

# Directors' Report

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

## **1. PRINCIPAL ACTIVITIES**

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of vessel operating common carrier, provision of freight forwarding services, securities trading, operation of container depots and provision of logistics management services.

Its associates are principally engaged in the business of development and provision of technical services to support long distance professional educational services through satellite in the People's Republic of China.

## **2. CHANGE OF COMPANY NAME**

Pursuant to a special resolution passed in the special general meeting held on 9 July 2003 and the issuance of a certificate of incorporation on change of name by the Registrar of Companies of Bermuda dated 18 July 2003, the name of the Company has been changed from Oriental Union Holdings Limited to Foundation Group Limited with effect from 17 July 2003. The Company has also adopted a new Chinese name of 基業控股有限公司 for identification purposes only to replace the Chinese name of 東聯控股有限公司 with effect from 17 July 2003.

## **3. RESULTS AND APPROPRIATIONS**

The results of the Group for the year are set out in the consolidated income statement on page 20.

The directors do not recommend the payment of any dividends in respect of the year ended 31 March 2003.

## **4. SEGMENT INFORMATION**

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

## **5. FIVE-YEAR FINANCIAL SUMMARY**

A financial summary of the Group for the past five financial years is set out on page 66.

## **6. SHARE CAPITAL, SHARE OPTIONS AND WARRANTS**

Details of the Company's share capital, warrants and share options (also disclosed in the paragraph headed "Share Options And Directors' And Chief Executives' Rights To Acquire Shares Or Debentures" on pages 14 and 15 of this report) are set out in notes 22, 23 and 24 to the financial statements respectively.

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## 7. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated summary statement of changes in equity on page 23 of this report and other details of the reserves of the Group and the Company are set out in note 25 to the financial statements.

## 8. PROPERTY, PLANT AND EQUIPMENT

The Group's property interests under property, plant and equipment were revalued at 31 March 2003. The deficit arising on the revaluation amounting to HK\$5,800,000 was debited to the other property revaluation reserve. During the year, the Group also acquired property, plant and equipment worth HK\$331,000 for normal business activities. The Group also wrote off/disposed of property, plant and equipment of an aggregate net book value of HK\$2,412,000.

Details of the movements in the property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

## 9. DIRECTORS AND SERVICE CONTRACTS

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

### Executive directors:

Wong Ching Ping, Alex (Chairman)	(appointed on 27 May 2003)
Lim Direk	(appointed on 27 May 2003)
Hon Wing Kwong	(appointed on 14 December 2002 and resigned on 27 May 2003)
Liu Yun Chuen	(appointed on 15 April 2003 and resigned on 20 May 2003)
Liang Jun	(resigned on 27 May 2003)
Tsai Bobby Sung-En	(resigned on 27 May 2003)
Yu Liang Liang	(resigned on 27 May 2003)
Hon Ming Kong	(resigned on 11 December 2002)
Tsoi Wai Kwong	(resigned on 22 May 2002)

### Non-executive director:

Wan Choi Ha	(appointed on 27 May 2003)
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### Independent non-executive directors:

Chu Kar Wing	(appointed on 27 May 2003)
Chow King Wai	(appointed on 27 May 2003)
Chang Chih Ping, Tony	(appointed on 17 July 2002 and resigned on 27 May 2003)
Chan Tat Chee	(resigned on 27 May 2003)
Lee Yu Leung	(resigned on 30 August 2002)

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### 9. DIRECTORS AND SERVICE CONTRACTS (Continued)

In accordance with Bye-law 86(2) of the Company's Bye-laws, all the existing directors shall hold office until the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

No director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The independent non-executive directors are appointed for a term subject to retirement by rotation as required by the Company's Bye-laws.

### 10. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### 11. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 March 2003, the interests of directors and chief executives in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Name of director	Number of shares held	
	Personal interests	Corporate interests
Liang Jun (Note)	9,650,000	—

Note: Mr. Liang Jun resigned from directorship on 27 May 2003.

Save as disclosed above, as at 31 March 2003, none of the directors, the chief executives or their associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance.

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### **12. SHARE OPTIONS AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Pursuant to the new share option scheme adopted by the shareholders of the Company on 30 August 2002 (the "New Share Option Scheme"), the board of the Company may for a consideration of HK\$1 offer to selected eligible persons to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the board at its absolute discretion, but in any event shall not be less than the higher of the nominal value for the time being of each share of the Company, the average closing price of the shares of the Company as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date on which the relevant option is granted and the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date on which the relevant option is granted.

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and any other schemes of the Company must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time.

The New Share Option Scheme became effective for a period of ten years commencing on 26 September 2002.

No options under the New Share Option Scheme had been granted to any person since its adoption.

In compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the New Share Option Scheme supersedes the previous share option scheme adopted by the shareholders of the Company on 16 September 1994 (the "Previous Share Option Scheme"). The Previous Share Option Scheme was terminated on 26 September 2002 accordingly. However, notwithstanding the termination of the Previous Share Option Scheme, the outstanding options previously granted under the Previous Share Option Scheme shall remain valid and exercisable in accordance with the provisions of the Previous Share Option Scheme.

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### 12. SHARE OPTIONS AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (Continued)

At 31 March 2003, the outstanding options granted under the Previous Share Option Scheme were set out as follows:

Former executive director	Date of grant	Exercise period	Exercise price per share HK\$	Number of options				
				Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed upon expiry/ termination of employment	Outstanding at end of the year
Hon Ming Kong	2.2.2001	2.2.2001 to 1.2.2011	0.33	10,000,000	—	—	(10,000,000)	—
<b>Executive director</b>								
Tsai Bobby Sung-En	19.10.2001	19.10.2001 to 18.10.2011	0.435	8,000,000	—	—	—	8,000,000
				18,000,000	—	—	(10,000,000)	8,000,000
<b>Employees</b>	8.9.1999	8.9.1999 to 7.9.2009	0.85	8,500,000	—	—	—	8,500,000
<b>Employees</b>	19.10.2001	19.10.2001 to 18.10.2011	0.435	8,000,000	—	—	(8,000,000)	—
<b>Employees</b>	17.12.2001	17.12.2001 to 16.12.2011	0.64	4,000,000	—	—	(4,000,000)	—
				20,500,000	—	—	(12,000,000)	8,500,000
				38,500,000	—	—	(22,000,000)	16,500,000

On 27 May 2003, the above grantees whose options were then still outstanding, agreed to waive all their respective rights to subscribe for shares of the Company under the Previous Share Option Scheme.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other than as disclosed above, none of the directors or chief executives, or their spouses, or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

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### 13. SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31 March 2003, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

<b>Name of shareholder</b>	<b>Number of shares held</b>	<b>Percentage of share holding</b>
Sincere Bonus Investment Limited	255,548,242 (Note)	16.80%

Note: On 27 May 2003, the 255,548,242 shares held by Sincere Bonus Investment Limited were sold to Leopard Vision Limited, a company indirectly wholly owned by Mr. Wong Ching Ping, Alex who was appointed as a director of the Company on the same day.

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

Other than the warrants and share options as set out in notes 23 and 24 to the financial statements respectively, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 March 2003. There has been no exercise of convertible securities, options, warrants or similar rights during the year.

### 15. 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.

### 16. MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2003, the aggregate percentage of purchases attributable to the Group's five largest suppliers is less than 30% of the total purchases of the Group.

For the year ended 31 March 2003, sales to the Group's five largest customers accounted for 39% of the total sales and sales to the largest customer included therein amounted to 10%.

To the best of the directors' knowledge, neither the directors, their associates, nor any shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest suppliers or customers during the year.

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## **17. RETIREMENT BENEFITS SCHEMES**

Details of the retirement benefits schemes of the Company are set out in note 31 to the financial statements.

## **18. EVENTS AFTER THE BALANCE SHEET DATE**

Details of the significant events after the balance sheet date are set out in note 32 to the financial statements.

## **19. CODE OF BEST PRACTICE**

The Company has complied throughout the year ended 31 March 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

## **20. 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 two independent non-executive directors of the Company, namely, Mr. Chow King Wai and Mr. Chu Kar Wing.

## **21. PRE-EMPTIVE RIGHTS**

There is no provision 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.

## **22. AUDITORS**

Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years.

On 12 June 2003, Deloitte Touche Tohmatsu tendered their resignation as the Company's auditors. Subsequently RSM Nelson Wheeler were appointed as auditors of the Company in July 2003 to fill the vacancy left by the resignation of Deloitte Touche Tohmatsu.

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be put at the forthcoming annual general meeting.

On behalf of the board  
**Wong Ching Ping, Alex**  
Chairman

Hong Kong, 24 July 2003