

## Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st March, 2003.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of property development and investment, operation of a power plant, money lending business and property management in Hong Kong, other regions in the People's Republic of China (the "PRC") and the United Kingdom. During the year, the Group ceased its restaurant business in the United Kingdom.

The Group's turnover and loss from operations for the year ended 31st March, 2003 analysed by principal activity and geographical market were set out in note 5 to the financial statements.

The Company's shares have been suspended for trading on SEHK since 19th May, 2003.

### SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and principal associates at 31st March, 2003 are set out in notes 43 and 19 to the financial statements, respectively.

### RESULTS

The results of the Group for the year ended 31st March, 2003 are set out in the consolidated income statement on page 18.

### RESERVES

Movements during the year in the reserves of the Group and the Company are set out in the statement of changes in equity on page 22 and note 31 to the financial statements, respectively.

Under The Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

As at 31st March, 2003, the Company had no reserve available for distribution in accordance with The Companies Act 1981 of Bermuda (as amended).

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 65 of the annual report.

## Directors' Report (Continued)

### INVESTMENT PROPERTIES

The Group's investment properties were revalued at the year end date. The deficit of HK\$67,343,000 arising on the revaluation has been dealt with in reserves.

Details of these and other movements during the year in investment properties of the Group are set out in note 13 to the financial statements.

### PROPERTY, PLANT AND EQUIPMENT

The Group's leasehold land and buildings were revalued at the year end date. The net deficit of HK\$3,898,000 arising on the revaluation has been dealt with in reserves and the income statement. Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

### MAJOR PROPERTIES

Details of the major properties of the Group at 31st March, 2003 are set out on pages 66 to 72 of the annual report.

### SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 to the financial statements.

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

During the year, the Company repurchased a total of 3,920,000 shares of HK\$0.10 each in the share capital of the Company through the Stock Exchange, all of which were then cancelled, at an aggregate consideration of HK\$2,131,150. Details of the aforesaid repurchases are set out in note 29 to the financial statements. The directors considered that, as the Company's shares were trading at a relative low price per share and did not reflect the underlying value of the Company, the above mentioned share repurchases would be beneficial to the Company.

Save as aforesaid, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

### DIRECTORS

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

#### *Executive directors:*

Madam Tai Seow Yoke Peng	
Mr. Ng Yat Cheung, J.P.	(appointed on 4th January, 2004)
Mr. Poon Chi Fai, J.P.	(resigned on 4th January, 2004)
Mr. Tai Kuen, S.B.S., J.P. ( <i>Chairman</i> )	(resigned on 1st October, 2003)
Mr. Tai Chi Wah ( <i>Managing Director</i> )	(resigned on 1st October, 2003)
Mr. Tai Yiu Wah, Robert	(resigned on 1st April, 2003)
Mr. Charles Arthur Alan Nicol, O.B.E., A.M.N.	(resigned on 1st November, 2002)

#### *Non-executive directors:*

Mr. Wong Po Lung, John	(resigned on 20th May, 2003)
------------------------	------------------------------

## Directors' Report (Continued)

### DIRECTORS (continued)

#### Independent non-executive directors:

Mr. Wan Tai Min, Tommy	
Mr. Leung Shu Yin, William	(appointed on 1st October, 2003)
Mr. Liu Chun Ning, Wilfred	(resigned on 21st May, 2003)

In accordance with Clauses 86(2) and 87 of the Company's Bye-laws, Madam Tai Seow Yoke Peng, Mr. Wan Tai Min, Tommy and Mr. Leung Shu Yin, William retire and, being eligible, offer themselves for re-election. All remaining directors continue in office.

The terms of office of independent non-executive directors are subject to retirement by rotation in accordance with the Company's Bye-laws.

No director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2003, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance of Hong Kong ("SDI Ordinance") were as follows:

Name of director	Personal interests	Number of shares held		Other interests
		Family interests	Corporate interests	
Mr. Tai Kuen, S.B.S., J.P.	1,518,000	–	–	–
Mr. Tai Chi Wah ( <i>Notes i &amp; ii</i> )	27,586,000	–	322,863,556	–
Mr. Poon Chi Fai, J.P.	120,000	–	–	–
Mr. Tai Yiu Wah, Robert	454,000	–	–	–
Madam Tai Seow Yoke Peng ( <i>Notes i, iii &amp; iv</i> )	1,490,000	264,673,556	–	–
Mr. Wong Po Lung, John	100,000	–	–	–
Mr. Wan Tai Min, Tommy	120,000	–	–	–

#### Notes:

- (i) 154,427,556 shares are held through Questrole Profits Limited ("Questrole Profits"), a company incorporated in the British Virgin Islands. Questrole Profits is beneficially owned by a discretionary trust, the discretionary objects of which include Mr. Tai Chi Wah and the spouse of Madam Tai Seow Yoke Peng and their respective family members.
- (ii) 168,436,000 shares are held through Propertyline Properties Limited ("Propertyline"), a company incorporated in the British Virgin Islands. Propertyline is beneficially owned by a discretionary trust, the discretionary objects of which include Mr. Tai Chi Wah and his family members.
- (iii) 108,856,000 shares are held by Oodless Investment Limited, a company incorporated in Hong Kong and beneficially owned by the spouse of Madam Tai Seow Yoke Peng as to 99.99% and by her as to 0.01%.
- (iv) 1,390,000 shares are held by the spouse of Madam Tai Seow Yoke Peng.

## Directors' Report (continued)

### DIRECTORS' INTERESTS IN SECURITIES (continued)

Other than as disclosed above and certain nominee shares in subsidiaries held by certain directors in trust for the Company or its subsidiaries, none of the directors, or their associates, had any interest in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

### SHARE OPTION SCHEME

Details of the share option scheme are set out in note 30 to the financial statements.

As at 31st March, 2003, no option has been granted or agreed to be granted pursuant to the Share Option Scheme.

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 AND CONNECTED TRANSACTIONS

- (a) During the year, the Group paid architectural fees and professional service fees with an aggregate amount of HK\$6,947,000 to Wong & Tai Associates Architects in which Messrs. Tai Chi Wah and Wong Po Lung, John are partners.
- (b) During the year, the Group paid promotional expenses amounting to HK\$475,000 to and received property rental income amounting to HK\$5,100,000 from Gold-Face (Restaurant Group) Limited, a company wholly-owned by Questrole Profits. In addition, the Group paid yacht rental amounting to HK\$360,000 to Black Jade Investment Limited in which Mr. Tai Chi Wah has a beneficial interest.
- (c) During the year, the Group paid sales commission of HK\$45,000 to Mr. Tai Yiu Wah, Robert.
- (d) During the year, the Group sold properties to Messrs. Tai Chi Wah and Wong Po Lung, John (the "Buyers") at a net consideration of HK\$2,520,000 and HK\$1,859,000 after deducting a discount of HK\$2,727,000 and HK\$3,006,000 given to Messrs. Tai Chi Wah and Wong Po Lung, John respectively. The discounts are equivalent to 30% of the selling prices of the properties plus the total repayments made or to be made by the Group on behalf of the Buyers to banks of the first 48th instalments of mortgage loans borrowed by the buyers on the properties bought by them. A condition of granting such discount is that where disposal of the properties within ten years from date of purchase results in a surplus, the surplus should firstly be applied to compensate the Group to the extent of discount given. Thereafter the remaining surplus will be for the Buyers.
- (e) Certain of the Group's bank borrowings, with an aggregate amount of HK\$304,549,000 as at 31st March, 2003, were secured by personal guarantee of Mr. Tai Chi Wah at no consideration.
- (f) Certain of the Group's bank borrowings, with an aggregate amount of HK\$166,560,000 as at 31st March, 2003, were secured by personal guarantee of Mr. Tai Kuen at no consideration.
- (g) A bank overdraft of HK\$7,557,000 as at 31st March, 2003 was borrowed by Black Jade Investment Limited and utilised by a subsidiary of the Company. This bank overdraft is secured by a Group's property held for future development with a carrying amount of HK\$215,000 as at 31st March, 2003. Repayments of interest and principal have been made by this subsidiary. Accordingly, the amount was recorded as bank overdraft of the Group.
- (h) A Deed of Guarantee and Indemnity was jointly given by the Company, a subsidiary of the Company and Mr. Tai Chi Wah in favour of an independent construction contractor.

## Directors' Report (Continued)

### DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (continued)

- (i) The titles of properties held for sale with an aggregate net book value of HK\$3,500,000 as at 31st March, 2003 are registered in the name of Mr. Tai Chi Wah who has executed two declarations of trust under which he is allegedly holding the two properties on behalf of a subsidiary of the Company.
- (j) A subsidiary of the Company entered into sale and purchase agreements with two directors and a spouse of a director of the Company and two employees of the Group (the "Related Parties") whereby the Related Parties purchased properties jointly from this subsidiary at a consideration of HK\$16,907,000. The Related Parties financed their purchases of the properties with bank loans, and in turn lent these bank loans to this subsidiary and the corresponding repayments had been made by this subsidiary directly to the bank. In the opinion of the directors, the disposals of the properties to the Related Parties were solely to facilitate the Group to obtain the bank borrowings. Accordingly, the Group recorded these bank borrowings raised by the Related Parties as its own bank borrowings, which amounted to HK\$9,346,000 at 31st March, 2003. Also, the Group did not record the sales of properties to the Related Parties.
- (k) An unsecured personal loan of HK\$609,000, included in loans receivable as at 31st March, 2003, was owed by a daughter of Mr. Tai Kuen.
- (l) Particulars of amount due to Mr. Tai Chi Wah as at 31st March, 2003 are disclosed in note 25 to the financial statements.

In the opinion of the independent non-executive directors, the transactions with Wong & Tai Associates Architects, Gold-Face (Restaurant Group) Limited, Black Jade Investment Limited and Mr. Tai Yiu Wah, Robert referred to above (a), (b) and (c) respectively were carried out in the usual course of business and at terms mutually agreed with parties concerned.

Save as aforesaid, 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.

### SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2003, 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 the directors, the following shareholder had an interest of 10% or more in the share capital of the Company:

Name of shareholder	Number of shares	%
Value Consultants Limited	131,697,600	14

Other than as disclosed above and under "Directors' Interests in Securities", 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, 2003.

### DONATIONS

During the year, the Group made charitable donations amounting to HK\$87,000.

## Directors' Report (Continued)

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, approximately 44% of the costs incurred on properties under development, properties held for future development and properties held for sale were attributable to the Group's five largest suppliers. Costs incurred comprised the cost of land, together with direct costs attributable to the development of the properties, professional fees and interest charges capitalised during the period of development. The Group's largest supplier accounted for approximately 36% of the costs incurred. None of the directors, their associates or any shareholders (which to the knowledge of the directors) owning more than 5% of the Company's share capital had any beneficial interest in transactions with the major suppliers.

The aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total turnover for the year.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st March, 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on SEHK, except the Company had one independent non-executive director for the period from 21st May, 2003 to 30th September, 2003. Furthermore, the Company had two independent non-executive directors for the period from 1st April 2004 up to the date of this report.

### POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 42 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

**Tai Seow Yoke Peng**

*Director*

5th January, 2005