai Cheung), 10 per cent. (as to the subsidiary) and 10 per cent. (as to Kiu Kwong) for the formation of a joint venture ("Joint Venture") to develop the site situated at Tuen Mun Town Lot No. 407 (the "Lot"). The Lot was successfully bid for at the public auction by the Joint Venture for a land premium of HK\$2.9 billion. The development is financed by bank borrowings and shareholders' funds. The parties to the Joint Venture have provided joint and several completion guarantee in connection with the securing of bank borrowings for the development. The independent non-executive directors considered that the subject connected transactions were fair and reasonable.

Save as aforesaid, no other contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party or were parties 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' Report

## MANAGEMENT CONTRACTS

The Company had entered into a management contract with Ryoden (Holdings) Limited for the provision of management services to the Group for a term of three years from 1st September, 1992. Such management contract shall be renewable automatically for successive periods of one year unless terminated by not less than six months' notice in writing given by the Company or Ryoden (Holdings) Limited expiring at the end of the initial or any renewed term. The said management contract was renewed in 2000.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's sales and purchases attributable to major customers and suppliers are as follows:

Percentage of sales attributable to the Group's largest customer	9%
Percentage of sales attributable to the Group's five largest customers	27%
Percentage of purchases attributable to the Group's largest supplier	59%
Percentage of purchases attributable to the Group's five largest suppliers	85%

Messrs. Fa-kuang Hu, Raymond Liang-ming Hu and Herman Shao-ming Hu, the Directors of the Company, through a discretionary trust, are interested in 25% of the issued share capital of Ryoden (Holdings) Limited. Ryoden Elevator Company Limited, a wholly owned subsidiary of Ryoden (Holdings) Limited, is one of the five largest suppliers of the Group.

Save as aforesaid, at 31st December, 2000, none of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had any beneficial interests in the Group's five largest customers and suppliers.

## PERSONNEL

Total number of employees of the Group is about 671 of which about 64 are administrative staff.

Remuneration packages are reviewed by the Group from time to time. In addition to salary payment, full range of fringe benefits are provided including retirement benefits (defined contribution), medical scheme (outpatient, hospitalization and dental), education sponsorship and subsidy, etc.

Wide range of training programmes on language, computer, writing skills, communication skills, supervisory and management skills as well as industrial safety training courses are organized by the Training and Development Department of Ryoden (Holdings) Limited.

# Directors' Report

## **AUDIT COMMITTEE**

To comply with the revised Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange, the Company set up an Audit Committee of Board of Directors on 15th April, 1999. The Committee comprises three independent non-executive directors, namely Mr. Cham-son Chau, Dr. Wai-yung Wu and Ms. Maria Wai-chu Tam. Amongst the Committee's principal duties will be to review and supervise the effectiveness of the company's financial reporting process and internal control. The Audit Committee had convened its third meeting on 8th September, 2000 and fourth meeting on 28th March, 2001. During the third meeting, it met with representatives from Management and the Internal Auditor to consider the effectiveness of the Group's system of internal control and review the interim report for the first half year ended 30th June, 2000. During the fourth meeting, it reviewed the annual financial statements of the Group and discussed with representatives of the External Auditors the result of their audit, prior to recommending them to the Board for approval.

## **CORPORATE GOVERNANCE**

During the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules of the Stock Exchange.

## **PRACTICE NOTE 19 OF THE LISTING RULES**

In accordance with the requirements under paragraph 3.10 of Practice Note 19 the Company is required to include in its annual report a pro-forma combined balance sheet of its affiliated companies which should include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. Accordingly, a pro-forma combined balance sheet of the affiliated companies as at 31st December, 2000 is set out on page 69 of this annual report.

As at 31st December, 2000, in aggregate the Company and its subsidiaries had advanced an amount of HK\$649.9 million to affiliated companies, mainly China Nation Enterprises Limited and Longshine Assets Limited (amounts included in Note 14 to the Accounts).

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

# Directors' Report

## **AUDITORS**

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

Price Waterhouse, who have merged with Coopers & Lybrand, have been the auditors of the Company in the preceding years and a resolution to appoint the new firm, PricewaterhouseCoopers, as auditors to the Company was approved at the 1999 Annual General Meeting.

On behalf of the Board  
**FA-KUANG HU**  
*Chairman*

Hong Kong, 2nd April, 2001