



The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 42 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2005 are set out in the consolidated income statement on page 23.

The directors do not recommend the payment of a dividend for the year.

## INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 12 and 13 to the financial statements, respectively.

## SHARE CAPITAL AND WARRANTS

Details of the movements during the year in the share capital and warrants of the Company are set out in notes 27 and 28 to the financial statements, respectively.

## DIRECTORS

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

### Executive directors:

Fan Di

Li Xinggui

Wu Shiyue

Zheng Yingsheng

Zhou Li Yang

Zhu Xiaojun

(appointed on 17 September 2004)

(resigned on 17 September 2004)



# Directors' Report

## **DIRECTORS** (Continued)

### **Non-executive directors:**

Wang Shizhen  
Robert Fung Hing Piu

### **Independent non-executive directors:**

Iain Ferguson Bruce  
Barry John Buttifant  
Victor Yang (appointed on 28 September 2004)

In accordance with Clauses 86 and 87 of the Company's Bye-Laws, Zhou Li Yang, Zheng Yingsheng, Wang Shizhen and Victor Yang will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

Wu Shiyue has entered into a service agreement with the Company for an initial period of one year commencing 28 August 2002, and each of Fan Di and Zhu Xiaojun has entered into a service agreement with the Company for an initial period of one year commencing 1 April 2003, which will continue thereafter until terminated by either party by three months' prior written notice. Zhu Xiaojun resigned as director of the Company on 17 September 2004 and his service agreement was terminated simultaneously.

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

Other than as disclosed above, no director being 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' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2005, the interests of the directors and their associates in the shares, underlying shares and convertible bonds 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, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Long positions

(a) 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
Fan Di	Held by controlled corporation (Note 1)	3,096,553,083	56.94%
Robert Fung Hing Piu	Beneficial owner	4,305,437	0.08%
	Held by controlled corporation (Note 2)	60,000,000	1.10%
	Held by trust (Note 3)	63,604,530	1.17%
		127,909,967	2.35%
Iain Ferguson Bruce	Beneficial owner	5,000,000	0.09%
Barry John Buttifant	Beneficial owner	1,000,000	0.02%



## Directors' Report

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

(b) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Fan Di	Beneficial owner	67,000,000	67,000,000
Li Xingguo	Beneficial owner	23,000,000	23,000,000
Wu Shiyue	Beneficial owner	35,000,000	35,000,000
Zheng Yingsheng	Beneficial owner	10,500,000	10,500,000
Zhou Li Yang	Beneficial owner	15,500,000	15,500,000
Wang Shizhen	Beneficial owner	7,000,000	7,000,000
Robert Fung Hing Piu	Beneficial owner	3,500,000	3,500,000
Iain Ferguson Bruce	Beneficial owner	3,500,000	3,500,000
Barry John Buttifant	Beneficial owner	3,500,000	3,500,000
Victor Yang	Beneficial owner	2,000,000	2,000,000

Notes:

- 63,854,189 shares in the issued share capital of the Company are held by Farsight Holdings Limited ("Farsight") and 3,032,698,894 shares are held by DiChain Holdings Limited ("DiChain Holdings"). Fan Di is beneficially interested in 38.57% of the voting shares of Farsight and is deemed to be interested in 40.96% of the voting shares of DiChain Holdings. Fan Di is therefore deemed to have an interest in these shares of the Company.
- The shares are held by First Horizon Limited, which is 100% owned by Robert Fung Hing Piu. Therefore, Robert Fung Hing Piu is deemed to be interested in these shares.
- Robert Fung Hing Piu is deemed to be interested in 63,604,530 ordinary shares of the Company as he is one of the trustees of Sir Kenneth Fung Ping Fan Foundation Trust I, a charitable foundation.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2005.



## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Details of the share option schemes of the Company, in which the directors of the Company are entitled to participate, are set out in note 38 to the financial statements. The Company granted 85,000,000 share options during the year, and the remaining 257,456,500 share options could be granted under the Company's share option scheme.

The closing prices of the Company's shares immediately before 18 August 2004 and 28 September 2004, the dates of grant, were HK\$0.07 and HK\$0.06 respectively.

The directors of the Company are of the view that the value of the theoretical value of the options granted during the year depends on a number of variables which are either difficult to ascertain or can only be ascertained on a number of theoretical basis and speculative assumptions. Accordingly, the directors of the Company believe that any calculation of the value of the options will not be meaningful and may be misleading to shareholders of the Company in the circumstances.

Other than as disclosed above and in note 38, at no time during the year was the Company, its holding company, or any of its fellow subsidiaries or 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, and none of the directors, 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.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, its holding company, or any of its fellow subsidiaries or 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

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, as at 31 March 2005, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

### Long positions

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Farsight (Note)	Beneficial owner	63,854,189	1.17%
	Interest in corporation	3,032,698,894	55.77%
			<hr/> 56.94%
DiChain Holdings	Beneficial owner	3,032,698,894	55.77%



# Directors' Report

## **SUBSTANTIAL SHAREHOLDERS** (Continued)

*Note:* Farsight is interested in more than one-third of the voting shares of DiChain Holdings and is deemed to be interested in the 3,032,698,894 shares in the issued share capital of the Company beneficially owned by DiChain Holdings.

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.

## **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.

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

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

## **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the aggregate sales attributable to the Group's largest customers and five largest customers taken together accounted for 17% and 55% respectively of the Group's total sales for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 11% and 35% respectively of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

## **CONNECTED TRANSACTIONS**

Details of connected transactions of the Group are set out in note 41 to the financial statements. In the opinion of the directors of the Company, those transactions were conducted in the normal course of business at prices and terms no less favourable than those charged to and contracted with independent third parties.



## 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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which was in force prior to 1 January 2005 except that the Independent Non-Executive Directors of the Company were appointed without specific term as they were subject to retirement by rotation in accordance with the Bye-laws of the Company.

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 Listing Rules (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 his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

## SUFFICIENCY OF PUBLIC FLOAT

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

## POST BALANCE SHEET EVENT

Details of the post balance sheet event of the Group are set out in note 40 to the financial statements.

## AUDITORS

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

On behalf of the Board

**Fan Di**

*CHAIRMAN*

23 August 2005