

## Directors' Report

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 March 2002.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company and its subsidiaries are property investment and strategic investments in the PRC.

### SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by business segments and geographical segments for the year ended 31 March 2002 is set out in note 14 to the financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

As the Group has no turnover and purchases during the year ended 31 March 2002, no major customers and supplier are therefore presented.

### RESULTS AND DIVIDEND

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

The Directors do not recommend the payment of a dividend and no dividend was paid during the year under review (2001: Nil).

### RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

### POST BALANCE SHEET EVENTS

Details of significant post balance events are set out in note 31 to the financial statements.

### FINANCIAL SUMMARY

A financial summary of the Group is set out on page 57.

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### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired approximately HK\$97.8 million of investment properties and furniture, fixtures and equipment. The Group has carried out a revaluation on its investment properties resulting a surplus of HK\$11.6 million which was transferred to the investment properties revaluation reserve. Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

### SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 to the financial statements.

### SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2002 are set out in note 18 to the financial statements.

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### BORROWINGS

At 31 March 2002, the Group did not have any bank and other borrowings nor any obligations under finance leases.

### DIRECTORS

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

#### Executive directors:

LIU Xue Lin	
LEE Tiong Hock	
SHI Ning	(appointed on 8 April 2002)
LIM Ka Thiam	(appointed on 4 July 2002)
Ricky CHIM Kim Lun	(resigned on 8 April 2002)
KWOK Lin	(resigned on 8 April 2002)

#### Independent non-executive directors:

LIU Kwok Fai, Alvan	
CHOW Siu Tong	(appointed on 13 June 2002)
Jordon Z. DENG	(resigned on 8 April 2002)
LIN Gongshi	(resigned on 13 June 2002)

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In accordance with Section 99(A) of the Company's Bye-laws, Messrs. LEE Tiong Hock and LIU Kwok Fai, Alvan retire and, being eligible, offer themselves for re-election.

The non-executive directors are subject to retirement by rotation as required by the Company's Bye-Laws.

### DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN SHARES

As at 31 March, 2002, the interests of the directors 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 ("SDI Ordinance") were as follows:

	Number of shares held			
	Personal interests	Family interests	Corporate interests	Other interests
LIU Xue Lin	—	—	250,036,000*	—

*Note:*

\* These shares are held through Open Mission Assets Limited which is beneficially owned by Mr. Liu.

Save as disclosed above, none of the directors nor their associates had any interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance at 31 March 2002.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or associates of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

None of the directors or their spouses and children under the under of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

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### DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year, Open Mission Assets Limited ("Open Mission"), the major shareholder of the Company, has further advanced a total unsecured shareholder's loan of HK\$9.5 million to the Company, HK\$3 million of which was granted pursuant to the facility letter dated 3 January 2001 whilst the remaining HK\$6.5 million was granted pursuant to the facility letter dated 1 June 2001. Since 1 June 2001, all the outstanding shareholder's loans bear interest at 2% per annum over the Hong Kong prime rate. Subsequent to the balance sheet date, Open Mission has agreed to waive charging the interest (approximately HK\$3.5 million) against the Company for the year ended 31 March 2002 (2001: HK\$3,833,144).

Other than disclosed above, no contract 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 period or any time during the period.

### CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 March 2002 and there had been no exercise of convertible securities, options, warrants or similar rights during the year.

On 24 July 2002, the Company has entered into a sale and purchase agreement (the "Agreement") pursuant to which the Company shall issue a convertible note (the "CN") in favour of Hutchison Hotels Holdings (International) Limited ("Hutchison"), a wholly-owned subsidiary of Hutchison Whampoa Limited, upon completion of the acquisition of 95% effective interest (100% effective interest if the transfer of the remaining 5% effective interest in the Hotel to Hutchison shall be completed before the completion date of the Agreement) in the Kunming Harbour Plaza Hotel (the "Hotel") by the Group. The CN bears the principal amount of HK\$155 million being 50% of the total consideration of the said acquisition of 95% effective interest in the Hotel. Pursuant to the CN, Hutchison has the right at any time during the two years period from the date of issue of the CN to convert in whole or in part the CN into new Shares at the conversion price of HK\$0.76 (subject to adjustment) per share. Based on the initial conversion price of HK\$0.76 per Share, 203,947,368 new Shares will fall to be issued to Hutchison upon full conversion of the conversion rights attached to the CN.

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

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

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### SUBSTANTIAL SHAREHOLDER

At 31 March 2002, save for the interests of the Directors and the chief executive of the Company disclosed above, according to the register maintained by the Company under Section 16(1) of the SDI Ordinance and so far as is known to any Director or chief executive of the Company, the following party was directly or indirectly interested in 10% or more of the Company's issued share capital.

Name of shareholder	Number of ordinary shares held	Approximate Shareholding
Open Mission Assets Limited	250,036,000	23.55%

Saved as disclosed above, the Directors are not aware of any person having a direct or indirect interest of 10% or more in the issued share capital of the Company as at 31 March 2002.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors is interest in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company during the year ended 31 March 2002 and up to the date of this report.

### PRE-EMPTIVE RIGHTS

There is no provision 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 during the year ended 31 March 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 except that the independent non-executive directors of the Company have not been appointed for a specific term of office but retire from office on a rotational basis in accordance with the Company's Bye-Laws.

### AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code. The audit committee comprises the two independent non-executive directors of the Company.

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### AUDITORS

In the preceding three years, Messrs. Deloitte Touche Tohmatsu has been the auditors of the Company up to the financial year ended 31 March 2000. On 1 March 2001, Messrs. Deloitte Touche Tohmatsu resigned as the auditors of the Company and Charles Chan, Ip & Fung CPA Ltd. were appointed to fill the vacancy and have remained as the Company's auditors since then.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Charles Chan, Ip & Fung CPA Ltd. as auditors of the Company.

On behalf of Board

**LIU Xue Lin**

*Chairman*

Hong Kong, 24 July 2002