



REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and the principal activities of its principal subsidiaries are property rental and sales, hotel ownership and management, food and beverage operation and travel operation; the particulars of which are set out in note 13 on the accounts.

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

MAJOR CUSTOMERS AND SUPPLIERS

Due to the diversity and nature of the Group's activities, the aggregate percentage of the Group's sales and purchases attributable to the Group's five largest customers and suppliers respectively was less than 30%.

None of the directors, their associates or shareholders who, to the knowledge of the directors, own more than 5% of the Company's share capital, had an interest in any of the five largest customers and suppliers.

ACCOUNTS

The profit of the Group for the year ended 31 March 2001 and the state of the Company's and the Group's affairs as at that date are set out in the accounts on pages 18 to 59.

An interim dividend of HK\$0.13 per share (2000: HK\$0.12 per share) was paid on 12 January 2001. The directors now recommend the payment of a final dividend of HK\$0.19 per share (2000: HK\$0.16 per share) in respect of the year ended 31 March 2001, totalling HK\$109,674,000. This recommendation has been incorporated in the accounts.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK\$29,250 (2000: HK\$34,350).

FIXED ASSETS

Details of movements in fixed assets are set out in note 11 on the accounts.

DIRECTORS

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

- Dr HO Tim, *Chev Leg d'Hon, JP, DSSc (Hon), DBA (Hon), LLD (Hon)*
 - *† Dr David SIN Wai Kin, *DSSc (Hon)*
 - Mr WOO Kim Phoe
 - Dr LEE Shau Kee, *DBA (Hon), DSSc (Hon), LLD (Hon)*
 - The Honourable LEE Quo Wei, *GBM, JP*
 - Mr Robert YUE
 - † Mr Patrick FUNG Yuk Bun
 - Mr Dominic CHENG Ka On
 - Mr Richard TANG Yat Sun, *MBA, BBS, JP*
 - *† Mr Stephen HO Tze Tung, *Authorized Person (List II), Registered Structural Engineer*
 - Mr Colin LAM Ko Yin, *BSc, ACIB, MBIM, FCIT*
 - Mr Eddie LAU Yum Chuen
 - Mr Tony NG
 - Mr Norman HO Hau Chong, *BA, ACA, FHKSA*
 - Mr Howard YEUNG Ping Leung
 - Mr Peter YU Tat Kong, *BSc, MBA, CA, CHA*
- * *independent non-executive directors*
† *members of the Audit Committee, of which Dr David Sin Wai Kin is the Chairman*

In accordance with Articles 77, 78 and 79, Dr David Sin Wai Kin, The Honourable Lee Quo Wei, Mr Robert Yue, Mr Patrick Fung Yuk Bun and Mr Dominic Cheng Ka On will retire at the forthcoming Annual General Meeting by rotation. The above five directors, being all eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Dr HO Tim, *Chev Leg d'Hon, JP, DSSc (Hon), DBA (Hon), LLD (Hon)*

Aged 92. Dr Ho was appointed director in 1957 and has been the Chairman of the Company since 1985. He is a director of Hang Seng Bank Limited, King Fook Holdings Limited and New World Development Company Limited. He is also a permanent member of the Board of Trustees of United College of The Chinese University of Hong Kong, a council member of The Chinese University of Hong Kong, a board member of the Hang Seng School of Commerce, a committee member of Tang Shiu Kin and Ho Tim Charitable Fund, Permanent President of Ho's Clansmen Association Limited, Honorary President of Pun U District Association of Hong Kong and Honorary Permanent President of the Chinese Gold & Silver Exchange Society. He is the father of Mr Norman Ho Hau Chong.

Dr David SIN Wai Kin, DSSc (Hon)

Aged 71. Dr Sin was appointed director in 1974 and has been a Vice Chairman of the Company since 1985. He is the Chairman of Myer Jewelry Manufacturer Limited, the executive director of New World Development Company Limited and a director of Hang Seng Bank Limited and King Fook Holdings Limited. He is also a council member of The Chinese University of Hong Kong.

Mr WOO Kim Phoe

Aged 82. Mr Woo was appointed director in 1978 and has been a Vice Chairman of the Company since 1985. He is also the Chairman of Tectona Enterprises Limited and Tong Seng Enterprises Limited. He is the elder brother of Mr Robert Yue.

Dr LEE Shau Kee, DBA (Hon), DSSc (Hon), LLD (Hon)

Aged 73. Dr Lee was appointed director of the Company in 1993 and has been engaged in property development in Hong Kong for more than 45 years. He is the founder and also the Chairman and Managing Director of Henderson Land Development Company Limited (“Henderson Land”) and Henderson Investment Limited (“Henderson Investment”), the Chairman of Henderson Cyber Limited (“Henderson Cyber”) and The Hong Kong and China Gas Company Limited, the Vice Chairman of Sun Hung Kai Properties Limited as well as a director of Henderson China Holdings Limited (“Henderson China”), Hong Kong Ferry (Holdings) Company Limited and The Bank of East Asia, Limited. He is a director of Multiglade Holdings Limited (“Multiglade”), Higgins Holdings Limited (“Higgins”), Aynbury Investments Limited (“Aynbury”), Henderson Investment, Kingslee S.A., Henderson Land and Henderson Development Limited (“Henderson Development”) which have discloseable interests in the share capital of the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance as at 31 March 2001.

The Honourable LEE Quo Wei, GBM, JP

Aged 83. Dr Lee was appointed director of the Company in 1957. He is the Chairman of Wideland Investors Limited and Wei Lun Foundation Limited, Honorary Chairman of Hang Seng Bank Limited, a director of Shaw Brothers (Hong Kong) Limited, New World Development Company Limited and Shanghai Industrial Holdings Limited and the life member of the Council of The Chinese University of Hong Kong.

Mr Robert YUE

Aged 63. Mr Yue was appointed director of the Company in 1966. He is the Chairman and Managing Director of Atopace Development Limited and a director of various private business enterprises. He is the younger brother of Mr Woo Kim Phoe.

Mr Patrick FUNG Yuk Bun

Aged 54. Mr Fung was appointed director of the Company in 1985. He graduated from the University of Toronto in 1971 with an Engineering Degree and in the same University in 1973 with a Master of Business Administration Degree. He joined Wing Hang Bank, Limited in 1976 and appointed a Director in 1980. In 1992, he was elected by the Board to become the Chief Executive Officer. In 1996, he was appointed Chairman and Chief Executive. Outside the Wing Hang Group, he holds numerous appointments, serving as Governor of Fung Yiu King Charitable Foundation, Ltd., a member of the Court of The Hong Kong Polytechnic University, Chairman of University of Toronto (Hong Kong) Foundation, a member of the Dean’s Advisory Council of the Faculty of Management, University of Toronto, a member of the Banking Advisory Committee, Chairman of Travel Industry Compensation Fund Management Board, and a Vice President of the Hong Kong Institute of Bankers.

Mr Dominic CHENG Ka On

Aged 51. Mr Cheng was appointed director of the Company in 1985. He is an executive director of King Fook Holdings Limited and the Managing Director of the Onflo International Group of Companies.

Mr Richard TANG Yat Sun, MBA, BBS, JP

Aged 48. Mr Tang was appointed director of the Company in 1986. He is an MBA graduate from the University of Santa Clara, California, USA, and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, USA. He is currently the Chairman and Managing Director of Richcom Company Limited, Vice President of King Fook Holdings Limited, a director of Kowloon Development Company Limited, Hang Seng Bank Limited and various private business enterprises. He is a member of Tang Shiu Kin and Ho Tim Charitable Fund.

Mr Stephen HO Tze Tung, Authorized Person (List II), Registered Structural Engineer

Aged 65. Mr Ho was appointed director of the Company in 1991. He is an Authorized Person (List II) and Registered Structural Engineer. He is currently a director of Design 2, Bethlehem Management Limited and Wing Lung Bank Limited.

Mr Colin LAM Ko Yin, BSc, ACIB, MBIM, FCIT

Aged 50. Mr Lam was appointed director of the Company in 1993. He holds a Bachelor of Science (Honours) degree from the University of Hong Kong and has over 27 years' experience in banking and property development. He is also the Chairman of Hong Kong Ferry (Holdings) Company Limited, the Vice Chairman of Henderson Land and Henderson Investment, an executive director of Henderson China, Henderson Cyber and Henderson Development as well as a director of The Hong Kong and China Gas Company Limited, Multiglade, Higgins, Aynbury, Hopkins (Cayman) Limited ("Hopkins") and Rimmer (Cayman) Limited ("Rimmer"). Multiglade, Higgins, Aynbury, Henderson Investment, Henderson Land, Henderson Development, Hopkins and Rimmer have discloseable interests in the share capital of the Company under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance as at 31 March 2001.

Mr Eddie LAU Yum Chuen

Aged 55. Mr Lau was appointed director of the Company in 1996. He has over 30 years' experience in banking, finance and investment. He is also an executive director of Henderson Land, Henderson Investment and Henderson China as well as a director of Hong Kong Ferry (Holdings) Company Limited. Both Henderson Land and Henderson Investment have discloseable interests in the share capital of the Company under provisions of Part II of the Securities (Disclosure of Interests) Ordinance as at 31 March 2001.

Mr Tony NG

Aged 60. Mr Ng was appointed director of the Company in 1997. He is a graduate of Hotel Management from Ecole Hoteliere Lausanne, Switzerland. He has over 32 years' experience in the fields of hotel management and food and beverage in Hong Kong, Switzerland, Australia, Hawaii and Singapore. He is the brother-in-law of Mr Howard Yeung Ping Leung.

Mr Norman HO Hau Chong, BA, ACA, FHKSA

Aged 45. Mr Ho was appointed director of the Company in 1998. He is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited and has over 19 years' experience in management and property development. He is also a director of CITIC Pacific Limited, Lee Hing Development Company Limited and a few other listed companies as well as an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited. He is the son of Dr Ho Tim.

Mr Howard YEUNG Ping Leung

Aged 44. Mr Yeung was appointed director of the Company in 2000. He is also the Chairman of King Fook Holdings Limited and a director of New World Development Company Limited. He is the brother-in-law of Mr Tony Ng.

Mr Peter YU Tat Kong, BSc, MBA, CA, CHA

Aged 52. Mr Yu joined the Company in 1996 as the Group General Manager and was appointed director of the Company in 1997. He holds a Bachelor degree in Statistics & Computer Science from the University of Manitoba and a Master degree in Business Administration from the University of British Columbia in Canada. He is a U.S. Certified Hotel Administrator as well as a Canadian Chartered Accountant. He has over 20 years' solid experience in the fields of hospitality and tourism, general administration and corporate finance.

Senior Management

Mr Frankie CHAN Fung Kee

Aged 63. Mr Chan holds a Diploma in Building Course from the Hong Kong Technical College. He joined the Group in 1970. He is responsible for the management of the Property Division.

Mr Eddy LAU Wai Lik, FHKSA, FCCA, ACMA

Aged 45. Mr Lau is a fellow member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants. He is also an associate member of the Chartered Institute of Management Accountants. He has over 22 years' experience in auditing, financial management and accounting. He joined the Group in 1989 and his present position is Director of Internal Audit, reporting to the Audit Committee of the Group. He is responsible for the Group's operations review, both financial and otherwise, to ensure that adequate internal controls are in place for the smooth running of the Group's operations.

Mr Aaron WONG Sze Lun

Aged 51. Mr Wong joined the Group in 1997 as the Director of Corporate Planning & Control. He obtained a Bachelor degree major in finance from the University of California, Berkeley in 1973 and is a registered member of the Society of Management Accountants in the province of British Columbia, Canada. He has over 22 years' solid experience in corporate planning and finance management.

Mr Christopher YICK Kwok Hung, BA (Hons), PhD (Hon), FIBA, MBIM, MIIM, MISM, MIHRM (HK)

Aged 53. Mr Yick graduated from the University of Hong Kong in 1971 with an honours degree in Comparative Literature and Translation. He furthered his studies in Personnel Management from the University of Hong Kong in a one-year part-time course in 1977. He has been invited by various universities to conduct lectures on quality circles and was awarded an honorary Doctorate in Commercial Science by The London Institute of Applied Research in 1993. He has over 25 years' experience in personnel management and has strong attributes in industrial relations and quality management. He has had ample experience in both commercial and industrial sectors. He joined the Group in 1996 as Director of Group Human Resources and Administration.

Mrs HO YUEN So Han

Aged 61. Mrs Ho is an expert in the travel industry with over 31 years' solid experience. She joined Swire Travel Limited in 1965 as managerial staff. Mrs Ho left the company in 1973 and established her own travel agent, Cardinal Travel Limited, as the General Manager. In 1984, Mrs Ho left her company and emigrated to Canada. She returned to Hong Kong in 1986 and was appointed to supervise the Corporate Travel Department and the Corporate Sales Department of Miramar Express. In 1999, Mrs Ho was promoted to General Manager of Miramar Express.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2001, the beneficial interests of the directors and their associates in the share capital of the Company as recorded in the register maintained pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

Name of director	Personal interests	Family interests	Corporate interests	Other interests
Dr HO Tim	1,628,000	5,935,000	–	–
Dr David SIN Wai Kin	4,158,000	–	–	–
Mr WOO Kim Phoe	11,426,400	–	–	–
Dr LEE Shau Kee	–	–	–	228,201,250 <i>(note 1)</i>
The Honourable LEE Quo Wei	5,693,760	1,080,000	–	6,720,000 <i>(note 2)</i>
Mr Robert YUE	1,600,000	–	–	–
Mr Patrick FUNG Yuk Bun	–	–	–	8,426,710 <i>(note 3)</i>
Mr Dominic CHENG Ka On	7,774,640	4,000	–	–
Mr Richard TANG Yat Sun	125,000	–	11,241,900 <i>(note 4)</i>	–
Mr Stephen HO Tze Tung	5,000	33,000	–	–

Notes:

- (1) Dr Lee Shau Kee beneficially owned all the issued shares in Rimmer and Hopkins. These 228,201,250 shares are duplicated in the interests described in notes 1 to 3 under Substantial Shareholders' Interests In Shares.
- (2) The Honourable Lee Quo Wei had the following non-beneficial interests: The Honourable Lee Quo Wei and his spouse, Mrs Lee, were members of the Board of Trustees of a charitable foundation which held 6,180,000 shares of the Company, and Mrs Lee was one of the two trustees of two trusts, which together held 540,000 shares of the Company.
- (3) All these shares were held by a unit trust of which Mr Patrick Fung Yuk Bun was a beneficiary.
- (4) These shares were held through corporations in which Mr Richard Tang Yat Sun owned more than 30% of the issued share capital.

At the same date, the beneficial interests of the directors and their associates in the share capital of subsidiaries were as follows :

Name of director	Name of subsidiary	Ordinary shares held	Percentage of total issued shares
Dr David SIN Wai Kin	Fook Po Enterprises Co. Ltd.	225	8.2%
Dr LEE Shau Kee	Fook Po Enterprises Co. Ltd.	270	9.8%

Apart from the foregoing, at no time during the year was the Company or any subsidiary a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

The Company has been notified of the following interests in the Company's issued shares at 31 March 2001, amounting to 10% or more of the shares in issue:

Name of corporation	Ordinary shares held	Percentage of total issued shares
Rimmer (Cayman) Limited ("Rimmer")	228,201,250 (note 1)	39.5%
Hopkins (Cayman) Limited ("Hopkins")	228,201,250 (note 1)	39.5%
Henderson Development Limited ("Henderson Development")	228,201,250 (note 2)	39.5%
Henderson Land Development Company Limited ("Henderson Land")	228,201,250 (note 2)	39.5%
Kingslee S.A.	228,201,250 (note 3)	39.5%
Henderson Investment Limited ("Henderson Investment")	228,201,250 (note 3)	39.5%
Aynbury Investments Limited ("Aynbury")	228,201,250 (note 3)	39.5%
Higgins Holdings Limited ("Higgins")	100,612,750 (note 3)	17.4%
Multiglade Holdings Limited ("Multiglade")	79,121,500 (note 3)	13.7%

Notes:

- (1) Rimmer as trustee of a discretionary trust held a majority of units in a unit trust ("Unit Trust"). Hopkins was the trustee of the Unit Trust which beneficially owned all the issued ordinary shares in the share capital of Henderson Development. These 228,201,250 shares are duplicated in the interests described in notes 2 and 3.
- (2) Henderson Development had a controlling interest in Henderson Land which was the holding company of Kingslee S.A. These 228,201,250 shares are duplicated in the interests described in notes 1 and 3.
- (3) Kingslee S.A., a subsidiary of Henderson Land, was the holding company of Henderson Investment. The 228,201,250 shares were beneficially owned by some of the subsidiaries of Henderson Investment. Higgins and Multiglade were subsidiaries of Aynbury. Aynbury was a subsidiary of Henderson Investment. These 228,201,250 shares represent the shares described in notes 1 and 2.

DIRECTORS' AND MANAGEMENT EMOLUMENTS

Particulars of directors' emoluments and the five highest paid individuals in the Group are set out in notes 6 and 7 respectively on the accounts.

DIRECTORS' INTERESTS IN CONTRACTS

There are no contracts of significance which subsisted during or at the end of the financial year in which the Company or any subsidiary was a party and in which a director was interested, directly or indirectly, and the director's interest was material.

DIRECTORS' INTEREST IN COMPETING BUSINESS

The following directors are considered to have interests in businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules:

1. Dr David Sin Wai Kin is also a director of New World Development Company Limited. The principal activities of this group include property investment, hotel management and operation and other related services.
2. Dr Lee Shau Kee and Mr Colin Lam Ko Yin are also directors of Henderson Development, Henderson Land and Henderson Investment which, through their subsidiaries, are also engaged in the businesses of property investment, hotel management and operation and other related services.
3. Mr Eddie Lau Yum Chuen is also a director of Henderson Land and Henderson Investment which, through their subsidiaries, are also engaged in the businesses of property investment, hotel management and operation and other related services.
4. Dr Lee Shau Kee, Mr Colin Lam Ko Yin and Mr Eddie Lau Yum Chuen are also directors of Hong Kong Ferry (Holdings) Company Limited, the principal activities of this group include property investment, hotel management and operation, travel and other related services.
5. The Honourable Lee Quo Wei is the Chairman of Wideland Investors Limited which, through its subsidiaries, is engaged in the ownership and management of investment properties.
6. Mr Howard Yeung Ping Leung is the Chairman of King Fook Holdings Limited and also director of New World Development Company Limited, Yeung Chi Shing Estates Limited, Chi Kai Company Limited, New Lee Yuen Investment Company Limited and Wui Fung Lee Investment Company Limited, which themselves or through their subsidiaries are also engaged in the like business of the Company.

As the board of directors of the Company is independent from the boards of the above-mentioned companies and none of the above directors controls the board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of those companies.

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

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2001 are set out in notes 21 and 22 on the accounts.

PARTICULARS OF LOAN CAPITAL, CONVERTIBLE SECURITIES, WARRANTS OR OPTIONS ISSUED BY THE COMPANY AND ITS SUBSIDIARIES

The Company and its subsidiaries have not issued, during the financial year, any loan capital, convertible securities, warrants or options.

BORROWING COST CAPITALISATION

Borrowing cost capitalised by the Company and its subsidiaries during the year amounted to HK\$4.2 million (2000: HK\$2.9 million).

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 25 on the accounts.

SHARE CAPITAL

Details of the share capital during the year are set out in note 26 on the accounts.

RESERVES

Movements in reserves during the year are set out in note 28 on the accounts.

GROUP'S FIVE-YEAR 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 60.

GROUP PROPERTIES

Particulars of the major properties and property interests of the Group are shown on pages 61 to 63.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules, except that the independent non-executive directors have not been appointed for a specific term. The independent non-executive directors are subject to retirement by rotation and re-election pursuant to the articles of association of the Company.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company until the conclusion of the next Annual General Meeting is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

HO TIM

Chairman

Hong Kong, 29 June 2001