

## **Report of the Directors**

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 March 2001.

### **Principal Activities**

The principal activities of the company are investment holding and provision of management services. The principal activities and other particulars of the subsidiaries are set out on pages 78 to 81.

The analysis of the principal activities and geographical locations of the operations of the company and its subsidiaries during the financial year are set out in note 3 on the accounts.

### **Major Customers and Suppliers**

During the year, the group's sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the group's turnover and purchases respectively.

### **Accounts**

The profit of the group for the year ended 31 March 2001 and the state of the company's and the group's affairs as at that date are set out in the accounts on pages 32 to 77.

A special dividend of HK\$1.50 per share (2000: HK\$Nil) and an interim dividend of HK12 cents per share (2000: HK11 cents per share) were paid on 16 January 2001. The directors now recommend the payment of a final dividend of HK\$32 cents per share (2000: HK32 cents per share) in respect of the year ended 31 March 2001.

### **Charitable Donations**

Donations made by the group during the year amounted to HK\$Nil (2000: HK\$2,403,000).

### **Fixed Assets**

Details of additions to and other movements in fixed assets during the year are set out in note 13 on the accounts.

### **Share Capital**

Details of the movements in share capital during the year are set out in note 24 on the accounts.

During the year, repurchases of share capital were made because the directors were of the opinion that the repurchases would enhance the earnings per share of the company. Shares were also issued during the year pursuant to the exercise of options under the company's share option scheme.

### **Directors**

The present directors of the company are listed on page 4.

In accordance with Articles 95 and 104 of the company's articles of association, Madam Chan Suk Ling Shirley, Messrs Chan Wing To, Fu Sing Yam William and Wong Lam retire from the board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

### Directors' Service Contracts

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

### Directors' Interests in Shares

The directors who held office at 31 March 2001 had the following interests in the issued share capital of the company and its subsidiaries (within the meaning of the Securities (Disclosure of Interests) Ordinance) at that date as recorded in the register of directors' share interests:

Name of director	Ordinary shares of HK\$0.50 each			
	Number of shares			
	Personal interests	Family interests	Corporate interests	Other interests
Chan Sui Kau	5,929,272	214,368	3,840,820	(i)
Chan Wing Fui, Peter	324,068	100,000	—	(i) & (ii)
Chan Wing Sun, Samuel	2,072,072	—	—	(i) & (ii)
Chan Suk Ling, Shirley	3,613,544	16,000	—	(i)
Chan Wing Ming, Michael	2,967,208	—	—	(i)
Chan Wing Kee	3,692,776	819,404	—	(i), (ii) & (iii)
Chan Wing To	4,144,736	—	—	(i), (ii) & (iii)
Fu Sing Yam, William	361,068	—	—	—

(i) (a) An aggregate of 29,932,264 shares of the company were held under various trusts and companies established for the benefit of members of the Chan family including Messrs Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing Sun Samuel, Chan Wing To, Chan Wing Ming Michael and Madam Chan Suk Ling Shirley.

(b) 34,595,908 shares of the company were held by Canfield Holdings Limited which is beneficially owned by certain directors of the company, namely, Messrs Chan Wing Fui Peter, Chan Wing Kee, Chan Wing Sun Samuel, Chan Wing To, Chan Wing Ming Michael and Madam Chan Suk Ling Shirley (collectively the "Chan Directors") and three companies established for the benefit of certain members of the Chan family, including the Chan Directors and their respective associates.

(ii) 2,917,480 shares of the company were held by Hearty Development Limited which is beneficially owned by Messrs Chan Wing Fui Peter, Chan Wing Kee, Chan Wing Sun Samuel and Chan Wing To.

- (iii) 1,597,000 shares of the company were held by Super Team International Limited which is beneficially owned by Messrs Chan Wing Kee, Chan Wing To and certain members of the Chan family.

#### **Arrangement to Purchase Shares**

With the exception of the company's share option scheme, details of which are set out below, at no time during the year was the company or any of its subsidiaries a party to any arrangement to enable the directors of the company or any of 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.

Pursuant to ordinary resolutions passed on 14 July 1993 and 13 May 1994, the directors authorised the grant of options at nominal consideration for an aggregate of 13,185,000 shares and of 780,000 shares, respectively, of HK\$0.50 each of the company under the company's share option scheme to certain directors and employees of the company and its subsidiaries, at an exercise price of HK\$3.38 per share. The options are exercisable in the periods from 1 October 1993 to 31 December 2001 and from 1 October 1994 to 31 December 2001, respectively. During the year, 7,570,000 share options were exercised, of which 7,005,000 share options were exercised by the directors as follows:

#### **Number of shares issued upon exercise of share options**

Chan Sui Kau	800,000
Chan Wing Fui, Peter	1,450,000
Chan Wing Sun, Samuel	850,000
Chan Suk Ling, Shirley	1,650,000
Chan Wing Kee	1,100,000
Chan Wing To	1,100,000
Fu Sing Yam, William	55,000

No share options granted to the directors of the company were outstanding as at 31 March 2001.

#### **Substantial Shareholders**

As at 31 March 2001, the register required to be kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that, other than the interests disclosed above in respect of the directors, the company had not been notified of any interests representing 10% or more of the company's issued share capital.

### Directors' Interests in Contracts

No contract of significance to which the company or any of its subsidiaries was a party, 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.

### Purchase, Sale or Redemption of Shares

Details of repurchases of shares made by the company on The Stock Exchange of Hong Kong Limited during the year ended 31 March 2001 are as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid (before expenses) HK\$'000
April 2000	297,000	4.400	4.050	1,241
May 2000	74,000	3.900	3.900	289
September 2000	744,000	4.325	3.700	3,022
October 2000	747,000	4.325	4.150	3,176
November 2000	237,000	4.250	4.250	1,007
December 2000	104,000	5.200	5.000	533
January 2001	386,000	3.800	3.700	1,445
February 2001	332,000	3.850	3.800	1,275
March 2001	506,000	3.750	3.700	1,879
	3,427,000			13,867

The above repurchased shares were cancelled and accordingly the issued share capital of the company was reduced by the nominal value of these shares. An amount of HK\$12,205,000 representing the premium and brokerage expenses on the aforesaid repurchases was charged against retained profits. In addition, pursuant to section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled of HK\$1,714,000 was transferred from the retained profits to the capital redemption reserve. The repurchases were made because the directors were of the opinion that the repurchases would enhance the earnings per share of the company.

Save as disclosed above, at no time during the year was there any purchase, sale or redemption by the company, or any of its subsidiaries, of the company's shares.

### Connected Transactions

Details of connected transactions under Chapter 14 of the Listing Rules are set out in note 29 on the accounts. In the opinion of the independent non-executive directors, these transactions were entered into by the group:

- (i) in the ordinary and usual course of its business;

- (ii) either on normal commercial terms or where there is no available comparison, on terms that are fair and reasonable so far as the independent shareholders of the company are concerned; and
- (iii) either in accordance with the terms of the agreements governing such transactions or, where there are no such agreements, on terms no less favourable than those available to or from (as appropriate) independent third parties.

#### **Bank Loans and Other Borrowings**

Particulars of bank loans and other borrowings of the group as at 31 March 2001 are set out in notes 22 and 23 on the accounts.

#### **Five Year Financial Summary**

A summary of the results and of the assets and liabilities of the group for the last five financial years is set out on page 82 of the annual report.

#### **Properties**

Particulars of the group's investment properties are set out in note 13 on the accounts.

#### **Retirement Scheme**

Particulars of the retirement schemes of the group are set out in note 12 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 by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules except that the non-executive directors of the company were not appointed for a specific term but are subject to rotation in annual general meetings pursuant to Articles 95 and 104 of the company's Articles of Association.

#### **Audit Committee**

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, the company set up an audit committee (the "Committee") with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the group. The Committee comprises two independent non-executive 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.

By order of the Board

**Leung Wing Fat**

*Secretary*

Hong Kong, 28 July 2001