

The directors submit their report together with the audited accounts for the year ended 31st March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiary companies are shown on pages 39 to 40.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st March 2001 are set out in the consolidated profit and loss account on page 12.

The directors do not recommend the payment of a dividend for the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

DONATIONS

During the year, the Group made charitable and other donations of HK\$11,000.

FIXED ASSETS

Details of the movements in fixed assets are shown in note 12 to the accounts.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

DIRECTORS AND INTERESTS IN CONTRACTS

The directors during the year and at the date of this report were:

Wong Chue Meng

Wong Chong Po

Joseph C. C. **Wong**

Chu Kai Wah, Anthony

Sakorn **Kanjanapas**

Lee Shu Chung, Stan

Sudarat **Sagarino**

Wong Yuk Woon

Kriangsak Francis **Kanjanapas** (alias Francis Wong)

(resigned on 1st April 2000)

Kwong Yiu Chung

(independent non-executive)

Chu Chun Keung, Sydney

(independent non-executive)

In accordance with Clause 110(A) of the Company's Bye-laws, Mr Wong Chue Meng, Mr Wong Yuk Woon and Mr Kwong Yiu Chung will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

The independent non-executive directors do not have specific terms of appointment, but are subject to retirement by rotation at periodic intervals pursuant to the Bye-laws of the Company.

No director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Pursuant to an Executive Bonus Scheme approved under a board resolution passed on 7th January 1993 by Stelux Holdings Limited, Mr Wong Chong Po and Mr Joseph C. C. Wong were eligible to an annual bonus determinable under the terms of the Executive Bonus Scheme, with respect to their management of the Group. By a board resolution passed on 17th January 2000, Mr Anthony Chu Kai Wah, Mr Stan Lee Shu Chung and Mr Wong Yuk Woon were also eligible to the afore-mentioned bonus scheme. Provision for the executive bonus in respect of the directors eligible under the Executive Bonus Scheme for the year ended 31st March 2001 amounted to HK\$2,479,000 (2000: HK\$4,175,000).

DIRECTORS AND INTERESTS IN CONTRACTS *(Continued)*

Apart from the foregoing and the related party transactions referred to in note 28 to the accounts, of which the transactions under note 28(a) and note 28(b) also constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), no other contracts of significance in relation to the Company's business to which the Company, its subsidiary companies or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

On 25th June 1997, a share option scheme for the executive directors and employees of the Company and its subsidiary companies (the "Scheme") was approved and adopted by the shareholders pursuant to which the directors were authorised to grant options to executive directors and employees of the Company or its subsidiary companies to subscribe for shares of the Company for a period of ten years. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 5% of the total shares in issue.

The details of share options granted to the directors and outstanding as at 31st March 2001 are as follows:

| Name of directors | Number of share options granted | | | Total outstanding at 31st March 2001 |
|---------------------------------|---------------------------------|----------------------------|----------------------------|---|
| | 1st lot <i>(note 1)</i> | 2nd lot <i>(note 2)</i> | 3rd lot <i>(note 3)</i> | |
| Mr Joseph C. C. Wong | 3,000,000 | 3,000,000 | 5,000,000 | 11,000,000 |
| Mr Chu Kai Wah, Anthony | 1,000,000 | 1,000,000 | 1,000,000 | 3,000,000 |
| Mr Lee Shu Chung, Stan | 1,000,000 | 1,000,000 | 1,000,000 | 3,000,000 |
| Mrs Sudarat Sagarino | 1,000,000 | 1,000,000 | 1,000,000 | 3,000,000 |
| Mr Wong Yuk Woon | 1,000,000 | 1,000,000 | 1,000,000 | 3,000,000 |
| Mr Kriangsak Francis Kanjanapas | 1,000,000 | 1,000,000 | – | – |
| | | | | <i>(note 4)</i> |

Notes:

- These options are exercisable at HK\$1.3632 per share during the period from 6th August 1997 to 5th August 2002.
- These options are exercisable at HK\$0.15 per share during the period from 26th October 1998 to 25th October 2003.
- These options are exercisable at HK\$0.248 per share during the period from 17th January 2000 to 16th January 2005.
- Pursuant to the terms of the Scheme, Mr Kriangsak Francis Kanjanapas' share options have lapsed upon his resignation on 1st April 2000.

With the exception of the Scheme of the Company, at no time during the year was the Company, its subsidiary companies or its holding company a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS

As at 31st March 2001, the interests of the directors and their associates in the shares and options of the Company and its associated corporations as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

(a) The Company – Ordinary shares

| | Number of shares | | | |
|----------------------|-----------------------|----------------------------|----------------------------|--------------|
| | Personal interests | Family interests | Corporate interests | Total |
| Mr Wong Chue Meng | 12,114,080 | 527,570,666 ⁽¹⁾ | 609,471,959 ⁽¹⁾ | 630,716,964* |
| Mr Wong Chong Po | 3,600,000 | – | 518,439,741 ⁽²⁾ | 522,039,741 |
| Mr Joseph C. C. Wong | 5,077,211 | 10,000 | – | 5,087,211 |
| Mr Sakorn Kanjanapas | 391,056 | – | – | 391,056 |

DIRECTORS' INTERESTS (Continued)

(b) The Company – Number of options to subscribe for ordinary shares of HK\$0.1 each

| | Number of options | | | Total |
|-------------------------|--------------------|------------------|---------------------|------------|
| | Personal interests | Family interests | Corporate interests | |
| Mr Joseph C. C. Wong | 11,000,000 | – | – | 11,000,000 |
| Mr Chu Kai Wah, Anthony | 3,000,000 | – | – | 3,000,000 |
| Mr Lee Shu Chung, Stan | 3,000,000 | – | – | 3,000,000 |
| Mrs Sudarat Sagarino | 3,000,000 | – | – | 3,000,000 |
| Mr Wong Yuk Woon | 3,000,000 | – | – | 3,000,000 |

(c) Subsidiary companies

| | Number of shares | | | Total |
|---|--------------------|------------------|---------------------|---------|
| | Personal interests | Family interests | Corporate interests | |
| (i) City Chain (Thailand) Company Limited - Preference shares ^[3] | | | | |
| Mr Wong Chue Meng | – | – | 208,800 | 208,800 |
| Mr Wong Chong Po | 200 | – | 208,800 | 209,000 |
| Mr Joseph C. C. Wong | 200 | – | 208,800 | 209,000 |
| Mr Sakorn Kanjanapas | 200 | – | 208,800 | 209,000 |
| (ii) Stelux Watch (Thailand) Company Limited - Preference shares ^[4] | | | | |
| Mr Wong Chong Po | 600 | – | – | 600 |
| Mr Joseph C. C. Wong | 600 | – | – | 600 |
| Mr Sakorn Kanjanapas | 600 | – | – | 600 |
| (iii) Optical 88 (Thailand) Company Limited - Preference shares ^[5] | | | | |
| Mr Wong Chue Meng | – | – | 225,000 | 225,000 |
| Mr Wong Chong Po | 5,000 | – | 225,000 | 230,000 |
| Mr Joseph C. C. Wong | 5,000 | – | 225,000 | 230,000 |
| Mr Sakorn Kanjanapas | 5,000 | – | 225,000 | 230,000 |

* Total interests excluding duplication as explained in the respective notes.

By virtue of the SDI Ordinance and his interests in the ultimate holding company, Yee Hing Company Limited, Thong Sia Company Limited, Active Lights Company Limited and Yee Hing International Limited, Mr Wong Chue Meng is deemed to have family and corporate interests in the shares of the Company and its associated corporations at 31st March 2001 as follows:

- (1) This includes the duplication of corporate interests of 518,439,741 shares through Yee Hing Company Limited, Active Lights Company Limited and Yee Hing International Limited in which Mr Wong Chue Meng is deemed to have both family and corporate interests.

By virtue of the SDI Ordinance, Mr Wong Chong Po is deemed to have corporate interests in the shares of the Company and its associated corporations at 31st March 2001 as follows:

- (2) Mr Wong Chong Po has beneficial interests in Yee Hing Company Limited which has corporate interests in the Company.

DIRECTORS' INTERESTS *(Continued)*

(c) Subsidiary companies *(Continued)*

By virtue of the SDI Ordinance and their family and corporate interests in the Company stated above, Mr Wong Chue Meng, Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas are deemed to have corporate interests in City Chain (Thailand) Company Limited at 31st March 2001 as follows:

- (3) City Chain (Thailand) Company Limited is deemed to be a wholly owned subsidiary company of the Company as all its ordinary shares carrying voting rights are held by a wholly owned subsidiary of the Company. The interests of these directors in the ordinary shares of City Chain (Thailand) Company Limited are therefore equivalent to their respective personal, family and corporate interests in the Company. The preference shares held by certain directors represent preference shares issued by City Chain (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends.

By virtue of the SDI Ordinance and their family and corporate interests in the Company stated above, Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas are deemed to have corporate interests in Stelux Watch (Thailand) Company Limited at 31st March 2001 as follows:

- (4) Stelux Watch (Thailand) Company Limited is deemed to be a wholly owned subsidiary company of the Company as all its ordinary shares carrying voting rights are held by a wholly owned subsidiary of the Company. The interests of these directors in the ordinary shares of Stelux Watch (Thailand) Company Limited are therefore equivalent to their respective personal, family and corporate interests in the Company. The preference shares held by certain directors represent preference shares issued by Stelux Watch (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends.

By virtue of the SDI Ordinance and their family and corporate interests in the Company stated above, Mr Wong Chue Meng, Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas are deemed to have corporate interests in Optical 88 (Thailand) Company Limited at 31st March 2001 as follows:

- (5) Optical 88 (Thailand) Company Limited is deemed to be a wholly owned subsidiary company of the Company as all its ordinary shares carrying voting rights are held by a wholly owned subsidiary of the Company. The interests of these directors in the ordinary shares of Optical 88 (Thailand) Company Limited are therefore equivalent to their respective personal, family and corporate interests in the Company. The preference shares held by certain directors represent preference shares issued by Optical 88 (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends.

Save as disclosed above, none of the directors of the Company was interested in the shares and options of the Company or any of the Company's associated corporations as at 31st March 2001.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed in Directors' Interests above, so far as the directors are aware, there are no other parties which were, directly or indirectly, interested in 10 per cent or more of the nominal value of the share capital of the Company as at 31st March 2001 as recorded in the register required to be kept by the Company under section 16(1) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's listed securities except that a wholly owned subsidiary company had repurchased Swiss Francs 29.5 million and redeemed Swiss Francs 29.4 million of the unlisted Swiss Francs Convertible Notes issued by the same subsidiary as follows:

| Issuer | Description | Nominal amount | Consideration paid |
|-------------------------|--|---|---------------------------|
| Stelux Holdings Limited | 1.75 percent Swiss Francs 125,000,000 Convertible Notes due 2001 | Repurchased: Swiss Francs 29,500,000 | Swiss Francs 26,446,000 |
| | | Redeemed: Swiss Francs 29,400,000 | Swiss Francs 29,400,000 |

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

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.

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 except that the independent non-executive directors of the Company are not appointed for a specific term.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an audit committee, comprising two independent non-executive directors, namely Mr Kwong Yiu Chung and Dr Chu Chun Keung, Sydney, was established on 26th February 1999 ("Audit Committee").

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted by the Board of the Company on the same date. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

AUDITORS

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

On behalf of the Board

Joseph C. C. Wong
Managing Director

Hong Kong, 19th July 2001