

## REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2002.

### PRINCIPAL ACTIVITIES

The Company’s principal activities have not changed during the year and consisted of property development and investment. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements.

### SEGMENT INFORMATION

The Group’s turnover and loss from operating activities for the year ended 31 March 2002 are derived from property development and investment in Hong Kong, details of which are set out in note 7 to the financial statements.

### RESULTS AND DIVIDENDS

The Group’s loss for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 61.

The directors do not recommend the payment of any dividend for the year.

### SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below.

#### Results

	<b>Year ended 31 March</b>				
	<b>2002</b>	2001	2000	1999	1998
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
TURNOVER	<u>23.1</u>	<u>23.2</u>	<u>22.7</u>	<u>–</u>	<u>–</u>
LOSS BEFORE TAX	<u>(79.0)</u>	<u>(1,124.4)</u>	<u>(51.8)</u>	<u>(8.4)</u>	<u>(9.0)</u>
TAX	<u>–</u>	<u>–</u>	<u>(0.5)</u>	<u>–</u>	<u>–</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	<u>(79.0)</u>	<u>(1,124.4)</u>	<u>(52.3)</u>	<u>(8.4)</u>	<u>(9.0)</u>

---

## REPORT OF THE DIRECTORS

### SUMMARY OF FINANCIAL INFORMATION (Continued)

#### Assets and Liabilities

	<b>As at 31 March</b>				
	<b>2002</b>	2001	2000	1999	1998
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
TOTAL ASSETS	<b>482.9</b>	591.1	1,500.8	485.3	489.3
TOTAL LIABILITIES	<b>(355.8)</b>	(698.7)	(812.5)	(108.3)	(103.8)
NET ASSETS/(LIABILITIES)	<b><u>127.1</u></b>	<u>(107.6)</u>	<u>688.3</u>	<u>377.0</u>	<u>385.5</u>

#### FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Company and the Group are set out in notes 15 and 16 to the financial statements.

#### SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with reasons therefor, are set out in note 27 to the financial statements.

#### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

#### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements.

#### DISTRIBUTABLE RESERVES

At 31 March 2002, the Company had no distributable reserves as calculated under Section 79B of the Hong Kong Companies Ordinance. The Company's share premium account may be distributed by way of fully paid up bonus shares.

## **REPORT OF THE DIRECTORS**

### **CHARITABLE CONTRIBUTIONS**

During the year, the Group did not make any charitable contributions (2001: HK\$35,400).

### **MAJOR CUSTOMERS AND SUPPLIERS**

The percentages of turnover and purchases attributable to the Group's five largest customers and suppliers, respectively, were both less than 30% during the year ended 31 March 2002.

### **DIRECTORS**

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

#### **Executive directors:**

Mr. Chan Fat Chu, Raymond	(resigned on 10 July 2001)
Mr. Chan Fat Leung, Alexander	(resigned on 20 September 2001)
Mr. Yeung Sau Chung	
Mr. Liu Shun Chuen	

#### **Independent non-executive directors:**

Ms. Tam Chi Ling, Elaine	
Ms. Chan Yuk, Foebe	(resigned on 10 July 2002)
Mr. Kwong Wai Tim, William	(appointed on 10 July 2002)

In accordance with article 87 of the Company's articles of association, Mr. Kwong Wai Tim, William will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

In accordance with articles 117 and 118 of the Company's articles of association, Ms. Tam Chi Ling, Elaine, will retire by rotation and, being eligible, will offer herself for re-election.

### **DIRECTORS' BIOGRAPHIES**

Biographical details of the directors of the Company are set out on page 11 of the annual report.

## **REPORT OF THE DIRECTORS**

### **DIRECTORS' SERVICE CONTRACTS**

The Company entered into a service contract with Mr. Chan Fat Leung, Alexander, for a period of three years from 1 January 2000. Pursuant to this contract, Mr. Chan is entitled to a remuneration of HK\$1,200,000 per annum plus a discretionary bonus payable at the discretion of the board of directors. No remuneration was paid out to Mr. Chan during the year ended 31 March 2002, and the service contract was terminated with effect from 20 September 2001.

None of the directors being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

### **DIRECTORS' INTERESTS IN CONTRACTS**

No director had a beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

### **MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries was entered into or existed during the year.

### **DIRECTORS' INTERESTS IN SHARES**

As at 31 March 2002, none of the directors and their associates had any interests in the equity or debt securities of the Company or any of its associated corporations which are required to be recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed under the heading "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or their children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## **REPORT OF THE DIRECTORS**

### **SHARE OPTION SCHEME**

The Company operates a share option scheme (the “Existing Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Existing Scheme include the Company’s executive directors and other eligible employees of the Group. The Existing Scheme became effective on 13 December 1999 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Existing Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. As 31 March 2002, the number of shares issuable under share options granted under the Existing Scheme was 47,180,000 (taking into account the effect of the rights issue completed on 5 December 2001), which represented approximately 4% of the Company’s shares in issue as at that date. The maximum number of shares issuable under share options to each eligible employee in the Existing Scheme shall not exceed 25% of the maximum aggregate number of shares subject to the Existing Scheme at the time it is proposed to grant the relevant option to such eligible employees.

The offer of a grant of share options may be accepted no later than 30 days from the date of offer with no consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on the date upon which the option is granted and accepted and ends on the expiry date of the option as may be determined by the directors, which shall not be later than the 10th anniversary of the Existing Scheme’s effective date.

The exercise price of a share option is determined by the directors, but may not be less than the higher of (i) 80% of the average of the official closing price of the shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days preceding the date of the offer, and (ii) the nominal value of a share.

After the adoption of the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) with effect on 1 September 2001, certain terms of the Existing Scheme require amendment in order to comply with the new requirements under Chapter 17 of the Listing Rules. During the year, no options were granted under the Existing Scheme after Chapter 17 of the Listing Rules became effective. In order to comply with the new requirements, the Directors consider that it is the interest of the Company to terminate the Existing Scheme and to adopt a new share options scheme, which will be presented for approval at the forthcoming annual general meeting to be held on 16 September 2002.

The share options granted by the Company to the grantee under the Existing Scheme will not be affected by the proposed new share options scheme.

## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Existing Scheme during the year:

Name of director	Number of share options				Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$	Company's share price at grant date of options*** HK\$
	At 1 April 2001	Granted during the year*	Adjustment due to the rights issue**	At 31 March 2002				
Yeung Sau Chung	–	16,850,000	6,740,000	23,590,000	22 June 2001	22 June 2001 to 12 December 2009	0.25	0.176
Liu Shun Chuen	–	16,850,000	6,740,000	23,590,000	22 June 2001	22 June 2001 to 12 December 2009	0.25	0.176
	<u>–</u>	<u>33,700,000</u>	<u>13,480,000</u>	<u>47,180,000</u>				

\* The share options were granted to the Company's directors on 22 June 2001.

\*\* The number of share options outstanding were adjusted after the completion of the rights issue on 5 December 2001, further details of which are included in note 27(f) to the financial statements.

\*\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

Summary of the terms of the Existing Scheme is also set out in note 27 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year because the directors are of the opinion that the values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself. The directors consider that such disclosure does not give additional value in view of the above mentioned limitations surrounding these models.

---

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

<b>Name</b>	<b>Number of shares held</b>	<b>Percentage of the Company's share capital</b>
Regent Medal Assets Corp. ("RMAL") ( <i>Note 1</i> )	344,480,000	27.93%
TEMFAT Investments (Holdings) Limited ( <i>Note 2</i> )	<u>195,750,000</u>	<u>15.87%</u>

*Note 1:* RMAL is beneficially owned by Mr. Chan Yuen Ming and therefore Mr. Chan is deemed to be interested in the 344,480,000 shares in accordance with the SDI Ordinance.

*Note 2:* TEMFAT Investments (Holdings) Limited is a wholly-owned subsidiary of Tem Fat Hing Fung (Holdings) Limited, and therefore Tem Fat Hing Fung (Holdings) Limited is deemed to be interested in the 195,750,000 shares in accordance with the SDI Ordinance.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

### CONNECTED TRANSACTION

During the year, the Group had a connected transaction, further details of which are set out in note 27(c) to the financial statements.

### POST BALANCE SHEET EVENT

Details of a significant post balance sheet are set out in note 32 to the financial statements.

### CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

## **REPORT OF THE DIRECTORS**

### **AUDIT COMMITTEE**

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

### **AUDITORS**

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Yeung Sau Chung**

*Executive Director*

Hong Kong

26 July 2002