

# REPORT OF THE DIRECTORS



The Directors hereby present their report together with the audited financial statements of Fujian Group Limited (the “Company”) and its subsidiaries (collectively as the “Group”) for the year ended 31 March 2002.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are investment holding and property investment. Details of the principal activities of the subsidiaries, jointly controlled entities and associates are set out in notes 16, 17 and 18 to the financial statements respectively.

An analysis of the Group’s turnover and contribution to the results by principal activities and geographical area of operation for the year ended 31 March 2002 is set out in note 5 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results and cash flow of the Group for the year ended 31 March 2002 and the state of affairs of the Group and the Company as at 31 March 2002 are set out in the financial statements on page 19.

The Directors do not recommend the payment of a dividend.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the statement of net assets/liabilities of the Group for the last five financial years is set out in the financial statements on page 76.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group’s sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group’s turnover and purchases for the year respectively.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company’s issued share capital) had any beneficial interest in the Group’s five largest customers.

## FIXED ASSETS

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



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## **PROPERTY INTERESTS HELD**

Details of the property interests held by the Group are set out in the financial statements on pages 79 to 83.

## **SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES**

Particulars of the Company's subsidiaries, jointly controlled entities and associates as at 31 March 2002 are set out in notes 16, 17 and 18 to the financial statements respectively.

## **SHARE CAPITAL**

Details of the share capital of the Company are set out in note 25 to the financial statements.

## **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

## **DISTRIBUTABLE RESERVES**

As at 31 March 2002, the Company did not have any reserves available for distribution as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

## **BANK AND OTHER BORROWINGS**

Details of the Group's and the Company's borrowings as at 31 March 2002 are set out in notes 21 and 24 to the financial statements.

## **CAPITALISED BORROWING COSTS**

No borrowing costs were being capitalised during the year (2001: HK\$Nil).

## **RELATED PARTY TRANSACTIONS**

Details of related party transactions are set out in note 35 to the financial statements.

## **POST BALANCE SHEET EVENTS**

Details of significant post balance sheet events are set out in note 36 to the financial statements.



## SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 26 to the financial statements.

## DIRECTORS

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

Mr HUANG Jian Guan (*Chairman*)

Ms MA Xiao Hua

Mr WANG Hai Min

Mr SO Sik

\* Mr LAU Kin Hon

\* Mr LAU Yiu Kit (appointed on 22 June 2001)

Mr SO Kwok Hoo (resigned on 27 July 2001)

Mr NG Cheuk Fan (resigned on 27 July 2001)

\* Mr Raymond LEE (resigned on 22 June 2001)

Mr CHEN Jian Fu (resigned on 26 January 2002)

Mr KWOK Chuen Hung, Dominic (appointed on 5 July 2001 and  
resigned on 25 January 2002)

Mr CHAN Kai Nang (appointed on 26 January 2002 and  
resigned on 13 May 2002)

Ms ZHANG Xiao Ying (appointed on 26 January 2002  
and resigned on 3 July 2002)

Ms LI Huiru (appointed on 22 May 2002)

Ms PAK Siu Pun, Ulanda (appointed on 7 June 2002)

Mr DU Zhen (appointed on 22 May 2002 and  
resigned on 25 July 2002)

\* *Independent non-executive director*

In accordance with article 92 of the Company's Articles of Association, Ms LI Huiru and Ms PAK Siu Pun, Ulanda shall hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with article 101 of the Company's Articles of Association, Mr LAU Kin Hon and Mr WANG Hai Min shall retire from office and, being eligible, offer themselves for re-election.

Mr LAU Kin Hon and Mr LAU Yiu Kit are independent non-executive directors of the Company with tenures of two years expiring on 10 June 2002 and 21 June 2003 respectively.



# REPORT OF THE DIRECTORS

## **DIRECTORS AND SENIOR MANAGEMENT PROFILE**

Profile of the Company's directors and senior management is set out on pages 5 to 6.

## **DIRECTORS' SERVICE CONTRACTS**

None of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired 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 CONTRACTS**

During the year, the Company and its subsidiaries have entered into various contracts (as listed out in notes 35(a) and (d) to the financial statements) with Fushan in which Mr SO Sik has direct or indirect interests by virtue of his interest and ex-directorship in Fushan.

Apart from the aforesaid, no contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material beneficial interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

## **DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the year was the Company or its subsidiaries a party to any arrangements to enable the directors or the chief executives of the Company or their respective spouse or children under 18 years of age of any such director or chief executive to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

# REPORT OF THE DIRECTORS



## PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

As at 31 March 2002, the interests of the directors of the Company in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”)) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

Name of director	Number of shares of HK\$0.125 each in the share capital of the Company (the “Shares”)			% of total Issued shares
	Personal Interests	Corporate Interests	Total	
Mr SO Sik	—	248,897,760 <sup>(a)</sup>	248,897,760 <sup>(a)</sup>	23.17
Mr WANG Hai Min	200,000	—	200,000	0.02

*Note:*

(a) Mr SO Sik is interested in 248,897,760 Shares by virtue of his ownership of 100% of the issued share capital of Pelota Worldwide Limited (in liquidation) (“Pelota (in liquidation)”) which beneficially holds these 248,897,760 Shares. Pelota was put into liquidation on 8 November 2000 by a bank in Hong Kong.

Save as disclosed herein, as at 31 March 2002, none of the directors or the chief executives of the Company were beneficially interested in any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance, including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance, or which were required to be recorded in the register maintained pursuant to Section 29 of the SDI Ordinance or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed herein, the Company or any of its associated corporations did not grant to any director or chief executive of the Company, or their respective spouse or children under 18 years of age of any such director or chief executive, any right to subscribe for equity or debt securities of the Company or any of its associated corporations, nor had there been any exercise of such right by such persons during the year under review.



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## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 March 2002, the register of substantial shareholders maintained pursuant to Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following parties with interests representing 10% or more of the issued share capital of the Company:

<b>Name of shareholder</b>	<b>Number of shares held</b>	<b>% of total issued shares</b>
Sino Earn	344,568,000 <sup>(a)</sup>	32.07
Fujian Huaxing Trust & Investment Company ("FHTI")	344,568,000 <sup>(a)</sup>	32.07
Fujian Huaxing Industrial Company ("FHIC")	344,568,000 <sup>(a)</sup>	32.07
Pelota (in liquidation)	248,897,760 <sup>(b)</sup>	23.17

*Notes:*

- (a) Sino Earn beneficially holds 344,568,000 Shares. Each of FHTI and FHIC is deemed to be interested in the 344,568,000 Shares by virtue of their being beneficially interested in 30% and 70% of the issued share capital of Sino Earn respectively. Both FHTI and FHIC are state-owned corporations in the PRC.
- (b) Pelota (in liquidation) beneficially holds 248,897,760 Shares. The whole interests of Pelota are the direct interests held by Mr SO Sik as disclosed above in the paragraph under the heading "Particular of shares held by directors, chief executives and associates".

Save as disclosed above, there is no other interest or right recorded in the register maintained pursuant to Section 16(1) of the SDI Ordinance as at 31 March 2002.

## MANAGEMENT CONTRACTS

The Company entered into office management fee agreement with Sino Earn, the substantial shareholder of the Company, for sharing office premises by and utilities to the Company. The terms of the office management fee agreement remain effective until 9 January 2003. The management fee charged by Sino Earn for the year amounted to HK\$409,800 (2001: HK\$102,450).

During the year, Sino Earn ceased to charge the Company for any management fee for senior officers nominated to the Company, namely, Mr HUANG Jian Guan, Ms MA Xiao Hua and Mr WANG Hai Min, and the ex-director, Mr CHEN Jian Fu (2001: HK\$1,950,000).

Save as disclosed above, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.



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

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

## **PENSION SCHEME**

With effect from 1 December 2000, the Group has operated a mandatory provident fund scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, each of the employer and its employees are required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a statutory maximum cap of HK\$1,000. Details of the MPF Scheme contributions of the employees, which have been dealt with in the consolidated income statement of the Group for the year ended 31 March 2002, are set out in note 8 to the financial statements.

Employees of the Group in the PRC are under a local statutory retirement insurance policy provided by local government. Employer and employees are required to contribute a designated percentage of monthly salary to the retirement insurance policy. The only obligation of the Group with respect to the retirement schemes is to make the required contributions under the scheme. Such contributions are charged to income statement when incurred.

## **COMPLIANCE WITH THE PRACTICE NOTE 19 OF THE LISTING RULES**

Details of the advances, financial assistance and guarantees provided by the Group to its jointly controlled entities disclosed pursuant to the Practice Note 19 of the Listing Rules are set out in the financial statements on pages 77 to 78.

## **AUDIT COMMITTEE**

The Company has established an Audit Committee since August 1999 comprising all independent non-executive directors of the Company, Mr LAU Kin Hon and Mr LAU Yiu Kit, as members, which is in accordance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules (the "Code of Best Practice"). The principal duties of the Audit Committee include the review of the Company's financial reports and the effectiveness of Company's internal control systems.



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## COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

## AUDITORS

Messrs. Moores Rowland were appointed as auditors of the Group in July 2001 upon the resignation of Messrs. PricewaterhouseCoopers.

Messrs. HLB Hodgson Impey Cheng were appointed as auditors of the Group in August 2002 in place of the resigning auditors, Messrs. Moores Rowland.

The Company's auditors, Messrs. HLB Hodgson Impey Cheng retire and, being eligible, offer themselves for re-appointment, and a resolution to this effect will be proposed at the Annual General Meeting.

On behalf of the board

**HUANG Jian Guan**

*Chairman*

Hong Kong, 27 September 2002