

# DIRECTORS' REPORT

31 December 2001

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2001.

## PRINCIPAL ACTIVITIES

The principal activities of the Company comprise those of investment holding and the provision of consultancy services.

The principal activities of its subsidiaries comprise those of investment holding, e-business enablement, provision of hospitality solutions, hotel management services, reservation services, insurance sales and risk management services, accounting and payroll services and procurement services.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries are set out in note 5 to the financial statements.

## RESULTS

The consolidated profit and loss account for the year ended 31 December 2001 is set out on page 33 and shows consolidated loss after taxation and minority interests of the Group for the year of HK\$35,665,000.

The state of affairs of the Company and of the Group as at 31 December 2001 is set out in the balance sheets on page 35.

## DIVIDENDS

A final dividend of HK\$7,663,000 (2 cents per share) in respect of the previous year was satisfied during the year by the payment of cash. The Directors do not recommend the payment of any dividends in respect of the year ended 31 December 2001.

## RESERVES

Movements in reserves during the year are set out in note 24 to the financial statements.

## DONATIONS

The total charitable donations made by the Group for the year ended 31 December 2001 amounted to HK\$Nil (2000: HK\$8,000).

## SHARE CAPITAL

The Company did not issue any shares during the financial year.

## FIXED ASSETS

Movements in fixed assets are set out in note 13 to the financial statements.

## PARTICULARS OF SUBSIDIARIES

Particulars of subsidiaries are set out in note 15 to the financial statements.

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the turnover attributable to the Group's five largest customers combined was about 42% of the Group's turnover and the largest customer, Millennium & Copthorne Hotels plc Group, included therein accounted for approximately 31%. The percentage of purchases attributable to the Group's five largest suppliers combined was about 75% and the largest supplier included therein accounted for approximately 26%.

Millennium & Copthorne Hotels plc Group is a subsidiary of City Developments Limited, a substantial shareholder of the Company.

### DIRECTORS

The Directors of the Company during the financial year are as follows:

Kwek Leng Beng  
 Kwek Leng Joo  
 Kwek Leng Peck  
 Gan Khai Choon  
 Hon. Chan Bernard Charnwut  
 Tan I Tong (retired on 21 May 2001)  
 Dr. Lo Ka Shui  
 Chow Chiok Hock (resigned on 21 May 2001)  
 Wong Hong Ren  
 Lee Jackson @ Li Chik Sin  
 Foo See Juan (retired on 21 May 2001)  
 Lawrence Yip Wai Lam  
 Vincent Yeo Wee Eng

In accordance with Article 116 of the Articles of Association of the Company, one third of the present Directors will retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

### DIRECTORS AND SENIOR MANAGEMENT

**Mr. Kwek Leng Beng**, *aged 61*  
 Chairman and Managing Director

Mr. Kwek Leng Beng has been the Chairman and Managing Director of the Company since 1989. He is also the Chairman of Republic Hotels & Resorts Limited, Hong Leong Asia Ltd., Millennium & Copthorne Hotels plc, Kwek Holdings Pte Ltd and Hong Leong Investment Holdings Pte. Ltd., Chairman and Managing Director of Hong Leong Singapore Finance Limited (formerly known as Singapore Finance Limited) and Executive Chairman of City Developments Limited. Mr. Kwek has extensive experience in hotel operations, property investment and development, as well as in finance.

In 1995, Mr. Kwek was appointed a member of the Singapore-US Business Council and was named Patron of the Real Estate Development Association of Singapore.

In March 2000, Mr. Kwek was conferred the "Asian Hotelier of the Decade" accolade at the Third Annual Asia Pacific Hotel Industry Investment Conference held in Singapore. In the same year, Mr. Kwek received an Honorary Degree from Oxford Brookes University, UK.

In 2000, Mr. Kwek was appointed Member of Board of Trustee of Singapore Management University ("SMU"), the third university in Singapore. SMU is partnered with the Wharton School of the University of Pennsylvania which is ranked among the top business schools in the United States.

Mr. Kwek Leng Beng is the brother of Mr. Kwek Leng Joo, brother-in-law of Mr. Gan Khai Choon, cousin of Mr. Kwek Leng Peck and uncle of Mr. Vincent Yeo Wee Eng.

## DIRECTORS' REPORT (CONT'D)

31 December 2001

### DIRECTORS AND SENIOR MANAGEMENT (CONT'D)

**Mr. Kwek Leng Joo**, *aged 48*

Executive Director

Mr. Kwek Leng Joo was appointed an Executive Director of the Company in 1989. He is currently the Managing Director of City Developments Limited. He is also a Director of Hong Leong Singapore Finance Limited (formerly known as Singapore Finance Limited), Kwek Holdings Pte Ltd, Hong Leong Investment Holdings Pte. Ltd., Millennium & Copthorne Hotels plc and Republic Hotels & Resorts Limited. Mr. Kwek has extensive experience in property development and investment and is currently the President of the Singapore Chinese Chamber of Commerce and Industry.

Mr. Kwek Leng Joo is the brother of Mr. Kwek Leng Beng, brother-in-law of Mr. Gan Khai Choon, cousin of Mr. Kwek Leng Peck and uncle of Mr. Vincent Yeo Wee Eng.

**Mr. Kwek Leng Peck**, *aged 45*

Executive Director

Mr. Kwek Leng Peck has been an Executive Director of the Company since 1989. He serves as Executive Director on several Hong Leong Group companies, and has over 22 years of experience in trading, manufacturing, property investment and development, hotel operations, corporate finance and management. He also sits on the Boards of several public companies, including City Developments Limited, Hong Leong Corporation Limited, Hong Leong Asia Ltd., Target Realty Limited (formerly known as Hong Leong Finance Limited), Hong Leong Singapore Finance Limited (formerly known as Singapore Finance Limited), Hong Leong Holdings Limited, China Yuchai International Limited, Millennium & Copthorne Hotels plc and Tasek Corporation Berhad.

Mr. Kwek Leng Peck is the cousin of Mr. Kwek Leng Beng and Mr. Kwek Leng Joo and uncle of Mr. Vincent Yeo Wee Eng.

**Mr. Gan Khai Choon**, *aged 55*

Executive Director

Mr. Gan Khai Choon was appointed an Executive Director of the Company in 1989 and is also Joint Managing Director of Hong Leong International (Hong Kong) Limited. He has more than 27 years of experience in banking, real estate investment and development. He has been responsible for overseeing the development of the Grand Hyatt Taipei and other international projects for the Hong Leong Group of companies. Mr. Gan has a Bachelor of Arts degree (Honours) in Economics from the University of Malaya.

Mr. Gan Khai Choon is the brother-in-law of Mr. Kwek Leng Beng and Mr. Kwek Leng Joo.

\* **Hon. Chan Bernard Charnwut**, *aged 37*

Director

Hon. Chan Bernard Charnwut has been a Director of the Company since 1989 and was appointed a member of the Audit Committee on 18 January 2000. He holds a Bachelor of Arts degree from Pomona College, California, USA. He is the Deputy Managing Director of Asia Financial Group as well as the Executive Director of Asia Insurance and Asia Commercial Bank. He has been appointed as the Chairman of Standing Committee on Disciplined Services Salaries & Conditions of Service; a Director of The Hong Kong Mortgage Corporation Ltd. and The Community Chest; a Council Member of Lingnan University and Vocational Training Council. He is also a member of the Mandatory Provident Fund Schemes Advisory Committee, Process Review Panel of Securities & Futures Commission, Standing Committee on Language Education & Research, Business Advisory Group, Hong Kong Sports Development Board, Estate Agents Authority and Elderly Commission and Fight Crime Committee. In addition, he serves as the Chairperson of The Hong Kong Council of Social Service, a Councillor of the Legislative Council of the Hong Kong Special Administrative Region and a Committee Member of the Chinese People's Political Consultative Committee of Guangxi Zhuang Autonomous Region in China.

**DIRECTORS AND SENIOR MANAGEMENT (CONT'D)**\* **Dr. Lo Ka Shui**, *aged 55*

Director

Dr. Lo Ka Shui was appointed to the Board of the Company in 1989. He graduated with B.Sc. from McGill University and M.D. from Cornell University, certified in Cardiology. He has more than 22 years of experience in property and hotel development, investment and management, both in Hong Kong and elsewhere. Dr. Lo is the Deputy Chairman and Managing Director of Great Eagle Holdings Limited, a non-executive Chairman of Panda-Recruit Limited and a Director of The Hong Kong and Shanghai Banking Corporation Limited, The HSBC China Fund Limited, Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited and China Mobile (Hong Kong) Limited. He is also a Vice President of The Real Estate Developers Association of Hong Kong and a Trustee of the Hong Kong Centre for Economic Research. His public duties include being a Member of Long Term Housing Strategy Advisory Committee, a Member of the Council of Advisors on Innovation and Technology, a Director of Hong Kong Exchanges and Clearing Limited, Chairman of the Growth Enterprise Market Listing Committee and Chairman of the Hospital Authority.

**Mr. Wong Hong Ren**, *aged 50*

Director

Mr. Wong Hong Ren was appointed a Director of the Company in October 1994. He is also the Group Investment Manager of Hong Leong Management Services Pte. Ltd.. He currently sits on the Boards of several public listed companies such as Millennium & Copthorne Hotels plc, Republic Hotels & Resorts Limited, Grand Plaza Hotel Corporation, CDL Hotels New Zealand Limited, Kingsgate International Corporation Limited, CDL Investments New Zealand Limited and China Yuchai International Limited.

\* **Mr. Lee Jackson @ Li Chik Sin**, *aged 69*

Director

Mr. Lee Jackson was appointed a Non-Executive Director and Chairman of the Audit Committee of the Company in December 1998. He also sits on the Board of Metro Holdings Limited, Hong Fok Corporation Limited and Colorland Animation Limited. He was formerly a partner of an international firm of Chartered Accountants and is a member of The Australian Institute of Chartered Accountants.

**Mr. Lawrence Yip Wai Lam**, *aged 46*

Executive Director

Mr. Lawrence Yip was appointed an Executive Director of the Company in December 1998. He was formerly the General Manager (Finance & Administration) of the Company. He has over 10 years of experience in the Treasury Division of several banks. Prior to joining the Group in April 1990, Mr. Yip held the position of Regional Treasurer with a bank in Singapore.

**Mr. Vincent Yeo Wee Eng**, *aged 33*

Executive Director and Chief Executive Officer

Mr. Vincent Yeo was appointed an Executive Director and Chief Operating Officer of the Company on 26 June 2000. He was subsequently promoted to Chief Executive Officer in November 2000.

Mr. Yeo was an Executive Director of Millennium & Copthorne Hotels plc ("M&C"), the London-listed hotel arm of the Hong Leong Group, overseeing global sales and marketing from February 1998 till March 2000. Prior to his appointment to the M&C Board, Mr. Yeo was the Managing Director of CDL Hotels New Zealand Limited and CDL Investment New Zealand Limited and the Executive Director of Kingsgate International Corporation Limited.

# DIRECTORS' REPORT (CONT'D)

31 December 2001

## DIRECTORS AND SENIOR MANAGEMENT (CONT'D)

### Mr. Vincent Yeo Wee Eng (cont'd)

In those capacities, he was in charge of the Australian and New Zealand operations and responsible for developing and integrating the M&C Group's hotels into the largest hotel chain in New Zealand. Mr. Yeo remains a non-executive Director on the Boards of the M&C Group's three listed subsidiaries in New Zealand. Prior to his involvement in hotels, he was with the international stock broking firm, Smith New Court Securities (now Merrill Lynch).

Mr. Vincent Yeo Wee Eng is the nephew of Messrs. Kwek Leng Beng, Kwek Leng Joo and Kwek Leng Peck.

\* Independent non-executive director

The non-executive Directors are subject to the same terms of appointment as the other directors of the Company. Fees payable to non-executive Directors are approved by the Board at the end of each financial year.

## DIRECTORS' INTERESTS

(a) As at 31 December 2001, the beneficial and non-beneficial interests of the Directors in the securities of the Company or its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance of Hong Kong ("the SDI Ordinance")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or which were entered in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

### The Company

Name of Director	Nature of Interest	Number of Ordinary Shares of HK\$1.00 Each
Kwek Leng Beng	personal	3,286,980
Kwek Leng Peck	personal	2,082,200
Kwek Leng Joo	personal	1,436,000
Gan Khai Choon	personal	1,041,100
Wong Hong Ren	personal	1,513,112
Lawrence Yip Wai Lam	personal	520,550
Vincent Yeo Wee Eng	personal	718,000
Hon. Chan Bernard Charnwut	personal	53,850

### City Developments Limited

Name of Director	Nature of Interest	Number of Ordinary Shares of S\$0.50 Each
Gan Khai Choon	personal	79,512
	family	45,000
Wong Hong Ren	family	4,000

**DIRECTORS' INTERESTS (CONT'D)****Hong Leong Investment Holdings Pte. Ltd.**

<b>Name of Director</b>	<b>Nature of Interest</b>	<b>Number of Ordinary Shares of S\$100.00 Each</b>
Kwek Leng Beng	personal	2,320
Kwek Leng Joo	personal	1,290
Kwek Leng Peck	personal	304
Gan Khai Choon	family	247

**Republic Hotels & Resorts Limited**

<b>Name of Director</b>	<b>Nature of Interest</b>	<b>Number of Ordinary Shares of S\$1.00 Each</b>
Kwek Leng Beng	personal	428,800

**CDL Hotels New Zealand Limited**

<b>Name of Director</b>	<b>Nature of Interest</b>	<b>Number of Ordinary Shares of No Par Value</b>
Kwek Leng Beng	personal	3,000,000
Wong Hong Ren	personal	2,000,000
Vincent Yeo Wee Eng	personal	500,000

Note: Republic Hotels & Resorts Limited and CDL Hotels New Zealand Limited are indirect subsidiaries of Millennium & Copthorne Hotels plc, a subsidiary of City Developments Limited. City Developments Limited is the holding company of the Company. The Directors of the Company consider Hong Leong Investment Holdings Pte. Ltd. to be the Company's ultimate holding company.

Save as disclosed herein, none of the Directors or their associates had any interest in the share capital of the Company or its subsidiaries as at 31 December 2001.

- (b) Pursuant to the Millennium & Copthorne Hotels plc Executive Share Option Scheme ("M&C Executive Share Option Scheme") operated by M&C, certain Directors have outstanding options thereunder ("M&C Options") to subscribe for M&C shares for cash as follows:

<b>Name of Director</b>	<b>Part*</b>	<b>Date Granted</b>	<b>Number of M&amp;C Options Outstanding</b>	<b>Exercise Price per M&amp;C Share</b>	<b>Exercise Period</b>
Vincent Yeo Wee Eng	A	5/3/1998	6,509	£4.6087	5/3/2001 to 4/3/2008
	B	5/3/1998	15,186	£4.6087	5/3/2001 to 4/3/2005
	B	5/3/1999	20,693	£4.8321	5/3/2002 to 4/3/2006
Wong Hong Ren	B	14/3/2001	69,364	£4.3250	14/3/2004 to 13/3/2008

\*Note: M&C Executive Share Option Scheme has two parts. Part A is designed for the approval by the UK Inland Revenue, which approval was obtained under Schedule 9 of the Income and Corporation Taxes Act 1988 on 12 April 1996. Part B is an unapproved executive share option scheme designed for UK and non-UK executives.

# DIRECTORS' REPORT (CONT'D)

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## DIRECTORS' INTERESTS (CONT'D)

(c) Save as disclosed herein, as at 31 December 2001, none of the Directors or their associates had any beneficial or non-beneficial interest in the securities of the Company or any of its associated corporations which require notification pursuant to Section 28 of the SDI Ordinance (including any interests which any such Director is deemed or taken to have under Section 31 or Part 1 of the Schedule to the SDI Ordinance) or which have been entered in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2001, the information recorded in the register maintained by the Company under Section 16 of the SDI Ordinance for the purpose of Sections 3 to 7 of that Ordinance was as follows:

Name of Shareholder	Number of Shares Held	Percentage Holding in the Company
eMpire Investments Limited	190,523,819	49.73%
City Developments Limited	200,854,743 (1)	52.43%
Hong Leong Investment Holdings Pte. Ltd.	231,119,512 (2)	60.33%
Kwek Holdings Pte Ltd	231,119,512 (3)	60.33%

Notes:

1. As at 31 December 2001, of the 200,854,743 shares beneficially owned by wholly-owned subsidiaries of City Developments Limited ("CDL") representing approximately 52.43% of the issued share capital of the Company, 190,523,819 shares are held by eMpire Investments Limited.
2. The interest of CDL as at 31 December 2001 in 200,854,743 shares representing approximately 52.43% of the issued share capital of the Company, is included in the aggregate number of shares disclosed.
3. The interest of Hong Leong Investment Holdings Pte. Ltd. as at 31 December 2001 in 231,119,512 shares, representing approximately 60.33% of the issued share capital of the Company, is included in the aggregate number of shares disclosed.

Save as aforesaid, so far as the Directors are aware, there were no other persons who, directly or indirectly, were beneficially interested in 10 per cent or more of the issued share capital of the Company as at 31 December 2001.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries, fellow subsidiaries or holding companies were a party subsisted at the end of or at any time during the year in which any Director of the Company had a material interest.

## ARRANGEMENTS TO ACQUIRE SHARES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, fellow subsidiaries or holding companies a party to any arrangements to enable any Director of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

### **CONTROLLING SHAREHOLDERS' INTEREST**

Save as disclosed herein, apart from transactions carried out in the normal course of business, there were no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

### **CONNECTED TRANSACTIONS**

#### **Leasing of Office Spaces**

The Company has entered into a Tenancy Agreement on 30 August 2000 with an indirect subsidiary of Hong Leong Investment Holdings Pte. Ltd., which is a substantial shareholder of the Company by virtue of its indirect substantial shareholding in the Company through City Developments Limited. Details of the transaction were set out in a press announcement dated 30 August 2000. A total rental of HK\$1.4 million was paid under this agreement during the year under review.

#### **Hospitality Related Transactions**

Hospitality Related Transactions refer to the services provided by the Group to hotels owned by the Millennium & Copthorne Hotels plc ("M&C") and its subsidiaries ("M&C Group"), which include hotel reservation services and hospitality related risk management services. M&C is a subsidiary of City Developments Limited, a substantial shareholder of the Company. The Independent Shareholders have approved the Hospitality Related Transactions at the Extraordinary General Meeting held on 9 August 2000. Details of the transactions were set out in the circular to shareholders dated 17 July 2000 (the "2000 Circular").

The total revenue generated from Hospitality Related Transactions for the year ended 31 December 2001 amounted to HK\$27.0 million.

#### **Accounting Services**

Accounting Services, which include period-end consolidations, are provided by the Group to the M&C Group. Details of the transactions were set out in the 2000 Circular.

The total revenue generated from the provision of Accounting Services for the year ended 31 December 2001 amounted to HK\$3.9 million.

#### **Compliance with Waiver Conditions**

Conditional waivers from strict compliance with the connected transaction requirements of the Listing Rules in respect of Hospitality Related Transactions and Accounting Services have been granted by The Stock Exchange of Hong Kong Limited (the "Waiver").

The total revenue from connected parties in relation to the Hospitality Related Transactions for the year ended 31 December 2001 was within the cap as set out in the Waiver of 35 per cent of the total turnover of the Group for the year ended 31 December 2001. The total revenue from connected parties in relation to the Accounting Services for the year ended 31 December 2001 was within limit set out in the 2000 Circular (collectively identified as "On-going Transactions").



# DIRECTORS' REPORT (CONT'D)

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## CONNECTED TRANSACTIONS (CONT'D)

### Compliance with Waiver Conditions (cont'd)

The On-going Transactions have been reviewed by the Directors (including the independent Non-Executive Directors), and the independent Non-Executive Directors of the Company have confirmed that they consider that the above transactions were conducted:

- (a) in the ordinary and usual course of business of the Group;
- (b) on terms that are fair and reasonable so far as the Company and its Independent Shareholders are concerned;
- (c) on normal commercial terms and on an arm's length basis, where applicable, in accordance with the terms of the agreements governing such transactions; and
- (d) where applicable, the total value of the On-going Transactions are within the proposed limits stated in the Waiver.

The Directors have received from the auditors a letter indicating that certain agreed-upon procedures in relation to the connected transactions have been conducted in accordance with Statement of Auditing Standards 710 "Engagement to perform agreed-upon procedures regarding financial information" issued by the Hong Kong Society of Accountants. The Group's Directors and management are responsible for the disclosure of the connected transactions in the annual report and the sufficiency of the agreed-upon procedures performed.

The auditors have indicated in writing that based on the agreed-upon procedures:

1. The Board of Directors ("the Board") have confirmed that all On-going Transactions for the year ended 31 December 2001 have been duly approved by the Board.
2. Management has confirmed that they consider:
  - (i) the transactions between the Group and the connected parties have been entered into in accordance with the pricing policy of the Group; and
  - (ii) the transactions entered into between the Group and the connected parties were in accordance with the terms of the applicable agreement relating to the transaction in question or, if there were no such agreement, on terms no less favourable than terms available to or from third parties.
3. Where there are signed agreements or written acknowledgement, the auditors have reviewed, on a sample basis, signed agreements/written acknowledgement of the service and related fee charges.
4. The total revenue from connected parties in relation to the Hospitality Related Transactions are within the approved limit as stated in the Waiver.

As the above procedures do not constitute either an audit or a review made in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, the auditors did not express any assurance on the connected transactions for the year ended 31 December 2001.

### Other Related Party Transactions

Other related party transactions are set out in note 26 to the financial statements.

## SERVICE CONTRACTS OF DIRECTORS

None of the Directors has a service contract with the Company or its subsidiaries.

**PRE-EMPTIVE RIGHTS**

Under present Cayman Islands laws and the Articles of Association of the Company, no pre-emptive rights are imposed which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

**PURCHASE, SALE OR REDEMPTION OF 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.

**COMPLIANCE WITH THE CODE OF BEST PRACTICE**

The Company has complied throughout the year ended 31 December 2001 with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules. The independent non-executive Directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company.

**SUBSEQUENT EVENT**

In February 2002, the Group initiated a restructuring of its operations in the United States and arising therefrom, restructuring expense of approximately HK\$17,200,000 is expected to be incurred.

**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

**Kwek Leng Beng**  
Chairman

**Hong Kong, 20 March 2002**