

# Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30 April 2005.

## **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The activities of its subsidiaries and associates are set out in notes 15 and 16 respectively to the financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 30 April 2005 are set out in the consolidated income statement on page 16.

The directors do not recommend the payment of an interim dividend. The directors now recommend the payment of a final dividend of HK2.2 cents per share to the shareholders of the Company on the register of members on 7 September 2005, amounting to HK\$54,640,000 and the retention of the remaining profit for the year of HK\$125,811,000.

## **PROPERTY, PLANT AND EQUIPMENT**

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

## **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 61. This summary does not form part of the audited financial statements.

## **SHARE CAPITAL**

Details of movements during the year in the issued share capital of the Company are set out in note 27 to the financial statements.

## Directors' Report (continued)

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### DIRECTORS

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

#### Executive directors:

|                   |                                 |
|-------------------|---------------------------------|
| Mr. Li Song Xiao  |                                 |
| Mr. Liu Yi        |                                 |
| Ms. Song Xuan     | (appointed on 31 March 2005)    |
| Ms. Niu Xiao Rong | (appointed on 31 March 2005)    |
| Mr. Zhang Huai An | (appointed on 31 March 2005)    |
| Mr. Che Han Shu   | (resigned on 24 September 2004) |
| Mr. Zhang Ling    | (resigned on 24 September 2004) |
| Mr. Zhang Yao Hui | (resigned on 31 March 2005)     |

#### Independent non-executive directors:

|                     |                                  |
|---------------------|----------------------------------|
| Ms. Nie Mei Sheng   |                                  |
| Mr. Wang Shi Yong   | (appointed on 24 September 2004) |
| Mr. Zheng Kuan      | (appointed on 24 September 2004) |
| Mr. Zhang Yuan Duan | (resigned on 24 September 2004)  |

In accordance with clause 87 of the Company's Bye-laws, Ms. Nie Mei Sheng retires by rotation and, being eligible, offers herself for re-election.

In accordance with clause 86(2) of the Company's Bye-laws, Ms. Song Xuan, Ms. Niu Xiao Rong and Mr. Zhang Huai An retire and, being eligible, offer themselves for re-election.

## Directors' Report (continued)

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### BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

#### Directors

##### *Executive directors*

**Mr. Li Song Xiao**, aged 40, is the Chairman of the Company. Mr. Li graduated from the Department of Architectural Engineering, Nanjing College of Architectural Engineering in 1985 and obtained a masters degree in Architectural Management from the Graduate School of Chongqing College of Architectural Engineering in 1988 and an EMBA degree from Guanghua School of Management, Peking University in 2004. Mr. Li has vast experience in property management and development in the PRC, and has been working in related fields since 1987. Mr. Li is currently vice-chairman of Housing Industry Association of All China Federation of Industry Commerce and assistant head of Consolidate Development Committee of Research Committee of Real Estate and Accommodation in the PRC.

**Mr. Liu Yi**, aged 52, is the Executive Director and Chief Executive Officer of the Company. Mr. Liu, who graduated from the Department of Biology, Peking University in 1981 and obtained the EMBA degree from Guanghua School of Management, Peking University in 2004, holds the title of Senior Engineer. He has been general manager for several major state-owned enterprises in the PRC, and has over 21 years of experience in senior corporate management. Mr. Liu has successful experience in overall strategic planning, management and business development.

**Ms. Song Xuan**, aged 41, is the Executive Director of the Company. Ms. Song has over 18 years of experience in the fields of accounting and finance. She holds a bachelor degree of economy from The Beijing University of Science and Technology, the PRC.

**Ms. Niu Xiao Rong**, aged 40, is the Executive Director of the Company. Ms. Niu has over 20 years of experience in construction and engineering industries. Ms. Niu holds a bachelor degree of construction from The Nanjing College of Architectural Engineering, the PRC.

**Mr. Zhang Huai An**, aged 40, is the Executive Director of the Company. Mr. Zhang has over 21 years of experience in business management. Mr. Zhang graduated from The PLA Communication and Command Institute, the PRC.

## Directors' Report (continued)

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### *Independent non-executive directors*

**Ms. Nie Mei Sheng**, aged 63, is the Independent Non-Executive Director of the Company. Ms. Nie is a senior engineer of professor grade and has over 31 years of experience in the civil engineering and construction technology and was the Secretary of Technology Department of Ministry of Construction. Ms. Nie was awarded first class technology enhancement prize from National Teaching Committee and first class technology enhancement prize from National Ministry of Construction. Ms. Nie is currently the director of China Housing Industry Association, standing committee member of China Civil Engineering Society and head of sub-committee of Water Industry Association.

**Mr. Wang Shi Yong**, aged 35, is the Independent Non-Executive Director of the Company. Mr. Wang is a qualified accountant of Finance Department of The People's Republic of China. Mr. Wang has extensive experience in accounting and financing areas in different industries. Currently, he is the financial controller of Tian Jin TDDM Technology Development Company Limited.

**Mr. Zheng Kuan**, aged 32, is the Independent Non-Executive Director of the Company. Mr. Zheng has extensive experience in investment banking area. He has worked for China Economic Development Trustee Investment Security Company. Mr. Zheng currently is the deputy general manager of the investment banking division of Hai Tong Securities Limited.

### **Company Secretary**

**Ms. Chan Yim Kum**, aged 40, is the Company Secretary of the Company. Miss Chan holds a Bachelor's Degree (Honours) in Business Administration from the United Kingdom and a Master's Degree in Professional Accountancy from Hong Kong. Miss Chan is a member of The Institute of Chartered Secretaries and Administration of the United Kingdom; The Hong Kong Institute of Company Secretaries; and The Taxation Institute of Hong Kong. Miss Chan has over 16 years of experience in corporate management and administration.

## Directors' Report (continued)

### 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).

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

### DIRECTORS' INTERESTS IN SHARES

As at 30 April 2005, the interests of the directors and their associates in the shares, underlying shares convertible notes of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### Long position

Ordinary shares of HK\$0.01 each of the Company:

| Name of director | Capacity         | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|------------------|------------------|---------------------------------------|-------------------------------------------------------|
| Mr. Li Song Xiao | Beneficial owner | 1,200,000,000                         | 48.31                                                 |

*Note:* These shares are held by Invest Gain Limited, which is beneficially wholly-owned by Mr. Li Song Xiao.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 30 April 2005.

## Directors' Report (continued)

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### **SHARE OPTIONS**

Particulars of the Company's share option schemes are set out in note 29 to the financial statements.

No share option was granted under the share option scheme adopted by the Company on 19 August 1993 and amended on 24 October 2000 and the share option scheme adopted by the Company on 12 December 2002.

### **ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES**

Other than the share option schemes, at no time during the year was the Company, its holding company or any of its subsidiaries, 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.

### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No contracts of significance, to which the Company, its holding company 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.

## Directors' Report (continued)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at 30 April 2005, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

#### Long position

Ordinary share of HK\$0.01 each of the Company

| Name                 | Nature of interest                                  | Number of issued<br>ordinary shares held | Percentage<br>of the issued<br>share capital<br>of the Company |
|----------------------|-----------------------------------------------------|------------------------------------------|----------------------------------------------------------------|
| Invest Gain Limited  | Beneficial owner                                    | 1,200,000,000                            | 48.31                                                          |
| Wealth Bonus Limited | Beneficial owner                                    | 240,591,000                              | 9.68                                                           |
| Mr. Li Song Xiao     | Held by controlled<br>corporation ( <i>note a</i> ) | 1,200,000,000                            | 48.31                                                          |
| Ms. Liu Hui          | Held by spouse ( <i>note b</i> )                    | 1,200,000,000                            | 48.31                                                          |
| Mr. Liu Tong Yu      | Held by controlled<br>corporation ( <i>note c</i> ) | 240,591,000                              | 9.68                                                           |
| Mr. Wang Yan         | Beneficial owner ( <i>note d</i> )                  | 200,000,000                              | 8.05                                                           |

#### Notes:

- (a) These shares are held by Invest Gain Limited, which is beneficially wholly owned by Mr. Li Song Xiao.
- (b) Ms. Liu Hui is deemed to be interested in 1,200,000,000 ordinary shares of the Company, being the interests held beneficially by her spouse, Mr. Li Song Xiao.
- (c) These shares are held by Wealth Bonus Limited, which is beneficially wholly owned by Mr. Liu Tong Yu.
- (d) Mr. Wang Yan is also holder of convertible note of the Company and has the rights to convert the note into 400,000,000 ordinary shares of the Company within the period specified in Note 26 to the financial statements.

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 30 April 2005.

### CORPORATE GOVERNANCE

Except that the independent non-executive directors were not appointed for any specific terms as they would be subject to retirement by rotation in accordance with the Bye-laws of the Company, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

## Directors' Report (continued)

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### **MAJOR CUSTOMERS AND SUPPLIERS**

The aggregate sales attributable to the Group's five largest customers comprised approximately 55% of the Group's total turnover for the year and the sales attributable to the Group's largest customer were approximately 23% of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 77% of the Group's total purchases for the year and the purchases attributable to the Group's largest supplier were approximately 46% of the Group's total purchases for the year.

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

### **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.

### **AUDITORS**

During the year ended 30 April 2004, Messrs. Grant Thornton, who acted as auditors of the Company for the two years ended 30 April 2003 resigned and Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the years ended 30 April 2004 and 2005. A resolution will be submitted to the forthcoming annual general meeting to re-appoint them as auditors.

On behalf of the Board

**Li Song Xiao**

*Chairman*

14 July 2005