

Report of the Directors

The Directors submit their Report and the Audited Statement of Accounts for the financial year ended 31 March 2002.

PRINCIPAL ACTIVITIES AND TRADING OPERATIONS

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on page 48.

An analysis of the principal activities and geographical locations of trading operations of the Company and its subsidiaries during the financial year is set out in Note 2 to the Accounts on pages 31 and 32.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2002 are set out on page 48.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 March 2002 are set out in the Consolidated Profit and Loss Account on page 17.

Appropriations of profits and movements in reserves during the financial year are set out in Note 21 to the Accounts on pages 42 to 44.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is given on pages 51 and 52.

DIVIDENDS

An interim dividend of 3.0 cents per share was paid on 24 January 2002. The Directors now recommend the payment of a final dividend of 6.0 cents per share in respect of the financial year ended 31 March 2002, payable on 18 September 2002 to Shareholders on record as at 28 August 2002. This recommendation has been disclosed in the Accounts.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 11 to the Accounts on page 37.

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BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of all bank loans, overdrafts and/or other borrowings of the Group as at 31 March 2002, all being borrowings by subsidiaries of the Company and repayable on demand or within a period not exceeding one year, are set out in Note 18 to the Accounts on page 40. Those which would fall due for repayment after a period of one year are set out in Note 22 to the Accounts on page 45.

INTEREST CAPITALISED

No interest was capitalised by the Group during the financial year.

DONATIONS

The Group made donations during the financial year totalling HK\$0.7 million.

DIRECTORS

The Directors of the Company during the financial year were Messrs. G. W. J. Li (resigned on 1 February 2002), J. T. Hung (appointed on 1 February 2002), J. M. K. Chow, T. Y. Ng and G. S. Yee.

Mr. J. T. Hung succeeded Mr. G. W. J. Li as Chairman of the Company on 1 February 2002.

Mr. J. M. K. Chow is due to retire from the Board by rotation in accordance with Article 103(A) of the Company's Articles of Association at the forthcoming Annual General Meeting. Being eligible, he offers himself for re-election.

With the exception of the Chairman (who is not subject to retirement by rotation under the provisions of the Company's Articles of Association) together with Mr. J. M. K. Chow (who is due to retire from the Board at the forthcoming Annual General Meeting as mentioned above), both of the other two present Directors (neither of them holding any executive office of the Company) will continue to serve on the Board for a term of one or two years until they become due to retire from the Board by rotation in 2003 or 2004 in accordance with Article 103(A) of the Company's Articles of Association.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation.

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DIRECTORS' INTERESTS IN SHARES

At 31 March 2002, Directors of the Company had the following personal beneficial interests in the share capital of the Company's ultimate holding company, namely, Wheelock and Company Limited ("Wheelock"), and an associate of Wheelock, namely, The Wharf (Holdings) Limited ("Wharf"):

| | No. of Ordinary Shares |
|-----------------|------------------------|
| Wheelock | |
| Mr. J. T. Hung | 10,000 |
| Mr. T. Y. Ng | 70,000 |
| Wharf | |
| Mr. T. Y. Ng | 178,016 |

Save as disclosed above, as recorded in the register kept by the Company under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") in respect of information required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to that Ordinance or to the Model Code for Securities Transactions by Directors of Listed Companies:

- (i) there were no interests held as at 31 March 2002 by any Directors and Chief Executive of the Company in securities of the Company and its associated corporations (within the meaning of the SDI Ordinance), and
- (ii) there existed during the financial year no rights to subscribe for equity or debt securities of the Company which were held by any Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercise during the financial year of any such rights by any of them.

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SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties which were, directly or indirectly, interested in 10% or more of the nominal value of the share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 31 March 2002 as recorded in the register kept by the Company under section 16(1) of the SDI Ordinance:

| Names | No. of Ordinary Shares |
|--|------------------------|
| (i) Pomeroy Investments Limited | 328,400,050 |
| (ii) Core Holdings Limited | 328,400,050 |
| (iii) New Asia Realty and Trust Company, Limited | 833,873,273 |
| (iv) Wheelock Properties Limited | 853,940,779 |
| (v) Wheelock and Company Limited | 853,940,779 |
| (vi) Bermuda Trust (Guernsey) Limited | 853,940,779 |

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against parties (i) and (ii) represent the same block of shares and are entirely duplicated in the shareholdings stated against party (iii) above and that the shareholdings stated against party (iii) above are entirely duplicated or included in the relevant shareholdings stated against party (iv) above, and that the shareholdings stated against parties (iv), (v) and (vi) above represent the same block of shares; all of the abovenamed parties were deemed to be interested in the relevant shareholdings under the SDI Ordinance as at 31 March 2002.

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, any subsidiary or holding company of the Company or any subsidiary of the Company's holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

There was in existence during the financial year an agreement dated 3 March 2000 between the Company and Wheelock Properties Limited ("Wheelock Properties"), whereby Wheelock Properties were appointed the General Managers of the Company. The agreement is for a term commencing from 31 December 1999 and expiring on 31 December 2002. Mr. T. Y. Ng is a director of Wheelock Properties and is accordingly regarded as interested in the said agreement.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company a party to any arrangement 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.

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PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

AUDITORS

The Accounts now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board

Wilson W. S. Chan

Secretary

Hong Kong, 7 June 2002