



The directors are pleased to submit their annual report together with the audited financial statements for the year ended 31st March 2001.

### **PRINCIPAL ACTIVITIES**

The Company is the holding company of the Group for the year under review. The subsidiaries are principally engaged in the design, manufacturing and marketing of antennae and car-related consumer products as well as strategic development and investment. The activities and other particulars of the subsidiaries and associated companies are shown in notes 11 and 12 to the financial statements respectively.

### **MAJOR CUSTOMERS AND SUPPLIERS**

During the year under review, sales to the largest customer and the five largest customers accounted for 7% (2000: 14%) and 23% (2000: 34%) of the Group's total turnover respectively for the year.

Purchases from the largest supplier and the five largest suppliers accounted for 6% (2000:10%) and 23% (2000: 26%) of the Group's total purchases respectively for the year.

As at 31st March 2001, none of the directors of the Company, their associates, or any shareholders which to the knowledge of the directors of the Company owns more than 5% of the Company's issued share capital has beneficial interest in any of the Group's five largest customers or five largest suppliers as mentioned in the preceding paragraph.

### **DIVIDENDS**

The directors do not recommend the payment of dividend for the year ended 31st March 2001 (2000: NIL).

### **RESERVES**

Movements in reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

### **PROPERTY, PLANT AND EQUIPMENT**

Movements in property, plant and equipment during the year are shown in note 10 to the financial statements.

The additions to other assets (excluding leasehold land and buildings and investment property) of the Group during the year amounted to HK\$5.1 million.



## DISCLOSURE OF MATERIAL LOANS TO AFFILIATED COMPANIES

### Financial assistance to affiliated companies

As at 31st March 2001, certain financial assistance provided by the Group to its affiliated companies amounted to approximately HK\$93.3 million, the details of which are as follows:

Name of the affiliated companies	Nature of financial assistance	Percentage of interest	Outstanding balance as at 31st March 2001 (HK\$'000)
Walden Investment Limited ("Walden")	Loan	50%	73,288
Richness Hill Co. Limited ("Richness Hill")	Loan	50%	2,295
Group Empire Limited ("Group Empire")	Loan	50%	17,801
			<b>Total</b>
			93,384

The above-named affiliated companies are collectively referred as "Affiliated Companies".

Walden and Richness Hill together hold 100% interest in Group Empire, an investment holding company of the property development project in Causeway Bay, Hong Kong ("Project"). The loans of HK\$73.2 million to Walden and HK\$2.2 million to Richness Hill by the Group were subsequently loaned to Group Empire for the investment of the Project. The said financial assistance was funded by internal resources and/or bank borrowings and the loans were unsecured, interest free and repayable on demand.

As at 31st March 2001, the aggregate financial assistance to the Affiliated Companies by the Group amounted to HK\$93.3 million, representing 60% of the audited consolidated turnover of the Group. On 1st December 2000, the Project has been sold to an independent third party as defined under the Listing Rules at a consideration of approximately HK\$52 million by public auction. The sale proceeds were applied by the mortgagee bank to repay the mortgage loan. Given that a full provision has been made, therefore there is no additional adverse impact to the Group after the disposal.

Full provisions had been made in the financial statements in relation to the financial assistance provided by the Group to the Affiliated Companies as stated above. The amounts have remained unchanged since then.



**PROFORMA COMBINED BALANCE SHEET OF AFFILIATED COMPANIES  
AS AT 30TH JUNE 2001**

*HK\$'000*

Property held for further development	3,000
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Current assets	
Other receivables	17
Cash at bank	608
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	625
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Current liabilities	
Bank loans	29,400
Other creditors	16,523
Amounts due to group companies	190,082
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	236,005
Net current liabilities	(235,380)
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Net liabilities	(232,380)
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Share capital	1
Accumulated losses	(232,381)
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Shareholders' deficits	(232,380)
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## EMPLOYMENT AND REMUNERATION POLICIES

As at 31st March 2001, the Group had approximately 1,500 employees. Remuneration policies are reviewed regularly by the directors of the Group. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective countries and businesses in which the Group operates.

## SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Movements in share capital, share options and warrants of the Company during the year are shown in note 24 to the financial statements.

The current authorised share capital of the Company is HK\$100,000,000 comprising of 1,000,000,000 shares of HK\$0.10 each. In order to have sufficient authorised and unissued share capital for the future issuance of shares including, but not limited to, the maximum of 3,000,000,000 new shares which may fall to be issued pursuant to the conversion of the Convertible Notes in full (based on the conversion price of HK\$0.10 for the both series of convertible notes on the occurrence of an event of default), an ordinary resolution will be proposed at a special general meeting of the Company to increase the authorised share capital of the Company from HK\$100,000,000 to HK\$400,000,000 by the creation of an additional 3,000,000,000 ordinary shares of HK\$0.10 each.

## DIRECTORS

The Directors of the Company during the year were:–

Mr. CHANG Lien-hing, Stephen	
Mr. CHEUNG Kem-cheng, David	(Resigned on 27th September 2000)
Mr. AU Wai-hung, Antonio	
Miss. WHONG Shuk-ping, Anita	(Appointed on 27th September 2000)
Mr. LUM Chor-wah, Richard	
Mr. TONG Wui-tung, Ronald	
Mr. Albert T. da ROSA, Jr.	
Mr. LIU Chow-loy, Barry	

In accordance with paragraph 99 of the Bye-Laws of the Company, Mr. Au Wai-hung, Antonio, Miss. Whong Shuk-ping, Anita, Mr. Tong Wui-tung, Ronald, Mr. Lum Chor-wah, Richard, Mr. Albert T. da Rosa, Jr. and Mr. Liu Chow-loy, Barry would retire at the forthcoming annual general meeting of the Company. Save for Mr. Au Wai-hung, Antonio and Mr. Albert T. da Rosa, Jr., all of the above directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.



## DIRECTORS' BIOGRAPHIES

### Executive Directors

#### *CHANG Lien-hing, Stephen*

Aged 60, Mr. Chang is the co-founder and currently the Chairman of the Company. He is also a consultant to the Tianjin Government; the Vice-chairman of Overseas Investors Association, Tianjin. He has a bachelor's degree in telecommunication engineering from Beijing University and has over 35 years' experience in manufacturing and business management.

#### *AU Wai-hung, Antonio*

Aged 42, Mr. Au is the Executive Director of the Company. Mr. Au joined the Group in 1997 and has worked for another trading group for more than five years. He has 19 years' experience in manufacturing, finance and international trading.

#### *WHONG Shuk-ping, Anita*

Aged 32, Miss. Whong is the Executive Director of the Company. She is a member of The Association of Chartered Certified Accountants and The Hong Kong Society of Accountants. She is a graduate of the University of Texas with a bachelor's degree in finance. Miss Whong joined the Group in 2000 and has worked for an international manufacturing concern and an international accounting firm for more than 10 years.

### Non-executive Directors

#### *LUM Chor-wah, Richard*

Aged 41, Mr. Lum has 15 years' experience in administration, corporate development and finance. He holds a master of business administration degree and a bachelor of science degree. He is also a director of a number of other companies listed on The Stock Exchange of Hong Kong Limited.

#### *TONG Wui-tung, Ronald*

Aged 51, Mr. Tong is a partner with the legal firm of Messrs. Cheung, Tong and Rosa and has been practising as a solicitor in Hong Kong for over 20 years. He is also a director of a number of other companies listed on The Stock Exchange of Hong Kong Limited.

#### *Albert Thomas da ROSA, Junior*

Aged 47, Mr. da Rosa is a practising solicitor in Hong Kong and a partner with the legal firm of Messrs. Cheung, Tong & Rosa. He is also a fellow of the Chartered Institute of Arbitrators. He graduated with a Bachelor's degree in laws from the University of Hong Kong and also obtained a Master's degree in laws from the same university. He is also non-executive directors of other companies listed on The Stock Exchange of Hong Kong Limited. He is a member of the Company's audit committee.



## DIRECTORS' BIOGRAPHIES (Continued)

### *LIU Chow-loy, Barry*

Aged 50, Mr. Liu has over 20 years' experience in accounting, corporate development and finance. He is a member of the Company's audit committee.

## CHANGE OF DIRECTORS

The Company has been informed by its executive director, Mr. Au Wai-hung, Antonio and non-executive director, Mr. Albert T. da Rosa, Jr. that they would retire as the directors of the Company after the forthcoming annual general meeting of the Company and would not seek for re-appointment.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31st March 2001 the beneficial interests of the directors and the chief executive or their associates in the share capital of the Company, as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Directors	Number of shares			Total
	Personal interests	Family interests	Corporate interests	
Mr. CHANG Lien-hing, Stephen	25,621,654	20,173,043 <i>(Note 1)</i>	113,793,681 <i>(Note 2)</i>	159,588,378
Mr. AU Wai-hung, Antonio	100,000	–	–	100,000
Ms. WHONG Shuk-ping, Anita	–	–	–	–
Mr. LUM Chor-wah, Richard	840,000	–	–	840,000
Mr. TONG Wui-tung, Ronald	–	–	–	–
Mr. Albert T. da ROSA, Jr.	–	–	–	–
Mr. LIU Chow-loy, Barry	–	–	–	–

### Notes:

- Owned by Madam Wong Suek-bun, wife of Mr. Chang Lien-hing, Stephen ("Mr.Chang").
- These 113,793,681 shares are held by Fenman Holdings Limited which is a company owned as to 55.56, 29.44 and 15.00 per cent. by Mr. Chang, Cheung Kem-cheng, David (a former director of the Company and sibling of Mr. Chang), and Chang Fu-seng, Simon (a former director of the Company and sibling of Mr. Chang), respectively.



**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)**

None of the directors and the chief executive or their associates had any interest in the share capital of the Company and its associated corporations recorded in the register required to be kept under Section 29 of the SDI ordinance.

**SUBSTANTIAL SHAREHOLDERS**

As at 31st March 2001, the Company has been notified of the following interests, amounting to 10 per cent. or more of the share capital of the Company:–

**Number of shares**

Fenman Holdings Limited	113,793,681*
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\* These interests in shares duplicate those in Note 2 under Directors' and Chief Executive's Interests in the Share Capital of the Company and its Associated Corporations.

Save as disclosed herein, there is no person known to the directors of the Company who had registered an interest in the share capital of the Company required to be kept by the Company under Section 16(1) of the SDI Ordinance.

**SERVICE CONTRACTS OF DIRECTORS**

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

**DIRECTORS' INTEREST IN CONTRACTS**

The Group has invested in a company, Profit Link Properties Limited, in which Mr. Chang Lien-hing, Stephen is a 90% investor for the property in Tsimshatsui, Kowloon, Hong Kong.

The Group has made advances to Kowloon Assets Limited and its subsidiary, Profit Link Properties Limited, particulars of which appear in note 18 to the audited financial statements. The said advances are upon normal commercial terms and are no more than in proportion to the Company's respective equity interests in Profit Link Properties Limited and Kowloon Assets Limited.

Mr. Tong Wui-tung, Ronald and Mr. Albert T. da Rosa, Jr., being the non-executive directors, are partners in the firm of Messrs. Cheung, Tong & Rosa, Solicitors, the Company's legal advisers on Hong Kong law, which received normal professional fees in connection with services rendered to the Group.



### **DIRECTORS' INTEREST IN CONTRACTS (Continued)**

Save for the foregoing, there were no other contracts of significance in relation to the Group's business to which the Group or any of its subsidiaries was a party, subsisting at the end of the year or at any time during the year, in which a director had, whether directly or indirectly, a material interest.

### **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Under a share option scheme adopted by the Company on 12th September 1991, the directors may, at their discretion, grant options to employees of the Company or its subsidiaries, including executive directors of any of such companies, to subscribe for shares in the Company.

Save as disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement to enable the directors or the chief executive or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### **NON-EXECUTIVE DIRECTORS – REMUNERATION**

An aggregate of approximately HK\$400,000 was paid to the non-executive directors of the Company as directors' fee for the year ended 31st March 2001.

### **PENSION SCHEME**

The Group participates in a defined contribution pension scheme. During the year, the Group had stopped the contributions to the scheme. Benefits under the scheme are based primarily on each employee's compensation, years of service and the returns achieved by the scheme administrator.

Amount forfeited as a result of early withdrawals by employees during the year in fulfilling part requirement of the contribution by the Group amounted to HK\$3,000.

### **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 securities during the year.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.





### **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 throughout the year ended 31st March 2001.

### **AUDITORS**

The auditors of the Company, Grant Thornton, have indicated their willingness to continue in office and a resolution proposing their re-appointment will be put to the annual general meeting of the Company.

There has been no change in auditors in any of the preceding 12 years.

By order of the Board

**Chang Lien-hing, Stephen**

*Chairman*

Hong Kong, 26th July 2001