

# Report of the Directors

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2001

The directors have pleasure in presenting their annual report on the affairs of the Company and the Group together with the audited financial statements for the year ended 30th June, 2001.

### Principal Activities

The principal activity of the Company is investment holding and its subsidiaries are active in the field of property development and investments, hotel operation and management, investment in infrastructure projects, civil and building construction and project management, real estate and management and treasury investment.

### Results

The results of the Group for the year ended 30th June, 2001 are set out in the consolidated income statement on page 43.

### Dividends

The directors recommend the payment of a final dividend of HK7 cents (2000: HK6 cents) per share, which together with the interim dividend of HK5 cents (2000: HK5 cents) per share paid on 10th May, 2001, represents a total dividend distribution of HK\$105 million for the year ended 30th June, 2001 (2000: HK\$96 million). The dividend proposed has been incorporated in the financial statements.

### Major Projects and Events

Details regarding major projects undertaken by the Group and events that have taken place during the year under review are incorporated under the section "Operations Review" as set out on pages 10 to 27.

### Borrowings and Interest Capitalized

Bank loans, overdrafts and other borrowings repayable within one year or on demand are classified in the financial statements as current liabilities. Particulars of long-term borrowings outstanding at the end of the year are set out in note 26 to the financial statements. Interest capitalized by the Group during the year amounted to approximately HK\$27 million.

### Share Capital

Particulars of share capital of the Company during the year are set out in note 24 to the financial statements.

### Reserves

Movements in reserves during the year are set out in note 25 to the financial statements.

### Donations

Donations made by the Group during the year for charitable and other purposes amounted to HK\$7,800.

### Fixed Assets

Movements in investment properties and property, plant and equipment during the year are set out in notes 12 and 13 to the financial statements respectively.

Particulars regarding the major properties and property interests of the Group are shown on page 80.

## Major Customers and Suppliers

During the year, the turnover attributable to the Group's five largest customers combined was about 45% of the Group's turnover and the largest customer included therein accounted for approximately 27%. The five largest suppliers of the Group accounted for approximately 48% of the Group's total purchases and the largest supplier included therein accounted for approximately 24%.

None of the directors, their associates, or any shareholder of the Company, which to the knowledge of the directors of the Company, owns more than 5% of the Company's issued shares, had any beneficial interests in the Group's five largest customers and suppliers.

## Subsidiaries

Particulars regarding the principal subsidiaries are set out in note 35 to the financial statements.

## Purchase, Sale or Redemption of Shares

There was no purchase, sale or redemption by the Company or any of its subsidiaries of shares in the Company during the year.

## Directors

The Directors of the Company during the year are listed on page 40 of the annual report. In accordance with the Company's Articles of Association, Messrs. Eddie Ping Chang HO, Henry Hin Moh LEE, Robert Van Jin NIEN, Joachim BURGER, Carmelo Ka Sze LEE and Thomas Jefferson WU will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## Profile of Directors and Senior Management

### Sir Gordon Ying Sheung WU\*

Aged 65, he is the Chairman and Managing Director of the Company. He graduated from Princeton University with a Bachelor of Science degree in engineering. As one of the founders of the Group, he has been the Managing Director since 1972. He has been involved in the design and construction of numerous buildings and development projects in Hong Kong and the PRC. He is also responsible for the Group's infrastructure projects in the PRC and South-East Asia. He is very active in civic activities.

His civic duties include:

#### In Hong Kong

- Chairman                      Hong Kong Port and Maritime Board
- Member                        Commission on Strategic Development of the Hong Kong SAR
- Member                        Hong Kong Trade Development Council
- Chairman                      Hong Kong Polytechnic University Council
- Vice President                Hong Kong Real Estate Developer's Association

#### In the PRC

- Member                        Chinese People's Political Consultative Conference
- Advisor                        Xiamen Special Economic Zone, Guangxi Zhuang Autonomous Region and Qinhuangdao

#### International

- Member                        Business Advisory Council to the International Finance Corporation of the World Bank Group
- Member                        APEC Business Advisory Council (ABAC)
- Fellow                         The Institute of Civil Engineers

Sir Gordon received Honorary Doctorate Degrees from Hong Kong Polytechnic University, University of Strathclyde UK and University of Edinburgh UK.

His other awards include:

**Honorary Citizen**

- The City of New Orleans, USA
- The City of Guangzhou, PRC
- The City of Shunde, PRC
- The City of Nanhai, PRC
- The City of Shenzhen, PRC
- The City of Hua Du, PRC
- The Province of Quezon, the Republic of the Philippines

**Awards and Honours**

**Year of Award**

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|--|------|
| • Knight Commander of the Order of St Michael and St George<br>for Services to British Exports by the Queen of England | 1997 |
| • Chevalier De L'Ordre De La Corona by the King of Belgium   | 1985 |
| • Industry All-Star by Independent Energy, USA   | 1996 |
| • International CEO of the Year by George Washington University, USA   | 1996 |
| • Among the Best Entrepreneurs by Business Week  | 1994 |
| • Man of the Year by the International Road Federation, USA  | 1994 |
| • Business Man of The Year by the South China Morning Post and DHL   | 1991 |
| • Asia Corporate Leader by Asia Finance Magazine, HK   | 1991 |

**Mr. Eddie Ping Chang HO\***

Aged 69, he has been the Deputy Managing Director of the Company since it was listed on the Stock Exchange in 1972. He is the head of the Company's finance and administration functions. He has been involved in developing all of the Group's projects in the PRC, including highway, hotel and power station projects. In addition, he has extensive experience in building and development projects in Hong Kong. He is an Honorary Citizen of the cities of Shenzhen and Shunde in the PRC.

**Mr. Henry Hin Moh LEE\***

Aged 74, he has been involved with the Group since the Company was listed in 1972. He is responsible for real estate development and property rental and sales of the Group. He has been engaged actively in the property business in Hong Kong. He is an Honorary Citizen of the city of Shunde in the PRC.

**Mr. Robert Van Jin NIEN\***

Aged 54, he has been an Executive Director since 1980, and is responsible for corporate finance, corporate and public affairs of the Group. He has been involved in the Group's major fund raising activities on both project and corporate levels. He holds a Master of Business Administration degree from University of Pennsylvania's Wharton Graduate Business School.

**Mr. Guy Man Guy WU**

Aged 44, he joined the board in 1987. He has a Bachelor of Science degree in industrial engineering from Purdue University, U.S.A.. He is also the Managing Director of the Liverton Group and Video Channel Productions Limited.

**Lady Ivy Sau Ping KWOK WU**

Aged 52, she joined the board in 1991. She serves on the committees and boards of numerous commercial and social organizations including Asian Cultural Council (Hong Kong), Asia Society, Hong Kong Red Cross and Hospital Authority. She is the wife of Sir Gordon Ying Sheung WU.

**Mr. Victor Tzar Kuoi LI**

Aged 37, he joined the board in 1991. He is the Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited and the Chairman of Cheung Kong Infrastructure Holdings Limited. He is also the Deputy Chairman of Hutchison Whampoa Limited and a Director of Hongkong Electric Holdings Limited and The Hongkong and Shanghai Banking Corporation Limited. He holds a Master degree from Stanford University. He is a Member of the Chinese People's Political Consultative Conference, the Commission on Strategic Development and the Business Advisory Group.

**Ms. Linda Lai Chuen LOKE**

Aged 63, she joined the board in 1991. A graduate of the University of California at Berkeley, she has over 30 years of professional experience in the securities and investment field. She was the emeritus Managing Director of Dean Witter Reynolds (Hong Kong) Limited and is currently the Senior Vice President of Morgan Stanley Inc.

**Mr. Joachim BURGER\***

Aged 58, he joined the Group in 1989 and is the Deputy Managing Director of Hopewell Hospitality Company Limited and the Managing Director of Mega Hotels Management Limited. He is in charge of the operation of two Hotels with a total of 1,561 rooms and the catering services in Hong Kong. In the past 30 years, he has provided a high degree of expertise in numerous major hotel projects throughout the region. In recognition of his work as the first General Manager of the China Hotel in Guangzhou and the contribution made to the hotel industry in China, he was awarded the title of "Honorary Citizen" from the city government of Guangzhou. He is also an active member of various hotel organizations both in Hong Kong and in Asia.

**Mr. Lawrence Sai Kit MIAO**

Aged 37, he joined the Group in 1992 and was involved in financing activities as well as new project developments. Presently, he is the Managing Director of Olympus Capital Holdings Asia Limited, one of Asia's largest direct investment firms.

**Mr. Colin Henry WEIR\***

Aged 55, he joined the Group in 1985 and was appointed as an Executive Director in 1997. He is also a Director of Hopewell (Thailand) Limited. He became a member of the Institution of Civil Engineers in 1975. He was the Engineering Manager for the design and construction of power station and highway. In 1991, he became the Engineering Manager and subsequently Project Director for the BERTS project. He is now responsible for the overseas projects of the Group.

**Mr. David Yau-gay LUI\***

Aged 56, he was appointed as an Executive Director in 1997. He is also a Director of Hopewell (Thailand) Limited. He was the Founder Director of Pat Davie Ltd., one of the leading interior design and contracting firms in Hong Kong. Since 1990, he has been involved in Hopewell's BERTS project in Thailand.

**Mr. Carmelo Ka Sze LEE**

Aged 41, he was appointed as an Independent Non-Executive Director in March 2001. He holds a Bachelor of Laws degree from the University of Hong Kong. He is a practising solicitor and is a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries. He is also a member of the Listing Committee of the main board of The Stock Exchange of Hong Kong Limited.

**Mr. Thomas Jefferson WU\***

Aged 29, he joined the Group in 1999 as the Manager of Executive Committee Office and was promoted to Group Controller in March 2000. He was appointed as an Executive Director of the Company in June 2001. He holds a Master of Business Administration degree from Stanford University and a bachelor degree in Mechanical and Aerospace Engineering from Princeton University. He has been involving in the review of the Group operational performance, strategic planning and organizational effectiveness. He has also improved on the financial and management accounting of the Group. He is a son of Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU.

Note: \* Executive Directors

## Senior Management

Various businesses of the Group are respectively under the direct responsibility of the Executive Directors of the Company named above and they are regarded as members of the Group's senior management.

## Directors' Interest in Contracts

- (a) Mr. Joachim BURGER beneficially held 9.9% of the issued share capital of Mega Hotels Management Limited ("Mega Hotels"). Mega Hotels acts as the manager for the operations of Panda Hotel which is wholly owned by the Group and, in this connection, receives remuneration based on normal commercial terms.
- (b) Mr. Victor Tzar Kuoi LI is a director of Cheung Kong Infrastructure Holdings Limited ("CKI Infrastructure"). As disclosed in note 15(c) to the financial statements, a subsidiary of the Company entered into agreements with a subsidiary of CKI Infrastructure and the PRC partner for the development of the Guangzhou East-South-West Ring Road in Guangzhou, the PRC.

Save as aforementioned, no other contracts of significance to which the Company or any of 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' Interest in Shares

As at 30th June, 2001, the beneficial interests of the directors and their associates in the shares of the Company and its associated corporations (as defined by the Securities (Disclosure of Interest) Ordinance ("the SDI Ordinance")) were as follows:

### (a) Beneficial Interests in Shares in the Company

Directors	Personal	Family	Corporate	Other	Total
Gordon Ying Sheung WU	74,443,893	113,730,592(i)	123,187,019	30,670,093	250,204,287(iii)
Eddie Ping Chang HO	18,656,000	246,000	1,980,000	-	20,882,000
Henry Hin Moh LEE	2,795,322	-	-	-	2,795,322
Robert Van Jin NIEN	100,000	-	-	-	100,000
Guy Man Guy WU	2,645,650	-	-	-	2,645,650
Ivy Sau Ping KWOK WU	21,903,282	228,301,005(ii)	61,157,217	30,670,093	250,204,287(iii)
Linda Lai Chuen LOKE	-	1,308,981	-	-	1,308,981
Joachim BURGER	39,776	-	-	-	39,776
David Yau-gay LUI	8,537	-	-	-	8,537
Thomas Jefferson WU	12,333,800	-	810,092	-	13,143,892

## Notes:

- (i) The family interests of 113,730,592 shares represent the interests of Lady Ivy Sau Ping KWOK WU, the wife of Sir Gordon Ying Sheung WU. This figure includes 61,157,217 shares held by the couple through corporations. Accordingly, 61,157,217 shares are duplicated in the corporate interests column. The figure of 113,730,592 shares also includes 30,670,093 shares which are held by the couple in joint name. Accordingly, 30,670,093 shares are duplicated in the other interests column.
- (ii) The family interests of 228,301,005 shares represent the interests of Sir Gordon Ying Sheung WU, the husband of Lady Ivy Sau Ping KWOK WU. This figure includes 61,157,217 shares held by the couple through corporations. Accordingly, 61,157,217 shares are duplicated in the corporate interests column. The figure of 228,301,005 shares also includes 30,670,093 shares which are held by the couple in joint name. Accordingly, 30,670,093 shares are duplicated in the other interests column.
- (iii) The disclosures of total interests of 250,204,287 shares made by Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU are arrived at after eliminating the duplications referred to in (i) and (ii) respectively. Both disclosures relate to the same parcel of shares.

**(b) Beneficial Interests in Shares in Associated Corporations**

Directors	Name of Company	Personal	Family	Corporate	Total
Eddie Ping Chang HO	HCNH Insurance Brokers Limited	-	-	300,000(i)	300,000
	Guangzhou-Shenzhen Superhighway (Holdings) Ltd.	-	-	(ii)	(ii)
Joachim BURGER	Mega Hotels Management Limited	297,000	-	-	297,000
Victor Tzar Kuoi LI	Guangzhou-Shenzhen Superhighway (Holdings) Ltd.	-	-	(iii)	(iii)
Thomas Jefferson WU	Guangzhou-Shenzhen Superhighway (Holdings) Ltd.	-	-	(iv)	(iv)

## Notes:

- (i) Mr. Eddie Ping Chang HO together with his associate beneficially owned 100% of the issued share capital of Hong Kong Insurance Agency Limited which in turn owned 300,000 ordinary shares of HCNH Insurance Brokers Limited, an associated corporation of the Company, representing one-third of its issued share capital.
- (ii) The 10<sup>1</sup>/<sub>4</sub>% Notes due 2007 for a face amount of US\$10,500,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. were beneficially owned by a company in which Mr. Eddie Ping Chang HO was entitled to the exercise of 1/3 or more of the voting power at its general meeting.
- (iii) The 10<sup>1</sup>/<sub>4</sub>% Notes due 2007 for a face amount of US\$8,000,000 and the 9<sup>7</sup>/<sub>8</sub>% Notes due 2004 for a face amount of US\$7,500,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. were beneficially owned by a company in which Mr. Victor Tzar Kuoi LI was entitled to the exercise of 1/3 or more of the voting power at its general meeting.
- (iv) The 10<sup>1</sup>/<sub>4</sub>% Notes due 2007 for a face amount of US\$8,000,000 and the 9<sup>7</sup>/<sub>8</sub>% Notes due 2004 for a face amount of US\$4,850,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. were beneficially owned by a company in which Mr. Thomas Jefferson WU was entitled to the exercise of 1/3 or more of the voting power at its general meeting.
- (v) Certain directors held shares in certain subsidiaries as nominees for their holding companies.

**Arrangements to Acquire Shares or Debentures**

Save as aforementioned, at no time during the year was the Company or any of 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, and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

## Retirement and Pension Plan

To comply with the statutory requirements of the Mandatory Provident Fund ("MPF") Scheme Ordinance, the Group has set up the MPF Schemes and started contribution with effect from 1st December, 2000. Mandatory contributions to these Schemes are made by both the employers and employees at 5% of each of the employees' monthly relevant income capped at HK\$20,000.

During the year, the Group made contribution to the MPF Schemes amounted to HK\$4,380,000.

## Employees

As at 30th June, 2001, there were 1,009 employees in the Group. The Group's remuneration and benefit policies are determined based on staff performance and market situation. A wide range of benefits, including medical and personal accident insurance coverage are also provided to employees. In addition, training programs are conducted on an ongoing basis throughout the Group.

A share option scheme of the Company had been adopted since 11th October, 1994 for granting options to directors and employees of the Company or any of its subsidiaries and no options have been granted since the date of adoption.

## Service Contracts of Directors

No directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation).

All the independent non-executive directors of the Company are appointed for a fixed period or such other date as agreed between each individual director and the Company. However, they are subject to retirement by rotation at the annual general meetings of the Company in accordance with the Company's Articles of Association.

No contracts of significance concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

## Substantial Shareholders

Save as disclosed under the section headed "Directors' Interest in Shares", as at 30th June, 2001, the Company had not been notified by any person, not being a director of the Company, of interests in the share capital of the Company required to be recorded in the register under Section 16(1) of the SDI Ordinance.

## Code of Best Practice

The Company has complied with The Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") during the year under review.

## Practice Note 19 of the Listing Rules

The information required to be disclosed in accordance with Practice Note 19 of the Listing Rules is set out on page 39.



## Auditors

The financial statements for the year ended 30th June, 2001 and the preceding three years were audited by Messrs. Deloitte Touche Tohmatsu. A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**Sir Gordon Ying Sheung WU**, KCMG, FICE  
*Chairman and Managing Director*

Hong Kong, 18th September, 2001