

## DIRECTORS' REPORT

The directors present their first annual report and the audited financial statements of the Company for the year ended 31st December, 2002.

### GROUP REORGANISATION

The Company was incorporated in Bermuda as an exempted company with limited liability under Companies Act 1981 of Bermuda (as amended).

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred as to the "Group") in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 15th May, 2002. Details of the Group Reorganisation are set out in Appendix VI of the prospectus dated 22nd May, 2002 issued by the Company.

The shares of the Company were listed on the Stock Exchange on 4th June, 2002.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property development in the People's Republic of China (the "PRC").

The principal activities of the Group's subsidiaries and co-operative joint venture are set out in note 35 to the financial statements.

### RESULTS

The results of the Group for the year then ended 31st December, 2002 are set out in the consolidated income statement on page 23.

A final dividend of HK3.0 cents per share being proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting. The dividend declared in respect of the year are set out in note 9 to the financial statements.

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### SHARE CAPITAL

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

### RESERVES

Movements in the reserves of the Group during the year and the Company during the period are set out on page 27 of the annual report and note 26 to the financial statements, respectively.

### INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 11 to the financial statements.

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred approximately HK\$851,000 in respect of acquisition of property, plant and equipment which mainly comprised leasehold land and buildings. Details of the movements in property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

### DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the period and up to the date of this report were as follows:

#### Executive directors

So Pang Gen ( <i>Chairman and Managing Director</i> )	(appointed on 3rd November, 2000)
Lam Hon Keung, Keith ( <i>Deputy Chairman</i> )	(appointed on 15th May, 2001)
Choi Dun Woo	(appointed on 15th May, 2001)
Su Bangyuan	(appointed on 3rd November, 2000)

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### Independent non-executive directors

Hui Yip Wing, David	(appointed on 15th May, 2001)
Kee Wah Sze	(appointed on 15th May, 2001)
Ku Siu Fung, Stephen	(appointed on 3rd December, 2001)
Cheung Hon Kit	(appointed on 15th May, 2001 and resigned on 15th April, 2002)

In accordance with Clause 99 of the Company's Bye-laws, Messrs. Su Bangyuan and Choi Dun Woo retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The four executive directors have each entered into a service contract with the Company for an initial term of two years commencing on 4th June, 2002 which will continue thereafter until terminated by either party on not less than 3 months' prior notice in writing or by payment of 3 months' salary in lieu of such notice.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

### DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2002, the interests of the directors and their associates in the ordinary shares of the Company and their associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of ordinary shares held			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. So Pang Gen	—	—	—	182,470,000 (Note)

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*Note:* These shares, representing approximately 62.36% of the issued share capital of the Company, are held by International Offshore Development Limited, a company incorporated in the British Virgin Islands. Chance Fair International Development Limited, a company incorporated in Hong Kong is the beneficial owner of the entire issued share capital of International Offshore Development Limited. Future Opportunity Limited, a company incorporated in the British Virgin Islands, is the beneficial owner of the entire issued share capital of Chance Fair International Development Limited. Centre Trustees (C.I.) Limited, a company incorporated in the Island of Jersey, Channel Islands which holds all the issued share capital of Future Opportunity Limited as trustee under a discretionary trust, the discretionary trust objects of which include the family members of Mr. So Pang Gen.

Save as disclosed above, at 31st December, 2002, none of the directors nor their associates had any interests in the securities of the Company.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the share option scheme (the "Scheme") adopted by a resolution passed by the Company on 15th May, 2002, the directors of the Company may grant options as incentives to directors or employees of the Company or its subsidiaries to subscribe for shares in the Company within a period of ten years commencing from 15th May, 2002. No share options have been granted under the Scheme since its adoption. Details of the Scheme are set out in note 25 to the financial statements.

Save as disclosed above, at no time during the period was the Company, any of its subsidiaries or its holding companies, 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.

## SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the director stated under the paragraph headed "Directors' interests in securities", is the only substantial shareholder of the Company.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st December, 2002.

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### CONNECTED TRANSACTIONS

During the year, the Group had the following significant transactions with connected parties:

	<i>Notes</i>	<i>HK\$'000</i>
Interest paid to 中國房地產開發總公司寧波分公司 China State Real Estate Development Corporation Ningbo Branch ("Ningbo CSREDC")	<i>(i)</i>	116
Interest paid to Geyung (Real Estates) Company Limited	<i>(ii)</i>	154
Interest paid to 長春市城市基礎設施建設開發公司 ("Changchun JV Partner")	<i>(iii)</i>	724
Interest paid to Min Xin Properties Limited ("Min Xin")	<i>(iv)</i>	2,308
Rental paid to Chance Fair International Development Limited ("Chance Fair International")	<i>(v)</i>	408

*Notes:*

- (i) Ningbo CSREDC holds a 25% equity interest in 寧波拓展房地產開發有限公司 Ningbo Tuozhan Real Estate Development Co., Ltd. ("Ningbo Tuozhan"), a non wholly-owned subsidiary of the Company. The interest paid was charged at interest rates of 5.85% (2001: 6.99%) per annum on the loan advanced to Ningbo Tuozhan.
- (ii) Geyung (Real Estates) Company Limited holds a 37.5% equity interest in Ningbo Tuozhan. The interest paid was charged at interest rates of 5.85% (2001: 6.99%) per annum on the loan advanced to Ningbo Tuozhan.
- (iii) Changchun JV Partner holds a 5% equity interest in 長春長信國際房地產開發有限公司 Changchun Changxin International Real Estate Development Co., Ltd. ("CCCX Real Estate"), a non-wholly owned subsidiary of the Company. The interest paid was charged at interest rate of 10% (2001: 10%) per annum on the loan advanced to CCCX Real Estate.
- (iv) Min Xin holds a 20% equity interest in CCCX Real Estate. The interest paid was charged at interest rate of 10% (2001: 10%) per annum on the loan advanced to CCCX Real Estate.
- (v) The Company entered into a sub-tenancy agreement with an intermediate holding company on 22nd May, 2001 pursuant to which the intermediate holding company agreed to sub-lease a portion of the office premises to the Company for a term commenced from 1st January, 2001 to 19th May, 2002 (both days inclusive) at a monthly rental of HK\$40,176 exclusive of other charges. The sub-tenancy agreement was renewed for a term commencing from 20th May, 2002 to 19th May, 2003 (both days inclusive) at a monthly rental of HK\$30,969 exclusive of other charges.

The directors are of the opinion that the above transactions were carried out in the ordinary course of the Group's business.

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### CONNECTED TRANSACTIONS *(Continued)*

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group paid rental fee of HK\$408,000 to Chance Fair International in which Mr. So Pang Gen has a beneficial interest.

No contract of significance, to which the Company or its holding companies 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.

### MAJOR CUSTOMERS AND SUPPLIERS

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

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 42% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 21% of the Group's total purchases.

None of the directors, their associates or any shareholder, which the knowledge of the directors owned more than 5% of the Company's issued capital, had any interest in the share capital of any of the five largest suppliers of the Group.

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

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

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### 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.

### CORPORATE GOVERNANCE

The Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the period from its listing date to 31st December, 2002.

### AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

### SO PANG GEN

*Chairman and Managing Director*

Hong Kong, 25th April, 2003