

# Report of the Directors

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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, 2002.

## Principal Activities

The principal activity of the Company is investment holding and its subsidiaries are active in the field of investment in infrastructure projects, property letting, property agency and management, hotel operations and management, restaurant operation and food catering, construction and project management.

## Results

The results of the Group for the year ended 30th June, 2002 are set out in the consolidated income statement on page 47.

## Dividends

The directors recommend the payment of a final dividend of HK7 cents (2001: HK7 cents) per share and a 30th Anniversary Special Dividend of HK30 cents (2001: Nil) per share, which together with the interim dividend of HK6 cents (2001: HK5 cents) per share paid on 30th April, 2002, represents a total dividend distribution of HK\$377 million for the year ended 30th June, 2002 (2001: HK\$105 million). The dividends proposed have 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 31.

## Share Capital

Particulars of share capital of the Company during the year are set out in note 27 to the financial statements.

## Reserves

Movements in reserves during the year are set out in note 28 to the financial statements.

## Donations

Donations made by the Group during the year for charitable and other purposes amounted to HK\$205,300.

## Fixed Assets

Movements in investment properties and property, plant and equipment during the year are set out in notes 14 and 15 to the financial statements respectively.

Particulars regarding the major properties and property interests of the Group are shown on page 88.

## Major Customers and Suppliers

The turnover attributable to the Group's five largest customers combined was about 35% of the Group's turnover for the year and the largest customer included therein accounted for approximately 21%. The five largest suppliers of the Group accounted for approximately 42% of the Group's total purchases for the year and the largest supplier included therein accounted for approximately 23%.

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, has any beneficial interests in the Group's five largest customers and suppliers.

### 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 as at the date of the report are listed on page 44 of the annual report. Mr. Eddie Ping Chang HO succeeded Sir Gordon Ying Sheung WU as the Managing Director of the Company on 1st January, 2002 while Sir Gordon Ying Sheung WU continues to act as the Chairman of the Board. Mr. Henry Hin Moh LEE retired from his executive duties of the Company with effect from 31st December, 2001 and continues to act as a Non-Executive Director of the Company. The Board has also appointed Messrs. Josiah Chin Lai KWOK as the Deputy Managing Director, Thomas Jefferson WU as the Chief Operating Officer and Alan Chi Hung CHAN as an Executive Director with effect from 1st January, 2002. Mr. Joachim BURGER resigned as an Executive Director of the Company with effect from 28th February, 2002.

In accordance with the Company's Articles of Association, Sir Gordon Ying Sheung WU, Messrs. Josiah Chin Lai KWOK, Alan Chi Hung CHAN, Guy Man Guy WU, Victor Tzar Kuoi LI and Lady Ivy Sau Ping KWOK WU will retire at the forthcoming Annual General Meeting and all of them, except Mr. Victor Tzar Kuoi LI, being eligible, offer themselves for re-election.

### Profile of Directors and Senior Management

#### Sir Gordon Ying Sheung WU\* KCMG, FICE

Aged 66, he is the Chairman of the Board of the Company. He graduated from Princeton University with a Bachelor of Science degree in engineering in 1958. As one of the founders of the Group, he has been the Managing Director since 1972. During the year under review, he was appointed an independent non-executive director of i-Cable Communications Limited and the Honorary Consul of the Republic of Croatia in the Hong Kong SAR. In January 2002, he retired as the Managing Director of the Company but remains as the Chairman of the Board. He was responsible for the Group's infrastructure projects in the PRC and South-East Asia and has been involved in the design and construction of numerous buildings and development projects in Hong Kong and the PRC.

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 Logistic Development Council
- Advisor Urban Renewal Authority
- 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)
- Member International Advisory Board of the Institute for International Business Communication, Japan
- 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 Guangzhou, PRC
- The City of Shenzhen, PRC
- The City of Shunde, PRC
- The City of Nanhai, PRC
- The City of Hua Du, PRC
- The City of New Orleans, USA
- The Province of Quezon, the Republic of the Philippines

### Awards and Honours

	Year of Award
• Honorary Consul of the Republic of Croatia in the HKSAR	2002
• Knight Commander of the Order of St Michael and St George 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 70, he has been the Deputy Managing Director of the Company since it was listed on the Stock Exchange in 1972 and was appointed as the Managing Director in January 2002. He has been involved in developing all of the Group 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 a Honorary Citizen of the cities of Shenzhen and Shunde in the PRC.

### Mr. Josiah Chin Lai KWOK\*

Aged 51, he was appointed as the Deputy Managing Director of the Company in January 2002. He is a barrister. Previously, he worked as a consultant to the Group on various important projects such as Guangzhou-Shenzhen-Zhuhai Superhighway, Shajiao B and C Power Stations etc. Afterwards, he worked as Secretary for The Hong Kong Association of Banks, Legal Advisor of The Airport Authority, Hong Kong and Compliance Officer of the BNP Paribas Peregrine Group.

**Mr. Thomas Jefferson WU\***

Aged 30, 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 an Executive Director of the Company in June 2001 and the Chief Operating Officer in January 2002. 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 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.

**Mr. Henry Hin Moh LEE**

Aged 75, he has been involved with the Group since the Company was listed in 1972. He is a Non-Executive Director and a Consultant of the Company. Prior to his retirement from his executive duties of the Company with effect from 31st December, 2001, he was responsible for real estate development and property rental and sales of the Group. He was actively engaged in the property business in Hong Kong. He is a Honorary Citizen of the city of Shunde in the PRC.

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

Aged 55, 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 45, 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 JP**

Aged 53, 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 and Hong Kong Red Cross. She was appointed a Justice of the Peace with effect from 1st July, 2002. She is the wife of Sir Gordon Ying Sheung WU.

**Mr. Victor Tzar Kuoi LI**

Aged 38, he joined the board in 1991. He is the Managing Director and Deputy Chairman of Cheung Kong (Holdings) Limited and the Chairman of both Cheung Kong Infrastructure Holdings Limited and CK Life Sciences Int'l., (Holdings) Inc. He is also the Deputy Chairman of Hutchison Whampoa Limited and a Director of both 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 of the HKSAR and the Business Advisory Group.

**Ms. Linda Lai Chuen LOKE**

Aged 64, 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 Vice President (Private Wealth Management) at Morgan Stanley Inc.

**Mr. Lawrence Sai Kit MIAO**

Aged 38, he was appointed an Executive Director of the Company in 1994 and was involved in financing activities as well as new project developments. Since 1997, his role in the Company was changed to an Independent Non-Executive Director. He is presently a founder and the Managing Director of Olympus Capital Holdings Asia, one of the largest direct investment firms in Asia. He holds a Master of Business Administration degree from Stanford Graduate School of Business Administration and an A.B. degree from Woodrow Wilson School for International Affairs from Princeton University.

**Mr. Alan Chi Hung CHAN\***

Aged 43, he joined the Group in 1988 and was appointed as an Executive Director of the Company in January 2002. He has a Postgraduate Diploma in Management Studies and a Bachelor of Science degree. He is in charge of China Infrastructure Division of the Group and is responsible for project coordination, management and administration of the transport infrastructure and other projects in the PRC.

**Mr. Colin Henry WEIR\***

Aged 56, 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 stations and highways. 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 57, 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 42, 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.

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. During the year, Mr. Joachim BURGER sold his interest in Mega Hotels to the Company.
- (b) Mr. Victor Tzar Kuoi LI is a director of Cheung Kong Infrastructure Holdings Limited ("CKI Infrastructure"). As disclosed in note 17(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 and Options

As at 30th June, 2002, the beneficial interests of the directors and their associates in the shares and options 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)	111,187,019	30,670,093	238,204,287 (iii)
Eddie Ping Chang HO	19,360,000	246,000	1,980,000	-	21,586,000
Thomas Jefferson WU	12,333,800	-	810,092	-	13,143,892
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	216,301,005 (ii)	61,157,217	30,670,093	238,204,287 (iii)
Linda Lai Chuen LOKE	-	1,308,981	-	-	1,308,981
David Yau-gay LUI	8,537	-	-	-	8,537

#### 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 216,301,005 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 216,301,005 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 238,204,287 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)
Thomas Jefferson WU	Guangzhou-Shenzhen Superhighway (Holdings) Ltd.	-	-	(iii)	(iii)
Victor Tzar Kuoi LI	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 associate 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\$14,705,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. was 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\$9,250,000 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.
- (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\$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.
- (v) Certain directors held shares in certain subsidiaries as nominees for their holding companies.

**(c) Beneficial Interests in Options granted by the Company**

Details of Directors' interests in share options granted by the Company are set out under the section "Share Options".

**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\$8,173,000.

**Share Options**

The Company has a share option scheme which was approved by the shareholders for adoption on 11th October, 1994 (the "Option Scheme") for granting options to any executive directors and employees of the Company or any of its subsidiaries. The purpose of the Option Scheme is to give an interest to executive directors and employees of the Company or any of its subsidiaries in preserving and maximizing shareholder value in the long term. It also enables the Company to attract and retain experienced and capable individuals by providing them with incentives for future performance.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has amended certain provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in relation to share option scheme and the new provisions came into effect on 1st September, 2001. Under the transitional arrangement, the Company may continue to grant options under the Option Scheme so long as such grants are in compliance with the requirements of the Listing Rules.

Under the Option Scheme and the requirements of the amended Listing Rules, the maximum number of shares in the Company in respect of which options may be granted (together with shares issued pursuant to option exercised and shares in respect of which any option remains outstanding) under the Option Scheme of the Company will not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of adoption of the Option Scheme (the "Maximum Number"). The maximum entitlement of each participant under the Option Scheme in any 12-month period must not exceed 1% of the issued share

capital of the Company. As at the date of this report, a total of 78,059,114 shares (representing approximately 9.04% of the issued share capital of the Company as at 11th October, 1994) are available for issue under the Option Scheme.

The period under which an option may be exercised will be determined by the Board of Directors of the Company in its discretion, save that option may be exercised not earlier than 6 months after the date of grant (i.e. the date on which the option is accepted) and shall expire not later than 10 years after the date of grant. The amount payable on acceptance of an option is HK\$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option.

The exercise price for an option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant option and shall be stated in the letter containing the offer of the grant of option. The exercise price shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer of grant; and (c) the nominal value of a share in the Company.

The Option Scheme will expire on 10th October, 2004.

Particulars of the options held by the executive directors of the Company and employee granted under the Option Scheme are as follows:-

	Date of grant	Balance of options at 1/7/2001	Options granted during the year	Options exercised during the year	Options lapsed during the year	Balance of options at 30/6/2002	Exercise price per share HK\$	Exercise period
Directors								
Josiah Chin Lai KWOK	28/3/2002	-	3,000,000	-	-	3,000,000	6.15	28/9/2002-27/9/2005
Thomas Jefferson WU	3/4/2002	-	2,500,000	-	-	2,500,000	6.15	3/10/2002-2/10/2005
Robert Van Jin NIEN	1/4/2002	-	1,000,000	-	-	1,000,000	6.15	1/10/2002-30/9/2005
Alan Chi Hung CHAN	2/4/2002	-	1,000,000	-	-	1,000,000	6.15	2/10/2002-1/10/2005
Employee	2/4/2002	-	800,000	-	-	800,000	6.15	2/10/2002-1/10/2005

Information of the share options granted during the year is also set out in note 27 to the financial statements. The closing price of the shares of the Company on 27th March, 2002, 28th March, 2002 and 2nd April, 2002, being the dates immediately before the respective dates on which the options were granted, was HK\$6.15, HK\$6.00 and HK\$6.10.

The Directors consider that it is not appropriate to disclose the value of options granted during the year as the market price of the Company's share as at the year end date was below the exercise price of the options granted and any valuation of the above options would be subject to a number of assumptions that would be subjective and uncertain. No charge is recognised in the income statement in respect of the value of options granted during the year.

### Arrangements to Acquire Shares or Debentures

Save as disclosed in the previous section headed "Share Options", 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.



## Employees

There were approximately 1,123 employees in the Group as at 30th June, 2002. The Group continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Various benefits include medical and personal accident insurance coverage are also provided to employees. In addition, training programs are conducted on an ongoing basis throughout the Group. Share options may be granted at the discretion of the Board of Directors to employees as appropriate.

## 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, 2002, 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 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 43.

## Auditors

The financial statements for the year ended 30th June, 2002 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*

Hong Kong, 20th August, 2002