



The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries and associates are detailed in notes 13 and 14, respectively, to the financial statements. There were no other changes in the nature of the Group's principal activities during the year, except that the Group started to engage in the business of manufacturing and sale of Chinese medicine, herbs and other medicinal products.

### SEGMENTAL INFORMATION

The analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity for the year ended 31 March 2001 is as follows:

	Turnover		Contribution to profit/(loss) from operating activities	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
By activity:				
Management and sub-licensing of Chinese wet markets	<b>104,923</b>	60,358	<b>7,712</b>	6,828
Management and sub-licensing of shopping centres	<b>20,558</b>	21,390	<b>(9,085)</b>	3,030
Management of car parks	<b>70,109</b>	77,594	<b>(4,629)</b>	14,300
Sale of Chinese medicine, herbs and other medicinal products	<b>9,036</b>	—	<b>959</b>	—
Sales of investment properties and properties held for resale	<b>1,230</b>	74,900	<b>641</b>	(4,121)
Building related contracting business	<b>1,515</b>	86,671	<b>(12,452)</b>	6,732
Trading of building materials	—	19,425	—	4,475
Technology-related business	—	—	<b>(14,241)</b>	(11,635)
Others	<b>4,627</b>	2,308	<b>(15,892)</b>	1,447
	<b><u>211,998</u></b>	<b><u>342,646</u></b>	<b><u>(46,987)</u></b>	<b><u>21,056</u></b>

The Group's turnover and contribution to profit/(loss) from operating activities were principally derived in Hong Kong and accordingly, an analysis of such activities by geographical area is not shown.

### RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 60.

No interim dividend was paid during the year under review. The directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2001.

### FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets of the Company and the Group and investment properties of the Group are set out in note 12 to the financial statements.

### SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and its associates are set out in notes 13 and 14, respectively, to the financial statements.

### BANK AND OTHER BORROWINGS

Details of the Group's bank and other borrowings at the balance sheet date are set out in notes 25, 27 and 28 to the financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 30 to the financial statements.

### 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.

### CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$55,000 (2000: HK\$2,000).



### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements.

### DIRECTORS

The directors of the Company during the year were:

#### **Executive directors:**

Mr. Tang Ching Ho

Ms. Yau Yuk Yin

Mr. Chan Chun Hong, Thomas

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

Dr. Lee Peng Fei, Allen, CBE, JP

Mr. Wong Chun, Justein, MBE, JP

Dr. Siu Yim Kwan, Sidney

In accordance with clause 87 of the Company's bye-laws, Mr. Chan Chun Hong, Thomas and Dr. Lee Peng Fei, Allen will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

### DIRECTORS' SERVICE CONTRACTS

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

### DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 36 to the financial statements, no director had a significant beneficial interest in any material contract to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the year.

## DIRECTORS' INTERESTS IN SHARES

At 31 March 2001, the interests of the directors and their respective associates in the issued share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) were as follows:

Name of director	Nature of interest	Number of shares beneficially held and their nature of interest	
		Number of Shares held	Percentage of the issued share capital
Tang Ching Ho (“Mr. Tang”)	Corporate ( <i>Note 1</i> )	36,314,000	4.42%
	Personal	9,927,645	1.21%
	Family ( <i>Note 2</i> )	9,927,645	1.21%
	Other ( <i>Note 3</i> )	106,347,827	12.94%
Yau Yuk Yin (“Ms. Yau”)	Personal	9,927,645	1.21%
	Family ( <i>Note 4</i> )	46,241,645	5.63%
	Other ( <i>Note 4</i> )	106,347,827	12.94%
Siu Yim Kwan, Sidney	Personal	100,000	0.01%

*Note 1:* Mr. Tang was interested in these shares through Caister Limited, a company which is wholly and beneficially owned by Mr. Tang.

*Note 2:* Mr. Tang was taken to be interested under the SDI Ordinance in those shares in which his spouse, Ms. Yau, was interested.

*Note 3:* Agreements were entered into between Middlemore Limited, a company wholly and beneficially owned by Mr. Tang, and (i) Ms. Tang Mui Fong; (ii) Ms. Tang Mui Fun; and (iii) Mr. Yau Yuk Tong, all being relatives of Mr. Tang, as a result of which, for the purpose of Sections 9 and 10 of the SDI Ordinance, Mr. Tang was taken (for the purpose of the duty of disclosure only) to be interested in the shares owned by them.

*Note 4:* Ms. Yau was taken to be interested under the SDI Ordinance in those shares in which her spouse, Mr. Tang, was interested.

Apart from the 56,169,290 issued shares in the capital of the Company held by Mr. Tang and Ms. Yau pursuant to Sections 4 and 8 of the SDI Ordinance, they were also taken (for the purpose of the duty of disclosure only) to be interested in all the issued shares in the capital of the Company referred to in Note 3 above pursuant to Sections 9 and 10 of the SDI Ordinance.

Save as disclosed above, none of the directors or their respective 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 as at 31 March 2001.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Pursuant to the Company's share option scheme, as further detailed in note 30 to the financial statements, the Company granted to certain directors of the Company the rights to subscribe for ordinary shares in the capital of the Company. Details of the movements in the share options granted to the directors of the Company during the year are set out below. All of the share options are exercisable in the period from 6 March 2001 to 5 February 2005 at an exercise price of HK\$0.13 each.

Name of director	Number of options outstanding as at 31 March 2000	Number of options granted during the year	Number of options exercised during the year	Number of options outstanding as at 31 March 2001
Tang Ching Ho	—	10,900,000	—	10,900,000
Yau Yuk Yin	—	10,900,000	—	10,900,000

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**DIRECTOR AND SENIOR MANAGEMENT BIOGRAPHIES****Executive directors:**

**Mr. Tang Ching Ho**, aged 39, is a co-founder of the Group (which was established in 1987), and the chairman and managing director of the Company. He is responsible for the strategic planning, policy making and business development of the Group. He has over 15 years' experience in the decoration and building industry and also has extensive experience in business management. Mr. Tang is also a director of Caister Limited, a substantial shareholder of the Company.

**Ms. Yau Yuk Yin**, aged 39, is a co-founder of the Group, and deputy chairman and deputy managing director of the Company. She is responsible for the overall human resources and administration of the Group. She has over 10 years' experience in the decoration and building industry. She is the wife of Mr. Tang Ching Ho.

**DIRECTOR AND SENIOR MANAGEMENT BIOGRAPHIES** *(continued)***Executive directors** *(continued)*:

**Mr. Chan Chun Hong, Thomas**, aged 37, joined the Group in March 1997 as a finance director and a company secretary of the Group. He is responsible for managing the finance, accounting, company secretarial functions and legal matters of the Group. He graduated from the Hong Kong Polytechnic University with a degree in accountancy and is a fellow of The Chartered Association of Certified Accountants and an associate of The Hong Kong Society of Accountants. He is also a Certified Public Accountant.

**Independent non-executive directors:**

**Dr. Lee Peng Fei, Allen**, CBE, JP, aged 61, joined the Group in November 1993 as a non-executive director of the Company. He is a Deputy, HKSAR, the 9th National People's Congress and a Member of Commission on Strategic Development, HKSAR. He was a member of the Executive Council of Hong Kong from 1985 to 1992, a member of the Legislative Council of Hong Kong from 1978 to 1997.

**Dr. Siu Yim Kwan, Sidney**, S.B.St.J., aged 54, joined the Group in November 1993 as a non-executive director of the Company. He holds a doctorate degree in management from Pacific Southern University in the United States. He is also an executive member of a number of charitable organisations and sport associations.

**Mr. Wong Chun, Justein**, MBE, JP, aged 47, joined the Group in November 1993 as a non-executive director of the Company. He holds a bachelor's degree in commerce and computing science from Simon Fraser University, Canada. He was a member of the Fight Crime Committee, the Independent Police Complaints Council and is currently a member of the Shatin District Council, the Advisory Committee Against Narcotics, and other government advisory bodies.

**Senior management:**

**Mr. Kwok Tze Chiu, Samson**, aged 43, joined the Group as an estimating department manager for the decoration, renovation and building business. Prior to joining the Group in September 1997, he has over twenty years' experience in the building industry. He graduated from the Hong Kong Polytechnic University with a higher certificate in building studies.

**Ms. Lam Mei Lin, Irene**, aged 40, joined the Group as a general manager and is an experienced member of the Group's commercial management team. Prior to joining the Group in May 2000, she has over 10 years' experience in the front-line management of car parks and both commercial and residential properties.


**DIRECTOR AND SENIOR MANAGEMENT BIOGRAPHIES** *(continued)*
**Senior management** *(continued)*:

**Mr. Lui Sai Kit, Eddie**, aged 37, joined the Group as a general manager and is the head of the Group's pharmaceutical business. Prior to joining the Group in August 2000, he has over 14 years' commercial experience and held various key management positions in multinational corporations and Hong Kong listed companies. He graduated from University of Ottawa with a master degree in business administration and from York University with a bachelor's degree in business administration. He is a certified member of Certified Management Accountants of Canada.

**Ms. Tang Mui Fun, Karen**, aged 30, is the head of the Group's commercial management department. Prior to joining the Group in May 1997, she had 4 years' experience in the accounting and auditing fields. She graduated from the University of Hull (England) with a bachelor's degree in accountancy. She is a sister of Mr. Tang.

**SUBSTANTIAL SHAREHOLDERS**

At 31 March 2001, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of ordinary shares held	Percentage held
Caister Limited	36,314,000	4.42%
Tang Ching Ho	9,927,645	1.21%
Yau Yuk Yin	9,927,645	1.21%
Tang Mui Fong	48,604,095	5.91%
Yau Yuk Tong	30,506,825	3.71%
Tang Mui Fun	27,236,907	3.31%
	<u>162,517,117</u>	<u>19.77%</u>

The shareholdings of Caister Limited, Ms. Tang Mui Fong, Mr. Yau Yuk Tong and Ms. Tang Mui Fun in the capital of the Company are also disclosed above as the corporate interests and other interests of Mr. Tang Ching Ho and Ms. Yau Yuk Yin under the heading "Directors' interests in shares".

**SUBSTANTIAL SHAREHOLDERS** *(continued)*

Pursuant to Sections 9 and 10 of the SDI Ordinance, Caister Limited, Mr. Tang Ching Ho, Ms. Yau Yuk Yin, Ms. Tang Mui Fong, Mr. Yau Yuk Tong and Ms. Tang Mui Fun were taken (for purposes of the duty of disclosure only) to be interested in a total of 162,517,117 shares in the capital of the Company.

Save as disclosed above, no persons had registered an interest in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance as at 31 March 2001.

**MAJOR SUPPLIERS AND CUSTOMERS**

In the year under review, sales to the Group's five largest customers accounted for less than 30% (2000: less than 30%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 61% (2000: 56%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 42% (2000: 26%).

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

**DIRECTORS' INTERESTS IN COMPETING BUSINESS**

None of the directors, the management shareholders or the substantial shareholders of the Company, or any of their respective associates, have engaged in any business that competes or may compete with the business of the Group or has any other conflict of interest with the Group.

**DISTRIBUTABLE RESERVES**

At 31 March 2001, the Company had no available reserves for cash distribution and/or distribution in specie computed in accordance with the Companies Act 1981 of Bermuda (as amended) (2000: HK\$46,808,000). The Company's share premium account, amounting to HK\$257,272,000 (2000: HK\$218,987,000), may be distributed in the form of fully paid bonus shares.

**PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

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





### RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group and the employer's pension scheme contributions to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements, respectively.

### POST BALANCE SHEET EVENTS

Details of the Group's significant post balance sheet events are set out in note 35 to the financial statements.

### RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year are set out in note 36 to the financial statements.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the Annual Report save that the independent non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

### AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Tang Ching Ho**

*Chairman and Managing Director*

Hong Kong

6 July 2001