

# DIRECTORS' REPORT

The directors hereby present their report together with the consolidated profit and loss statement for the year ended 31 December 2001 and the balance sheets of the company and the group at that date, as set out on pages 48 to 51.

## **Share capital**

Particulars of changes in the share capital of the company during the year are set out in note 19 to the accounts.

## **Performance**

A discussion and analysis of the group's performance during the year, the material factors underlying its results and financial position, and details of the group's principal activities appear in the financial review on pages 32 to 42. A summary of the group's financial data for the last ten years is shown on pages 30 and 31.

## **Subsidiary companies**

Particulars of principal subsidiary companies are set out on page 77.

## **Dividends**

No interim dividend was paid in respect of the six months ended 30 June 2001. The directors recommend that a final dividend be declared of 5 cents per share payable on 10 May 2002 to members whose names appear on the register on 6 May 2002.

## **Fixed assets and investment properties**

Movements in fixed assets during the year and details of investment properties are set out in note 10 to the accounts.

## **Capitalised interest**

Interest amounting to HK\$46 million was capitalised during the year as set out in note 5 to the accounts.

## **Reserves**

Movements in the reserves of the company and the group during the year are set out in note 20 to the accounts.

## **Purchase, sale and redemption of listed securities**

During the year, the company repurchased a total of 2,346,500 shares of HK\$0.50 each of the company on the Hong Kong stock exchange for a total cash consideration of HK\$5.8 million. Details of this transaction are set out in note 19 to the accounts. All of these shares have been cancelled by the company. The directors consider that this share repurchase has resulted in an enhancement of long term shareholder value.

Save as disclosed above, during the year, neither the company nor any of its subsidiary companies has purchased, sold or redeemed any of the group's listed securities.

### Borrowings

Particulars of all borrowings are set out in note 18 to the accounts.

### Charitable donations

Donations made by the group during the year amounted to HK\$1,201,047.

### Major customers and suppliers

The diversity and nature of the group's activities are such that the percentage of sales or purchases attributable to the group's five largest customers or suppliers is significantly less than thirty per cent of the total and the directors do not consider any one customer or supplier to be influential to the group.

### Connected transactions

Details of connected transactions undertaken in the normal course of business are set out in note 28 to the accounts.

### Directors

Profiles of the directors in office at the date of this report are shown on pages 4 to 6. All the directors held office for the whole of 2001 with the exception of Messrs O M L Rhys and R W Miller who were appointed on 26 July 2001 and Mr C K M Kwok who was appointed Managing Director and Chief Executive Officer with effect from 1 February 2002 in place of Mr P R Boppe.

In accordance with the articles of association, Mr W E Mocatta, Mr C K M Kwok, Mr J S Dickson Leach, Mr P R Boppe, Mr O M L Rhys and Mr R W Miller retire by rotation and being eligible, offer themselves for re-election. None of the aforementioned directors has a service contract with the company, which is not determinable within one year without payment of compensation.

### Alternate directors

Mr Kadoorie, Mr Mocatta and Mr McAulay have appointed Mr Dickson Leach as their alternate. Mr Dickson Leach and Sir Sidney Gordon have appointed Mr Mocatta and Mr Kadoorie respectively as their alternates.

### Directors' interests

As at 31 December 2001, the directors' interests in the number of shares of the company as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

	Number of shares held			Total
	Personal	Family	Other	
The Hon. Michael D Kadoorie	-	-	625,459,075 <sup>(1) &amp; (2)</sup>	625,459,075
W E Mocatta	-	1,017,000	-	1,017,000
Sir Sidney Gordon	96,000	-	-	96,000
R J McAulay	-	-	436,245,243 <sup>(1) &amp; (3)</sup>	436,245,243
Dr. The Hon. David K P Li	400,000	-	-	400,000
R C S Ng	-	122,570	20,429 <sup>(4)</sup>	142,999
J S Dickson Leach	100,000	-	-	100,000
P R Boppe	150,000	-	-	150,000
I D Boyce	200,000	-	-	200,000
O M L Rhys	120,000	-	-	120,000

Notes:

- (1) 370,968,444 shares were held by discretionary trusts, of which The Hon. Michael D Kadoorie and Mr R J McAulay are two of the beneficiaries.
- (2) 254,490,631 shares were held by discretionary trusts, of which The Hon. Michael D Kadoorie is a beneficiary.
- (3) 65,276,799 shares were held by discretionary trusts, of which Mr R J McAulay, his wife and members of his family are beneficiaries.
- (4) Non-beneficial interest held by the wife of Mr R C S Ng.

During the year, the company has not granted any rights to directors to subscribe for equity or debt securities of the company.

No director had a material interest in any contract at the end of the year or at any time during the year, which was significant in relation to the business of the company or its subsidiary companies.

At no time during the year was the company or any of its subsidiary companies a party to any arrangement which enabled the directors of the company or their spouses or children under 18 years of age 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 31 December 2001, the following companies had interests in the number of shares of the company as recorded in the register maintained under section 16(1) of the SDI Ordinance:

Bermuda Trust Company Limited	690,735,874
Esko Limited	370,968,444
Hesko Limited	370,968,444
Xenon Holding Corporation	316,447,411
Rostik Limited	135,998,024
Mikado Holding Inc.	254,490,631
Mikado Investments Limited	254,490,631

The above information has been set out solely in order to comply with the requirements of the SDI Ordinance. These interests are duplicated amongst themselves to the extent of 1,703,363,585 shares, and the net total of 690,735,874 shares is duplicated with various of the directors' interests as recorded in the preceding note. Save as stated above, no person had disclosed interests in more than 10% of the issued share capital of the company at 31 December 2001.

### **Corporate governance**

During the year the company has remained in compliance with the guidelines contained in Appendix 14 of the stock exchange Listing Rules, save that the three independent non-executive directors have not been appointed for a specific term but are subject to retirement by rotation and the audit committee is not comprised of a majority of independent directors.

### **Practice Note 19 of the Listing Rules**

Pursuant to paragraph 3.7.1 of Practice Note 19 of the Listing Rules, the company discloses that covenants relating to loan facilities at 31 December 2001, of an aggregate amount of HK\$2,675 million, require that the Kadoorie family retains control and/or majority ownership of the company. These facilities have maturities ranging from three to seven years, in amounts ranging from HK\$25 million to HK\$1,650 million and are denominated in Hong Kong and United States dollars.

### **Auditors**

A resolution for the reappointment of KPMG as auditors will be proposed at the forthcoming annual general meeting.



By Order of the Board  
D R G Henderson, *Company Secretary*,  
Hong Kong, 28 February 2002