



# Directors' Report

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The directors of the Company 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 principal activities of its principal subsidiaries are set out in note 39 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 23.

## **FINANCIAL SUMMARY**

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 60 and 61.

## **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$4,594,000. The Group also disposed of property, plant and equipment with aggregate net book value of approximately HK\$7,000.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

## **SHARE CAPITAL**

Details of the share capital of the Company are set out in note 23 to the financial statements.

## **RESERVES**

Details of movements during the year in the reserves of the Group and the Company are set out in note 24 to the financial statements.

## BORROWINGS

Repayment schedules and details of debentures, amounts due to related companies and amounts due to minority shareholders of subsidiaries are set out in notes 25, 27 and 28 to the financial statements, respectively.

No interest was capitalised by the Group during the year.

## 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

Fan Man Seung, Vanessa

Mok Fung Lin, Ivy

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

Chan Sim Ling, Irene

Lam San Keung

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 Bye-law 87 of the Company's Bye-laws, all directors, who retire in accordance with Bye-law 86(2), retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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 kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”), the following persons had notified the Company that they were interested in 10% or more of the issued share capital of the Company:

| Name  | Number of shares |
|---|------------------|
| Worthy Strong Investment Limited (“Worthy Strong”)          | 1,352,827,830    |
| Emperor Investment Limited (“EIL”) (Note 1)                 | 1,352,827,830    |
| Emperor International Holdings Limited<br>(“EIHL”) (Note 1) | 1,352,827,830    |
| Charron Holdings Limited (“Charron”) (Note 2)               | 1,352,827,830    |
| Jumbo Wealth Limited (“Jumbo Wealth”) (Note 2)              | 1,352,827,830    |
| Yeung Sau Shing, Albert (“Mr. Albert Yeung”) (Note 2)       | 1,352,827,830    |

### Notes:

1. EIL, a wholly-owned subsidiary of EIHL, held 1,352,827,830 shares through its wholly-owned subsidiary, Worthy Strong. Accordingly, EIHL and EIL were deemed to be interested in the 1,352,827,830 shares held by Worthy Strong.
2. EIHL was a company with its shares listed in Hong Kong, 68.70% of the shares of which were registered in the name of and beneficially owned by Charron, a company controlled by Mr. Albert Yeung. 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, Mr. Albert Yeung, Jumbo Wealth and Charron were deemed to be interested in the 1,352,827,830 shares held by EIHL.

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 as disclosed in the section headed “Directors’ and Chief Executives’ Rights to Acquire Shares or Debentures”, none of the directors or the chief executives or their associates held an interest in the securities of the Company or its associated corporations according to the register required to be maintained by the Company pursuant to Section 29 of SDI Ordinance.

## SHARE OPTIONS

On 7th July, 1992, the Company adopted a share option scheme (the "Employee Share Option Scheme") which expired on 6th July, 2002 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

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 CONTRACTS OF SIGNIFICANCE

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 TRANSACTIONS

1. During the year, the Group received the repayment of advances amounting to HK\$9,468,000 from Riverside Properties Limited ("Riverside") which is a 95% owned subsidiary of the Group indirectly holding a property development project in Xiamen, the People's Republic of China (the "PRC"). The advances were made in proportion to the Group's equity interest in Riverside and to provide general working capital of Riverside and its subsidiary and fellow subsidiaries. At 31st March, 2002, the total outstanding balance of these advances made by the Group was HK\$124,546,000. These advances are non-interest bearing, unsecured and do not have any fixed terms of repayment.

## CONNECTED TRANSACTIONS (continued)

2. During the year, the Group received the repayment of advances amounting to HK\$5,980,000 from Expert Pearl Investments Limited (“Expert Pearl”) which is a 90% owned subsidiary of the Group indirectly holding the land use right of a site in Shanghai, the PRC. The advances were made in proportion to the Group’s equity interest in Expert Pearl and to provide general working capital to Expert Pearl and its subsidiaries. At 31st March, 2002, the total outstanding balance of these advances made by the Group was HK\$306,896,000. These advances are non-interest bearing, unsecured and do not have any fixed terms of repayment.
3. During the year, the Group was entitled to interest income of HK\$2,331,000 from Star City Entertainment Holdings Limited (“Star City”), which owns 10% interest in Expert Pearl. The Group also received the repayment of short-term advances amounting to HK\$563,000 from Star City. At 31st March, 2002, the total outstanding balance of these advances and the interest accrued were as follows:

|  | <b>Balance<br/>of advance</b> | <b>Interest<br/>accrued</b> |
|--|-------------------------------|-----------------------------|
|  | <i>HK\$'000</i>               | <i>HK\$'000</i>             |
| Interest bearing at 1% over Hong Kong<br>prime interest rate | <u>18,100</u>                 | <u>15,525</u>               |

4. During the year, the Group was entitled to interest income of HK\$3,004,000 from Wilson Enterprises Limited which owns 25% interest in Gold Spirit Investments Limited, a 65% owned subsidiary of the Group, which used to indirectly hold a property development project in Shunde, the PRC.

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

Other than the debentures referred to in note 25 to the financial statements, the Company had no outstanding convertible securities, share options, warrants or similar rights as at 31st March, 2002. There had been no exercise of convertible securities, share 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 in Bermuda.

## CODE OF BEST PRACTICE

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, except that: (i) the independent non-executive directors of the Company were not appointed for specific terms. The independent non-executive directors were subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws; and (ii) full board meeting was not held every six months.

## MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31st March, 2002, the Group's five largest customers accounted for less than 30% of the Group's total turnover.

The five largest suppliers contributed to approximately 68% of the Group's total purchases and services received and the largest supplier accounted for approximately 27% of the Group's total purchases and services received.

Save as disclosed above, none of the directors, their associates or any shareholder (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in any of the five largest customers or suppliers of the Group for the year ended 31st March, 2002.

## AUDITORS

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

On behalf of the Board

**Wong Chi Fai**

*Director*

17th July, 2002