

# DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries, associates and jointly controlled entity are set out in notes 20 to 22 respectively to the financial statements.

## ANALYSIS OF THE GROUP'S LIQUIDITY

The Group's bank borrowings repayable within one year less bank balances as at 31st December, 2002 were HK\$138 million (2001: HK\$184 million).

The directors consider that with the continuing support of its major shareholder, the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

## RESULTS

The results of the Group for the year ended 31st December, 2002 are set out in the consolidated income statement on page 17.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group and the Company are set out in note 17 to the financial statements.

## INVESTMENT PROPERTIES

The Group's investment properties were revalued at the year end date. The net decrease in revaluation net of minority interest, which has been debited directly to the investment property revaluation reserve, amounted to HK\$10,740,681.

## MAJOR PROPERTIES

Details of the major properties held by the Group at 31st December, 2002 are set out on pages 65 to 67.

## SHARE CAPITAL

Details of the share capital of the Company are set out in note 34 to the financial statements.

# DIRECTORS' REPORT

## PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

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

## 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, *Chairman*  
Mr. Dennis Chiu, *Managing Director*  
Mr. Duncan Chiu, *Joint Managing Director*  
Dato' David Chiu

### Non-executive Directors

Mr. Daniel Tat Jung Chiu  
Mr. Derek Chiu  
Mr. Desmond Chiu  
Ms. Margaret Chiu  
Mr. Chi Man Ma \*  
Mr. Siu Hong Chow \*

\* *Independent non-executive directors*

In accordance with the provisions of the Company's Articles of Association, all directors except Managing Director, Mr. Dennis Chiu and Joint Managing Director, Mr. Duncan Chiu shall retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Mr. Dennis Chiu and Mr. Duncan Chiu remain in office.

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

**DIRECTORS' INTERESTS IN SHARES**

As at 31st December, 2002, the interests of the directors and their associates in the share capital of the Company and its associated corporations 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:

Name of director	Number of ordinary shares held		
	Personal interests	Family interests	Corporate interests
Deacon Te Ken Chiu			
– The Company	5,048,000	6,110,000	99,768,800*
Dennis Chiu			
– The Company	16,610,200	–	30,400,000#
– Tang Dynasty City Pte. Ltd.	1,250,000	–	–
– Tang City Properties Pte. Ltd.	10,000	–	–
Daniel Tat Jung Chiu			
– The Company	11,000,000	–	30,400,000#
Derek Chiu			
– The Company	201,000	–	–
Margaret Chiu			
– The Company	5,000,000	–	–
Duncan Chiu			
– The Company	25,456,211	–	–

\* Of the 99,768,800 shares, 93,540,200 shares were beneficially held by Far East Consortium International Limited.

# The 30,400,000 shares were held by Cape York Investments Limited, a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu equally.

Save as disclosed above and other than certain shares in subsidiaries held solely in a non-beneficial capacity by certain directors for the Company or its subsidiaries, none of the directors or chief executives, or their associates, had any interest in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

# DIRECTORS' REPORT

## ARRANGEMENT TO PURCHASE 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 debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the heading "connected transaction" below, 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.

## DIRECTORS' SERVICE CONTRACTS

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

## CONNECTED TRANSACTION

As disclosed in the Company's 1996 Annual Report, Tang City Properties Pte. Ltd. ("TCP") (a company incorporated in Singapore in which the Company has a 90% interest and Mr. Dennis Chiu has a 10% interest) on 25th March, 1996 obtained a loan facility of a principal amount of up to S\$31 million (the "Existing Facilities") from The Development Bank of Singapore Limited ("DBS") for the purpose of acquiring 60 units of offices at No. 1, Marine Parade Central, Parkway Builders' Centre, Singapore and carrying out of renovation work on the property.

Pursuant to a letter from DBS dated 30th December, 2002, the Existing Facilities were revised to Multi-currency Revolving Credit facility of up to S\$21 million (approximately HK\$88.2 million) or equivalent and Revolving Credit facility of up to S\$8 million (approximately HK\$33.6 million) or equivalent (the "Revised Facilities").

As security for the Revised Facilities, the Company and Mr. Dennis Chiu continued to stand as guarantors and to give several guarantees to DBS guaranteeing 90% and 10% of the liability of TCP under the facility agreement respectively. Such guarantees are given in proportion to the Company's equity interest in TCP.

As announced on 31st March, 2003, the Company disposed 10,000,000 shares in Far East Consortium International Limited ("FECIL") to a related company, Far East Hotels & Entertainment Limited for a total cash consideration of HK\$2,750,000. The consideration agreed by the parties was arrived at after arm's length negotiations. The Board including the independent non-executive director considered the price to be fair and reasonable with reference to the market price of the shares of FECIL as traded on the Stock Exchange and is in the best interests of the Company.

**SUBSTANTIAL SHAREHOLDERS**

As at 31st December, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had an interest of 10% or more in the share capital of the Company:

<b>Name</b>	<b>Number of shares</b>	<b>%</b>
Far East Consortium International Limited ("FECIL") (Note 1)	93,540,200	28.2
Far East Consortium (B.V.I.) Limited ("FECBVIL") (Note 2)	93,540,200	28.2
Far East Consortium Limited ("FECL") (Note 3)	65,208,200	19.7

Notes:

1. FECIL was deemed to be interested in those shares by virtue of its 100% shareholding in FECBVIL. The shareholding beneficially held by FECIL is entirely duplicated or included in the shareholding stated in the corporate interest of Mr. Deacon Te Ken Chiu, the Chairman of the Company, as mentioned in the section headed "DIRECTORS' INTERESTS IN SHARES" above.
2. FECBVIL was deemed to be interested in those shares by virtue of its controlling shareholding in FECL, and its 100% shareholding in a company which directly held 28,332,000 shares in the Company.
3. FECL was deemed to be interested in those shares by virtue of its direct shareholding of 29,327,000 shares in the Company and its 100% shareholding in three companies which directly held 35,881,200 shares in the Company in aggregate.

Other than 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 December, 2002.

**MAJOR CUSTOMERS AND SUPPLIERS**

Of the sales of the Group for the year, less than 30% were attributable to the Group's five largest customers.

Of the purchases of the Group for the year, less than 30% were attributable to the Group's five largest suppliers.

# DIRECTORS' REPORT

## EMPLOYEES

The total number of employees of the Group as at 31st December, 2002 was approximately 600.

Employees are remunerated according to nature of the job and market conditions. The Group has not adopted any share option scheme and training scheme for the employees during the year.

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 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.

## AUDIT COMMITTEE

The Company's audit committee comprising the independent non-executive director and non-executive director. The terms of reference for this committee have been established with regard to "A Guide for the Formation of 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.

## POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 44 to the financial statements.

## 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

**Duncan Chiu**

*Joint Managing Director*

Hong Kong, 24th April, 2003

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