

# Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31st March, 2002.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company and its subsidiaries are to hold investments for medium to long-term capital appreciation purposes.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 17 of the financial statements.

The Directors do not recommend the payment of a dividend for the year.

## SHARE CAPITAL

Details of movements in the authorised and issued share capital of the Company during the year are set out in note 17 to the financial statements.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 18 to the financial statements.

## DIRECTORS

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

### Executive Directors:

Mr. Chiou, Jerry

Mr. Chen Cheng-hsiung

Mr. Chou Ping-chun, Benji

Mr. Tai Chi Ching (Appointed on 25th May, 2001)

### Independent Non-executive Directors:

Mr. Lin, Jack

Mr. Chan, Gordon

In accordance with Articles 118 and 152 of the Company's Articles of Association, Mr. Chiou, Jerry and Mr. Chen Cheng-hsiung will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Mr. Chiou, Jerry, Mr. Chen Cheng-hsiung and Mr. Chou Ping-chun, Benji have entered into service contracts with the Company for an initial term of three years which commenced on 3rd October, 2000 and continues thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

Mr. Tai Chi Ching has entered into a service contract with the Company for an initial term of three years which commenced on 25th May, 2001 and continues thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

The term of office of each of the independent Non-executive Directors is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

Other than as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting 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.

## DIRECTORS' INTERESTS IN SHARES

None of the Directors or their respective associates had any interests in any securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), and none of the Directors or chief executives, nor 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.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or 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 debt securities (including debentures) of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, the following shareholders had an interest of 10% or more in the share capital of the Company:

Name of shareholders	Number of ordinary shares held
Taiwan International Capital (HK) Limited ( <i>Note</i> )	47,568,000
Harmony Asset Limited	30,000,000

*Note:* Taiwan International Capital (HK) Limited is a wholly owned subsidiary of TIS Securities (HK) Limited in which Mr. Jerry Chiou and Mr. Tai Chi Ching are directors.

## Directors' Report

Other than as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st March, 2002.

### **DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED PARTY TRANSACTIONS**

Pursuant to an agreement dated 27th November, 2000 (the "Agreement"), the Company has appointed AVANTA Investment (International) Limited ("AVANTA Investment") as its investment manager with effect from 28th April, 2000. The directors of the Company, Mr. Jerry Chiou and Mr. Tai Chi Ching, are also directors of AVANTA Investment. Pursuant to the Agreement, AVANTA Investment will be entitled to a monthly management fee calculated at 1.5% per annum of the net asset value of the Group at each preceding month end as defined in the Agreement and an annual performance fee equivalent to 10% of the surplus in net asset value (with appropriate adjustment) over a financial year as defined in the Agreement. During the year, the Company paid a management fee amounting to approximately HK\$885,000 to AVANTA Investment. In the opinion of the independent Non-executive directors, the payment of management fees was:

- (i) in the ordinary and usual course of the Company's business and was in accordance with the terms of the relevant agreement;
- (ii) on normal commercial terms and on an arm's length basis; and
- (iii) fair and reasonable so far as the shareholders of the Company are concerned.

In addition, the Company received interest income on 5% convertible fixed interest bond amounting to approximately HK\$328,000 from IT Star Holdings Limited which is a wholly owned subsidiary of Harmony Asset Limited. Harmony Asset Limited had an interest of 12.2% in the share capital of the Company as at 31st March, 2002.

Other than as disclosed above, 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.

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

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

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the laws in the Cayman Islands.

## CORPORATE GOVERNANCE

Save that the Non-executive Directors of the Company are not appointed for a specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31st March, 2002.

## AUDITORS

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

On behalf of the Board

**Tai Chi Ching**

*Executive Director*

Hong Kong, 19th July, 2002