

# REPORT OF THE DIRECTORS

For the year ended 31 March 2002

The directors of Kim Eng Holdings (Hong Kong) Limited (the "Company") have pleasure in submitting their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2002.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and securities trading and investment. The principal activities of its subsidiaries are securities and futures broking, provision of margin financing, corporate advisory services, placing and underwriting, as well as nominee and custodian services.

## SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2002 is set out in note 3 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 18 to 51.

An interim dividend of HK 10 cents per share totalling HK\$7,200,000 was paid on 3 January 2002.

The directors recommend the payment of a final dividend of HK17 cents to the shareholders registered in the Register of Members of the Company at the close of business on 26 July 2002 payable on 6 August 2002 for the year ended 31 March 2002. This recommendation has been incorporated in the financial statements as an appropriation of reserves in the balance sheet. Further details of this accounting treatment are set out in note 22 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 10 to the financial statements.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 22 to the financial statements.

## **REPORT OF THE DIRECTORS (Continued)**

For the year ended 31 March 2002

### **POST BALANCE SHEET EVENTS**

Details of post balance sheet events are set out in note 30 to the financial statements.

### **SUBSIDIARIES AND ASSOCIATES**

Particulars of the Company's principal subsidiaries and associates as at 31 March 2002 are set out in notes 11 and 12 to the financial statements respectively.

### **PROVIDENT FUND SCHEMES**

Details of the Company's provident fund schemes are set out in note 28 to the financial statements.

### **MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, turnover attributable to the Group's five largest customers accounted for less than 30% of the total turnover for the year.

The Group is mainly a provider of financial services. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

### **DONATIONS**

During the year, the Group made charitable and other donations amounting to HK\$70,000.

## REPORT OF THE DIRECTORS (Continued)

For the year ended 31 March 2002

### DIRECTORS

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

#### Executive directors :

Lee Woo Sau Yin, Gloria

Fok Kwong Hang, Terry

Chan Yick Hung (resigned on 14 June 2002)

Ooi Thean Yat, Ronald Anthony

Lau Kin Yeung, Eddie (resigned on 14 June 2002)

Wong Chun Wai (appointed on 1 July 2001)

Chan Keng Loke (resigned on 1 July 2001)

#### Independent non-executive directors :

Mao Yau Fong, Henry

Chiang, Lily

Mr. Mao Yau Fong, Henry and Dr. Lily Chiang shall retire in accordance with Article 112 of the Company's Articles of Association and Mr. Wong Chun Wai shall retire in accordance with Article 95 of the Company's Articles of Association. All three of the aforementioned directors being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

### DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## REPORT OF THE DIRECTORS (Continued)

For the year ended 31 March 2002

### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 March 2002, the interests of the directors of the Company and their associates in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register required to be kept under section 29 of the SDI Ordinance were as follows :

Name of director	Number of shares held	Nature of interest
<i>The Company (Ordinary shares)</i>		
Fok Kwong Hang, Terry	13,120,000	Personal
Chan Yick Hung	400,000	Personal
Lau Kin Yeung, Eddie	600,000	Personal
Wong Chun Wai	380,000	Personal
<i>Kim Eng Ong Asia Holdings Ltd (Ordinary shares)</i>		
Lee Woo Sau Yin, Gloria	45,941,770	Personal
Ooi Thean Yat, Ronald Anthony	85,544,928	Personal
Fok Kwong Hang, Terry	3,309,000	Personal

Save as disclosed above, as at 31 March 2002, none of the Company's directors or any of their associates had or was deemed to have interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

## REPORT OF THE DIRECTORS (Continued)

For the year ended 31 March 2002

### SHARE OPTION SCHEME

On 29 December 1997, a share option scheme (the "Scheme") was approved and adopted, under which the Directors may, at their discretion, offer to any employees (including any executive director) of the Group options to subscribe for such number of shares as the Board may determine up to a maximum aggregate number of shares equal to 10% of the total issued shares of the Company. The purpose of the Scheme is to allow the eligible employees to participate in the equity of the Company in order to motivate such employees to optimise their performance standards and efficiency, and to attract and retain key employees whose contributions are important to the long term growth and profitability of the Group. No single employee shall be granted an option which, if exercised in full, would result in total number of shares already issued and issuable to him under all the options granted to him exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme. An option may be exercised in accordance with its terms at any time during a period to be notified by the Board to each grantee. Such period may commence on the expiry of 12 months after the date upon which the offer of the option is accepted and expire three years after the commencement date or 28 December 2007 whichever is the earlier. The consideration payable for the option is HK\$1.00. The exercise price shall be a price determined by the Board which is the higher of (a) a price not less than 80% of the average of the closing prices of the shares on the Stock Exchange for the five days immediately preceding the offer date; and (b) the nominal value of a share. The Scheme will expire on 29 December 2007.

As at 31 March 2002, the number of shares in respect of which options had been granted under the Scheme was 1,800,000 representing 2.5% of the shares of the Company in issue at that date.

There was no movement in the Company's share options during the year. Options outstanding at the beginning and end of the year were as follows:

Name	Number of share options outstanding at		Date of grant	Exercise price	Exercisable period
	31 March 2002	1 April 2001 and			
<i>Directors</i>					
Chan Yick Hung	720,000		27 April 1998	HK\$8	27 April 1999 to 26 April 2002
Wong Chun Wai	720,000		4 May 1998	HK\$8	4 May 1999 to 3 May 2002
<i>Employee</i>					
	360,000		27 April 1998	HK\$8	27 April 1999 to 26 April 2002
Total	<u>1,800,000</u>				

# REPORT OF THE DIRECTORS (Continued)

For the year ended 31 March 2002

## SHARE OPTION SCHEME (Continued)

No share options were exercised during the year.

Save as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Company's directors or any of their associates 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

Mrs. Lee Woo Sau Yin, Gloria and Mr. Ooi Thean Yat, Ronald Anthony and Mr. Fok Kwong Hang, Terry held 45,941,770, 85,544,928, and 3,309,000 shares, respectively at 31 March 2002 in the Company's ultimate holding company, Kim Eng Singapore (formerly known as Kim Eng Holdings Limited), a company incorporated in Singapore and listed on the Stock Exchange of Singapore. Together with its subsidiaries and associates, Kim Eng Singapore had significant transactions with the Group during the year ended 31 March 2002. Further details of these transactions are set out in note 29(a) to the financial statements.

Save as disclosed above, there were no contracts of significance to which the Company, its holding 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.

## SUBSTANTIAL SHAREHOLDER

As at 31 March 2002, the only other party, other than the directors of the Company, directly or indirectly, interested in 10% or more of the issued share capital of the Company as recorded in the register required to be kept under section 16(1) of the SDI Ordinance was as follows :

<b>Name</b>	<b>Number of shares</b>
Kim Eng Singapore	39,500,000

## **REPORT OF THE DIRECTORS (Continued)**

For the year ended 31 March 2002

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2002 other than as an agent for clients of the Company or its subsidiaries.

### **MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

### **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied with the Code of Best Practice ("the Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2002, except that the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Articles of Association.

### **AUDIT COMMITTEE**

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

### **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 52 of this annual report.

# REPORT OF THE DIRECTORS (Continued)

For the year ended 31 March 2002

## AUDITORS

The financial statements have been audited by Messrs. Grant Thornton who retire from office and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

**Fok Kwong Hang, Terry**

*Managing Director*

Hong Kong, 28 June 2002