



# Directors' Report

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The directors present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st March, 2002.

## **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 47 and 48 to the financial statements, respectively.

## **RESULTS AND DIVIDENDS**

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 24.

The directors do not recommend the payment of a dividend.

## **SHARE CAPITAL**

Details of the share capital of the Company are set out in note 31 to the financial statements.

## **INVESTMENT PROPERTIES**

At 31st March, 2002, the Group revalued all of its investment properties on an open market value basis. The deficit arising on the revaluation amounted to approximately HK\$209 million has been charged to the income statement.

Details of the movements during the year in the investment properties of the Group are set out in note 15 to the financial statements.

A summary of investment properties of the Group at 31st March, 2002 is set out on pages 88 to 92.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$37 million.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### **Executive directors:**

Luk Siu Man, Semon (*Chairperson*)

Wong Chi Fai (*Managing Director*)

Fan Man Seung, Vanessa (*Managing Director*)

Yeung Lik Shing, Michael

Tse Wai Chuen

Mok Fung Lin, Ivy

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

Law Ka Ming, Michael

Chan Man Hon, Eric

The term of office of each director, including the independent non-executive directors, is the period up to his/her retirement by rotation in accordance with the Bye-laws of the Company.

In accordance with the Company's Bye-laws 87(2) and 87(3), Messrs. Yeung Lik Shing, Michael and Tse Wai Chuen would retire at the forthcoming annual general meeting. Mr. Yeung Lik Shing, Michael, being eligible, offered himself for re-election. Mr. Chan Pak Lam, Tom was recommended for election as an executive director of the Company to fill the office vacated by Mr. Tse Wai Chuen.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## SUBSTANTIAL SHAREHOLDERS

At 31st March, 2002, according to the register of substantial shareholders kept by the Company under Section 16(1) of the Hong Kong Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”), the following parties had notified the Company that they were interested in 10% or more of the issued share capital of the Company:

Name of shareholder	Number of shares
Charron Holdings Limited (“Charron”) ( <i>Note 1</i> )	593,109,297
Jumbo Wealth Limited (“Jumbo Wealth”) ( <i>Note 1</i> )	593,109,297
Yeung Sau Shing, Albert (“Mr. Albert Yeung”) ( <i>Notes 1 and 2</i> )	593,769,770
Luk Siu Man, Semon (“Ms. Semon Luk”) ( <i>Note 3</i> )	593,769,770

### Notes:

1. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust, a unit trust under the discretionary trust of Mr. Albert Yeung. Accordingly, Jumbo Wealth and Mr. Albert Yeung were deemed to be interested in the 593,109,297 shares held by Charron.
2. Mr. Albert Yeung was also deemed to be interested in 660,473 shares held by his spouse, Ms. Semon Luk.
3. Ms. Semon Luk has personal interests in 660,473 shares and she was also deemed to be interested in the 593,109,297 shares held by Charron in which her spouse, Mr. Albert Yeung was deemed to be interested.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company’s issued share capital as at 31st March, 2002.

## DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN SHARES

At 31st March, 2002, save for the interests of Ms. Semon Luk as disclosed in the section headed “Substantial Shareholders”, none of the directors, chief executives or their associates, had any interests in any securities of the Company or any of its associated corporations according to the register required to be maintained by the Company pursuant to Section 29 of the SDI Ordinance.

## SHARE OPTIONS

A share option scheme, adopted by the Company on 17th December, 1991, was expired on 16th December, 2001. On 17th December, 2001, the Company adopted a new share option scheme (the "Employee Share Option Scheme") for the primary purpose of providing incentives to the participants. Under the Employee Share Option Scheme, the directors of the Company might grant options to employees of the Company or its subsidiaries, including directors of any of such companies, to subscribe for shares in the Company. The subscription price would not be less than 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares, whichever is higher. The maximum number of shares in respect of which options might be granted under this scheme might not exceed 10% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the total number of shares for which options may be granted. An option might be exercised at any time within ten years from the date of issue of the relevant options.

No options were granted or outstanding during the year.

## DIRECTORS' AND EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the 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 debt securities (including debentures) of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

At 31st March, 2002, the following directors have interests in some property investment companies which are considered to compete or are likely to compete with the businesses of the Group pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

1. Ms. Semon Luk is a director and a substantial shareholder of Well Nation Development Limited which holds a property in Hong Kong for investment purposes.
2. Ms. Fan Man Seung, Vanessa ("Ms. Vanessa Fan") is a director and a substantial shareholder of Bacchus International Limited, the subsidiaries of which hold some properties in Hong Kong for investment purposes.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS** *(continued)*

3. Mr. Yeung Lik Shing, Michael ("Mr. Michael Yeung") is a director and substantial shareholder of (i), (ii) and (iii) below and a substantial shareholder of (iv) and (v) below. All of these companies hold some properties in Hong Kong for investment purposes.

- (i) Always Income Limited
- (ii) Crown New Investment Limited
- (iii) Grand Fair Limited
- (iv) Longhill Enterprise Limited
- (v) Kindyield International Investment Limited

In view of the small scale of the properties held by Ms. Semon Luk, Ms. Vanessa Fan and Mr. Michael Yeung for investment purposes, any competition from such investments, if any, would be negligible. The Group would be able to carry on its business at arm's length and independently of such investments.

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

During the year, the Group had the following transactions with directors or companies in which certain directors have beneficial interests:

During the year, the Group leased certain properties, on normal commercial terms, to Strong Time Investments Limited ("Strong Time"). Strong Time is the signing agent of Emperor International Exchange (Hong Kong) Company Limited, in which Ms. Semon Luk is 100% interested. Mr. Michael Yeung also had beneficial interest in Strong Time up to 1st February, 2002. The rental income received for the year amounted to approximately HK\$6,297,000.

Save as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party 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.

## **CONNECTED TRANSACTION**

During the year, the Group leased certain properties to Beauty Royal Limited, a wholly-owned subsidiary of Emperor Watch Jewellery (Holdings) Company Limited, the associate of Mr. Albert Yeung. The aggregate rental income received for the year, on normal commercial terms, was approximately HK\$2,376,000.

## **CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS**

The Company had no outstanding convertible securities, options, warrants or similar rights as at 31st March, 2002. There had been no exercise of convertible securities, options, warrants or similar rights during the year.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **DONATIONS**

During the year, the Group made charitable and other donations amounting to approximately HK\$238,000.

## **MAJOR SUPPLIERS AND CUSTOMERS**

For the year ended 31st March, 2002, the aggregate amount of purchases and services received attributable to the Group's five largest suppliers represented approximately 47% of the Group's total purchases and services received and the largest supplier accounted for approximately 19% for the year.

None of the directors, their associates, or any shareholder owning more than 5% of the Company's share capital, has interests in these suppliers.

For the year ended 31st March, 2002, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

## **CORPORATE GOVERNANCE**

The Company had 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 of Hong Kong Limited.

## **AUDITORS**

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

On behalf of the Board

**Luk Siu Man, Semon**

*Chairperson*

19th July, 2002