





## Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 28.

## Pre-emptive rights

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

## Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## Directors

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

Mr TSE Sun Fat, Henry

Mr TSE Sun Po, Tony

Mr TSE Sun Lung, Alan

Mr LEE Chi Wah, Rhodes

Mr LEUNG Ka Cheung

Mr MAK So (appointed on 24th April 2001)

Mr WONG Tin Cheung, Ricky (appointed on 24th April 2001)

Mr LEUNG Kwong Kin \*

Mr WONG Wah, Dominic \* (appointed on 19th June 2001)

Dr CHAN Nai Keong, Kenneth \* (resigned on 22nd June 2001)

\* Independent non-executive directors who entered into contracts with the Company for an initial fixed term of one year and thereafter shall continue for further successive periods of one year, provided that the Company may terminate the contracts at the end of each one year period by giving the other party at least one month's notice in writing thereof.



Mr. Mak So, Mr. Wong Tin Cheung, Ricky, Mr. Wong Wah, Dominic and Mr. Leung Ka Cheung shall retire at the forthcoming annual general meeting in accordance with Article 86 (3) and 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

### **Directors' service contracts**

Each of Mr TSE Sun Fat, Henry, Mr TSE Sun Po, Tony, Mr TSE Sun Lung, Alan, Mr LEE Chi Wah, Rhodes and Mr LEUNG Ka Cheung has entered into a service contract with the Company for a term of three years commencing on 1st March 2000, and will continue thereafter unless terminated by either party by three months prior written notice expiring not earlier than 28th February 2003 to the other party.

Save as disclosed herein, none of the directors of the Company has entered into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

### **Directors' interests in contracts**

Save as disclosed under the section "Connected transaction" below, no other contracts of significance in relation to the Group's business to which the Company, its subsidiaries or holding companies 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' benefits from rights to acquire shares or debentures**

Under the terms of the Company's share option scheme adopted on 22nd March 2000, the board of directors of the Company may, at their discretion, invite any full-time employees or executive directors of the Company or any of its subsidiaries to subscribe for ordinary shares of HK\$0.10 each in the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued share capital of the Company. No options have been granted to the directors since its adoption.

Apart from the above, at no time during the year was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' interests in equity securities

At 31st March 2001, the interests of the directors in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

### Interests in shares of the Company

Director	Number of ordinary shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Mr TSE Sun Fat, Henry ( <i>Note 1</i> )	-	-	-	140,000,000
Mr TSE Sun Po, Tony ( <i>Note 2</i> )	-	140,000,000	-	140,000,000

*Note 1:* Bache Hill Group Limited ("BHGL") is holding these shares. BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr TSE Sun Fat, Henry is one of the objects of The Tse's Family Trust. The interests of Mr TSE Sun Fat, Henry are accordingly regarded as "other interest" as described in Practice Note 5 of the Rules Governing the Listing of the Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

*Note 2:* BHGL is holding these shares. BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). The spouse and other family members of Mr TSE Sun Po, Tony are objects of The Tse's Family Trust. The interests of Mr TSE Sun Po, Tony are accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.



**Interests in shares of associated corporations**

**(i) BHGL**

Director	Number of ordinary shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr TSE Sun Fat, Henry ( <i>Note 3</i> )	-	-	-	30,491	30,491
Mr TSE Sun Po, Tony ( <i>Note 4</i> )	-	30,491	-	30,491	30,491
Mr TSE Sun Lung, Alan	3,025	-	-	-	3,025
Mr LEE Chi Wah, Rhodes	965	-	-	-	965
Mr LEUNG Ka Cheung	1,020	-	-	-	1,020

*Note 3:* These shares are held by Tse Brother Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr Tse Sun Fat, Henry is one of the objects of The Tse's Family Trust. The interests of Mr TSE Sun Fat, Henry are accordingly regarded as "other interest" as described in Practice Note 5 of the Listing Rules.

*Note 4:* These shares are held by Tse Brothers Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). The spouse and other family members of Mr Tse Sun Po, Tony are objects of The Tse's Family Trust. The interests of Mr TSE Sun Po, Tony are accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.

**(ii) Negotiator Consultants Limited ("NCL")**

Director	Number of ordinary shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr TSE Sun Fat, Henry ( <i>Note 5</i> )	-	-	-	1	1
Mr TSE Sun Po, Tony ( <i>Note 6</i> )	-	1	-	1	1

*Note 5:* Such share is held by BHGL. BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr TSE Sun Fat, Henry is one of the objects of The Tse's Family Trust. The interest of Mr TSE Sun Fat, Henry is accordingly regarded as "other interest" as described in Practice Note 5 of the Listing Rules.

*Note 6:* Such share is held by BHGL. BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). The spouse and other family members of Mr TSE Sun Po, Tony are objects of The Tse's Family Trust. The interests of Mr TSE Sun Po, Tony are accordingly regarded as "family interest" and "other interest" as described in Practice Note 5 of the Listing Rules.



## Biographical details of directors and senior management

### Executive Directors

Mr TSE Sun Fat, Henry, aged 44, was a founding member of the Group and the Chairman of the Company. Mr TSE has over 23 years of experience in the trading of building materials. He is responsible for the planning of the Group's overall strategies and the overall management of the Group.

Mr TSE Sun Po, Tony, aged 42, is the Managing Director of the Company and joined the Group in 1979. Mr TSE has over 23 years of experience in the trading of building materials and is responsible for retail business of the Group. Mr TSE also assists in strategic planning and management of the Group. He is a brother of Mr TSE Sun Fat, Henry, the Chairman of the Group.

Mr LEE Chi Wah, Rhodes, aged 38, is the Deputy Managing Director of the Company. He joined the Group in 1982. Mr LEE has over 19 years of

experience in the trading of building materials and is responsible for project sales and marketing of products distributed by the Group.

Mr TSE Sun Lung, Alan, aged 34, is an Executive Director of the Company. He joined the Group in 1990 and is now responsible for project sales and marketing of products distributed by the Group. Mr TSE Sun Lung, Alan is a cousin of Mr TSE Sun Fat, Henry and Mr TSE Sun Po, Tony.

Mr LEUNG Ka Cheung, aged 40, is the Finance Director and Company Secretary of the Company and is responsible for accounting and finance related activities. Mr LEUNG joined the Group in 1984. Mr LEUNG obtained a master's degree of business administration from International Management Centre, United Kingdom. He is also a member of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants, the Association of International Accountants and the Chartered Institute of Marketing.



Mr MAK So, aged 61, joined the Group in 1993. Mr MAK was appointed as an Executive Director of the Company on 24th April 2001 and is responsible for co-ordinating sale and marketing activities of the Group and has over 33 years of experience in the building materials industry. Prior to joining the Group, Mr MAK worked for Chau, Lee & She, Architects & Engineers, Town Planning Consultants as an office manager for 26 years.

Mr WONG Tin Cheung, Ricky, aged 58, joined the Group in 1979. Mr WONG was appointed as an Executive Director of the Company on 24th April 2001 and is also a director of two subsidiaries of the Company and is responsible for the operation of the Group in project management. He has over 21 years of experience in selling building materials and was a civil servant before joining the Group.


#### **Non-executive Directors**

Mr LEUNG Kwong Kin, aged 54, joined the Group in January 2000. Mr LEUNG is a senior director of Wong Lam Leung & Kwok C.P.A. Ltd.. He is a fellow of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants and the Association of International Accountants. Mr LEUNG is also a member of the Macau Society of Certified Practising Accountants,

the Society of Chinese Accountants & Auditors, the Taxation Institute of Hong Kong, the Institute of Management and the International Institute of Management.

Mr. Wong Wah, Dominic, aged 52. Mr. Wong was appointed as an independent non-executive director on 19 June 2001. He graduated from the Chinese University of Hong Kong in 1972 with an Honours Bachelor's Degree of Social Science in Economics. He was appointed director & general manager of Hongkong Ferry (Holdings) Ltd., formerly The Hongkong & Yaumatei Ferry Co., Ltd. until late 1989. He has been actively involved in China trade and the garment industry over the past few years.

Dr CHAN Nai Keong, Kenneth, C.B.E., J.P., aged 69, joined the Group in January 2000. He holds a first class honours diploma in civil engineering from the Loughborough College, UK and a honorary degree of doctor of technology from the Loughborough University, UK. He joined the Public Works Department of Hong Kong Government in 1952 and held the position of the Secretary for Lands and Works during 1983-1986. He is presently a consultant of Parsons Brinckerhoff (Asia) Limited, a consulting engineering company based in Hong



Kong. He has served as an Official Member of the Legislative Council. Dr CHAN is a fellow of the Royal Academy of Engineering, The Institution of Civil Engineers, The Institution of Structural Engineers, The Hong Kong Academy of Engineering Sciences and The Hong Kong Institution of Engineer. Dr CHAN resigned as an independent non-executive director of the Company on 22nd June 2001.

### **Senior management**

Mr TSE Sun Ming, Almond, aged 41, is a director of three subsidiaries of the Company and a founding member of the Group. Mr TSE has over 23 years of experience in the building materials industry and is responsible for product sourcing and development. He is a cousin of Mr TSE Sun Fat, Henry and Mr. TSE Sun Po, Tony and a brother of Mr TSE Sun Lung, Alan.

Mr AU Lai Chuen, Hercules, aged 44, joined the Group in 1982 and is a director of two subsidiaries of the Company. Mr AU has over 23 years of experience in the building materials industry and is responsible for project related sales and marketing activities.

Mr YICK Kai Chung, aged 42, joined the Group in 1979 and is a director of two subsidiaries of the Company. Mr YICK has over 23 years of experience in building materials industry and is responsible for overseeing major accounts and wholesale business of the Group and products sourcing and technical support.

Mr CHAN Sau Lam aged 46, joined the Group in 1979. Mr CHAN is a sales director of the Group and is responsible for co-ordinating sales related to the market in the People's Republic of China. He has over 21 years of experience in selling building materials.

Mr LO Wai Man, aged 47, joined the Group in 1979. Mr LO is a technical director and is responsible for overseeing provision of technical support for bathroom collection. He has over 21 years of experience in selling building materials and is a licensed plumber.

Mr SHUM Lup Chi, aged 45, joined the Group in 1982. Mr SHUM is the office manager and is responsible for office internal control and cost analysis. He had worked for various solicitor firms for 6 years before joining the Group.





Mr NG Sheung Yiu, aged 39, joined the Group in 1984. Mr NG is the chief designer for the corporate brochure and retail shops of the Group and responsible for all kinds of graphic design and assisting in the interior design of the Group's retail outlets.

Mr MA Sze Ho, aged 40, joined the Group in 1979. Mr MA is a sales director in charge of major wholesales accounts. He has over 21 years experience in selling building materials.

Mr LAU Shiu Sun, Terence, aged 33, joined the Group in 1994. Mr LAU is a sales manager of the Group and is responsible for project sales. He graduated from Hong Kong Baptist University (formerly Baptist College) with a bachelor of science degree in 1992.

Mr CHAN Chiu Keung, aged 53, joined the Group since 1976. Mr CHAN is the manager of the Mongkok retail shop of the Group and is in charge of overall shop management of that shop. He has over 25 years of experience in retail business.

Mr CHANG Kai Chuen, aged 27, joined the Group in 1991. Mr CHANG is a sales manager of the Group and is responsible for project sales.

## Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31st March 2001, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

Name of Shareholder	Number of Shares
BHGL	140,000,000
Tse Brothers Assets Management Limited (Note 7)	140,000,000
HSBC Holdings plc (Note 8)	140,000,000
HSBC Finance (Netherlands) (Note 8)	140,000,000
HSBC Holdings B.V. (Note 8)	140,000,000
HSBC Investment Bank Holdings B.V. (Note 8)	140,000,000
HSBC International Trustee Limited (Note 8)	140,000,000

Note 7: BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited. Tse Brothers Assets Management Limited is accordingly taken to be interested in these shares under Section 8(2) of the SDI Ordinance.

Note 8: BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited, the entire issued share capital of which is in turn held by HSBC International Trustee Limited (which is the trustee of the Tse's Family Trust). HSBC International

Trustee Limited is accordingly taken to be interested in these shares under Section 8(2) of the SDI Ordinance. The shares in which HSBC International Trustee Limited is interested formed part of the shares in which HSBC Investment Bank Holdings B.V. is interested formed part of the shares in which HSBC Holdings B.V. is interested; the shares in which HSBC Investment Bank Holdings B.V. is interested; the shares in which HSBC Holdings B.V. is interested are the shares in which HSBC Finance (Netherlands) is interested and the shares in which HSBC Finance (Netherlands) is interested formed part of the shares in which HSBC Holdings plc is interested.

### **Information pursuant to Practice Note 19 of the Listing Rules**

At 31st March 2001, as a condition of general banking facilities granted to the Group by two of its principal bankers, the major beneficial shareholders of BHGL (being The Tse Brothers Unit Trust and The Tse's Family Trust) are required to maintain not less than 35% of their beneficial shareholding in the Company.

Save as disclosed above, the directors of the Company are not aware of any circumstances which would give rise to any disclosure obligations under Practice Note 19 of the Listing Rules as at 31st March 2001.

### **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.

### **Major customers and suppliers**

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
The largest customer	8%
Five largest customers combined	25%
Purchases	
The largest supplier	14%
Five largest suppliers combined	42%

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.



## Audit committee

An audit committee, comprising two independent non-executive directors, namely Dr CHAN Nai Keong, Kenneth and Mr LEUNG Kwong Kin, was established on 22nd March 2000. Mr WONG Wah, Dominic has joined and Dr CHAN Nai Keong, Kenneth has ceased as an audit committee member since their respective appointment and resignation dates as independent non-executive director respectively.

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 activities of the audit committee include the review and supervision of the Group's financial reporting process and internal controls.

During the year, the audit committee met a few times with management to review the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters (including the interim and annual accounts prior to recommending them to the Board for approval).

## Compliance with the Code of Best Practice of the Listing Rules

In the opinion of the directors of the Company, the Company has complied with the Code of Best Practice as set out in the Listing Rules since the date of listing of the Company's shares on the Stock Exchange.

## Pension scheme arrangements

Prior to 1st December 2000, the Group operated a defined contribution retirement scheme (the "Scheme") for its employees. The scheme assets are held under a provident fund managed by an independent administrator. Under the Scheme, the employees are required to contribute 5% of their monthly salaries, while the employer's contributions are calculated at a range of 5 to 10% of the individual employee's monthly payroll. The employees are entitled to 100% of the employer's contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years' service. The forfeited contributions are to be used to reduce the employer's contributions.

With effect from 1st December 2000, the mandatory provident fund scheme (the "MPF Scheme") was made compulsory as enforced by the Mandatory Provident Fund Schemes Authority of Hong Kong. The MPF Scheme is a defined contribution retirement benefit scheme administered by independent trustees. The employer and the employee have to contribute in total an amount equal to 10% of the relevant

income of the employee to the MPF Scheme. Contributions from the employer are 100% vested in the employees as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 subject to a few exceptions.

Employees joining after 1st December 2000 will contribute under the MPF Scheme while employees under the Scheme have an option to join the MPF Scheme.

The aggregate employer's contributions under the above schemes, net of forfeited contribution of approximately HK\$235,000, under the Scheme, have been dealt with in the profit and loss account of the Group for the year ended 31st March 2001 amounted to approximately HK\$2,160,000. As at 31st March 2001, there were no forfeited contributions available to offset future employer's contributions to the schemes.

### **Connected transaction**

The related party transaction for the year ended 31st March 2001 as disclosed in note 24 to the accounts in respect of rental expenses of approximately HK\$2,736,000 paid to NCL also constitutes a connected transaction. NCL is a fellow subsidiary of the Company in which Mr. TSE Sun Fat, Henry, Mr. TSE Sun Po, Tony, Mr. TSE Sun Lung, Alan, Mr. LEE Chi Wah, Rhodes, Mr. LEUNG

Ka Cheung and Mr. WONG Tin Cheung, Ricky have beneficial interests. The Stock Exchange has granted conditional waivers to the Company from strict compliance with Chapter 14 of the Listing Rules. In the opinion of the directors including the independent non-executive directors of the Company, the transaction was conducted in the ordinary course of the business of the Group and in accordance with the terms of agreements.

### **Post balance sheet date event**

Details of the post balance sheet date event are set out in note 21(a) to the accounts.

### **Auditors**

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

On behalf of the Board



**TSE Sun Fat, Henry**

*Chairman*

Hong Kong, 3rd October 2001