

# Report of the Directors

The Directors submit herewith their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 2002.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements. During the financial year, the Group disposed of and discontinued its business of manufacture and sale of eel feeds and started to engage in the nurturing, selling and trading of tree seedlings and seeds in the People's Republic of China (the "PRC").

## CHANGE OF COMPANY NAME

Pursuant to a special resolution of the Company passed on 21 January 2002, the name of the Company was changed from Corasia Group Limited to First Dragoncom Agro-Strategy Holdings Ltd. effective from 28 January 2002.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover and purchases attributable to the Group's five largest customers and suppliers, respectively, were less than 30% of the Group's total turnover and purchases for the financial year.

## RESULTS AND DIVIDENDS

The loss of the Group for the financial year ended 31 December 2002 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 19 to 77.

The Directors do not recommend the payment of any dividend in respect of the financial year.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. The amounts for the financial years ended 31 December 1998 and 2000 have been adjusted for the effects of the retrospective changes in accounting policies affecting goodwill and proposed dividends. This summary does not form part of the audited financial statements.

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## RESULTS

	Year ended 31 December				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000 (Restated)	1999 HK\$'000	1998 HK\$'000
TURNOVER					
Continuing operations	<b>14,029</b>	28,384	36,373	10,578	–
Discontinued operations	<b>40,739</b>	110,957	248,729	246,157	227,776
	<b>54,768</b>	139,341	285,102	256,735	227,776
PROFIT/(LOSS) BEFORE TAX					
Continuing operations	<b>(98,193)</b>	(22,816)	3,106	(2,020)	(820)
Discontinued operations	<b>3,578</b>	(27,628)	42,012	66,518	61,626
	<b>(94,615)</b>	(50,444)	45,118	64,498	60,806
TAX					
Continuing operations	<b>(280)</b>	(3,640)	(1,482)	–	–
Discontinued operations	<b>(54)</b>	(348)	(4,435)	(7,422)	(4,154)
	<b>(334)</b>	(3,988)	(5,917)	(7,422)	(4,154)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS					
	<b>(94,949)</b>	(54,432)	39,201	57,076	56,652
Minority interests					
	<b>193</b>	–	–	–	–
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS					
	<b>(94,756)</b>	(54,432)	39,201	57,076	56,652

# Report of the Directors

## ASSETS, LIABILITIES AND MINORITY INTERESTS

	<b>2002</b> <b>HK\$'000</b>	2001 <i>HK\$'000</i>	<b>31 December</b>		
			2000 <i>HK\$'000</i> (Restated)	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i> (Restated)
TOTAL ASSETS	<b>358,573</b>	343,085	380,591	252,723	198,772
TOTAL LIABILITIES	<b>(88,750)</b>	(50,689)	(50,625)	(36,943)	(58,680)
MINORITY INTERESTS	<b>(26,749)</b>	—	—	—	—
	<b><u>243,074</u></b>	<u>292,396</u>	<u>329,966</u>	<u>215,780</u>	<u>140,092</u>

## CHARITABLE DONATIONS

Charitable donations made by the Group during the financial year amounted to HK\$390,000.

## FIXED ASSETS

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

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company during the financial year, together with the reasons therefor, are set out in notes 31 and 32 to the financial statements.

## RESERVES

Details of movements in the reserves of the Company and of the Group during the financial year are set out in note 33 to the financial statements and in the consolidated summary statement of changes in equity.

## DISTRIBUTABLE RESERVES

As at 31 December 2002, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus account less accumulated losses, amounted to HK\$47,299,000. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus may only be distributed in certain circumstances. In addition, the Company's share premium account with a balance of HK\$105,508,000 at 31 December 2002 may be distributed in the form of fully paid bonus shares.

# Report of the Directors

## DIRECTORS

The composition of the Board during the financial year were:

### Executive Directors:

Dr. Hon Fong Ming, Perry (*Chairman*)  
Dr. Qian Keming  
Mr. Zhang Jiebin  
Mr. Shang Qingling  
Mr. Ke Yinbin  
Mr. Yang Fang Guo  
Mr. Lam Kwok Kam (resigned on 11 July 2002)  
Mr. Kwok Man Yu (resigned on 10 July 2002)

### Non-executive Directors:

Professor Zhu Junfeng (appointed on 10 July 2002)  
Mr. Yu Enguang  
(*Independent*) (appointed on 15 April 2002)  
Professor Lang Hsien Ping  
(*Independent*) (appointed on 11 July 2002)  
Professor Ma Qingguo  
(*Independent*)

On 15 April 2002, the directorship of Mr. Ke Yinbin was changed from a non-executive role to an executive role.

Subsequent to the balance sheet date, on 28 April 2003, Ms. Shing Fong was appointed as a Non-executive Director of the Company and Mr. Yang Fang Guo resigned as an Executive Director of the Company.

In accordance with the Company's Bye-laws, Dr. Qian Keming, Mr. Shang Qingling, Professor Zhu Junfeng, Mr. Yu Enguang, Professor Lang Hsien Ping and Ms. Shing Fong will retire and, being eligible, offer themselves (except Professor Lang Hsien Ping who has indicated his retirement) for re-election at the annual general meeting scheduled to be held on 30 June 2003.

## DIRECTORS' SERVICE CONTRACTS

No Director proposed 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.

## DIRECTORS' INTERESTS IN SHARES

At 31 December 2002, the interests of the Directors in the share capital of the Company or its associated corporations, as recorded in the register (the "Register") maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or notified to the Company, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name	Type of interest	Number of shares held
Dr. Hon Fong Ming, Perry ("Dr. Hon")	Corporate ( <i>Note</i> )	<u>480,126,000</u>

*Note:* Dragon Delta Limited, a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Dr. Hon through Dragoncom China Investment Ltd. and Dragoncom (Hong Kong) Limited, owned 480,126,000 shares of the Company.

Details of Directors' and chief executives' interests in the share options of the Company are separately disclosed in note 32 to the financial statements.

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations which were recorded in the Register, as defined in the SDI Ordinance.

# Report of the Directors

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' interests in shares" above and in the share option schemes disclosures in note 32 to the financial statements, at no time during the financial year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SHARE OPTION SCHEMES

Due to the adoption of Hong Kong Statement of Standard Accounting Practice No. 34 "Employee benefits" during the financial year, most of the detailed disclosures relating to the Company's share option schemes have been moved to note 32 to the financial statements.

Concerning the share options granted during the financial year to the Directors, employees, suppliers and others, as detailed in note 32 to the financial statements, the Directors do not consider it is appropriate to disclose a theoretical value of the share options granted during the financial year ended 31 December 2002 since any valuation of the share options would be subject to a number of assumptions that would be subjective and uncertain. The Directors believe that the evaluation of share options based upon speculative assumptions would not be meaningful and would be misleading to shareholders.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 23 to the financial statements, no Director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the financial year.

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of the Company's issued share capital
Dragon Delta Limited	<u>480,126,000</u>	<u>29</u>

Save as disclosed above, no person, other than the Director of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

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

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

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Directors consider that the Company has generally complied 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 (the "Listing Rules") except the following: (i) the Non-executive Directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws; and (ii) a full board meeting was scheduled to be held in mid April 2003 but was subsequently cancelled due to the prevailing public health concern in the region.

## CONNECTED TRANSACTIONS

Details of the significant related party transactions of the Group during the financial year, which also constitute connected transactions of the Group, are set out in note 38 to the financial statements.

## AUDIT COMMITTEE

The Audit Committee comprises Professor Lang Hsien Ping (Chairman), Mr. Yu Enguang and Professor Ma Qingguo, the Independent Non-executive Directors of the Company. Its principal duties include the review and supervision of the Company's financial reporting process and internal controls. The audited financial statements for the financial year ended 31 December 2002 have been reviewed by the Audit Committee who are of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

## AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

### **Dr. Hon Fong Ming, Perry**

*Chairman*

Hong Kong  
28 April 2003