

Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st March, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 29 to the financial statements.

An analysis of the Group's turnover and contribution to operating profit is set out in note 31 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 18 of the annual report.

An interim dividend of 6.0 Hong Kong cents per share was paid during the year. The directors recommend a final dividend of 7.0 Hong Kong cents per share.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five years is set out on page 46 of the annual report.

SHARE CAPITAL AND SHARE OPTIONS

There was no change in the issued share capital of the Company during the year.

Details of the share options of the Company are set out in note 19 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in note 20 to the financial statements.

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PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$18 million for the purpose of expanding its business. In addition, the Group revalued its property, plant and equipment at 31st March, 2001. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors

Lee Wan Keung (*Chairman and Managing Director*)

Wai Siu Kee

Tung Cheung Kong

Lu Zhongwen (alias Lui Chung Man)

Poon Lai Ming

Independent non-executive directors

Wong Kai Tung, Tony

Heng Kwo Seng

In accordance with Article 116 of the Company's Articles of Association, Messrs. Lu Zhongwen (alias Lui Chung Man) and Poon Lai Ming retire and, being eligible, offer themselves for re-election.

The term of office of each of the independent non-executive directors is the period up to his retirement as required by the Company's Articles of Association.

Each of the executive directors has entered into a service agreement with the Company for an initial period of three years commencing 1st April, 1997, which will continue thereafter unless and until terminated by either party by three months' prior written notice.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2001, the interests of directors in the ordinary shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of ordinary shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Lee Wan Keung	—	—	—	609,750,000 (Note)
Wai Siu Kee	—	—	—	609,750,000 (Note)
Tung Cheung Kong	6,000,000	—	—	—
Lu Zhongwen (alias Lui Chung Man)	2,000,000	—	—	—
Poon Lai Ming	1,000,000	—	—	—
Wong Kai Tung, Tony	—	—	—	—
Heng Kwo Seng	—	—	—	—

Note: 609,750,000 ordinary shares were held by Fortune Star Tradings Limited, a company wholly-owned by Centre Trustees (C.I.) Limited as trustee for The Fortune Star 1992 Trust, a discretionary trust the discretionary objects of which include Mr. Lee Wan Keung and certain of his family members and Ms. Wai Siu Kee.

In addition to the above, as at 31st March, 2001, Mr. Lee Wan Keung and Ms. Wai Siu Kee each held one non-voting deferred share of HK\$1,000 each in Lee & Man Realty Investment Limited. The rights and restrictions of such non-voting deferred shares are set out in note 29 to the financial statements.

Save as disclosed above and other than certain nominee shares in the subsidiaries held by Mr. Lee Wan Keung in trust for the Group, as at 31st March, 2001 none of the directors or any of their associates had any interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company has a share option scheme under which the executive directors or employees of the Company and its subsidiaries are eligible to be granted options to subscribe for shares in the Company. No share option was granted during the year ended 31st March, 2001 or was outstanding at that date under this scheme.

Save as disclosed above, 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 debts securities (including 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 rights to subscribe for securities of the Company, or had exercised any such rights.

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SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed under the heading “Directors’ interests in securities”, the Company had not been notified of any interests representing 10% or more of the Company’s issued share capital.

CONNECTED TRANSACTIONS

Details of the discloseable connected transactions for the year are set out in note 28 to the financial statements. In the opinion of the independent non-executive directors, these transactions entered into by the Group were:

- (i) in the ordinary and usual course of business of the Group (except for the transactions carried out under the licence agreement as detailed in note 28(d) to the financial statements);
- (ii) on normal commercial terms and in accordance with the terms of the agreements;
- (iii) on terms that were fair and reasonable so far as the shareholders of the Company are concerned; and
- (iv) within the relevant cap amounts as agreed by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

DIRECTORS’ INTEREST IN CONTRACTS

Save as disclosed under the heading “Connected transactions”, there were 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 and indirectly, subsisting at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group’s five largest customers comprised approximately 37% of the Group’s total sales and the sales attributable to the Group’s largest customer were approximately 12% of the Group’s total sales.

The aggregate purchases during the year attributable to the Group’s five largest suppliers were less than 30% of the Group’s total purchases.

None of the directors, their associates or any shareholder which, to the knowledge of the directors, owned more than 5% of the Company’s issued share capital had any interest in the share capital of any of the five largest customers of the Group.

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

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association although there is no restriction against such rights under the laws in the Cayman Islands.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2001 with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 30 to the financial statements.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company since its incorporation on 26th February, 1993. A resolution will be submitted to the annual general meeting of the Company to re-appoint them.

On behalf of the Board
LEE WAN KEUNG
Chairman and Managing Director

Hong Kong, 17th July, 2001