

## **Report of the Directors**

The Directors present herewith their report and the audited financial statements of the Group and the Company for the year ended 31st December, 2001.

### **FINANCIAL RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated profit and loss account on page 23.

The Directors do not recommend the payment of a dividend.

### **PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

The Company is an investment holding company and the principal activities of the Group are property investment and development, estate management and holding of investments. An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the financial statements.

### **SUMMARY OF FINANCIAL INFORMATION**

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 66.

### **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the financial statements.

### **SHARE CAPITAL**

Details of the share capital of the Company during the year are set out in note 18 to the financial statements.

### **PRINCIPAL PROPERTIES**

Details of the Group's major properties held under development for sale and for investment purpose are set out on pages 63 to 65.

### **SUBSIDIARIES**

The particulars of the Group's principal subsidiaries as at 31st December, 2001 are set out on pages 60 to 61.

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## ASSOCIATED COMPANIES

The particulars of the Group's principal associated companies as at 31st December, 2001 are set out on page 62.

## FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 10 to the financial statements.

## BANK LOANS AND OVERDRAFTS

Details of the bank loans and overdrafts of the Group as at 31st December, 2001 are set out in note 21 to the financial statements.

## INTEREST CAPITALISED

Details of the interest capitalised during the year are set out in note 4 to the financial statements.

## DIRECTORS

The Directors during the year were:

Mr. DAI Xiaoming  
Mr. Kenneth Hiu King KON  
Mr. Jesse Nai Chau LEUNG  
Mr. XIANG Bing\*  
Mr. Edward SHEN\*  
Mr. James Andrew KELLY (resigned on 20th January, 2001)

*\* Independent Non-executive Directors*

In accordance with Article 102 of the Company's Articles of Association, Messrs. Kenneth Hiu King Kon and Jesse Nai Chau Leung retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors who are 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 normal statutory compensation.

## BIOGRAPHIC DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographic details of Directors and senior management are set out on pages 12 to 13.

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### CONNECTED TRANSACTIONS

The Group has entered the following connected transactions, which are disclosed in accordance with Chapter 14 of the Listing Rules:

- (a) Turbo Dragon Limited (“Turbo Dragon”) granted loans to Beijing Form Long Property Co. Ltd. (“Form Long”), a 85% owned subsidiary, for the purpose of financing Form Long’s working capital. The loans are unsecured, interest bearing at rates ranging from 9.5% to 13% per annum and repayable on demand. During the year, interest totalling HK\$1,538,000 (2000: HK\$4,905,000) was received by and a total loan amount of HK\$37,215,000 was repaid to Turbo Dragon. As at 31st December, 2001, the balance of the unpaid loan was HK\$5,149,000 (2000: HK\$42,364,000).
- (b) Enfort Company Limited (“Enfort”) granted loans to Beijing Dan Yao Property Co. Ltd. (“Dan Yao”), a 85% owned subsidiary for the purpose of financing Dan Yao’s working capital. The loans are unsecured, interest bearing at rates ranging from 9.5% to 10% per annum, and repayable on demand. During the year, interest totalling HK\$6,721,000 (2000: HK\$4,064,000) was received by and a total loan amount of HK\$5,929,000 was repaid to Enfort. As at 31st December, 2001, the balance of the unpaid loan was HK\$64,885,000 (2000: HK\$70,814,000).
- (c) An amount of HK\$5,060,000 is payable to Feldspar Assets Limited, a company owned by a Director of the Company, in respect of the refund of a deposit paid for the purchase of the properties in Danyao Building owned by Dan Yao. In addition, on 21st November, 2000, Dan Yao entered into respective agreements (the “Agency Agreements”) with Mr. Zhao Sheng Li and Mr. Hua Ming, being two connected persons of the Company, to act as their property management agent from 1st July, 2001 to 30th June, 2009. Under the Agency Agreements, Dan Yao is entitled to all the net income arising from leasing the properties purchased by them and in return, Dan Yao has undertaken the repayments of mortgage loans amounted to RMB5,090,000 (HK\$4,797,000) and provided corporate guarantees to the relevant bank on the mortgage loans. As at 31st December, 2001, such mortgage loans amounted to RMB4,497,000 (HK\$4,238,000) (2000: RMB5,016,000 (HK\$4,723,000)).

### DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group’s business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party, and in which any Director or controlling shareholder had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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### CHIEF EXECUTIVE, DIRECTORS AND ASSOCIATES' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st December, 2001, the Chief Executive, Directors and their respective associates had the following interests in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”)) which require notification pursuant to Section 28 of the SDI Ordinance (including interests which any of them is taken or deemed to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance), or which are required to be entered into the register maintained by the Company under Section 29 of the SDI Ordinance, or which are required to be 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 (the “Model Code”):

#### The Company

##### (a) Ordinary shares of the Company at HK\$0.5 each

Name of Director	Number of ordinary shares beneficially held			
	Personal Interest	Corporate Interest	Family Interest	Other Interest
DAI Xiaoming (Note)	23,000,000	388,720,881	—	—

*Note:* Being the ultimate beneficial owner of shares representing 95% of the issued share capital of Dan Form International Limited (“DFIL”), the ultimate holding company of Fabulous Investments Limited (“Fabulous”), Mr. Dai Xiaoming (“Mr. Dai”) is deemed to be interested in the 2,660,000 and 386,060,881 ordinary shares in the Company beneficially held by DFIL and Fabulous respectively.

Save as disclosed above, none of the Chief Executive, Directors or their respective associates had any beneficial interests in the share capital of the Company or any of its associated corporations which are required to be disclosed pursuant to the SDI Ordinance and the Model Code.

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### CHIEF EXECUTIVE, DIRECTORS AND ASSOCIATES' INTERESTS IN EQUITY OR DEBT SECURITIES (Cont'd)

#### (b) Share options

Under the executive share option scheme of the Company, the Directors may, at their discretion, invite executives of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. As at 31st December, 2001, according to the register of interests kept by the Company under Section 29 of the SDI Ordinance, the interest of the Director who was granted options (exercisable at any time within five years from the date of grant) to subscribe for shares in the Company was as follows:

Name of Director	Number of shares to be issued upon exercise of the option	Date of grant	Exercise price	Number of outstanding options as at 31st December, 2001
Kenneth Hiu King KON	22,000,000	23rd June, 1997	HK\$3.676	22,000,000

Save as disclosed above, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Chief Executive or Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31st December, 2001, according to the register maintained by the Company pursuant to Section 16(1) of the SDI Ordinance, and so far as is known to the Directors, the persons or corporations who were, directly or indirectly, interested in 10% or more of the issued share capital of the Company were as follows:

Name	Note	Number of shares	Percentage
DAI Xiaoming	(1)	411,720,881	36.26
Harlesden Limited	(2)	388,720,881	34.23
DFIL	(2)	388,720,881	34.23
Value Plus Holdings Limited	(2)	386,060,881	34.00
Fathom Limited	(2)	386,060,881	34.00
Fabulous	(2)	386,060,881	34.00
Nina KUNG	(3)	261,808,697	23.05
Greenwood International Limited	(3)	245,094,197	21.58



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### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY *(Cont'd)*

#### Notes:

- (1) Mr. Dai was beneficially interested in a total of 411,720,881 ordinary shares in the Company, including the interests held through various companies under his control (see note (2) below). These interests are the same as those disclosed under "Chief Executive, Directors and Associates' interests in equity or debt securities" above.
- (2) By virtue of Section 8 of the SDI Ordinance, Harlesden Limited, DFIL, Value Plus Holdings Limited and Fathom Limited, being holding companies of Fabulous, are deemed to be interested in the 386,060,881 ordinary shares in the Company beneficially held by Fabulous. Harlesden Limited, being the holding company of DFIL, is also deemed to be interested in the 2,660,000 ordinary shares in the Company beneficially held by DFIL. Mr. Dai has a controlling interest in each of the aforesaid companies.
- (3) Greenwood International Limited ("Greenwood") was beneficially interested in approximately 21.58% of the issued share capital of the Company. Ms. Nina Kung (Mrs. Nina T.H. Wang) was beneficially interested in a total of 261,808,697 ordinary shares in the Company, through shareholdings in companies (including Greenwood) controlled by her, representing approximately 23.05% of the issued share capital of the Company.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

### MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the largest and the five largest customers accounted for 30% and 64% respectively of the total turnover of the Group for the year.

Purchases attributable to the largest and the five largest suppliers accounted for 22% and 42% respectively of the total purchases of the Group for the year.

None of the Directors, their associates or those shareholders who, to the knowledge of the Directors, own more than 5% of the Company's share capital, had interest in any of the five largest customers or suppliers.

## Report of the Directors

### CODE OF BEST PRACTICE

In the opinion of the Directors, except that the Non-executive Directors were not appointed for a specific term (but are subject to retirement by rotation and re-election at annual general meetings in accordance with Article 102 of the Articles of Association of the Company), the Company has complied with the Code of Best Practice throughout the year ended 31st December, 2001.

### AUDIT COMMITTEE

To comply with the revised Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, the Company set up an Audit Committee on 15th September, 1998. The terms of reference of the Audit Committee have been established with reference to “A Guide for the Formation of an Audit Committee” issued by the Hong Kong Society of Accountants. The Audit Committee comprises two Independent Non-executive Directors, namely Mr. Xiang Bing and Mr. Edward Shen. During the year, the Audit Committee held two meetings on 18th April, 2001 and 14th September, 2001.

### AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**DAI XIAOMING**

*Chairman*

Hong Kong, 17th April, 2002