

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 March 2001.

## **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The activities of its subsidiaries and associates are set out in notes 42 and 20 respectively, to the financial statements.

## **RESULTS**

The results of the Group for the year ended 31 March 2001 are set out in the consolidated income statement on page 14.

## **RESERVES**

Movements during the year in the reserves of the Group and the Company are set out in note 33 to the financial statements.

## **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 58.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

## **SHARE CAPITAL AND WARRANTS**

Details of movements during the year in the share capital and outstanding warrants of the Company are set out in notes 30 and 31 respectively, to the financial statements.

## **SHARE OPTION SCHEME**

Details of the share option scheme and outstanding share options of the Company are set out in note 32 to the financial statements.

## **MAJOR CUSTOMERS AND SUPPLIERS**

For the year ended 31 March 2001, aggregate sales attributable to the Group's five largest customers were less than 30% of total turnover.

For the year ended 31 March 2001, the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchase.

## DIRECTORS

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

### Executive directors:

Mr. Leung Kwok Kui	
Mr. Lo Chi Ho, William	
Ms. Li Sau Lin	
Mr. Leung Ge On, Andy	
Mr. Kwong Choi Kuen	
Mr. To Chi	
Mr. Choi Wing Kin	(appointed on 4 May 2001)
Mr. Chan Wing Tak, Douglas	(resigned on 1 March 2001)
Ms. Choy Hok Man, Constance	(resigned on 18 January 2001)

### Independent non-executive directors:

Mr. Lum Chor Wah, Richard	
Mr. Li Kuo Hsing	(resigned on 16 January 2001)
Mr. Lui Bing Kin, Michael	(resigned on 30 April 2001)

### Non-executive director:

Mr. Wu Wing Kin	(appointed on 4 May 2001)
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Under the provisions of the Company's Bye-Laws, Messrs. Li Sau Lin, Choi Wing Kin and Wu Wing Kin retire from the board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

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

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

## PROFILES OF DIRECTORS

### Executive directors

**LEUNG Kwok Kui**, aged 58, is the chairman and one of the founders of the Group and Companion Building Material International Holdings Limited ("CBMI") and its subsidiaries ("CBMI Group"). He has over 25 years' experience in the marble and granite products industry and is responsible for the Group's sales and marketing operations. He is also an executive director of CBMI.

**LO Chi Ho, William**, aged 35, is the managing director of the Company and is also the chief finance officer of Skynet Limited, a subsidiary of the Company. He joined the Group in 2000. An UK Chartered Accountant and with an honour degree in Engineering, he has over 10 years' solid experience in the financial market and has held various senior finance positions with an international accounting firm, a multi-national fast moving consumer goods company and a number of international investment banks.

**LI Sau Lin**, aged 38, joined CBMI Group in early 1992 and is in charge of its marble and granite business. She graduated from the University of Ottawa, Canada, in 1986 and holds a Bachelor of Social Science degree in Economics. She has over 10 years' experience in the marble and granite products industry. She is also an executive director of CBMI.

**LEUNG Ge On, Andy**, aged 33, joined CBMI Group in 1992. He is in charge of the sales team for installation projects. He holds a Bachelor of Arts degree in Economics and is the son of Mr. Leung Kwok Kui. He is also a non-executive director of hkcyber.com (Holdings) Limited ("hkcyber.com (Holdings)"), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**KWONG Choi Kuen**, aged 36, is a project manager of the Group. He joined the Group in 1994 and is responsible for the monitoring of the progress of projects including budget, expenditure and quality control. He has over 10 years' experience in the construction industry.

**TO Chi**, aged 36, joined CBMI Group in 1991 as the financial controller and was appointed an executive director of the Company in 1997. He had over 10 years' experience in finance and accounting.

**CHOI Wing Kin**, aged 40, is the founder and chief executive officer of Cyber On-air Limited. He is also the vice president of New World CyberBase Limited. He obtained a Bachelor of Science degree in electronics and computer science at the Chinese University of Hong Kong and various professional qualifications included being a professional chartered engineer of The Engineering Council (UK), a member of The Institution of Engineers (Australia), and a member of The Institution of Electrical Engineers (UK). He is also an executive director of CBMI and hkcyber.com (Holdings).

## PROFILES OF DIRECTORS (continued)

### Independent non-executive director

**LUM Chor Wah, Richard**, aged 41, is an executive director of Digital World Holdings Limited. He holds Bachelor degree in science and a Master degree in business administration. Prior to joining Digital World Holdings Limited, he had worked in a senior position for an international bank for around 7 years and he has been working for another listed company for 7 years, responsible for the investors relationship, administrative and financial aspects of the company. He is also an independent non-executive director of CBMI and a director of a number of other listed companies. He was appointed an independent non-executive director of the Company in January 2000.

### Non-executive director

**WU Wing Kin**, aged 45, has more than 20 years of working experience in the financial, securities and futures industries. Currently, he is the chief executive of V Six Securities Limited and an executive director of Asia Logistics Technologies Limited. He is also a non-executive director of CBMI and hkcyber.com (Holdings). He was appointed a non-executive director of the Company in May 2001.

## DIRECTORS' INTERESTS IN SHARES, WARRANTS AND OPTIONS

### (i) Shares and warrants

At 31 March 2001, 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") and in the warrants of the Company were as follows:

Name of directors	Number of ordinary shares and warrants held		Total
	Personal interest	Other interest	
Leung Kwok Kui			
– shares ("Shares")	–	1,236,420	1,236,420
– warrants (exercisable from at any time from 23 March 2001 to 7 April 2001) ("2001 Warrants")	–	35,326 (Note 1)	35,326
Li Sau Lin			
– Shares	209,780	–	209,780
– 2001 Warrants	5,993	–	5,993
Kwong Choi Kuen			
– Shares	7,000,000	–	7,000,000
– 2001 Warrants	200,000	–	200,000

## DIRECTORS' INTERESTS IN SHARES, WARRANTS AND OPTIONS (continued)

### (ii) Shares in an associate

At 31 March 2001, the following director held interests in the shares of hkcyber.com (Holdings), a 27.51% owned associate of the Company as follows:

Name of director	Number of ordinary shares held
Lo Chi Ho, William	31,250,000

### (iii) Options

The directors had personal interests in share options to subscribe for Shares at exercise prices and exercisable periods as follows:

Name of directors	Exercise price per Share HK\$	Exercisable period	At 1.4.2000	Number of share options			Reclassification due to change of capacity	At 31.3.2001
				Granted during the year	Exercised during the year	Lapsed during the year		
Choy Hok Man, Constance	0.304	1 March 2000 to 28 February 2003	45,000,000	-	-	-	(45,000,000) (Note 2)	-
Lo Chi Ho, William	0.304	1 March 2000 to 28 February 2003	45,000,000	-	-	-	-	45,000,000
	0.039	15 February 2001 to 14 February 2004	-	50,000,000	-	-	-	50,000,000

#### Notes:-

- (1) 1,236,420 Shares and 35,326 units of 2001 Warrants were held by Lynch Overseas Holdings Inc. as the trustee of The Leung Family Trust. Each of Mr. Leung and his spouse beneficially owns a 50% interest in Lynch Overseas Holdings Inc. Pursuant to the SDI Ordinance, Mr. Leung is deemed to have a 100% interest in the Shares and 2001 Warrants held by Lynch Overseas Holdings Inc. The Leung Family Trust is a discretionary trust, the discretionary objects of which include children under 18 years of age of Mr. Leung and his spouse.
- (2) On 18 January 2001, Ms. Choy Hok Man, Constance resigned as an executive director of the Company. She remained as an employee thereafter. According to the share option scheme of the Company as disclosed in note 32 to the financial statements, her options lapsed automatically on 1 April 2001, the date on which Ms. Choy ceased to be an employee.

## **DIRECTORS' INTERESTS IN SHARES, WARRANTS AND OPTIONS** (continued)

Other than as disclosed above, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or had exercised any such right during the year.

## **ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

Other than the share option scheme of the Company as disclosed in note 32 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement 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 IN CONTRACTS OF SIGNIFICANCE**

No contracts of significance, to which the Company or any of its subsidiaries 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.

## **SERVICE CONTRACTS OF DIRECTORS**

No director has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation).

## **SUBSTANTIAL SHAREHOLDER**

As at 31 March 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that Companion Building Material (Holdings) Limited had an interest of approximately 47.89% in the issued share capital of the Company. Other than Companion Building Material (Holdings) Limited, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 March 2001.

## **RETIREMENT BENEFIT SCHEME**

Details of the retirement benefit scheme of the Group are set out in note 11 to the financial statements.

## COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 March 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange apart from the fact that the independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at the annual general meeting in accordance with the Company's Bye-laws.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the law of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

## AUDITORS

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

By Order of the Board  
**Leung Kwok Kui**  
*Chairman*

Hong Kong, 27 July 2001