

The directors herein present their first report and the audited financial statements of the Company for the period from 5 January 2001 (date of incorporation) to 31 March 2001, and of the Group for the year ended 31 March 2001.

## **GROUP REORGANISATION**

The Company was incorporated in Bermuda on 5 January 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a reorganisation scheme (the "Group reorganisation") to rationalise the Group structure in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired Market Reach Group Limited, the then holding company of the subsidiaries listed in note 14 to the financial statements, and became the holding company of the Group on 24 March 2001. Further details of the Group reorganisation, together with details of the subsidiaries acquired pursuant thereto, are set out in notes 1, 14 and 24 to the financial statements and in the Company's prospectus dated 30 March 2001.

Subsequent to the balance sheet date, on 19 April 2001, the Company completed its initial public offering and the shares of the Company were listed on the Stock Exchange.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 14 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

## **SEGMENTAL INFORMATION**

Details of the Group's segmental information are set out in notes 4 and 5 to the financial statements.

## **RESULTS AND DIVIDENDS**

The Group's profit for the year ended 31 March 2001 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 19 to 46.

As stated in the Company's prospectus dated 30 March 2001, special dividends aggregating HK\$17,500,000 were declared and paid by certain subsidiaries of the Company to their then shareholders prior to the Group reorganisation and the public listing of the Company's shares on the Stock Exchange.

The directors of the Company do not recommend the payment of any dividend in respect of the period.

# Report of the Directors

## SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated/combined results and assets and liabilities of the Group for each of the four years ended 31 March 2001 prepared on the basis set out in the note below:

### RESULTS

	Year ended 31 March			
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Turnover	<u>670,180</u>	<u>483,605</u>	<u>306,242</u>	<u>241,209</u>
Profit before tax	<u>50,244</u>	<u>35,550</u>	<u>24,254</u>	<u>18,388</u>
Tax	<u>(8,184)</u>	<u>(6,114)</u>	<u>(4,043)</u>	<u>(2,995)</u>
Net profit from ordinary activities attributable to shareholders	<u>42,060</u>	<u>29,436</u>	<u>20,211</u>	<u>15,393</u>

### ASSETS AND LIABILITIES

	As at 31 March			
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Fixed assets	<u>3,452</u>	<u>1,108</u>	<u>1,192</u>	<u>2,163</u>
Current assets	<u>159,767</u>	<u>112,167</u>	<u>69,454</u>	<u>49,155</u>
Total assets	<u>163,219</u>	<u>113,275</u>	<u>70,646</u>	<u>51,318</u>
Current liabilities	<u>(107,389)</u>	<u>(82,863)</u>	<u>(46,670)</u>	<u>(29,502)</u>
Non-current liabilities	<u>(783)</u>	<u>–</u>	<u>–</u>	<u>(3,051)</u>
Total liabilities	<u>(108,172)</u>	<u>(82,863)</u>	<u>(46,670)</u>	<u>(32,553)</u>
Net assets	<u>55,047</u>	<u>30,412</u>	<u>23,976</u>	<u>18,765</u>

Note:

The summary of the combined results, assets and liabilities of the Group for each of the three years ended 31 March 2000 has been extracted from the Company's prospectus dated 30 March 2001. The consolidated results of the Group for the year ended 31 March 2001 and the consolidated assets and liabilities of the Group as at that date are those set out in the financial statements on pages 19 and 20, respectively. The summary of the consolidated/combined results, assets and liabilities of the Group includes the results, assets and liabilities of the Company and its subsidiaries as if the current Group structure had been in existence throughout the four financial years ended 31 March 2001, and is presented on the basis set out in note 2 to the financial statements.

## **FIXED ASSETS**

Details of movements in the fixed assets of the Group are set out in note 13 to the financial statements.

## **SUBSIDIARIES**

Particulars of the Company's subsidiaries are set out in note 14 to the financial statements.

## **BANK AND OTHER BORROWINGS**

Details of the bank and other borrowings of the Group are set out in notes 20 and 21 to the financial statements.

## **SHARE CAPITAL AND SHARE OPTIONS**

Details of movements in the Company's share capital since 5 January 2001 (date of incorporation), together with reasons therefor, and details of the Company's share option scheme, are set out in notes 24 and 25 to the financial statements, respectively.

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the period/year are set out in note 26 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 Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Other than in connection with the Company's initial public offering and the public listing of the Company's shares on the Stock Exchange on 19 April 2001, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period and up to the date of this report.

## **DISTRIBUTABLE RESERVES**

As at 31 March 2001, the Company's reserves available for distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK\$54,002,000. This amount included the Company's contributed surplus in the amount of HK\$54,045,000 as at 31 March 2001, which may only be distributed in certain circumstances.

# Report of the Directors

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## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (1) The aggregate amount of sales attributable to the Group's five largest customers represented approximately 16% of the Group's total sales for the year. The amount of sales to the Group's largest customer included therein represented approximately 4%.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 62% of the Group's total purchases for the year. The amount of purchases from the Group's largest supplier included therein represented approximately 32%.

As far as the directors are aware, neither the directors, their associates nor shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers during the year.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in note 30 to the financial statements.

## PENSION SCHEMES AND COSTS

Details of the pension schemes of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 3 and 5 to the financial statements, respectively.

As at 31 March 2001, the Group did not have any significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong.

## DIRECTORS

The directors of the Company since 5 January 2001 and at the date of this report were as follows:

### Executive directors:

Mr. Kwok Tat Kwong	(appointed on 16 January 2001)
Mr. Liao Leong Pin	(appointed on 16 January 2001)
Mr. Cheung Yat Ko	(appointed on 16 January 2001)
Mr. Liao Leong Chee	(appointed on 16 January 2001)

### Independent non-executive directors:

Mr. Chan Kam Man	(appointed on 16 January 2001)
Mr. Au Chun Wai	(appointed on 16 January 2001)

In accordance with the Company's bye-laws, Mr. Cheung Yat Ko and Mr. Liao Leong Pin will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors but not including the chairman of the board of directors and/or the managing director of the Company, are subject to retirement by rotation and re-election in accordance with the Company's bye-laws.

## DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 10 of the annual report.

## DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' remuneration and those of the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements, respectively.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 1 April 2001, which continues thereafter until terminated by either party giving six months' notice in writing to the other party.

Save as disclosed above, no director 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 other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

Other than in connection with the Group reorganisation in preparation for the Company's initial public offering and those disclosed in note 30 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

# Report of the Directors

## DIRECTORS' INTERESTS IN SHARE CAPITAL

Subsequent to the balance sheet date, on 19 April 2001, the shares of the Company were listed on the Stock Exchange. At the date of this report, the interests of the directors or chief executives of the Company or their respective associates in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

Name of director	Number of issued ordinary shares of HK\$0.10 each in the Company held and nature of interest			
	Personal interest	Family interest	Corporate interest	Other interest
Mr. Kwok Tat Kwong ( <i>Note (i)</i> )	–	–	95,200,000	–
Mr. Liao Leong Pin ( <i>Note (ii)</i> )	–	–	40,800,000	–

### Notes:

- (i) The 95,200,000 shares are registered in the name of Best Dollar Investments Limited ("Best Dollar"), a company incorporated in the British Virgin Islands ("BVI") and wholly owned by Mr. Kwok Tat Kwong.
- (ii) The 40,800,000 shares are registered in the name of Everwonder Investments Limited ("Everwonder"), a company incorporated in the BVI and wholly owned by Mr. Liao Leong Pin.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors or chief executives of the Company or their respective associates had any personal, family, corporate or other interest in the issued ordinary shares of the Company or any of its associated corporations as defined in the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

At the date of this report, pursuant to the Company's share option scheme (the "Scheme") adopted by the Company on 26 March 2001, the board of directors may, at its discretion, grant options to executive directors of the Company (excluding non-executive directors) and full-time employees of the Group to subscribe for shares in the Company. The Scheme became effective upon the public listing of the Company's shares on the Stock Exchange on 19 April 2001. Further details of the Scheme are set out in note 25 to the financial statements. The Company has not granted any options in favour of any directors during the period and up to the date of this report.

Save as disclosed above and other than in connection with the Group reorganisation in preparation for the Company's initial public offering, at no time during the period and up to the date of this report was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

At the date of this report, no person had registered an interest of 10% or more in the issued share capital of the Company that was required to be recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance, other than the shares held by Best Dollar and Everwonder as disclosed in the section headed "Directors' interests in share capital" above which represented 47.6% and 20.4% respectively of the issued share capital of the Company as at the date of this report.

## POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in notes 24 and 29 to the financial statements.

## COMPLIANCE WITH THE 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), following the public listing of the Company's shares on the Stock Exchange on 19 April 2001, except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

## AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 26 March 2001 with written terms of reference in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules. The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Group. Furthermore, the Committee will monitor the enforcement of the indemnity which was given in favour of the Group in relation to, among other things, taxation, in the event of any additional tax or penalty becoming payable by the Group. The Committee comprises two independent non-executive directors, Mr. Chan Kam Man and Mr. Au Chun Wai. The Committee has reviewed the financial statements of the Group for the year ended 31 March 2001 and are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

## AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Kwok Tat Kwong**

*Chairman*

Hong Kong  
26 July 2001