

# Report of the Directors

The Directors present to shareholders their annual report together with the audited financial statements of the Company and of the Group for the year ended 31st March, 2003.

## Principal Activities

The principal activity of the Company is investment holding while the principal activities of its subsidiaries are marketing, installation and maintenance of lifts and escalators, curtain walls and aluminium windows, air-conditioning systems, electrical and mechanical systems, power equipment and industrial equipment; environmental engineering; supply and installation of building materials and equipment; sale, servicing and leasing of automobiles; property development and investment; insurance underwriting and brokerage; a wide range of voice and data communication equipment and services, system integrated IT solutions; sale and servicing of business machines.

The Group's turnover and results for the year ended 31st March, 2003 analysed by business and geographical segments are set out in note 35 to the financial statements.

## Results and Appropriations

The results of the Group for the year ended 31st March, 2003 are set out in the consolidated income statement on page 28. An interim dividend of HK7.5 cents (restated) per share was paid on Monday, 24th February, 2003 with an option to elect for shares of the Company. The Directors now recommend the payment of a final dividend of HK10 cents per share with an option being given to the shareholders of the Company to elect for shares of HK\$1.25 each in the Company in lieu of cash in respect of part or all of such dividend.

## Share Capital

Movements in the Company's share capital during the year are set out in note 32 to the financial statements.

## Share Option Schemes

Particulars of the share option schemes to subscribe for shares in the Company and its subsidiaries are set out in note 41 to the financial statements.

## Reserves

Movements in reserves during the year are set out in note 33 to the financial statements.

## Investment Properties

Movements in investment properties during the year are set out in note 14 to the financial statements.

## Property, Plant and Equipment

Movements in property, plant and equipment during the year are set out in note 15 to the financial statements.

## Financial Summary

A financial summary of the Group is shown on page 2 .

## Major Customers and Suppliers

The Group's turnover and purchases of the year attributable to the Group's five largest customers and suppliers respectively were less than 30%. None of the Directors, their associates nor any shareholder (whom to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers or five largest customers.

# Report of the Directors

## Properties

Particulars of the major properties of the Group as at 31st March, 2003 are set out on pages 16 to 17.

## Employees and Remuneration Policies

As at 31st March, 2003, the Group employed approximately 4,300 full time staff globally. Total staff costs amounted to approximately HK\$542 million for the year ended 31st March, 2003. The remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. Other staff benefits include bonuses awarded on a discretionary basis, medical schemes, retirement schemes and employees' share option scheme.

## Donations

During the year, the Group made donations of HK\$1,317,000 to charitable bodies and HK\$989,000 to other communities.

## Principal Subsidiaries, Associates and Jointly Controlled Entities

Particulars regarding the principal subsidiaries, associates and jointly controlled entities of the Group are shown on pages 71 to 76.

## Pre-emptive Rights

There are no provision for pre-emptive rights under the Company's Bye-laws although there are no restriction against such rights under the laws in Bermuda where the Company is incorporated.

## Purchase, Sale or Redemption of Listed Securities

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

## Directors

The Directors who held office during the year and up to the date of this report were:

### Executive Directors

Dr CHOW Yei Ching	<i>(Chairman and Managing Director)</i>
Mr KUOK Hoi Sang	<i>(Managing Director)</i>
Mr FUNG Pak Kwan	
Mr KAN Ka Hon	
Mr WONG Kie Ngok, Alexander	
Mr TAM Kwok Wing	
Mr Fung Wo Shun	<i>(Resigned on 1st April, 2002)</i>

### Independent Non-Executive Directors

Mr CHENG Ming Fun, Paul	
Mr WONG Wang Fat, Andrew	
Dr CHOW Ming Kuen, Joseph	<i>(Appointed on 28th November, 2002)</i>
Mr Iain Leonard DALE	<i>(Retired on 20th September, 2002)</i>

In accordance with the Company's Bye-laws, Mr CHENG Ming Fun, Paul and Dr CHOW Ming Kuen, Joseph shall retire from office at the forthcoming Annual General Meeting and, Dr CHOW Ming Kuen, Joseph, being eligible, will offer himself for re-election. The Independent Non-Executive Directors are subject to the same retirement requirements as the Executive Directors.

# Report of the Directors

## Directors' Interests in Contracts

Messrs CHOW Yei Ching, KUOK Hoi Sang, FUNG Pak Kwan, KAN Ka Hon, WONG Kie Ngok, Alexander and TAM Kwok Wing are interested in certain contracts in that they are the Directors and/or have beneficial interests in CiTL and/or CCHL. Details of these contracts are more fully disclosed in the section "Connected Transactions" below.

Save as aforementioned, no other contract of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest subsisted at the end of the year or at any time during the year.

## Directors' Interests in Competing Business

During the year, none of the Directors have an interest in any business constituting a competing business to the Group.

## Connected Transactions

The Group has from time to time conducted transactions with CCHL and CiTL which are the "connected persons" for the purposes of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The Stock Exchange had granted waivers on 31st January, 1996 and 2nd April, 1997 to the Company from strict compliance with the requirements as stipulated in Chapter 14 of the Listing Rules on connected transactions. Pursuant to the waivers, details of the following connected transactions which have been entered into between certain subsidiaries of CCHL, CiTL and the Group in the ordinary and usual course of business are not required to be disclosed by press notice and/or circular nor is the Company required to obtain prior independent shareholders' approval on each occasion:

1. Chevalier Construction (Hong Kong) Limited ("CCHK"), a wholly-owned subsidiary of CCHL, had entered into drainage works contract with Goldyork Investment Limited, a wholly-owned subsidiary of the Company on 1st November, 2002 at an estimated contract value of HK\$1,426,000.
2. An agreement was made between CCHL and the Company whereby CCHL Group as main contractor may source from time to time supply of lifts and escalators, air-conditioning systems, electrical and mechanical systems, building materials and equipment and related installation services from the various subsidiaries of the Company. The Group had entered into the following connected transactions as within the meaning of the Listing Rules:

Main contractor	Nature of transaction	Sub-contractor	Estimated contract value	Interest attributable to the Group
			HK\$'000	%
CCHK	Supply and installation of building materials	Chevalier (Building Supplies & Engineering) Limited ("CBS")	2,388	100
CCHK	Supply and installation of electrical equipment	Chevalier (HK) Limited ("CHK")	702	100
Chevalier (Construction) Company Limited ("CCCL")	Supply and installation of building materials	CBS	9,082	100
CCCL	Supply and installation of electrical and mechanical equipment	CHK	38,962	100
Chevalier (Civil Engineering) Limited	Rental of equipment	CBS	268	100

Sales and progress receipts made during the year ended 31st March, 2003 in respect of the above contracts amounted to approximately HK\$9 million.

# Report of the Directors

## Connected Transactions (continued)

3. The Company had entered into an administrative service agreement with CCHL under which the Group provided accounting, treasury, electronic data processing, company secretarial and personnel management services to CCHL Group at a management fee calculated based on 0.3% of CCHL Group's annual turnover. The management fee paid by CCHL to the Company during the year ended 31st March, 2003 amounted to HK\$676,000.
4. The following properties were leased to CiTL Group and CCHL Group by the wholly-owned subsidiaries of the Company at commercial rates:

Landlord	Renting of Property (usage)	Tenant	Rental for the year
			<i>HK\$'000</i>
Union Pearl Development Limited	Portion of Chevalier Commercial Centre (office)	CiTL Group CCHL Group	622 1,442
Winfield Development Limited	Portion of Chevalier Warehouse Building (warehouse)	CiTL Group CCHL Group	13 195
Peak Gain Limited	Portion of Chevalier Engineering Service Centre (office/warehouse)	CiTL Group CCHL Group	4,181 258
Union Mark Development Limited	Portion of Yin Hai Commercial Building (office)	CiTL Group	39
Well Stamp Limited	Portion of Jin Du Mansion (office)	CiTL Group	40
Well Stamp Limited	Portion of Dongshan Plaza (office)	CiTL Group	147

During the year, rentals amounting to approximately HK\$5 million and HK\$1.9 million were paid to the Group by CiTL Group and CCHL Group respectively.

The Independent Non-Executive Directors of the Company confirm that the aforesaid connected transactions conducted by the Group during the year ended 31st March, 2003 were:

- (i) in the ordinary and usual course of the Group's business;
- (ii) on normal commercial terms or on terms no less favourable than terms available to/from independent third parties;
- (iii) fair and reasonable so far as the shareholders of the Company are concerned; and
- (iv) within the relevant amounts as stipulated under the relevant waivers.

On 6th March, 2002, the Board of Directors of the Company proposed to make a voluntary unconditional cash offer through its wholly-owned subsidiary, Success Vantage Limited ("the Offeror"), to acquire all the ordinary shares of CSHL at an offer price of S\$0.45. CSHL is a subsidiary of the Company and listed on SGX-ST. Pursuant to Rule 14.23(1)(a) of the Listing Rules, the acquisition by the Offeror for the interest of Dr Chow Yei Ching in CSHL constituted a connected transaction. As the aggregate consideration payable by the Offeror to Dr Chow for his 4,375,000 CSHL shares is S\$1,968,750, the transaction fell under Rule 14.25(1) of the Listing Rules and was subject to disclosure requirement.

On 5th June, 2003, the Group's wholly-owned subsidiary, Smart Expand Limited has exercised its right of compulsory acquisition. After the compulsory acquisition, CSHL has officially become a wholly-owned subsidiary of the Company and was delisted from the Official List of SGX-ST with effect from 11th June, 2003. Its name has been changed to "Chevalier Singapore Holdings Pte. Ltd." with effect from 20th June, 2003.

# Report of the Directors

## Directors' Interests in Securities

As at 31st March, 2003, the interests of the Directors in the share capital of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance")) which have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or required to be recorded in the register of the Company pursuant to Section 29 of the SDI Ordinance were as follows:

### (a) Interests in the Company – Shares

Name of Director	Number of ordinary shares		Total
	Personal interests	Family interests	
CHOW Yei Ching	662,561,758 *	–	662,561,758
KUOK Hoi Sang	491,083	–	491,083
FUNG Pak Kwan	456,450	–	456,450
KAN Ka Hon	145,200	–	145,200
TAM Kwok Wing	845,078	162,365	1,007,443

\* Dr CHOW Yei Ching beneficially owned 662,561,758 shares of the Company, representing approximately 50.61% of the issued share capital of the Company. These shares were same as those shares disclosed in the section "Substantial Shareholder" below.

### (b) Interests in Associated Corporations – Shares

Name of Director	Associated corporation	Number of ordinary shares			Total
		Personal interests	Corporate interests	Family interests	
CHOW Yei Ching	CiTL	34,079,270	434,974,666*	–	469,053,936
	CSHL	–	101,653,000*	–	101,653,000
	CCHL	61,036,489	89,385,444*	–	150,421,933
KUOK Hoi Sang	CiTL	12,000,000	–	–	12,000,000
	CCHL	1,326,437	–	–	1,326,437
FUNG Pak Kwan	CiTL	12,900,000	–	–	12,900,000
KAN Ka Hon	CiTL	2,256,000	–	–	2,256,000
TAM Kwok Wing	CiTL	2,000,000	–	52,000	2,052,000
	CCHL	625,796	–	7,142	632,938

\* Dr CHOW Yei Ching had notified CiTL, CSHL and CCHL that under the SDI Ordinance, he was deemed to be interested in 434,974,666 shares in CiTL, 101,653,000 shares in CSHL and 89,385,444 shares in CCHL which were all held by the Company as Dr Chow beneficially owned 662,561,758 shares of the Company, representing approximately 50.61% of the issued share capital of the Company.

As at 31st March, 2003, certain Directors personally had interests in share options to subscribe for ordinary shares of the Company and its associated corporation as separately disclosed in the section "Share Option Schemes" below.

Save as disclosed above and in "Share Option Schemes" below, as at 31st March, 2003, none of the Directors of the Company nor their spouses and children under the age of 18 had or were deemed to have any interest in the securities of the Company and any of its associated corporations (as defined in the SDI Ordinance) or were granted any right to subscribe for the securities of the Company or any of its associated corporations or exercised such right during the year pursuant to Section 28 of the SDI Ordinance or under Section 31 or Part 1 of the Schedule to the SDI Ordinance.

# Report of the Directors

## Share Option Schemes

The Company and CiTL have adopted share option schemes on 30th September, 1991 (“the Old CIHL Scheme and Old CiTL Scheme respectively”). They have been expired on 29th September, 2001 and no further options may be granted under the Old CIHL Scheme and Old CiTL Scheme. Details of the outstanding options as at 31st March, 2003 which have been granted under the share option schemes of the Company and its associated corporation were as follows:

### (a) Interests in the Company – Share Options

Name of Director	Date of grant	Period during which options are exercisable	Exercise price per option (HK\$)	Number of share options				
				Balance as at 1st April, 2002	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31st March, 2003
CHOW Yei Ching	17/12/1999	30/06/2000 – 29/06/2003	0.488	8,450,000	–	–	–	8,450,000
KUOK Hoi Sang	17/12/1999	30/06/2000 – 29/06/2003	0.488	5,350,000	–	–	–	5,350,000
FUNG Pak Kwan	17/12/1999	30/06/2000 – 29/06/2003	0.488	5,350,000	–	–	–	5,350,000
KAN Ka Hon	17/12/1999	30/06/2000 – 29/06/2003	0.488	5,000,000	–	–	–	5,000,000
WONG Kie Ngok, Alexander	17/12/1999	30/06/2000 – 29/06/2003	0.488	5,000,000	–	–	–	5,000,000
TAM Kwok Wing	17/12/1999	30/06/2000 – 29/06/2003	0.488	5,000,000	–	–	–	5,000,000

As at 31st March, 2003, the number of shares in respect of which options had been granted under the Old CIHL Scheme was 34,150,000, representing 2.7% of the shares of the Company in issue at that date and would continue to be exercisable in accordance with the terms of grant.

### (b) Interests in Associated Corporation – Share Options

Name of Director	Associated corporation	Date of grant	Period during which options are exercisable	Exercise price per option (HK\$)	Number of share options				
					Balance as at 1st April, 2002	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31st March, 2003
CHOW Yei Ching	CiTL	17/12/1999	30/06/2000 – 29/06/2003	0.464	7,000,000	–	–	–	7,000,000
KUOK Hoi Sang	CiTL	17/12/1999	30/06/2000 – 29/06/2003	0.464	5,000,000	–	–	–	5,000,000
FUNG Pak Kwan	CiTL	17/12/1999	30/06/2000 – 29/06/2003	0.464	6,550,000	–	–	–	6,550,000
KAN Ka Hon	CiTL	17/12/1999	30/06/2000 – 29/06/2003	0.464	5,000,000	–	–	–	5,000,000

As at 31st March, 2003, the number of shares in respect of which options had been granted under the Old CiTL Scheme was 28,550,000, representing 3.3% of the shares of CiTL in issue at that date and would continue to be exercisable in accordance with the terms of grant.

# Report of the Directors

## Share Option Schemes (continued)

A new share option scheme of the Company ("the New CIHL Scheme") was approved by the shareholders of the Company at the 2002 Annual General Meeting of the Company held on 20th September, 2002. Another new share option scheme of CiTL, the subsidiary of the Company ("the New CiTL Scheme") was also approved by the shareholders of the Company and CiTL at their respective 2002 Annual General Meeting held on 20th September, 2002. The New CIHL Scheme and the New CiTL Scheme fully comply with Chapter 17 of the Listing Rules. Summaries of the terms of the New CIHL Scheme and the New CiTL Scheme were contained in the Company and CiTL's circulars dated 30th July, 2002 respectively. During the year, no share option was granted, exercised, cancelled or lapsed under the New CIHL Scheme and the New CiTL Scheme.

## Directors' Service Contracts

No Director offering for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## Management Contracts

Apart from the management agreement entered into with CCHL as mentioned above, no other contract of significance 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 subsisted during the year.

## Directors' Biographies

### Executive Directors

Dr CHOW Yei Ching, Chairman and Managing Director, aged 67, is the founder of Chevalier Group and the Chairman of CiTL and CCHL, both of which are public listed companies in Hong Kong. He is also a Non-Executive Director of Van Shung Chong Holdings Limited, Television Broadcasts Limited and Shaw Brothers (Hong Kong) Limited. In 1995, Dr Chow was awarded with an Honorary Doctor Degree in Business Administration by The Hong Kong Polytechnic University and an Honorary University Fellow by The University of Hong Kong. In 1996 and 1997, he was appointed as an Honorary Member of the Board of Directors by Nanjing University and was conferred an Honorary Degree of Doctor of Laws by The University of Hong Kong respectively. Dr Chow also serves actively in a number of educational advisory committees and gives substantial support to the aforementioned two Universities in Hong Kong and The Hong Kong University of Science & Technology in areas of researches and developments. He is also a Consultative Professor of Zhejiang University and a Lecture Professor of Sichuan Union University in the PRC. Dr Chow's enthusiasm in public services is evidenced in his appointment in 2001 as the Vice Patron of The Community Chest in Hong Kong. He was also appointed as the Honorary Consul of The Kingdom of Bahrain in Hong Kong in 2001. He also actively participates in various professional bodies and associations on fraternal and Chinese affairs. To name a few, he is a Standing Committee Member of the Chinese People's Political Consultative Conference, Shanghai, the President of The Japan Society of Hong Kong and the Permanent Honorary President of the National Taiwan University-HK Alumni Association, etc. In recognition of his contributions to local and overseas societies alike, Dr Chow was awarded honorable decorations from Britain, Belgium, France and Japan.

Mr KUOK Hoi Sang, Managing Director, aged 53, joined Chevalier Group in 1972 and is a Director of CiTL and the Vice Chairman of CCHL. He is also the President of The Lift and Escalator Contractors Association in Hong Kong, the Vice-Chairman of the Hong Kong – China Branch of The International Association of Elevator Engineers and a Registered Lift and Escalator Engineer in Hong Kong. He is a member of Chinese People's Political Consultative Conference, Guangzhou. Mr Kuok has extensive experience in business development and is responsible for the strategic planning and management of the operations of lifts and escalators, building construction, building materials and supplies, aluminium works, electrical and mechanical services, civil engineering, property development as well as investment projects of the Group.

## Directors' Biographies (continued)

### Executive Directors (continued)

Mr FUNG Pak Kwan, Director, aged 51, joined Chevalier Group in 1974 and is the Managing Director of CiTL. He is the Advisor of the executive committee of the Guangdong Federation of Industry & Commerce and Guangdong Chamber of Commerce. Mr Fung is responsible for Chevalier Group's strategic planning and management of operations of subsidiaries which focus on a wide range of voice and data communication equipment and services, system integrated IT solutions as well as the sale of business machines, computer systems and equipment, telephone systems and relevant after-sales services. He also actively involves in the planning of investment and development projects, environmental engineering, automobile and hotel business in North America of the Group.

Mr KAN Ka Hon, Director and Company Secretary, aged 52, joined Chevalier Group in 1986 and is a Director and Company Secretary of CiTL and Company Secretary of CCHL. He is also a Non-Executive Director of Victory City International Holdings Limited and i100 Limited. He is responsible for management of Chevalier Group's accounting and treasury, corporate finance, investment, pension fund and company secretarial activities. Mr Kan holds a Bachelor Degree in Science from The University of Hong Kong and is a fellow member of The Association of Chartered Certified Accountants in the U.K. and a member of The Hong Kong Society of Accountants.

Mr WONG Kie Ngok, Alexander, Director, aged 74, joined Chevalier Group in 1989 and is a Director of CCHL. He is responsible for the internal audit and project development of Chevalier Group. Mr Wong is a member of The Australian Society of Certified Public Accountants, a fellow member of The Hong Kong Society of Accountants and a fellow member of The Taxation Institute of Hong Kong.

Mr TAM Kwok Wing, Director, aged 42, joined Chevalier Group in 1986 and is a Director of CCHL. Apart from his participation in running the insurance underwriting business together with property development, property management and cold storage warehousing divisions, he is also responsible for legal affairs, general administration, human resources management, public relations and travel agency business of Chevalier Group. Mr Tam holds a Bachelor Degree in Laws from the Beijing University of the PRC, a Master of Arts Degree from City University of Hong Kong and a Postgraduate Diploma in Corporate Administration from The Hong Kong Polytechnic University. He is also fellow members of the Chartered Institute of Arbitrators, the Institute of Chartered Secretaries and Administrators in the U.K. and the Hong Kong Institute of Company Secretaries. Presently, he also serves as an Honorary Secretary of the Insurance Claims Complaints Bureau.

### Independent Non-Executive Directors

Mr CHENG Ming Fun, Paul, aged 66, was appointed to the Board in 1998. Mr Cheng is a founding partner of China Key Consultants Ltd and a former Legislative Councillor, he was also the Chairman of Inchcape Pacific Limited and N M Rothschild & Sons (Hong Kong) Limited. He holds a number of non-executive directorships with listed companies in both Hong Kong and the U.K. He was also an adjunct professor of Management of Organizations and a member of the Court at The Hong Kong University of Science and Technology.

Mr WONG Wang Fat, Andrew, aged 59, was appointed to the Board in 1999. Mr Wong has been an elected member of the Legislative Council since 1985. He has been lecturing at The Chinese University of Hong Kong since 1970 and is currently Honorary Professor of Government and Public Administration. He is also a Non-Executive Director of New Island Printing Holdings Limited and the Honorary President of the Hong Kong Corrugated Paper Manufacturers Association. Mr Wong holds a Bachelor of Arts (Honours) degree in literature from The University of Hong Kong and a Master of Public Administration degree from the Syracuse University, U.S.A.

Dr CHOW Ming Kuen, Joseph, aged 61, was appointed to the Board in 2002. He is the Chairman of Joseph Chow & Partners Ltd. He has nearly 40 years of experience in the planning, design and construction of many major engineering projects in the U.K., Middle East, the PRC and Hong Kong. He is the Chairman of Hong Kong Examinations Authority, Member of Chinese People's Political Consultative Conference of Shanghai as well as Hon. Senior Superintendent of the Hong Kong Auxiliary Police Force. He was previously the President of The Hong Kong Institution of Engineers, Chairman of Hong Kong Engineers' Registration Board and Pamela Youde Nethersole Eastern Hospital Governing Committee as well as Member of the Hong Kong Housing Authority and Hospital Authority.



# Report of the Directors

## Retirement Schemes

The Company and its Hong Kong subsidiaries were participating companies in the Chevalier Group Staff Provident Fund Scheme ("the Scheme") as defined in the Occupational Retirement Schemes Ordinance which is a defined contribution retirement scheme. The Scheme was granted exemption from Mandatory Provident Fund regulations by the Mandatory Provident Fund Scheme Authority and shall not open to new members starting from 1st December, 2000. Certain of the Company's overseas subsidiaries contribute to their local government's central pension plans for their employees. Contributions to these schemes are made by both the employers and the employees at the rate of 3.5% to 16% on the employees' salaries.

Pursuant to Government legislation, Bank Consortium Trust Company Limited was selected by the Group as an alternative Mandatory Provident Fund ("MPF") service provider for employees of the Group who join the Group from 1st December, 2000. The MPF is available to the employees aged 18 to 65 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's relevant income at a maximum of HK\$20,000 per month. The benefits are required by law to be preserved until the retirement age of 65.

The Group's total contributions to these schemes charged to the consolidated income statement during the year amounted to HK\$20,194,000 against which the forfeited contributions amounting to HK\$2,763,000 have been deducted. There were forfeited contributions amounting to HK\$49,000 available at the year end date for the reduction of future employer's contributions.

## Substantial Shareholder

As at 31st March, 2003, the sole substantial shareholder of the Company was Dr CHOW Yei Ching who held 662,561,758 shares, representing approximately 50.61% of the issued share capital of the Company as recorded in the register of the Company required to be kept under Section 16(1) of the SDI Ordinance.

Save as disclosed above, none of the Directors is aware of any other person having an interest in shares or right to subscribe for shares, equivalent to 10% or more of the issued share capital of the Company during the year.

## Arrangement for Acquisition of Shares or Debentures

Except for the share option schemes adopted by the Company and CiTL and the share options granted to certain Directors, at no time during the year was the Company or any of its subsidiaries a party to any arrangement 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.

## Audit Committee

The Audit Committee, which was established pursuant to the requirements of the Listing Rules, comprising Messrs WONG Wang Fat, Andrew, Iain Leonard DALE who retired on 20th September, 2002 and Dr CHOW Ming Kuen, Joseph who was appointed on 28th November, 2002, the Independent Non-Executive Directors of the Company, met twice in the year. During the meetings, the Audit Committee has reviewed with the Management the Connected Transactions, interim and annual reports of the Group, the accounting principles and practices adopted by the Group, the auditing, internal controls and financial reporting matters.

## Code of Best Practice

In the opinion of the Directors, the Company has complied throughout the year with the guidelines for the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

## Auditors

The financial statements for the year have been audited by Messrs Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**CHOW Yei Ching**  
*Chairman and Managing Director*

Hong Kong, 16th July, 2003