

## REPORT OF THE DIRECTORS

The directors are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of corporate management services. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 67.

The directors recommend the payment of a final dividend of HK0.5 cent per ordinary share in respect of the year, to shareholders on the register of members on 15 August 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group is set out on pages 69 and 70 of the annual report. This summary does not form part of the audited financial statements.

### FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 15 to the financial statements. Further details of the Group's investment properties are set out on page 68.

### 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.

### SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 28 and 29 to the financial statements.

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### 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 year.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

### DISTRIBUTABLE RESERVES

At 31 March 2003, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK\$64,320,000. In addition, the Company's share premium account, in the amount of approximately HK\$31,603,000 at 31 March 2003, may be distributed in the form of fully paid bonus shares.

### CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions of approximately HK\$67,000 (2002: HK\$48,000).

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, contract revenue earned from the Group's five largest customers accounted for approximately 91% (2002: 87%) of the total contract revenue for the year and contract revenue earned from the largest customer included therein accounted for approximately 66% (2002: 27%).

Subcontracting charges from the Group's five largest suppliers accounted for less than 30% (2002: 34%) of the total subcontracting charges for the year.

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 or five largest suppliers.

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### DIRECTORS

The directors of the Company during the year were:

#### Executive directors:

Mr. Ngai Chun Hung (*Chairman*)  
Mr. Yau Kwok Fai (*Deputy Chairman*)  
Mr. Shek Yu Ming, Joseph

#### Independent non-executive directors:

Professor Ko Jan Ming  
Mr. Ip Kwok Him, JP

In accordance with the Company's bye-laws, Professor Ko Jan Ming will retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election at the forthcoming annual general meeting. The independent non-executive directors were appointed for an initial period of two years ended on 31 August 2002, which has been extended for a further two year period as agreed between the respective directors and the Company.

### DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 15 to 18 of the annual report.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial period of three years commencing from 1 September 2000 which shall continue thereafter unless terminated in accordance with the terms of the service contracts.

Apart from the foregoing, 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 CONTRACTS

No director of the Company had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party during the year.

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### DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

| Name of director                | Notes | Nature of interest | Number of ordinary shares held |
|---------------------------------|-------|--------------------|--------------------------------|
| Mr. Ngai Chun Hung ("Mr. Ngai") | 1     | Others             | 490,934,400                    |
| Mr. Yau Kwok Fai ("Mr. Yau")    | 2     | Corporate          | 30,888,000                     |

*Notes:*

1. These shares are legally and beneficially owned by Winhale Ltd. ("Winhale"), which is a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially owned by the Xyston Trust. The Xyston Trust is a discretionary family trust set up by Mr. Ngai for the benefits of Mr. Ngai and his family members.
2. These shares are legally and beneficially owned by Business Success Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Yau.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the minimum company membership requirements of the Hong Kong Companies Ordinance. Certain directors also have beneficial interests in non-voting deferred shares in a subsidiary which practically carrying no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution on winding-up in the subsidiary.

Save as disclosed above, as at 31 March 2003, none of the directors or the chief executive of the Company or their respective spouse or children under 18 years of age had any interest in the equity or debt securities of the Company or any of its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 to the Model Code or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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### SHARE OPTION SCHEME

At the annual general meeting of the Company held on 5 August 2002, the shareholders of the Company approved the adoption of a new share option scheme (the “2002 Share Option Scheme”) and the termination of the share option scheme adopted by the Company on 17 August 2000 (the “2000 Share Option Scheme”).

Particulars of the share option schemes of the Company are disclosed in note 29 to the financial statements.

### SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, the following interests of 10% or more of 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 of shareholder                | Notes | Number of ordinary shares held | Percentage of issued share capital |
|------------------------------------|-------|--------------------------------|------------------------------------|
| Winhale                            | (a)   | 490,934,400                    | 58.11                              |
| Braveway Limited                   | (b)   | 490,934,400                    | 58.11                              |
| HSBC Holdings plc                  | (c)   | 490,934,400                    | 58.11                              |
| HSBC Bank plc                      | (c)   | 490,934,400                    | 58.11                              |
| Midcorp Limited                    | (c)   | 490,934,400                    | 58.11                              |
| Griffin International Limited      | (c)   | 490,934,400                    | 58.11                              |
| HSBC Europe BV                     | (c)   | 490,934,400                    | 58.11                              |
| HSBC Europe (Netherlands) BV       | (c)   | 490,934,400                    | 58.11                              |
| HSBC International Trustee Limited | (c)   | 490,934,400                    | 58.11                              |

*Notes:*

- (a) The above interest in the name of Winhale was also disclosed as interest of Mr. Ngai under the heading “Directors’ interests in shares”. Also, these shares are ultimately beneficially owned by the Xyston Trust.
- (b) Winhale is wholly owned by the Braveway Unit Trust. Braveway Limited being the trustee of the Braveway Unit Trust is deemed to be interested in the 490,934,400 shares in the Company held by Winhale.
- (c) HSBC International Trustee Limited being the trustee of Xyston Trust is deemed to be interested in the 490,934,400 shares in Company held by Xyston Trust. Each of HSBC Holdings plc, HSBC Bank plc, Midcorp Limited, Griffin International Limited, HSBC Europe BV and HSBC Europe (Netherlands) BV being the holding companies of HSBC International Trustee Limited is deemed to be interested in the 490,934,400 shares in the Company held by Xyston Trust.

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### SUBSTANTIAL SHAREHOLDERS *(continued)*

Save as disclosed above, no person, other than the directors 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.

Following the commencement of the Securities and Futures Ordinance on 1 April 2003, the Company has received notifications from Guideshare Investments Limited and Ms. Shek Yuen Ling reporting interests representing 5% or more of the Company's issued share capital. Ms. Shek Yuen Ling, who controls Guideshare Investments Limited, is deemed to be interested in the shares held by Guideshare Investments Limited.

### CONNECTED TRANSACTIONS

Connected transactions required to be disclosed in accordance with Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year ended 31 March 2003 included the subcontracting fees amounting to approximately HK\$9,545,000 paid to close family members of Mr. Ngai Chun Hung, the Chairman of the Company (the "Subcontracting Arrangements").

The independent non-executive directors of the Company have reviewed the terms of the Subcontracting Arrangements and confirmed that:

- (a) the Subcontracting Arrangements were entered into by the Group in the ordinary and usual course of its business and on normal commercial terms;
- (b) the Subcontracting Arrangements were entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (c) the amount of the Subcontracting Arrangements for the year ended 31 March 2003 did not exceed the upper limit of 5% of the turnover of the Group for the year ended 31 March 2003.

Save as disclosed above, there was no other related party transactions of the Group for the year ended 31 March 2003 as set out in note 34 to the financial statements.

### CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report.

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### AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

### 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

**Ngai Chun Hung**

*Chairman*

Hong Kong, 8 July 2003