



Report of the Directors

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, 2003.

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 development and investment, property agency and management, hotel operations and management, restaurant operations and food catering, construction and project management.

Results

The results of the Group for the year ended 30th June, 2003 are set out in the consolidated income statement on page 43.

Dividends

The directors recommended the payment of a final dividend of HK18 cents (2002: final dividend of HK7 cents and special dividend of HK30 cents) per share which, together with the interim dividend of HK7 cents (2002: HK6 cents) per share paid on 27th March, 2003, represents a total dividend distribution of HK\$219 million in respect of the year ended 30th June, 2003 (2002: HK\$377 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 22.

Share Capital

Particulars of share capital of the Company during the year are set out in note 30 to the financial statements.

Reserves

Movements in reserves during the year are set out in note 31 to the financial statements.

Donations

Donations made by the Group during the year for charitable and other purposes amounted to HK\$20,288,000.

Fixed Assets

Movements in investment properties and property, plant and equipment during the year are set out in notes 16 and 17 to the financial statements respectively.

Particulars regarding the major properties and property interests of the Group are shown on pages 95 and 96.

Major Customers and Suppliers

During the year, the turnover attributable to the Group's five largest customers combined was less than 30% of the Group's turnover. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

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 40 of the annual report. Mr. Victor Tzar Kuoi LI retired as Independent Non-Executive Director of the Company at the 2002 Annual General Meeting held on 17th October, 2002. Mr. Albert Kam Yin YEUNG was appointed as an Executive Director on 6th November, 2002 and Mr. Andy Lee Ming CHEUNG was appointed as an Executive Director on 16th July, 2003. Mr. Alan Chi Hung CHAN resigned as an Executive Director on 25th July, 2003. Mr. Eddie Wing Chuen HO Junior was appointed as an Executive Director on 6th August, 2003.

From 6th August, 2003, Mr. Eddie Ping Chang HO was redesignated as Vice Chairman and Managing Director and Mr. Thomas Jefferson WU was redesignated as Deputy Managing Director of the Company.

The Board would like to express appreciation to Mr. LI and Mr. CHAN for their valuable contribution to the Group in the past. The Board also congratulate and welcome the appointees and new directors for joining the Board.

In accordance with the Company's Articles of Association, Ms. Linda Lai Chuen LOKE, Messrs. Lawrence Sai Kit MIAO, Colin Henry WEIR, David Yau-gay LUI, Albert Kam Yin YEUNG, Mr. Andy Lee Ming CHEUNG and Mr. Eddie Wing Chuen HO Junior will retire at the forthcoming Annual General Meeting and all of them, except Mr. Lawrence Sai Kit MIAO, being eligible, offer themselves for re-election.

Profile of Directors and Senior Management

Sir Gordon Ying Sheung WU* KCMG, FICE

Aged 67, 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 was the Managing Director from 1972 to 2002 when he became the Chairman. 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 also the Chairman of Hopewell Highway Infrastructure Limited, a newly listed subsidiary of the Company, and an independent non-executive director of i-Cable Communications Limited.

He is very active in civic activities, his civic duties include:

In Hong Kong

- 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 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

- | | |
|---|------|
| • Honorary Consul of The Republic of Croatia in the HKSAR | 2002 |
| • Knight Commander of the Order of St Michael and St George 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 71, he is Vice Chairman and Managing Director of the Company. He was Deputy Managing Director when the Company was listed on the Stock Exchange in 1972. In 2002, he was appointed Managing Director. 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. He is also the Vice Chairman of Hopewell Highway Infrastructure Limited, a newly listed subsidiary of the Company.

Mr. Josiah Chin Lai KWOK*

Aged 52, he was appointed Deputy Managing Director of the Company in January 2002. He is a solicitor. 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 31, he was appointed Deputy Managing Director of the Company in August 2003. 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's 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. He is also the Managing Director of Hopewell Highway Infrastructure Limited, a newly listed subsidiary of the Company.

Mr. Henry Hin Moh LEE

Aged 76, 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 in 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 56, 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 46, 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 54, 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 effective 1st July, 2002. She is the wife of Sir Gordon Ying Sheung Wu.

Ms. Linda Lai Chuen LOKE

Aged 65, 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 Vice President (Private Wealth Management) at Morgan Stanley Inc.

Mr. Lawrence Sai Kit MIAO

Aged 39, he was appointed as 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 of Princeton University.

Mr. Albert Kam Yin YEUNG*

Aged 52, he was appointed as an Executive Director of the Company in November 2002. Prior to joining the Group, he was a director of WMKY Limited from 1986 to 1998 and acted as a consultant of the Group's recent construction projects. He has a Bachelor of Architecture degree from the University of Hong Kong. He is a Registered Architect, an Authorized Person and a member of the Hong Kong Institute of Architects and various professional bodies.

Mr. Colin Henry WEIR*

Aged 57, 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 58, 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 43, 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, which firm rendered professional services to the Group and received normal remuneration for such services.

Mr. Andy Lee Ming CHEUNG*

Aged 37, he was appointed as an Executive Director in July 2003. He joined the Group in 1997. He has a Bachelor degree in Business Administration from Boston University and a Master of Business Administration degree from McMaster University. He is a Certified Public Accountant of the State of Illinois in the United States. He is involved in the Group's financial activities and development and control of the Group's investments in power project in Indonesia. He has considerable experience in the areas of business development, finance and audit.

Mr. Eddie Wing Chuen HO Junior*

Aged 34, he was appointed as an Executive Director in August 2003. He joined the Group in 1994. He holds a Bachelor of Arts Degree from California State University in the U.S.A. He is a son of Mr. Eddie Ping Chang HO. He has held various management positions, including Director of Marketing and Sales and Deputy General Manager, at the Group's Hongkong International Trade and Exhibition Centre in Kowloon Bay.

*Note: * Executive Directors*

Senior Management

Various business 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

Mr. Victor Tzar Kuoi LI is a director of Cheung Kong Infrastructure Holdings Limited ("CKI Infrastructure"). As discussed in note 20(b) 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 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' Interests

As at 30th June, 2003, the interests and short positions of the directors and chief executives of the Company and their associates in any shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was deemed or taken to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which required notification pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) Beneficial Interests and short positions in shares (the "Shares") and underlying shares of equity derivatives of the Company(i)

Directors	Shares				Equity derivatives (vii)	Total interest	Total interests as percentage of shares in issue
	Personal interest (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (ii) (interests of controlled corporation)	Other interests (vi)			
Gordon Ying Sheung WU	62,494,032	21,910,000 (iii)	111,250,000 (iv)	30,680,000	–	226,334,032	25.84
Eddie Ping Chang HO	19,360,000	246,000	2,050,000	–	–	21,656,000	2.47
Josiah Chin Lai KWOK	–	–	–	–	3,000,000	3,000,000	0.34
Thomas Jefferson WU	24,350,000	–	820,000	–	2,500,000	27,670,000	3.16
Henry Hin Moh LEE	2,795,322	–	–	–	–	2,795,332	0.32
Robert Van Jin NIEN	100,000	–	–	–	1,000,000	1,100,000	0.12
Guy Man Guy WU	2,645,650	–	–	–	–	2,645,650	0.30
Ivy Sau Ping Kwok WU	21,910,000	112,554,032 (v)	61,190,000	30,680,000	–	226,334,032	25.84
Linda Lai Chuen LOKE	–	1,308,981	–	–	–	1,308,981	0.15
David Yau-gay LUI	8,537	–	–	–	–	8,537	0
Alan Chi Hung CHAN <i>(resigned on 25th July, 2003)</i>	–	–	–	–	1,000,000	1,000,000	0.11

Notes:

- (i) All interests in the Shares and underlying shares of equity derivatives of the Company are long positions. None of the directors or chief executives held any short position in the Shares and underlying shares of equity derivatives of the Company.
- (ii) These Shares were beneficially owned by a company in which the relevant director was deemed to be entitled under the SFO to exercise or control the exercise of one-third or more of the voting power at its general meeting.
- (iii) The family interests of 21,910,000 Shares represented the interests of Lady Ivy Sau Ping KWOK WU, the wife of Sir Gordon Ying Sheung WU.
- (iv) The corporate interests of 111,250,000 Shares represented the interests of Sir Gordon Ying Sheung WU and Lady Ivy Sau Ping KWOK WU held through corporations. This figure included 61,190,000 Shares held by Lady Ivy Sau Ping KWOK WU through corporations.
- (v) The family interests of 112,554,032 Shares represented the interests of Sir Gordon Ying Sheung WU, the husband of Lady Ivy Sau Ping KWOK WU. This figure includes 50,060,000 Shares held by Sir Gordon Ying Sheung WU through corporations.
- (vi) The other interests of 30,680,000 Shares represented the interests held by Sir Gordon Ying Sheung WU jointly with Lady Ivy Sau Ping KWOK WU.
- (vii) These represented interests of options granted to directors under the Option Scheme to subscribe for shares of the Company, further details of which are set out in the section headed "Share Options".

(b) Beneficial Interests and Short Positions in the shares in Associated Corporations

- (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 600,000 ordinary shares of HCNH Insurance Brokers Limited, an associated company of the Company, representing one-half of its issued share capital.
- (ii) Certain directors held shares in certain subsidiaries as nominees for their holding companies.
- (iii) None of the directors or chief executives held any short position in shares of associated corporations.

(c) Beneficial interests and short positions in underlying shares of equity derivatives in associated corporations

As at 30th June, 2003, none of the Directors or chief executives has any beneficial interest and short positions in underlying shares of equity derivatives of associated corporations.

(d) Beneficial interests in debentures in associated corporations

The 9⁷/₈% Notes due 2004 for a face amount of US\$4,850,000 issued by Guangzhou-Shenzhen Superhighway (Holdings) Ltd. was beneficially owned by companies in which Mr. Thomas Jefferson WU was entitled to the exercise of 1/3 or more of the voting power at their general meetings.

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. Mandatory contributions to these schemes are made by both the employers and employees at 5% of the employees’ monthly relevant income capped at HK\$20,000.

During the year, the Group made contributions to the MPF Schemes amounted to HK\$7,014,000.

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 options 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 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 an option may not be exercised 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. An option is open for acceptance for a period of 28 days from the date of offer. 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 quotations sheet on the date 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 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 1/7/2002	Balance of options at 30/6/2003	Exercise price (HK\$)	Exercise period
<i>Directors</i>					
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 (resigned on 25th July, 2003)	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

During the year under review, no option was granted, exercised or cancelled by the Company.

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 1,100 employees in the Group as at 30th June 2003. 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’ Interests”, as at 30th June, 2003, the Company had not been notified by any person, not being a Director, of interests in the share capital of the Company required to be recorded in the register under Section 336 of the SFO.

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 39.

Post Balance Sheet Events

Details of the post balance sheet events are set out in note 42 to the financial statements.

Auditors

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, 8th September, 2003