



The directors present the 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 45 and 46, 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 16.

## **RESERVES**

Movements during the year in the reserves of the Group and the Company are set out in note 34 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 64.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements during the year in the property, plant and equipment of the Group are set out in notes 14, 15 and 22 respectively, to the financial statements.

## **SHARE CAPITAL AND WARRANTS**

Details of movements during the year in the share capital and outstanding warrants of the Company respectively are set out in notes 31 and 32 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 33 to the financial statements.

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

There has been no purchase, redemption or sale of shares and warrants of the Company by the Company or any of its subsidiaries during the year.



## MAJOR CUSTOMERS AND SUPPLIERS

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

## DIRECTORS

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

### Executive directors:

Ms. Siu York Chee  
Mr. Shiu Yeuk Yuen  
Mr. Leung Kwok Kui  
Ms. Li Sau Lin  
Mr. Leung Kwok Wa  
Mr. Choi Wing Kin (appointed on 4 May 2001)  
Ms. Cheung Yee Man, Elaine (resigned on 23 April 2000)  
Ms. Choy Hok Man, Constance (resigned on 18 January 2001)

### Independent non-executive directors:

Mr. Hong Po Kui, Martin  
Mr. Hung Yau Keung, Anckes  
Mr. Lum Chor Wah, Richard (appointed on 16 May 2000)  
Mr. Mak Don Hung (resigned on 15 May 2000)

### Non-executive director:

Mr. Wu Wing Kin (appointed on 4 May 2001)

Under the provisions of the Company's Bye-laws, Messrs. Leung Kwok Kui, Choi Wing Kin, Hong Po Kui, Martin 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.



## PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

### Executive directors

**SIU York Chee**, aged 56, is the chairman and one of the founders of the Group. She has over 25 years' experience in the ceramic tile and marble and granite products industry. She is responsible for the Group's overall corporate planning, day-to-day operations, pricing and inventory control.

**SHIU Yeuk Yuen**, aged 52, is one of the founders of the Group and a brother of Ms. Siu York Chee. He has over 25 years' experience in the ceramic tile and marble and granite products industry and is responsible for the development of the Group's corporate strategies. He is also responsible for other functions including finance and formulating plans for new product introduction.

**LEUNG Kwok Kui**, aged 58, is one of the founders of the Group and the husband of Ms. Siu York Chee. He has over 25 years' experience in the ceramic tile and marble and granite products industry and is responsible for the Group's sales and marketing operations. He is also the chairman of Skynet (International Group) Holdings Limited ("Skynet Holdings"), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**LI Sau Lin**, aged 38, joined the Group in February 1992. She graduated from the University of Ottawa, Canada, in 1986 and holds a Bachelor of Social Science degree in Economics. She oversees the Group's marble business and has over 10 years' experience in the field. She is also an executive director of Skynet Holdings.

**LEUNG Kwok Wa**, aged 53, spent 13 years with the civil service after his graduation from the University of Hong Kong in 1971. Thereafter he was actively engaged in the PRC trade with specific reference to project development. He joined the Group in November 1993 and oversees the Group's production in the PRC. He is a brother of Mr. Leung Kwok Kui.

**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 including 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 Skynet Holdings and hkcyber.com (Holdings) Limited ("hkcyber.com (Holdings)"), a company listed on the Growth Enterprise Market of the Stock Exchange.



## PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Independent non-executive directors

**HONG Po Kui, Martin**, aged 51, is a solicitor and notary public. He has been practising as a solicitor for over 20 years and is the sole proprietor in the solicitors firm of Lau, Chan & Ko. He is also a non-executive director of Tse Sui Luen Jewellery (International) Limited, a company listed on the main board of the Stock Exchange. He was appointed an independent non-executive director of the Group in February 1993.

**HUNG Yau Keung, Anckes**, aged 48, is a Certified Public Accountant. He has over 20 years' experience in accounting. He is a fellow of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants and is a partner of the Certified Public Accountants firm of KND & Co. He was appointed an independent non-executive director of the Group in April 1999.

**LUM Chor Wah, Richard**, aged 41, is an executive director of Digital World Holdings Limited, a company listed on the main board of the Stock Exchange. 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 Skynet Holdings and a director of a number of other listed companies. He was appointed an independent non-executive director of the Group in May 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 Skynet Holdings and hkcyber.com (Holdings). He was appointed a non-executive director of the Group in May 2001.

### Senior management

**WONG Pui Ling, Candy**, aged 35, is the Group's administration manager. She is responsible for the administration and personnel activities. She joined the Group in 1983.

**LIU Kwok Kee, Samson**, aged 44, is a project manager of the Group. He joined the Group in 1980 and is responsible for the negotiation and coordination with wholesale customers for supplies of ceramic tiles.

**CHAN Pui Yin, Fanny**, aged 61, is a retail manager of the Group and is responsible for the day-to-day operations of the Group's retail business. She joined the Group in 1983.



## DIRECTORS' INTERESTS IN SHARES, WARRANTS AND OPTIONS

As at 31 March 2001, the interests of the directors and their associates in the shares, warrants and options of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), which are required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance, including interests which a director is taken or deemed to have under section 31 of or Part I of the Schedule to the SDI Ordinance, or which are required, pursuant to section 29 of the SDI Ordinance to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### Shares and warrants

Name	Number of shares and warrants held		
	Personal interest	Other interest	Total
Siu York Chee			
– Shares ("Shares")	7,488,000	5,691,760	13,179,760
– Warrants (exercisable at any time from 14 August 2000 to 13 August 2002) ("2002 Warrants")	14,976,000	11,383,520 <i>(Notes 1 and 3)</i>	26,359,520
Shiu Yeuk Yuen			
– 2002 Warrants	–	807,006,264 <i>(Notes 2 and 3)</i>	807,006,264
Leung Kwok Kui			
– Shares	–	5,691,760	5,691,760
– 2002 Warrants	–	11,383,520 <i>(Notes 1 and 3)</i>	11,383,520
Li Sau Lin			
– Shares	221,529	–	221,529
– 2002 Warrants	443,059	–	443,059



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

### Share options

The directors had personal interests in share options to subscribe for shares in the Company pursuant to the Company's share option scheme as detailed in note 33 to the financial statements as follows:

Name	Exercise price per share HK\$	Number of share options			Balance at 31.3.2001	Exercisable period
		Balance at 1.4.2000	Adjustment during the year	Lapsed during the year		
Siu York Chee	0.0658 (Note 4)	4,000,000	15,209,726	(19,209,726)	–	24.12.1999 to 17.10.2000
Shiu Yeuk Yuen	0.0658 (Note 4)	4,000,000	15,209,726	(19,209,726)	–	24.12.1999 to 17.10.2000
Leung Kwok Kui	0.433	10,850,000	–	(10,850,000)	–	24.12.1999 to 2.5.2000

Each of the directors paid HK\$10 for the share options granted.

#### Notes:

- 5,691,760 Shares and 11,383,520 units of 2002 Warrants were held by Lynch Overseas Holdings Inc. as the trustee of The Leung Family Trust. Each of Ms. Siu York Chee and Mr. Leung Kwok Kui beneficially owns a 50% interest in Lynch Overseas Holdings Inc. Pursuant to the SDI Ordinance, each of Ms. Siu York Chee and Mr. Leung Kwok Kui is deemed to have a 100% interest in the Shares and 2002 Warrants held by Lynch Overseas Holdings Inc. The Leung Family Trust is a discretionary trust the discretionary objects of which include the children of Ms. Siu York Chee and Mr. Leung Kwok Kui under 18 years of age.
- 106,719,475 units of 2002 Warrants were held by Mr. Shiu Yeuk Yuen as the sole trustee of The Shiu Family Trust, and 700,286,789 units of 2002 Warrants were beneficially owned by Shiu & Leung Enterprises Ltd. (see Note 3). The Shiu Family Trust is a discretionary trust the discretionary objects of which include the wife of Mr. Shiu Yeuk Yuen and his children under 18 years of age.
- The issued share capital of Shiu & Leung Enterprises Ltd. is beneficially owned as to 72.5% by The Shiu Family Trust and as to 27.5% by The Leung Family Trust. Pursuant to the SDI Ordinance, Mr. Shiu Yeuk Yuen is deemed to have a 100% interest in the 2002 Warrants held by Shiu & Leung Enterprises Ltd.
- The exercise price was adjusted from HK\$0.316 to HK\$0.0658 as a result of the rights issue of shares and the bonus issue of shares on 2 June 2000 and 31 July 2000 respectively.



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

### **Share options** (continued)

Apart from the above, no interests were held or deemed or taken (under the SDI Ordinance) to be held by any directors or chief executives or their respective associates of the Company in any share capital of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance or pursuant to the Model Code for Securities Transactions by directors of listed companies or which are required pursuant to Section 29 of the SDI Ordinance to be entered in the register referred to therein.

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 of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

Other than the share option scheme of the Company as disclosed in note 33 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**

During the year, the Group entered into certain related party transactions as detailed in note 40 to the financial statements.

Other than the foregoing, 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, 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 SHAREHOLDERS

At 31 March 2001, the register of shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest in 10% or more in the issued share capital of the Company:

Name	Number of Shares	%
Manful Star Group Limited ("Manful")	288,324,133	19.88
Lo Lin Shing, Simon	288,324,133 ( <i>Note</i> )	19.88

*Note:* Manful is wholly owned by Mr. Lo Lin Shing, Simon. Mr. Lo is deemed to be interested in the Shares held by Manful.

Save as disclosed above, the register of shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company at 31 March 2001.

## RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group are set out in note 10 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.

## AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

By Order of the Board  
**Siu York Chee**  
*Chairman*

Hong Kong, 6 August 2001