

## Report of the Directors

The directors have pleasure in submitting their report and audited accounts for the year ended 31 December 2001.

### PRINCIPAL ACTIVITIES

The principal activities of the Group were property development and investment, ferry and related businesses, travel business and hotel operation.

The analyses of the principal activities of the operations of the Company and its subsidiaries during the financial year are set out in note 4 on the accounts.

### MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	39%	
Five largest customers in aggregate	68%	
The largest supplier		41%
Five largest suppliers in aggregate		59%

Henderson Land Development Company Limited ("HL"), through its subsidiaries, were the Group's largest customer and supplier during the financial year. As at 31 December 2001, HL through its subsidiaries beneficially owned 73.48% of the entire issued share capital of Henderson Investment Limited, a substantial shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, hereinafter referred to as the "Listing Rules") of the Company.

Apart from the foregoing, at no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

### SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2001 are set out in note 15 on the accounts.

### ACCOUNTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2001, the state of affairs of the Company and of the Group at that date and the related notes are set out in the accounts on pages 20 to 66.

An interim dividend of 8 cents per share was paid on 17 October 2001. The directors now recommend a final dividend of 20 cents per share to shareholders whose names appear in the Register of Members on 24 April 2002.

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### CHARITABLE DONATIONS

The Group's charitable donations during the year amounted to HK\$3,035 (2000: HK\$9,695).

### FIXED ASSETS

During the year, the Group has written down the value of the shipyard property at Tsing Yi by HK\$41.2 million to HK\$145 million, in order to reflect the impairment in value of the property. Movements in fixed assets are set out in note 13 on the accounts.

### DIRECTORS

The directors during the financial year were:

#### Executive directors

Mr. Colin K.Y. Lam (*Chairman*)

Mr. Li Ning

#### Independent non-executive directors

Mr. Norman H.C. Ho

Mr. Michael Y.L. Kan

Dr. Alex S.C. Wu

#### Non-executive directors

Mr. Eddie Y.C. Lau

Dr. Lee Shau Kee

Mr. Leung Hay Man

Mr. Peter M.K. Wong

Mr. Edmond T.C. Lau (*retired on 4 May 2001*)

In accordance with Article 103(A) of the Company's Articles of Association, Messrs. Norman H.C. Ho, Michael Y.L. Kan and Eddie Y.C. Lau retire by rotation and are eligible for re-election.

The non-executive directors have not been appointed for specific terms and they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Company's Articles of Association.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES**

At 31 December 2001, the interests of the directors and chief executive in securities of the Company as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

	<b>Personal interests</b>	<b>Corporate interests</b>
	<i>Number of shares</i>	<i>Number of shares</i>
Mr. Colin K.Y. Lam	150,000	–
Mr. Norman H.C. Ho	3,313,950	–
Mr. Michael Y.L. Kan	22,965	–
Mr. Eddie Y.C. Lau	–	–
Dr. Lee Shau Kee	7,799,220	110,363,090 <i>(see note 5 on page 16)</i>
Mr. Leung Hay Man	2,250	–
Mr. Li Ning	–	–
Mr. Peter M.K. Wong	1,151,000	–
Dr. Alex S.C. Wu	186,030	–

Other than as stated above, no director or chief executive held any interest, whether beneficial or non-beneficial, in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance).

**INTERESTS IN CONTRACTS**

Except for the "Connected Transactions" as disclosed in this Report, no other contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

None of the directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment other than statutory compensation.

## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS

At 31 December 2001, the following interests in shares in the Company were recorded in the register required to be kept under section 16(1) of the SDI Ordinance:

<b>Name of company</b>	<b>No. of shares in which interested</b>
Henderson Investment Limited ( <i>Note 1</i> )	108,588,090
Pataca Enterprises Limited ( <i>Note 1</i> )	70,200,000
Wiselin Investment Limited ( <i>Note 2</i> )	39,743,090
Max-mercan Investment Limited ( <i>Note 2</i> )	39,743,090
Henderson Development Limited ( <i>Note 3</i> )	108,588,090
Henderson Land Development Company Limited ( <i>Note 3</i> )	108,588,090
Kingslee S.A. ( <i>Note 3</i> )	108,588,090
Hopkins (Cayman) Limited ( <i>Note 4</i> )	108,588,090
Rimmer (Cayman) Limited ( <i>Note 4</i> )	108,588,090

*Notes:*

All shares referred to below, unless otherwise stated, form part of the same parcel of 108,588,090 shares.

- 1 These 108,588,090 shares are beneficially owned by some of the subsidiaries of Henderson Investment Limited ("HI"). Of these 108,588,090 shares, 70,200,000 shares are owned by some of the subsidiaries of Pataca Enterprises Limited, which is itself a subsidiary of HI.
- 2 These 39,743,090 shares held by both Wiselin Investment Limited and Max-mercan Investment Limited refer to the same lot of shares. Wiselin Investment Limited, a subsidiary of Max-mercan Investment Limited which is a subsidiary of HI, beneficially owns 39,743,090 shares of which 38,388,090 shares constitute part of the said 108,588,090 shares.
- 3 These 108,588,090 shares are duplicated or included in the interests described in Notes 1 and 2. Henderson Development Limited ("HD") beneficially owns more than one-third of the issued share capital in Henderson Land Development Company Limited which is, in turn, the holding company of Kingslee S.A.. Kingslee S.A. has a controlling interest in HI.
- 4 These 108,588,090 shares are duplicated or included in the interests described in Notes 1, 2 and 3. Rimmer (Cayman) Limited as trustee of a discretionary trust holds a majority of units in a unit trust ("the Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owns all the issued ordinary shares which carry the voting rights in the share capital of HD.
- 5 Dr. Lee Shau Kee beneficially owns all the issued share capital of Rimmer (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SDI Ordinance, Dr. Lee Shau Kee is taken to be interested in 110,363,090 shares (disclosed as "Corporate Interests" under "Directors' and Chief Executive's Interests in Securities" in this Report) which include the shares described in Notes 1, 2, 3 and 4 and additional shares which do not represent interests required to be disclosed for the purposes of sections 3 to 7 of the SDI Ordinance and therefore are not recorded in the register kept under section 16(1) of the SDI Ordinance as at 31 December 2001.

## **RESERVES**

Movements in reserves of the Company and of the Group during the year are set out in note 24 on the accounts.

## **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.

## **ARRANGEMENT TO PURCHASE SHARES, WARRANTS, OPTIONS OR DEBENTURES**

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, options, debentures or warrants of the Company or any other body corporate.

## **BANK LOANS AND OVERDRAFT**

Particulars of bank loans and overdraft of the Company and the Group as at 31 December 2001 are set out in note 20 on the accounts.

## **FINANCIAL SUMMARIES**

The five years' summary of assets and liabilities and ten years' financial summary of the Group are set out on pages 67 to 69.

## **GROUP PROPERTIES**

A summary of the Group's properties is set out on page 70.

## **CONNECTED TRANSACTIONS**

Pursuant to the transactions and arrangements entered into by the Group with persons who are "connected persons" for the purposes of the Listing Rules, the Group recorded the transactions as described in note 29 on the accounts.

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

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, except that the independent non-executive directors have not been appointed for specific terms and are subject to retirement by rotation and re-election at the Annual General Meetings in accordance with the Company's Articles of Association.

## *Report of the Directors*

### **AUDITORS**

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

On behalf of the board

**Colin K.Y. Lam**  
*Chairman*

**Li Ning**  
*Director*

Hong Kong, 15 March 2002