

# Report of The Directors

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and an associate are set out in notes 43 and 17, respectively, to the financial statements.

## RESULTS

The results of the Group for the year ended 31 March 2005 are set out in the consolidated income statement on page 47.

## INVESTMENT PROPERTIES

During the year, the Group acquired investment properties at a cost of HK\$31,888,000 and disposed of an investment property with book value of HK\$126,000,000.

At 31 March 2005, all investment properties of the Group are revalued by the independent valuers on an open market value at HK\$394,325,000. The net surplus arising on the revaluation, which has been directly credited to income statement, amounted to HK\$10,566,000.

Details of these are set out in note 14 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

The Group spent HK\$222,254,000 on new property, plant and equipment during the year.

During the year, the construction in progress of HK\$84,549,000 was completed and transferred to plant and machinery.

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in note 15 to the financial statements.

## MAJOR PROPERTIES

Details of the major properties of the Group at 31 March 2005 are set out on page 101 of the annual report.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company are set out in notes 28 and 29, respectively, to the financial statements.

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

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

## DIRECTORS

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

### Executive directors:

Mr. Zhang Yang (*Chairman*)  
Mr. Chan Wing Yuen, Hubert  
Mr. Lam Cheung Shing, Richard

### Non-executive director:

Mr. Hui Ho Ming, Herbert, J.P.

### Independent non-executive directors:

Mr. Lee Peng Fei, Allen, J.P.  
Mr. Wu Wai Chung, Michael  
Mr. Wong Hon Sum  
Ms. Ha Ping

In accordance with the Company's Articles of Association, two directors retire and, being eligible, offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

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

## DIRECTORS' REMUNERATION

The directors' emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2005, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Director	Capacity/ nature of interest	Number of ordinary shares held	
		Long position	Approximate percentage of interest
Mr. Zhang Yang	Corporate ( <i>Note 1</i> )	1,612,025,000	34.41%
	Personal	90,000,000	1.92%
			36.33%

*Note:* 1. The ordinary shares were held through Wealth Land Development Corp., a company beneficially and wholly owned by Mr. Zhang Yang.

2. There is no short position.

Save as disclosed above, as at 31 March 2005, none of the Directors, or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## SHARE OPTION SCHEME

The share option scheme (the “Old Share Option Scheme”) which was adopted on 25 July 2000 was terminated in 2002 and a new share option scheme (the “New Share Option Scheme”) was adopted and approved by the shareholders of the Company at the annual general meeting held on 2 September 2002.

Particulars of the two share option schemes adopted by the Company are set out in note 29 to the financial statements.

The following table discloses the number of outstanding share options in the Company’s Old Share Options Scheme which will continue to be valid under the provision of the Old Share Option Scheme:

Director	Date of grant	Exercise price per share HK\$	Exercise period	Number of share options			Balance at 31.3.2005
				Balance at 1.4.2004	Exercised during the year	Lapsed during the year	
Mr. Zhang Yang	29.3.2001	0.161	1.4.2001 to 31.3.2005 (Note)	109,000,000	90,000,000	19,000,000	–

Note: No vesting period.

The closing price of the Company’s shares immediately before the date on which the options were exercised was HK\$0.156.

## DIRECTORS’ INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or 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.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of directors' interest in securities, the following shareholder had notified the Company of relevant interests in the issued share capital of the Company.

### Long positions – Ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Lu Jiping	Beneficial owner	382,450,000	8.16%
Qiang Sheng (HK) Company Limited	Beneficial owner	279,070,000	5.96%

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 March 2005.

## CONNECTED TRANSACTION

The Group paid interest amounting to approximately HK\$759,000 during the year to a company wholly-owned by Mr. Zhang Yang. The interest was calculated based on the loan which is unsecured, interest bearing at Hong Kong Inter Bank Offered Rate ("HIBOR") plus 1.75% and repayable on demand.

The independent non-executive directors confirm that the transaction has been entered into by the Group in the ordinary course of its business, on terms no less favourable than terms available from independent third parties, and in accordance with the terms of the agreement governing such transaction that is fair and reasonable and in the interests of the shareholders of the Group as a whole.

## **DONATIONS**

During the year, the Group made donations amounting to HK\$233,645.

## **SUFFICIENCY OF PUBLIC FLOAT**

The Company has maintained a sufficient public float throughout the year ended 31 March 2005.

## **POST BALANCE SHEET EVENTS**

Details of significant events occurring after the balance sheet date are set out in note 42 to the financial statements.

## **MAJOR CUSTOMERS AND SUPPLIERS**

The percentage of turnover attributable to the Group's five largest customers to the total turnover during the year was 92.28%. The percentage of turnover attributable to the Group's largest customer to the total turnover during the year was 79.61%.

The percentage of purchases attributable to the Group's five largest suppliers to the total purchases during the year was 93%. The percentage of purchases attributable to the Group's largest supplier to the total purchase during the year was 70%.

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest customers and suppliers.

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March 2005 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

## AUDIT COMMITTEE

The Audit Committee which was established pursuant to the requirements of the Listing Rules comprising Mr. Wong Hon Sum, Ms. Ha Ping and Mr. Wu Wai Chung, Michael. The Audit Committee met twice in the year and has reviewed matters which formed the basis of the Group's financial statements.

## AUDITORS

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

On behalf of the Board

**ZHANG YANG**

*CHAIRMAN*

Hong Kong, 4 July 2005