

# **DIRECTORS' REPORT**

The directors present their report and the audited financial statements of the Company for the year ended 31st March, 2002.

## **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The principal activities of its subsidiaries and associates are set out in notes 13 and 14 respectively to the financial statements.

## **RESULTS**

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 19.

## **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

## **INVESTMENT PROPERTIES**

All the investment properties of the Group were revalued at 31st March, 2002. The decrease arising on revaluation amounting to HK\$460,000 has been charged to the consolidated income statement. Details of the valuation and the investment properties at 31st March, 2002 are set out in note 11 to the financial statements.

## **PROPERTY, PLANT AND EQUIPMENT**

The Group's hotel property was revalued at 31st March, 2002. The decrease arising on revaluation amounting to HK\$2,571,183 has been charged to the consolidated income statement.

Details of this and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 12 to the financial statements. Particulars of the major properties of the Group at 31st March, 2002 are included in Appendix I.

## **SHARE CAPITAL**

Details of share capital of the Company are set out in note 26 to the financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

# DIRECTORS' REPORT

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

### Executive directors

Mr. Deacon Te-ken Chiu	<i>(Chairman)</i>
Mr. Derek Chiu	<i>(Managing Director and Chief Executive)</i>
Mr. Desmond Chiu	<i>(Deputy Managing Director)</i>
Ms. Margaret Chiu	

### Non-executive directors

Mr. Daniel Tat-jung Chiu	<i>(Vice Chairman)</i>
Madam Chiu Ju Ching-lan	
Mr. Dick Tat-sang Chiu	
Mr. David Tat-cheong Chiu	
Mr. Dennis Tat-shing Chiu	
Mr. Duncan Chiu	

### Independent non-executive directors

Mr. Ho-fai Ma
Mr. Shing-hing Ip

### Alternate directors

Madam Janny Lin-chun Leung	<i>(Alternate to Mr. Deacon Te-ken Chiu)</i>
Mr. Sung-ki Tang	<i>(Alternate to Mr. Desmond Chiu)</i>

In accordance with Article 78 of the Articles of Association of the Company, Madam Chiu Ju Ching-lan, Mr. David Tat-cheong Chiu, Mr. Desmond Chiu and Mr. Shing-hing Ip shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office for each independent non-executive director is the period up to his retirement by rotation in accordance with the Articles of Association of the Company.



## DIRECTORS' REPORT

### DIRECTORS' INTERESTS IN SHARES

At 31st March, 2002, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

#### Ordinary shares of HK\$1.00 each

Name of director	Personal interests	Family interests	Corporate interests
Mr. Deacon Te-ken Chiu	12,491,424	-	111,901,052 (Note 1)
Mr. Derek Chiu	11,394,000	-	108,430,299 (Note 2)
Madam Chiu Ju Ching-lan	188,000	-	-
Mr. Dick Tat-sang Chiu	12,172,800	-	22,277,033 (Note 3)
Mr. David Tat-cheong Chiu	3,144,627	-	-
Ms. Margaret Chiu	<u>676,240</u>	<u>-</u>	<u>5,000,000</u> (Note 4)

#### Notes:

- (1) Of the 111,901,052 shares, 100,939,842 shares were held by various private companies controlled by Mr. Deacon Te-ken Chiu, 295,210 shares were held by Far East Consortium Limited, a wholly-owned subsidiary of Far East Consortium International Limited, and 10,666,000 shares were held by Brentford Investments Inc., a wholly-owned subsidiary of Far East Technology International Limited. Mr. Deacon Te-ken Chiu is a controlling shareholder of these companies.
- (2) The 108,430,299 shares were held by Energy Overseas Ltd, a company controlled by Mr. Derek Chiu.
- (3) The 22,277,033 shares were held by various private companies controlled by Mr. Dick Tat-sang Chiu.
- (4) The 5,000,000 shares were held by a private company controlled by Ms. Margaret Chiu.

Save as disclosed above, as at 31st March, 2002, none of the directors or any of their associates had any interests in any securities of the Company or any of its subsidiaries or associated corporations as defined in the SDI Ordinance.

## DIRECTORS' REPORT

### SHARE OPTION SCHEME

In accordance with the Company's share option scheme (the "Scheme"), which was adopted pursuant to an ordinary resolution passed on 22nd September, 1995, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

A summary of the movements of options granted during the year is as follows:

Name of director	Exercisable period	Date of grant	Exercise price HK\$	Number of share options			
				Outstanding at 1.4.2001	Granted during the year	Exercised during the year	Outstanding at 31.3.2002
Mr. Derek Chiu	October 1995 to September 2005	16/10/1995	1.44	590,000	-	-	590,000
	September 1997 to August 2007	09/09/1997	3.01	1,000,000	-	-	1,000,000
Mr. Deacon Te-ken Chiu	November 1995 to October 2005	15/11/1995	1.42	5,000,000	-	-	5,000,000
Madam Chiu Ju Ching-lan	April 1996 to March 2006	11/04/1996	1.60	4,000,000	-	-	4,000,000
Mr. Sung-ki Tang	April 1996 to March 2006	11/04/1996	1.60	150,000	-	-	150,000
	January 2000 to December 2009	29/01/2000	1.00	6,000,000	-	-	6,000,000
Ms. Margaret Chiu	November 1997 to October 2007	19/11/1997	1.74	7,000,000	-	-	7,000,000

### Summary of the Scheme

- (a) The purpose of the Scheme is to motivate employees of the Company or any subsidiary and to allow them to participate in the growth of the Company.
- (b) The directors may, at their discretion, invite employees of the Group, including executive directors of any member of the Group, to take up options at HK\$10.00 per option to subscribe for shares at a price calculated in accordance with paragraph (c) below.

## ***DIRECTORS' REPORT***

- (c) The subscription price for shares under the Scheme will be a price determined by the directors and notified to each grantee and shall be the higher of a price being not less than 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the five trading days immediately preceding the date on which an option is offered and the nominal value of a share.
- (d) The maximum number of shares 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 Scheme will not exceed 10% of the issued share capital of the Company (excluding any shares issued pursuant to the Scheme) from time to time.
- (e) No option may be granted to any employee which if exercised in full would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and issuable to him or her under the Scheme, exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.
- (f) An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined by the Board and notified to each grantee and in any event such period of time not exceeding a period of 10 years which shall commence immediately after the date on which the option is accepted in accordance with the Scheme and shall expire on the last day of such period.
- (g) The Scheme will remain in force for a period of 10 years commencing on 22nd September, 1995 being the date on which it was adopted by resolution of the Company in general meeting.

### **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

Save as disclosed above, 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.

### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

The title of certain leasehold land and buildings owned by a subsidiary is registered in the name of a company controlled by Mr. Deacon Te-ken Chiu and his family (the "Chiu Family") as trustee for the said subsidiary.

Apart from the foregoing and those transactions disclosed in note 31 to the financial statements, there were no other contract of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

### **SERVICE CONTRACTS OF DIRECTORS**

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

### **SUBSTANTIAL SHAREHOLDERS**

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 31st March, 2002.

### **MAJOR SUPPLIERS**

The five largest suppliers of the Group accounted for less than 30% of the total purchases of the Group in the year.

### **MAJOR CUSTOMERS**

The five largest customers of the Group accounted for less than 30% of the total sales of the Group in the year.

### **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31st March, 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

## DIRECTORS' REPORT

### DISCLOSURE UNDER PRACTICE NOTE 19 TO THE LISTING RULES

As at 31st March, 2002 the Group advanced a total of approximately HK\$197 million to an associate, Central More Limited. The balance due includes an amount in respect of land transferred of approximately HK\$136 million and accumulated interest charged thereon of approximately HK\$61 million. The balance bears interest at the Hong Kong Prime Rate, is unsecured and has no fixed repayment term.

The financial information of the associate for the year ended 31st December, 2001 is summarised as follows:

	HK\$
Operating result:	
Turnover	—
Profit from ordinary activities before taxation	<u>4,044,873</u>
Profit from ordinary activities before taxation attributable to the Group	<u>2,022,437</u>
Financial position:	
Non-current assets	178,899,500
Current assets	2,252,767,232
Current liabilities	<u>(2,427,758,937)</u>
Net assets	<u>3,907,795</u>
Net assets attributable to the Group	<u>1,953,898</u>

### AUDIT COMMITTEE

The Company's audit committee comprises an independent non-executive director, Mr. Shing-hing Ip, as Chairman and a non-executive director, Mr. Duncan Chiu. The terms of reference for this committee have been established with regard to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

The principal duties of the Audit Committee are reviewing the internal controls and the financial reporting requirements of the Group. The Committee is satisfied with the Company's internal control procedures and the financial reporting disclosures.

## *DIRECTORS' REPORT*

### **AUDITORS**

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Derek Chiu**

*Managing Director and*

*Chief Executive*

19th July, 2002

