

# Directors' Report

The directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

## **REORGANISATION AND LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the group structure in preparation for the listing of the Company’s shares on the Stock Exchange, on 25 April 2002, the Company became the holding company of the companies now comprising the Group and the shares of the Company were listed on the Stock Exchange since 15 May 2002.

Details of the Reorganisation are set out on page 21 of the annual report. Financial statements of the Group, based on the group structure following the group reorganisation, are set out on pages 15 to 52 of the annual report.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the principal activities of the Company and its subsidiaries during the year.

## **SEGMENT INFORMATION**

No business segment information (primary segment information) has been disclosed for the years presented in the financial statements as the Group is operating in a single business segment which is property development and investment. Substantially all the operations of the Group are located in the PRC and therefore no geographical segment information has been disclosed for the years presented in the financial statements.

## **RESULTS AND APPROPRIATIONS**

The Group’s loss for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the annual report on pages 15 to 52.

The directors do not recommend the payment of a dividend in respect of the financial year ended 31 March 2003.

## **SUMMARY FINANCIAL INFORMATION**

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from financial statements and reclassified as appropriate, is set out on pages 53 to 54 in the annual report. This summary does not form part of the audited financial statements.

## **PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES**

Details of movements in plant and equipment and investment properties of the Group during the year are set out in notes 16 and 15, respectively to the financial statements. Further details of the Group’s investment properties are set out on page 55 in the annual report.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in note 28 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 the Cayman Islands, 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

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

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements.

Under the Companies Laws of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the distribution or payment of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. The Company's reserves available for distribution comprise the share premium account and retained profits. As at 31 March 2003, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to approximately HK\$12,693,000 (2002: Nil).

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 69% of the total sales for the year and sales to the largest customer included therein amounted to 29%. Purchases from the Group's five largest suppliers accounted for 64% of the total purchases for the year and purchases from the largest suppliers included therein amounted to 16%.

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 suppliers.

## DIRECTORS

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

### Executive directors:

Mr. Leung Ngai Man

Mr. Yeung Kit (*appointed on 25 July 2002*)

Mr. Ng Ping Man

(*resigned on 31 March 2003*)

Ms. Lin Wei Fen

(*resigned on 20 September 2002*)

### Independent non-executive directors:

Mr. Chan Sing Fai

Mr. Lau Kam Wah, Andrew

In accordance with the provisions of the Company's Articles of Association, Mr. Chan Sing Fai shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

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

#### **DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 7 to 8 of the annual report.

#### **DIRECTORS' SERVICE CONTRACTS**

Each of the executive directors, except Mr. Yeung Kit, has entered into a service contract with the Company for an initial term of two years commencing 1 April 2002, which will continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

Apart from the foregoing, no directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of the companies which became its subsidiaries on 25 April 2002 which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

#### **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in note 36 to the financial statements, no director had a material interest, directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of the companies which became its subsidiaries on 25 April 2002 was a party during the year.

#### **DIRECTORS' INTERESTS IN SHARES**

At 31 March 2003, the interests of the directors in the share capital of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of director	Type of interest	Number of shares held
Mr. Leung Ngai Man ("Mr. Leung")	Corporate	600,000,000

*Note:* The above shares are held by Climax Park Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Leung.

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors or the chief executives, nor their associates, had an interest in any securities of the Company.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Save as disclosed under the headings "Directors' interests in shares" above and "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of the companies which became its subsidiaries on 25 April 2002 a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## **STAFF RETIREMENT BENEFITS**

Details of staff retirement benefits are set out in note 13 to the financial statements.

## **BORROWINGS**

Details of the Group's borrowings are set out in note 34 to the financial statements.

## **SHARE OPTIONS**

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 14 May 2012. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days from the date of the offer of grant of the share option. Options may be exercised at any time not later than 10 years from the date of grant of the share option. The exercise price is determined by the directors of the Company, shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; (iii) the nominal value of the shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

No options has been granted and/or exercised since the adoption of the Scheme.

## **SUBSTANTIAL SHAREHOLDERS**

Save as disclosed under the heading “Directors’ interests in shares” above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

## **MANAGEMENT CONTRACTS**

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

## **RELATED PARTY TRANSACTIONS**

Details of related party transactions are set out in note 36 to the financial statements. All of the related party transactions as disclosed in the financial statements are not subject to any disclosure or shareholders’ approval requirements as connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

## **MATERIAL ACQUISITIONS OR DISPOSALS**

Saved as disclosed in note 18 to the financial statements, there was no material acquisitions or disposals of subsidiaries or associates in the course of the financial year.

## **POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events of the Group are set out in note 37 to the financial statements.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the Company’s Articles of Association.

## **AUDIT COMMITTEE**

The Company has an audit committee (the “Committee”) which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Committee comprises the two independent non-executive directors of the Company.

## **AUDITORS**

During the year, Messrs. Deloitte Touche Tohmatsu resigned as auditors of the Company and Messrs. HLB Hodgson Impey Cheng were appointed by the directors to fill the casual vacancy so arising. A resolution for the reappointment of Messrs. HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board  
**Leung Ngai Man**  
*Chairman*

Hong Kong, 29 July 2003