

Report of the Directors

The Board is pleased to submit their report together with the audited accounts of the Group for the year ended 30th April 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are property investment, development management and agency, provision of financial services and trading in listed investments.

An analysis of the Group's turnover and contributions to operating loss net of finance costs by principal activity for the year ended 30th April 2001 is as follows:

| | Turnover <i>HK\$'000</i> | Contribution to operating loss net of finance costs <i>HK\$'000</i> |
|---|------------------------------------|---|
| By Principal Activity | | |
| Continuing operations: | | |
| Property investment and management consultancy | 9,612 | (12,249) |
| Corporate investment and financial services | 14,950 | (206,372) |
| Discontinued operations: | | |
| Sales of gold bullion and bullion financing | 1,655,198 | 11,241 |
| Sales of jewellery products | 50,977 | (6,144) |
| | <u>1,730,737</u> | <u>(213,524)</u> |
| Gains less losses on disposal of subsidiaries and interest in associates | | (103,362) |
| Provision for accounts receivable | | <u>(82,997)</u> |
| | | <u><u>(399,883)</u></u> |

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th April 2001 are set out in the consolidated profit and loss account on page 18.

The Board does not recommend the payment of a final dividend for the year ended 30th April 2001 (2000: Nil). No interim dividend was declared during the year (2000: Nil).

Report of the Directors *(Continued)*

RESULTS AND APPROPRIATIONS *(Continued)*

A preference dividend of HK\$0.151 per preference share, totalling HK\$385,350.49 was paid to preference shareholders on 29th December 2000. A further half-year preference dividend of HK\$0.149 per preference share was paid on 29th June 2001, totalling HK\$380,246.51 which has been included in the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company during the year are set out in note 14 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties of the Group are set out on page 64.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 26 to the accounts.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 27 to the accounts.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the principal subsidiaries, associate and jointly controlled entities as at 30th April 2001 are set out in notes 36 to 38 to the accounts.

BORROWINGS

Bank loans, overdrafts and other loans repayable within one year or on demand are classified as current liabilities. Particulars of bank loans (including current and non-current portions) of the Group and the Company are set out in note 25 to the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the respective percentage of sales and purchases attributable to the Group's major customers and suppliers are as follows:

- (1) the aggregate amount of sales attributable to the Group's five largest customers represented approximately 66% of the Group's total turnover. The amount of sales to the Group's largest customer represented approximately 26% of the Group's total turnover; and
- (2) the aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 58% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented approximately 27% of the Group's total purchases.

At no time during the year had any directors, their associates or any shareholders (which to the knowledge of the directors who own more than 5% of the Company's share capital) any interest in the above customers and suppliers.

Report of the Directors *(Continued)*

DIRECTORS

The directors of the Company during the year and as at the date of this report were as follows:

Executive directors

Mr. Chan Fat Chu, Raymond (*Chairman*)

Mr. Chan Fat Leung, Alexander (*Managing Director*)

Mr. Lo Chi Kin, Andie (*resigned on 19th September 2001*)

Non-executive director

Mr. Tang Chun Wai, John (*resigned on 1st June 2000*)

Independent non-executive directors

Mr. Yoshiyuki Nagaoka

Mr. David Michael Norman (*resigned on 30th January 2001*)

Mr. Chow Siu Ngor (*appointed on 7th August 2002*)

In accordance with bye-law numbered 86(2) of the Company's bye-laws, Mr. Chow Siu Ngor, being the director appointed after 2000 annual general meeting, shall retire at the forthcoming annual general meeting and being eligible, offer himself for re-election.

In accordance with bye-law numbered 87 of the Company's bye-laws, Mr. Yoshiyuki Nagaoka shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

CHAN Fat Chu, Raymond, aged 48, is the Chairman of the Company. He has been with the Group since 1979. His experience in the precious metals industry spans over two decades. He has been an executive committee member of the Chinese Gold & Silver Exchange Society ("Gold Exchange") since 1978 and elected as the chairman of its Supervisory Committee in 1990. In 1992, he was elected as the Vice-President of the Gold Exchange and became its President in June 1996 and re-appointed as President in June 1998. He is presently the Honorary Permanent President of the Gold Exchange. Mr. Chan is the brother of Mr. Chan Fat Leung, Alexander, managing director of the Company.

CHAN Fat Leung, Alexander, aged 47, joined the Group in 1979 and is the Managing Director of the Company. He graduated from the University of Western Ontario, School of Business Administration. Mr. Chan is the brother of Mr. Chan Fat Chu, Raymond. He has led the development of precious metals operation into its current global network. His experience in the marketing of precious metals has assisted the Group's development of its operation. Together with Mr. Chan Fat Chu, Raymond, he is in charge of strategic planning and the development of property projects in the Group.

Yoshiyuki NAGAOKA, aged 65, is an independent non-executive director of the Company since 1990. He has over 33 years of experience in general trading, property development and investment in Japan and other Asian countries.

CHOW Siu Ngor, aged 47, was appointed as an independent non-executive director of the Company on 7th August 2002. He is a practising solicitor in Hong Kong. Mr. Chow is an assistant solicitor of Messrs. P.C. Woo & Co. Solicitors & Notaries.

DIRECTORS' SERVICE CONTRACTS

As at 30th April 2001, no director 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.

Report of the Directors *(Continued)*

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business 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 year end or at any time during the year.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th April 2001, the interests of the directors of the Company and their associates in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under section 31 or Part 1 of the Schedule to that Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein were as follows:

Interest in the Company

| Name of director | Type of interests | No. of ordinary shares |
|-------------------------------|-----------------------------|------------------------|
| Mr. Chan Fat Chu, Raymond | Corporate (<i>Note 1</i>) | 213,257,652 |
| | Personal (<i>Note 2</i>) | 399,145,408 |
| Mr. Chan Fat Leung, Alexander | Corporate (<i>Note 1</i>) | 213,257,652 |
| | Personal (<i>Note 3</i>) | 399,145,408 |

Notes:

1. These shares are held by Falcon Investment Company Limited ("Falcon"), a company incorporated in the British Virgin Islands with limited liability and beneficially owned by Messrs. Chan Fat Chu, Raymond and Chan Fat Leung, Alexander and their family members. Messrs. Chan Fat Chu, Raymond and Chan Fat Leung, Alexander are deemed to be interested in these shares in accordance with the SDI Ordinance as Falcon is accustomed to act in accordance with their directions or instructions.
2. These shares are held by Regent Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially owned by Mr. Chan Fat Chu, Raymond.
3. These shares are held by Admiralty Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially owned by Mr. Chan Fat Leung, Alexander.

Save as disclosed herein, none of the directors and their associates has any interests in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the share option scheme of the Company approved by the shareholders in the annual general meeting held on 27th October 1998, the Board may, at their discretion invite any full-time employees, including full-time executive directors, of the Group to take up options to subscribe for ordinary shares of HK\$0.025 each of the Company subject to the terms and conditions stipulated in the scheme. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued capital of the Company. During the year under review, there was no share options granted under the scheme.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors *(Continued)*

SUBSTANTIAL SHAREHOLDERS

As at 30th April 2001, the interest of every person, other than the directors of the Company, in the equity securities of the Company as recorded in the register required to be kept under section 16(1) of the SDI Ordinance and the amount of such interests were as follows:

| Name of shareholder | Number of ordinary shares |
|--------------------------------------|--|
| Admiralty Investment Company Limited | 399,145,408 <i>(see Note 3 above)</i> |
| Regent Investment Company Limited | 399,145,408 <i>(see Note 2 above)</i> |

Save as disclosed, no person known to the directors of the Company was, directly or indirectly, interested in the equity securities of the Company which are required to be recorded in the register kept under section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

Details of connected transactions are set out on pages 65 to 66.

PRACTICE NOTE 19 TO THE LISTING RULES

Financial assistance and guarantees to affiliated companies

Yetcome Investments Limited ("Yetcome")/T & T Properties Sdn. Bhd. ("T&T")

The Company entered into a shareholders agreement ("Yetcome Shareholders Agreement") with, amongst others, two independent third parties (the "Yetcome Shareholders") on 11th February 1993 pursuant to which the parties set out the terms and conditions on which a joint venture company, Yetcome (the British Virgin Islands incorporated holding company of T&T), would be operated. The purpose of setting up Yetcome and its wholly-owned subsidiary, T&T, was to develop a complex consisting of an office tower, a retail podium, car park spaces and related facilities ("Complex A") together with a hotel complex ("Complex B") in Johor Bahru, Malaysia. Pursuant to the Yetcome Shareholders Agreement, the Company agreed to make pro rata shareholders loans to Yetcome. The Company has a 33.33% equity interest in the project companies owning 70% interests of Complex A and a 66.67% equity interest in Complex B.

Pursuant to the Yetcome Shareholders Agreement, the Company made loans in the aggregate amount of HK\$12,788,702 to various immediate holding companies of Yetcome. The immediate holding companies relating to Complex A and Complex B are owned effectively as to 33.33% (out of 70%) and as to 66.67% by the Company respectively. In addition, the Company also made loans amounting to HK\$110,852,417 to Yetcome as at 30th April 2001. The loans to Yetcome and various immediate holding companies are unsecured, interest free and repayable on demand.

Pursuant to a facility agreement ("Facility Agreement") entered into between T&T and various banks and financial institutions on 16th August 1999, T&T obtained a syndicated dual currency refinancing facility of RM149,000,000 (equivalent to approximately HK\$303,602,000) and US\$11,500,000 (equivalent to approximately HK\$89,700,000) and standby letter of credit facility of RM26,000,000 (equivalent to approximately HK\$52,978,000). The facility in a principal amount of RM136,000,000 ("Tranche A Facility") is for the construction of Complex A and the facility in a principal amount of RM13,000,000 and US\$11,500,000 ("Tranche B Facility") is for the construction of Complex B.

Report of the Directors *(Continued)*

As security arrangements for the Facility Agreement, the Company gave the following guarantees and undertakings:

- (i) With respect to Tranche A Facility, the Company agreed severally with the relevant Yetcome Shareholders to guarantee, pro rata to their respective equity interests in the relevant project, the repayment to the relevant banks and financial institutions all principal, interest, commission, costs and charges as may be due and payable for 33.33% of the relevant amount. Tranche A Facility has been utilised up to RM122,400,000 (equivalent to approximately HK\$249,402,000) as at 30th April 2001 and the Company's liability under these guarantee and indemnity arrangements amounted to approximately HK\$83,134,000 as at 30th April 2001.
- (ii) In accordance with two shareholders guarantee and indemnity agreements both dated 16th August 1999 entered into by the relevant Yetcome Shareholders and the relevant banks and financial institutions, the Company undertook to provide additional funds to the extent of its interests in Complex A and Complex B.

By a Notice of Declaration and Demand dated 19th November 2001 issued by the relevant banks and financial institutions of the Tranche A Facility to T&T, a Tranche A Facility event of default was declared and demanded for full repayment of the Tranche A Facility. The security agent of the Tranche A Facility issued letters of demand dated 14th December 2001 and 12th April 2002 to the Company that it was given instructions to demand from the Company the outstanding indebtedness under the Tranche A Facility under the guarantee and indemnity given under item (i) above.

Pursuant to the arrangements made between T&T and the financiers (the "Financiers") on 24th February 2001, the Financiers granted to T&T a club-deal facilities ("Club-Deal Facilities") comprising a facility of RM57,300,000 (equivalent to approximately HK\$116,754,000) ("Club-deal Facility I") and a facility of RM56,700,000 (equivalent to approximately HK\$115,532,000) ("Club-deal Facility II"). The Club-deal Facility I is for the purchase of the renovation/fitting out costs of Complex B and the Club-deal Facility II is for refinancing the Tranche B Facility.

As security arrangement for the Club-Deal Facilities, the Company gave the guarantees and undertakings in favour of the Financiers in the proportions of 66.67% in respect of:-

- (i) The repayment of the outstanding amounts comprising principal, interest, fees, commission, costs and charges due to the Financiers under the Club-Deal Facilities. The Club-deal Facility II has been utilised up to RM56,700,000 (equivalent to approximately HK\$115,532,000) as at 30th April 2001 and the Company's liability under these guarantee arrangements amounted to approximately HK\$77,021,000 as at 30th April 2001.
- (ii) To provide to T&T such additional funds as may be necessary in the event there shall be a shortfall in the working capital or in its cash flow for the construction and completion of Complex B or there shall be costs overruns.

As at 30th April 2001, Yetcome has no material capital commitment for Complex A and Complex B.

In conclusion, as a result of the loan and financing arrangements set out above, the aggregate of all amounts due from and all guarantees given to secure the obligations of various affiliated companies amounts to approximately HK\$283,796,000. As the Company reported a consolidated deficiency in assets of HK\$589,090,000 by reference to its latest audited accounts for the year ended 30th April 2001, the calculation of the percentage of the aggregate amount of financial assistance and guarantees mentioned above to net tangible assets is not applicable.

Report of the Directors *(Continued)*

Note:

The exchange rates used above is as follows:

RM1.00 = HK\$2.0376

US\$1.00 = HK\$7.8

Set out below is the unaudited pro-forma combined balance sheet of the above affiliated companies as at 31st October 2001, being the latest practicable date for the preparation of such balance sheets:

| | As at 31st October 2001 | Attributable interest |
|------------------------------|------------------------------------|----------------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Fixed assets | 428,238 | 163,168 |
| Property under development | 204,943 | 136,629 |
| Investment property for sale | 145,752 | 48,584 |
| Other assets | 820 | 546 |
| Current assets | <u>13,708</u> | <u>6,355</u> |
| Total assets | 793,461 | 355,282 |
| Current liabilities | (199,167) | (112,961) |
| Long term liabilities | (551,641) | (247,360) |
| Minority interests | <u>(16,032)</u> | <u>(5,344)</u> |
| | <u><u>26,621</u></u> | <u><u>(10,383)</u></u> |

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year under review, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the jurisdiction of Bermuda in which the Company is incorporated.

MANAGEMENT CONTRACTS

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

CODE OF BEST PRACTICE

The Company has complied throughout the financial year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference which deal clearly with its authorities and duties pursuant to the revised Code of Best Practice as stated in Appendix 14 of the Listing Rules.

Report of the Directors *(Continued)*

SUBSEQUENT EVENTS

Details of subsequent events are shown in note 35 to 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 63 of this annual report.

AUDITORS

PricewaterhouseCoopers resigned as auditors of the Company on 25th May 2001 and Ting Ho Kwan & Chan were appointed by the members to fill the vacancy so arising on 27th June 2002. There have been no other changes of auditors in the past three years. Ting Ho Kwan & Chan shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Chan Fat Chu, Raymond
Chairman

Hong Kong, 9th August 2002