

## REPORT OF THE DIRECTORS

The directors of Asean Resources Holdings Limited (the “Company”) submit their report together with the audited accounts for the year ended 31st March 2003.

### RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiaries (the “Group”) for the year are set out in the consolidated profit and loss account on page 24.

The state of affairs of the Group and the Company as at 31st March 2003 are set out in the balance sheets on pages 25 and 26.

The cash flows of the Group are set out in the consolidated cash flow statement on page 28.

The directors do not recommend the payment of a dividend.

### PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of its subsidiaries and associated companies include property development and investment, securities investment and trading, hotel ownership and investment holding. Further details of subsidiaries and associated companies are set out in notes 30 and 31 to the accounts respectively.

An analysis of turnover and contribution to profit from operations of the Group for the year by principal activities is set out in note 2 to the accounts.

No geographical analysis is provided as less than 10% of the consolidated turnover, consolidated profit/(loss) and consolidated assets of the Group are attributable to markets outside Hong Kong.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

### FIXED ASSETS

Details of the movements in fixed assets of the Group during the year are set out in note 11 to the accounts.

### PRINCIPAL PROPERTIES

Particulars of the Group’s principal investment properties, properties held for/under development and properties held for sale are set out on pages 69 and 70.

## REPORT OF THE DIRECTORS

### SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 21 to the accounts.

### BANK LOANS

Particulars of the Group's bank loans are set out in note 23 to the accounts.

### INTEREST CAPITALISED

Interest capitalised by the Group during the year amounted to HK\$3,500,000 (2002: HK\$4,497,000).

### FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 68.

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

The Company has not redeemed any of its listed securities during the year.

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

### DIRECTORS

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

#### Executive directors:

CHAN Boon Ho, Peter ( <i>Chairman</i> )	
LAU Kan Shan	(appointed on 30th June 2003)
YUEN Hiu Kwan	(appointed on 30th June 2003)
CHING Yung	(appointed on 30th June 2003)
CHENG Kam Biu, Wilson	
LO Lin Shing, Simon	
CHAN Chi On, Derek	
WONG Kam Cheong, Stanley	
LAI Yu Ting	
LAI Hing Chiu, Dominic	

## REPORT OF THE DIRECTORS

### DIRECTORS – continued

#### Non-executive director:

TO Hin Tsun, Gerald

#### Independent non-executive directors:

LAU Wai	(appointed on 30th June 2003)
CHENG Chun Pong, Paul	(appointed on 30th June 2003)
CHEUNG Hon Kit	
NG Wai Hung	

Mr. Chan Boon Ho, Peter, Mr. Cheng Kam Biu, Wilson, Mr. Lo Lin Shing, Simon, Mr. Chan Chi On, Derek, Mr. Wong Kam Cheong, Stanley, Mr. Lai Yu Ting, Mr. Lai Hing Chiu, Dominic, Mr. To Hin Tsun, Gerald, Mr. Cheung Hon Kit and Mr. Ng Wai Hung shall resign as directors on the first closing date of the unconditional mandatory cash offer for the shares of the Company made by Mexan Group Limited, which is expected to be on 21st July 2003.

In accordance with Clause 86(2) of the Company's Bye-laws, Mr. Lau Kan Shan, Mr. Yuen Hiu Kwan, Ms. Ching Yung, Mr. Lau Wai and Mr. Cheng Chun Pong, Paul, all of whom being directors appointed by the board of directors subsequent to the year end, shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

### DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensations.

### BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of directors as at the date of this report are set out below:

#### Executive directors

**Chan Boon Ho, Peter**, aged 42, has been the chairman of the Company since December 1991. He is a graduate in Business Administration at the University of Hawaii and has more than sixteen years of experience in the construction and property development industry. He is also a director of United Goal Development Limited which is a substantial shareholder of the Company as disclosed in the section headed "SUBSTANTIAL SHAREHOLDERS".

**BIOGRAPHICAL DETAILS OF DIRECTORS – continued****Executive directors – continued**

**Lau Kan Shan**, aged 46, has been a director of the Company since June 2003. He had worked in various trading companies in the PRC for approximately eight years before he started his own trading business in Hong Kong in the 1980s. Mr. Lau is currently engaged in a wide variety of businesses including PRC highway investment, highway infrastructure construction and related businesses, real estate investment and financial services. Mr. Lau is the chairman of Mexan International Ltd. He is also a director of Mexan Group Limited and a number of other companies.

**Yuen Hiu Kwan**, aged 32, has been a director of the Company since June 2003. He graduated from the 上海財經大學 (University of Finance in Shanghai) with a bachelor degree in finance in 1993 and obtained qualified certificates as Attorney-At-law, Accountant and Registered Tax Agent in the PRC. In early 1990's, he worked in the areas of securities settlement, renminbi loan business and foreign currency loan business in 中國農業銀行上海市信託投資公司 (The Agricultural Bank of China, Shanghai Trust and Investment Corporation). In 1999 Mr. Yuen was involved in leading various highway infrastructure projects.

**Ching Yung**, aged 44, has been a director of the Company since June 2003. She has worked in Mexan International Ltd. as assistant to chairman, Mr. Lau Kan Shan, since 1991 and is responsible for all affairs relating to the shipping department, sales department, accounts department and administrations department. Ms. Ching had been a teacher in Shanghai, the PRC for seven years before joining Mexan International Ltd.

**Cheng Kam Bui, Wilson**, aged 45, has been a director of the Company since April 2001. He graduated from the University of Hawaii, Honolulu with a Bachelor of Arts degree in Economics. He has twenty-four years of experience in administration and finance of jewellery retail business. Mr. Cheng is an executive director of The Kwong Sang Hong International Limited whose shares are listed on The Stock Exchange of Hong Kong Limited. He is also a director of Chow Tai Fook Jewellery Company Limited, Chow Tai Fook Enterprises Limited and United Goal Development Limited, all of which are substantial shareholders of the Company as disclosed in the section headed "SUBSTANTIAL SHAREHOLDERS".

**Lo Lin Shing, Simon**, aged 47, has been a director of the Company since March 2000. He is the chairman of Asia Logistics Technologies Limited, Cyber On-Air Group Company Limited and New World CyberBase Limited, and the deputy chairman of Tai Fook Securities Group Limited. He is also an executive director of The Kwong Sang Hong International Limited as well as a non-executive director of Beijing Beida Jade Bird Universal Sci-Tech Company Limited. All of the above companies' shares are listed on The Stock Exchange of Hong Kong Limited. He is also a director of United Goal Development Limited. Mr. Lo possesses over twenty years of experience in the financial, securities and futures industries. He has been a member of the CME and IMM since 1986.

## REPORT OF THE DIRECTORS

### BIOGRAPHICAL DETAILS OF DIRECTORS – continued

#### Executive directors – continued

**Chan Chi On, Derek**, aged 40, has been a director of the Company since April 2001. He is an executive director of Tai Fook Securities Group Limited, a company whose shares are listed on The Stock Exchange of Hong Kong Limited. He is also the deputy managing director of Tai Fook Capital Limited and is in charge of the corporate finance division of Tai Fook Securities Group Limited. He is a responsible officer of Tai Fook Capital Limited under the Securities and Futures Ordinance. He possesses over ten years of experience in the financial services industry. Mr. Chan holds a Master of Business Administration Degree from the Hong Kong University of Science & Technology as well as a Social Sciences Degree in Economics from the University of Hong Kong. Mr. Chan published a book on the subject of listing procedures and securities rules and regulations.

**Wong Kam Cheong, Stanley**, aged 45, has been a director of the Company since August 1992. He has an honours degree in Civil Engineering awarded by the University of Manchester, U.K. and a Master of Science degree in Finance awarded by the Chinese University of Hong Kong. He is a member of the Hong Kong Institution of Engineers, a local Registered Professional Engineer, a U.K. Chartered Civil and Structural Engineer and a vice-president of the Hong Kong Institution of Real Estate Administration. He is also a Registered Structural Engineer and an Authorised Person (Engineer) registered by the Building Authority in Hong Kong. He has over twenty-two years of experience in the field of design, construction, project management, property development and management.

**Lai Yu Ting**, aged 48, has been a director of the Company since December 1991. He has a diploma in Business Management and has more than twenty-three years of experience in administration and finance of property development and construction companies.

**Lai Hing Chiu, Dominic**, aged 56, has been a director of the Company since March 1992. He is a practising solicitor in Hong Kong and a senior partner in the Hong Kong law firm of Lu, Lai & Li, legal advisors to the Company. He is also a director of a number of other public listed companies in Hong Kong and a director of United Goal Development Limited.

#### Non-executive director

**To Hin Tsun, Gerald**, aged 54, has been a director of the Company since July 1999. Mr. To has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. He is currently the senior and managing partner of Messrs T.S. Tong & Co., Solicitors and Notaries. Mr. To is also a non-executive director of Asia Logistics Technologies Limited, The Kwong Sang Hong International Limited, New World CyberBase Limited, NWS Holdings Limited and Tai Fook Securities Group Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited.

## REPORT OF THE DIRECTORS

### BIOGRAPHICAL DETAILS OF DIRECTORS – continued

#### Independent non-executive directors

**Lau Wai**, aged 28, has been a director of the Company since June 2003. He is the director of Point Best International Limited, which is engaged in the trading of luxury automobiles in the PRC. Mr. Lau, after graduating from Hong Kong University of Science and Technology with a bachelor honours degree in 1997, worked for Epson Hong Kong Ltd. and PCCW Limited.

**Cheng Chun Pong, Paul**, aged 46, has been a director of the Company since June 2003. He graduated from 映像科 (Department of Visual & Film Production) from 日本工學院 (NIPPON ELECTRONIC COLLEGE). He was a director of 嘉聯娛樂有限公司 (Ka Luen Entertainment Co. Ltd.) and president of branch office of 日本藝神集團 (Japan Art Group). Movies in which Mr. Cheng has been involved include 孔雀王 (Peacock King – Japan), 阿修羅 (Ashuraya – Japan), 帝都大戰 (War in Imperial City – Japan), 星月童話 (Moonlight Express) (Hong Kong – Japan), 何日君再來 (Till the End of Time – Japan), 不夜城 (Sleepless City – Japan) and 霹靂火 (Thunderbolt). In the about thirty movies in which Mr. Cheng has been involved, he served in a number of positions such as vice director, producer, executive producer and movie planning.

**Cheung Hon Kit**, aged 49, has been a director of the Company since April 2001. He has over twenty-five years of experience in real estate development, property investment and corporate finance. Mr. Cheung graduated from the University of London with a Bachelor of Arts degree. He has worked in key executive positions in various leading property development companies in Hong Kong. He is also a director of listed companies of ITC Corporation Limited, Paul Y. – ITC Construction Holdings Limited, Rosedale Hotel Group Limited, Hanny Holdings Limited, Panva Gas Holdings Limited, Cyber On-Air Group Company Limited, Billybala Holdings Limited and Skynet (International Group) Holdings Limited.

**Ng Wai Hung**, aged 39, has been a director of the Company since March 1999. He is a practising solicitor in Hong Kong and a partner in the Hong Kong law firm of Lu, Lai & Li, legal advisors to the Company. He is also a director of a number of other public listed companies in Hong Kong.

### DIRECTORS' INTERESTS IN CONTRACTS

Save as the entering into the Share Option Agreement, as hereafter defined, no contracts of significance in relation to the Company's business to which the Company, its subsidiaries, holding company or fellow 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.

## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEME

On 8th September 1998, a share option scheme (the "Share Option Scheme") was approved by the shareholders of the Company under which the board of directors of the Company (the "Board") may, at its discretion, offer any executive and/or employee of the Group including executive director of the Company ("Eligible Person(s)") options to subscribe for shares of the Company subject to the terms and conditions stipulated therein. The purpose of the Share Option Scheme is to motivate and retain the participants by rewarding their contribution to the business and development of the Group.

Under the Share Option Scheme, the maximum number of the Company's shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company from time to time (excluding shares issued upon exercise of options granted pursuant to the Share Option Scheme). The maximum entitlement for any Eligible Person in respect of which options may be granted shall not exceed 25% of the aggregate of all shares subject to the Share Option Scheme. The period within which an option may be exercised will be determined by the Board in its absolute discretion, except that the exercise period shall not be more than three years from the date on which the option is accepted unless with the prior sanction of a resolution of the Company in general meeting. The offer of a grant of options may be accepted within 21 days from the date of offer, upon payment of a consideration of HK\$1 by the grantee. The exercise price of an option shall be determined by the Board but in any event shall not be less than 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the five trading days immediately preceding the date of grant of the share option or the nominal value of the Company's share, whichever is higher.

The Share Option Scheme has a life of three years commencing from its date of adoption and has already expired since 8th September 2001. Options granted under the Share Option Scheme will, however, remain valid during their respective option period.

A total of 104,200,000 share options were granted under the Share Option Scheme on 21st March 2000 to certain directors and employees of the Group (the "Optionholders") entitling the holders thereof to subscribe for shares of HK\$0.10 each of the Company at a subscription price of HK\$0.68 per share (subject to adjustment) during the period from 21st March 2000 to 20th March 2003.

On 18th March 2003, an agreement (the "Share Option Agreement") was made between the Company and the Optionholders in relation to, inter alia, the cancellation of all the outstanding share options of the Company for a consideration of HK\$0.32 per share option and the extension of the option period during which the Optionholders are entitled to exercise the share options by six calendar months from 21st March 2003. Details of the Share Option Agreement are contained in an announcement dated 20th March 2003 issued by the Company. The above was subsequently approved by the shareholders of the Company on 5th May 2003.

## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEME – continued

The total number of shares of the Company that may be issued upon exercise of all share options granted and yet to be exercised under the Share Option Scheme was 104,200,000 shares as at 31st March 2003 and represents approximately 8.1% of the issued share capital of the Company as at the date of this report. No share options had been granted, cancelled, lapsed or exercised during the year.

The share options granted to the Optionholders under the Share Option Scheme is summarised below:

	<b>Number of share options at 31st March 2002 and 2003</b>
<b>Directors</b>	
Chan Boon Ho, Peter (Note)	30,646,000
Lo Lin Shing, Simon	15,324,000
Wong Kam Cheong, Stanley	15,324,000
Lai Yu Ting	12,258,000
Lai Hing Chiu, Dominic	6,130,000
<b>Employees (aggregated as a whole)</b>	<b>24,518,000</b>

Note: Mr. Chan Boon Ho, Peter was also a substantial shareholder of the Company as at 31st March 2003.

All of the above 104,200,000 share options had been cancelled on 26th June 2003 pursuant to the Share Option Agreement.



## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st March 2003, the interests of the directors of the Company and their respective associates (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) in the equity or debt securities of the Company and its associated corporations within the meaning of 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Number of shares of HK\$0.10 each in the Company		Number of share options (Note ii)
	Personal interests	Corporate interests	
Chan Boon Ho, Peter	77,190,000	878,780,289 (Note i)	30,646,000
Lo Lin Shing, Simon	Nil	Nil	15,324,000
Wong Kam Cheong, Stanley	981,570	Nil	15,324,000
Lai Yu Ting	130,000	Nil	12,258,000
Lai Hing Chiu, Dominic	Nil	Nil	6,130,000

Notes:

- i. Such shares were held by United Goal Development Limited ("United Goal"), and Mr. Chan Boon Ho, Peter held one share of US\$1 in United Goal, representing 50% of its issued share capital. Mr. Chan was deemed to have interests in such parcel of shares by virtue of Section 8 of the SDI Ordinance since he was entitled to exercise more than one-third of the voting power in general meetings of United Goal.
- ii. The options were granted under the Share Option Scheme and particulars of which are set out in the section headed "SHARE OPTION SCHEME".

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Group by certain directors, as at 31st March 2003, none of the directors of the Company or their respective associates had or were deemed pursuant to the SDI Ordinance to have any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors of the Company (including their spouse or children under 18 years of age) had been granted, or exercised, any rights to subscribe for shares of the Company during the year, and at no time during the year was the Company, its subsidiaries, holding company or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or other body corporate.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

The following directors were considered to have interests in the following businesses ("Competing Business") which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as set out below:

Name of director	Name of entity of the Competing Business	Description of the Competing Business	Nature of interest of the director in the entity
Lo Lin Shing, Simon	The Kwong Sang Hong International Limited	Property development and investment	As Director
Cheng Kam Biu, Wilson	The Kwong Sang Hong International Limited	Property development and investment	As Director
To Hin Tsun, Gerald	The Kwong Sang Hong International Limited	Property development and investment	As Director

Having considered the nature, size, management and scope of the above businesses, the directors of the Company believed that there is unlikely to be any significant competition with the businesses of the Group and the Group is therefore capable of carrying on such business independently of, and at arm's length from the businesses of the above company.

### SUBSTANTIAL SHAREHOLDERS

As at 31st March 2003, the following persons, other than the directors of the Company whose interests are disclosed above, were directly or indirectly interested in 10% or more of the issued share capital of the Company as recorded in the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance:

Name	Number of shares
United Goal Development Limited	878,780,289 (Note i)
Chow Tai Fook Enterprises Limited	878,780,289 (Note i)
Chow Tai Fook Jewellery Company Limited	878,780,289 (Note ii)

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS – continued

Notes:

- i. Both Chow Tai Fook Enterprises Limited (“CTFE”) and Mr. Chan Boon Ho, Peter (“Mr Chan”) were deemed to be interested in the 878,780,289 shares of the Company owned by United Goal by virtue of Section 8 of the SDI Ordinance, as United Goal is 50% owned by each of CTFE and Mr. Chan.
- ii. Chow Tai Fook Jewellery Company Limited was deemed to be interested in the same parcel of shares owned by United Goal by virtue of the SDI Ordinance.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more in the issued share capital of the Company as at 31st March 2003.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### MAJOR CUSTOMERS AND SUPPLIERS

Turnover attributable to the largest and the five largest customers accounted for 18% and 59% respectively of the turnover of the Group for the year.

Purchases attributable to the largest and the five largest suppliers accounted for 62% and 90% respectively of the Group’s purchases for the year. Purchases not charged to the profit and loss account, including the cost of land and construction works for properties held for/ under development, have been included in arriving at this percentage.

None of the directors, their associates or any shareholder who, to the knowledge of the directors, owns more than 5% of the Company’s share capital, had any interest in the major suppliers or customers noted above.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

### AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr. Ng Wai Hung and Mr. Cheung Hon Kit, both of whom are independent non-executive directors of the Company. The Audit Committee meets at least twice a year with the Company’s management and auditors to review, among other things, the interim and the final results of the Group prior to recommending them to the Board for approval.

## REPORT OF THE DIRECTORS

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

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the financial year ended 31st March 2003 with the exception that the non-executive directors of the Company are not appointed for specific terms of office but retire from office on a rotational basis in accordance with the Company's Bye-laws.

### PENSION SCHEME

Details of the Group's pension scheme are set out in note 8 to the accounts.

### AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment, and a resolution to this effect will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Wong Kam Cheong, Stanley**

*Director*

Hong Kong, 15th July 2003