

Report of the Directors

The directors submit herewith their annual report together with the audited accounts for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 14 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 5 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales attributable to the major customers during the financial year is as follows:

	Percentage of the Group's total sales
The largest customer	34%
Five largest customers in aggregate	67%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers.

Purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the value of the Group's total purchases for the year.

RESULTS AND DISTRIBUTION

The profit and distribution of the Group for the year ended 31 March 2002 are set out on pages 41.

An interim dividend of 1.5 cents per share was paid on 15 January 2002. The directors do not recommend the payment of a final dividend for the year ended 31 March 2002.

董事會報告書

董事會謹將截至二零零二年三月三十一日止年度的年報及經審核賬項呈覽。

主要業務

本公司的主要業務為投資控股，而其附屬公司的主要業務則詳載於財務報表附註14內。

本公司及其附屬公司於本財政年度按主要業務及經營地區劃分的分析則詳載於財務報表附註5內。

主要客戶及供應商

本財政年度，本集團對主要客戶的銷售如下：

	佔本集團 總銷售額 百分比
最大客戶	34%
五大客戶之總和	67%

在本年度任何期間各董事、彼等各自之聯繫人士或本公司任何股東（乃就董事所知擁有本公司已發行股本超過5%權益之股東）並無於本集團主要客戶擁有任何權益。

本集團向五大供應商的採購額少於本集團本年度之採購總額之30%。

業績及分配

本集團截至二零零二年三月三十一日的溢利及此等溢利之分配載於第42頁。

中期股息每股港幣1.5仙，已於二零零二年一月十五日派發。董事會不建議就二零零二年三月三十一日止年度派發末期股息。

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PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital and share options of the Company are set out in note 21 to the financial statements.

DIRECTORS

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

Executive Directors:

Mr. Tsang Chi Hung
Mr. Liu Hoo Kuen
Ms. Kwan Yau Choi
Ms. Fung Sau Mui
Mr. Tai Wing Wah
Mr. Wong Kam Hong
Mr. Richard Warren Herbst

Independent Non-executive Directors:

Mr. Chu Kwok Man
Mr. Lau Chi Hing, Steven (resigned on 30 November 2001)
Mr. Lok Wai Kiang, Paul (appointed on 1 September 2001)

In accordance with Bye-Law 87, Mr. Wong Kam Hong and Mr. Richard Warren Herbst retire from the board by rotation and, being eligible, offer themselves for re-election. In accordance with Bye-Law 86(2), Mr. Lok Wai Kiang, Paul shall retire from the board and, being eligible, offers himself for re-election.

物業、廠房及設備

本集團於本年度的物業、廠房及設備之變動詳載於財務報表附註13內。

股本及購股權計劃

本公司於本年度股本及購股權計劃之變動詳載於財務報表附註21內。

董事

本財政年度及截至本報告書日的董事如下：

執行董事

曾志雄先生
廖浩權先生
關有彩女士
馮秀梅女士
戴永華先生
黃錦康先生
Richard Warren Herbst先生

獨立非執行董事

朱國民先生
劉志興先生（於二零零一年十一月三十日離任）
駱偉強先生（於二零零一年九月一日委任）

按照本公司章程第87條所規定，黃錦康先生及Richard Warren Herbst先生輪值退任，按照本公司章程第86(2)條所規定，駱偉強先生亦需退任。彼等均符合資格膺選連任。

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors, Mr. Tsang Chi Hung, Mr. Liu Hoo Kuen, Ms. Kwan Yau Choi, Ms. Fung Sau Mui, Mr. Tai Wing Wah, Mr. Wong Kam Hong and Mr. Richard Warren Herbst, has entered into a service contract with the Company for an initial term of 3 years commencing from 1 February 2000. Each service contract will continue thereafter unless terminated by either party thereto giving to the other at least three months' notice in writing.

Both of the independent non-executive directors, Mr. Chu Kwok Man and Mr. Lok Wai Kiang, Paul have entered into service contracts with the Company for a term of 2 years commencing on 1 February 2002 and 1 September 2001 respectively.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2002, the beneficial interests of the directors and of their associates in the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

(a) Interests in the Company's shares

Name of director	Number of shares of HK\$0.10 each		
	Personal interests	Family interests	Corporate interests
Mr. Tsang Chi Hung	9,920,827	9,920,827 (note 2)	112,511,670 (note 1)
Mr. Liu Hoo Kuen	8,707,481	-	-
Ms. Kwan Yau Choi	9,920,827	9,920,827 (note 3)	112,511,670 (note 1)
Ms. Fung Sau Mui	750,000	-	-
Mr. Tai Wing Wah	750,000	-	-
Mr. Wong Kam Hong	589,995	-	-
Mr. Richard Warren Herbst	589,995	-	-
Mr. Lok Wai Kiang, Paul	-	500,000 (note 4)	-

董事會報告書

董事之服務合約

各執行董事，包括曾志雄先生，廖浩權先生，關有彩女士，馮秀梅女士，戴永華先生，黃錦康先生，Richard Warren Herbst先生，已與本公司簽訂服務合約，由二零零零年二月一日起生效，服務合約期為三年。合約期滿後，除非其中一方給予另一方最少三個月書面通知終止協議為止，否則各服務合約將繼續生效。

兩位獨立非執行董事包括朱國民先生及駱偉強先生，已與本公司簽訂服務合約，分別由二零零二年二月一日及二零零一年九月一日起生效，合約期為兩年。

所有被建議在應屆股東週年大會中連任之董事，概無與本公司或其任何附屬公司訂立不得在一年內被集團終止而無需作出賠償(法定賠償除外)之服務合約。

董事權益

於二零零二年三月三十一日，根據本公司依照《證券(披露權益)條例》(「披露權益條例」)第29條編存的登記冊所載，各董事所佔本公司股本的實益權益如下：

(a) 本公司股份的權益

董事姓名	每股面值港幣0.10元的普通股		
	個人權益	家族權益	公司權益
曾志雄先生	9,920,827	9,920,827 (附註2)	112,511,670 (附註1)
廖浩權先生	8,707,481	—	—
關有彩女士	9,920,827	9,920,827 (附註3)	112,511,670 (附註1)
馮秀梅女士	750,000	—	—
戴永華先生	750,000	—	—
黃錦康先生	589,995	—	—
Richard Warren Herbst 先生	589,995	—	—
駱偉強先生	—	500,000 (附註4)	—

Report of the Directors

Notes:

1. Mr. Tsang Chi Hung and Ms. Kwan Yau Choi are substantial shareholders of Peasedow Enterprises Limited which beneficially held 112,511,670 shares of the Company.
2. These shares are held in the name of Ms. Kwan Yau Choi, the wife of Mr. Tsang Chi Hung and Mr. Tsang Chi Hung is deemed to be interested in those shares as family interests.
3. These shares are held in the name of Mr. Tsang Chi Hung, the husband of Ms. Kwan Yau Choi and Ms. Kwan Yau Choi is deemed to be interested in those shares as family interests.
4. These shares are held in the name of Lok Zee Pui Pui, Teresa, the wife of Mr. Lok Wai Kiang, Paul and Mr. Lok Wai Kiang, Paul is deemed to be interested in those shares as family interests.

(b) Personal interests in shares of Decca (Mgt) Limited

Non-voting deferred shares of HK\$100 each

Mr. Tsang Chi Hung	48,650
Mr. Liu Hoo Kuen	42,700
Ms. Kwan Yau Choi	48,650

In addition, Mr. Tsang Chi Hung and Mr. Liu Hoo Kuen hold one share each in certain subsidiaries of the Company on trust for the benefit of the Group.

Apart from the above, none of the directors held office at 31 March 2002 had any beneficial or non-beneficial personal, family, corporate or other interests in the issued share capital of the Company and its associated corporations (within the meaning of the SDI Ordinance) at that date.

SHARE OPTION SCHEME

The Company's share option scheme (the Scheme), was adopted pursuant to a resolution passed on 23 February 2000 for the primary purpose of retaining high calibre executives and employees and the options are exercisable for a period up to 10 years from 23 February 2000. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 March 2002, the number of shares in respect of which options had been granted under the Scheme was 5,000,000, representing 2.5% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed to 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

董事會報告書

附註：

1. 曾志雄先生，關有彩女士均為Peasedow Enterprises Limited (「Peasedow」) 之主要股東，而Peasedow則持有本公司之112,511,670股份。
2. 該等股份以曾志雄先生之妻子關有彩女士名義持有，而曾志雄先生則被視以家族權益擁有該等股份。
3. 該等股份以關有彩女士之丈夫曾志雄先生名義持有，而關有彩女士則被視以家族權益擁有該等股份。
4. 該等股份以駱偉強先生之妻子駱徐培培女士名義持有，而駱偉強先生則被視為以家族權益擁有該等股份。

(b) 達藝室內工程(管理)有限公司股份的個人權益

每股面值港幣100元
無投票權遞延股份

曾志雄先生	48,650
廖浩權先生	42,700
關有彩女士	48,650

此外，曾志雄先生及廖浩權先生各自就本集團之利益持有本公司之若干附屬公司中一股股份。

除上文所披露外，於二零零二年三月三十一日為本公司之董事並無於本公司或其任何聯繫公司(根據披露權益條例之定義)之股本中擁有任何利益或無利益的個人、家族、公司或其他權益。

購股權計劃

於二零零零年二月二十三日議決通過採納的本公司之購股權計劃(「股權計劃」)，是要為保留優秀行政人員及員工而設立的，有關購股權，可於二零零零年二月二十三日起十年內行使。根據購股權計劃，董事會可向合資格的員工，包括本公司及其附屬公司的董事，授予認購本公司股份之購股權。

於二零零二年三月三十一日，根據股權計劃而授予的購股權所涉及的股份共為5,000,000股，相當於當天本公司已發行股份的2.5%。根據股權計劃授予之購股權所涉及之股份總額，在未得本公司股東同意前，不得超過本公司當時已發行股份的10%。

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Options granted on 31 August 2001 must be taken up at any time between 1 September 2002 to 31 August 2007, upon payment of HK\$1 per option. The exercise price is determined by the directors of the Company, and will not be less than 80% of the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant or such other restrictions as stipulated in the Listing Rules.

Details of movement during the year are as follows:

Name	Exercise price per share option HK\$	Number of share options outstanding at 1 April 2001	Share options granted during the year	Number of share options outstanding at 31 March 2002
Mr. Tsang Chi Hung	0.80	–	1,000,000	1,000,000
Mr. Liu Hoo Kuen	0.80	–	1,000,000	1,000,000
Ms. Kwan Yau Choi	0.80	–	1,000,000	1,000,000
Ms. Fung Sau Mui	0.80	–	500,000	500,000
Mr. Tai Wing Wah	0.80	–	500,000	500,000
Mr. Wong Kam Hong	0.80	–	500,000	500,000
Mr. Richard Warren Herbst	0.80	–	500,000	500,000
Total		–	5,000,000	5,000,000

The fair value of the options granted in the current year measured as at 31 August 2001, the date of grant, totalled approximately HK\$1,500,000. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

- Risk free rate: 4.84%, being the approximate yield of 5-year Exchange Fund Notes traded on 31 August 2001
- Expected volatility: 14.89%, being the 100-day volatility of the closing price of the shares of the Company from 31 August 2000 to 31 August 2001
- Expected dividend yield: 2.20%, being 2001 dividend yield of the shares of the Company
Growth rate: Negative 75%, being the dividend growth rate of the Company for the year 2001
- Expected life of options: 6 years

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognised in the income statement in respect of the value of options granted in the period.

董事會報告書

於二零零一年八月三十一日所授予之購股權必須二零零二年九月一日至二零零七年八月三十一日任何時間內被接納，並須繳付港幣一元。購股權之行使價由本公司董事厘定，但不得低於授予購股權當日本公司股份之收市價、或之前五個交易日本公司股份收市價之平均值之80%，兩者以較高為準，或上市規則所規定為準。

本年度內之購股權變動如下：

姓名	每股 購股權 行使價 港元	於二零零一年	本期授出 之購股權	於二零零二年
		四月一日 之未行使 購股權數量		三月三十一日 之未行使 購股權數量
曾志雄先生	0.80	—	1,000,000	1,000,000
廖浩權先生	0.80	—	1,000,000	1,000,000
關有彩女士	0.80	—	1,000,000	1,000,000
馮秀梅女士	0.80	—	500,000	500,000
戴永華先生	0.80	—	500,000	500,000
黃錦康先生	0.80	—	500,000	500,000
Richard Warren Herbst先生	0.80	—	500,000	500,000
總額		—	5,000,000	5,000,000

本年度授予之購股權於二零零一年八月三十一日，即購股權授予當日，之合理價值共約1,500,000港元。以下為按照柘力克－舒爾斯期權價格模式計算購股權合理價值時所採用的主要假設：

1. 無風險利率： 4.84%，為二零零一年八月三十一日交易的五年外匯基金票據的大約孳息。
2. 預期波幅： 14.89%，為本公司股份自二零零零年八月三十一日至二零零一年八月三十一日的收市價的一百天波幅率。
3. 預期股息率： 2.20%，為本公司二零零一年度股息率。
增長率： 負75%，為本公司二零零一年度之股息增長率。
4. 購股權的預期有效年期： 六年

柘力克－舒爾斯期權價格模式的應用需採用非常主觀的假設，包括股價的波幅，因此等主觀假設的變動會對合理價值的估算造成重大的影響，董事認為，此模式不一定能提供一個對購股權合理價格可信的估算。

本年度授予的購股權價值並沒有在收益表內反影。

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme of the Company, 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 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, and none of 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.

SUBSTANTIAL SHAREHOLDERS

Save for disclosed in directors interests in shares above, the Company has not been notified of any interests in the share capital of the Company as at 31 March 2002 which is required to be recorded in the register as required to be kept under section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

The Group has entered into two tenancy agreements (the "Agreements") with Golden Life Investment Limited ("Golden Life"). The transactions pursuant to the Agreements constituted connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as Mr. Tsang Chi Hung, Mr. Liu Hoo Kuen and Ms. Kwan Yau Choi, directors of the Company, are also directors and shareholders of Golden Life.

Pursuant to the Agreements, the Company leases (1) workshop nos. 1-13, 18-21 on the 2nd floor, together with the rear portion of the flat roof on the 3rd floor and 7 car parking spaces on the ground floor of Decca Industrial Centre, 21 Cheung Lee Street, Chai Wan, Hong Kong with an aggregate gross floor area of about 18,242 square feet (excluding the car park and flat roof areas) as its head office, showroom and warehouse at a monthly rental of HK\$206,245; and (2) Remaining portion of lot nos. 511, 512 and 516 in Demarcation District No. 109, Kam Tin, Yuen Long, New Territories with an aggregate site area of about 28,378 square feet for warehousing at a monthly rental of HK\$20,000. The term of the Agreements is for a period of 3 years from 1 December 1999 to 30 November 2002.

During the year, the Group paid rental of HK\$2,714,940 to Golden Life pursuant to the Agreements.

The independent non-executive directors have reviewed the transactions pursuant to the Agreements and confirm that these transactions have been entered into:

- (i) by the Group in the usual and ordinary course of business;

董事會報告書

董事購買股份及債券安排

除本公司之購股權計劃外，本公司、控股公司或任何附屬公司均沒有在本年度內或截至本報告日止訂立任何安排，致使本公司董事、配偶或其十八歲以下之子女可以透過收購本公司或任何其他法人公司的股份或債券而獲益。

主要股東

除上文「董事權益」所披露者外，於二零零二年三月三十一日本公司沒有接獲有關於本公司之股本中擁有須根據披露權益條例第16(1)條予以記錄之權益的通知。

關連交易

本集團與精威投資有限公司（「精威」）訂立兩項租賃協議（「租賃協議」），曾志雄先生、廖浩權先生及關有彩女士各為精威之董事及股東。根據香港聯合交易所有限公司證券上市規則（「上市規則」）規定，按協議進行的交易，將構成關連交易。

根據該協議本公司租用(1)位於香港柴灣祥利街21號達藝工業中心2樓1-13及18-21號工場，連同3樓平台後半部份及地下7個車位，總樓面面積約18,242平方呎（不包括停車場及天台範圍）作為其總辦事處、貨倉及陳列室，月租為港幣206,245元；及(2)位於新界錦田丈量約份第109號511、512及516號地段之餘下部份，總佔地面積約為28,378平方呎作為貨倉，月租為港幣20,000元。該協議為期三年，由一九九九年十二月一日至二零零二年十一月三十日為止。

本集團於本年度內支付給精威之租金金額為港幣2,714,940元。

獨立非執行董事已對該項根據租賃協議而進行之交易作出審查及確認如下：

- (i) 該等交易乃根據本集團之一般日常業務所進行；

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- (ii) on normal commercial terms or on terms that are fair and reasonable so far as the independent shareholders of the Company are concerned; and
- (iii) in accordance with the terms of the Agreements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed above in connected transaction, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws, although there is no restriction against such rights under Bermuda Law.

FINANCIAL SUMMARY

A summary of the Group's results for the last five financial years and of the Group's assets and liabilities at 30 September 1999, 31 March 2000, 31 March 2001 and 31 March 2002 is set out on pages 9 to 10 of the annual report.

RETIREMENT SCHEME

Details of the Group's retirement scheme are set out in note 31 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules.

- (ii) 該等交易乃根據一般商務條款或對本公司之獨立股東而言屬公平合理之條款而進行；及
- (iii) 該等交易乃根據租賃協議之條款而進行。

董事之合約權益

除上述「關連交易」所披露外，董事並無於本公司、其控股公司或其任何附屬公司於本年度內訂立而對本公司業務屬重大之任何合約中擁有實際權益。

購買、出售或贖回公司股份

本公司及其附屬公司於本年度均無購入、出售或贖回任何本公司的股份。

優先購買權

雖然百慕達法例並不禁止優先購買權之權利，本公司之公司細則並無載有此等權利之條文。

財務概要

本集團於過去五個財政年度之業績及於一九九九年九月三十日，二零零零年三月三十一日，二零零一年三月三十一日及二零零二年三月三十一日之資產負債概要載於本年報第9頁及第10頁內。

退休金計劃

本集團退休金計劃的資料詳載財務報表附註31內。

遵守最佳應用守則

於本年度內，本公司一直遵守聯合交易所上市規則附錄十四所載之最佳應用守則。

Report of the Directors

AUDITORS

During the year, Messrs. KPMG resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company.

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

Tsang Chi Hung

Chairman

15 July 2002

核數師

本年度內，德勤•關黃陳方會計師事務所獲委任為本公司核數師，接替已辭任之畢馬威會計師事務所。

關於續聘德勤•關黃陳方會計師事務所為本公司核數師之決議案將於應屆股東週年大會上提呈。

承董事會命

主席

曾志雄

二零零二年七月十五日