



# Directors' Report

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The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31st March, 2002.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the major subsidiaries and associates are set out in notes 51 and 52 to the financial statements, respectively.

## RESULTS

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 20.

## SHARE CAPITAL

Details of share capital issued by of the Company are set out in note 31 to the financial statements respectively.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 32 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements of property, plant and equipment of the Group and the Company during the year are set out in note 15 to the financial statements.

## INVESTMENT PROPERTY

Details of the movement in the Group's investment property during the year are set out in note 16 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2002, the aggregate amount of turnover attributable to the Group's five largest customers represented approximately 39% of the Group's total turnover for the year. The aggregate amount of turnover attributable to the Group's largest customer for the year is 24%.

None of the directors, their associates or any shareholder owns more than 5% of the Company's share capital, has interests in these customers.

## **MAJOR CUSTOMERS AND SUPPLIERS** *(continued)*

For the year ended 31st March, 2002, the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases for the year.

## **DIRECTORS**

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

Wong Chi Fai

Fan Man Seung, Vanessa

Kwok Chi Sun, Vincent \*

Li Siu Lok, Albert \*

*\* Independent non-executive directors*

In accordance with Article 105(A) of the Company's Articles of Association, the number nearest one-third of the number of the Directors of the Company as at the forthcoming Annual General Meeting will retire from office.

The term of office of each director, including the independent non-executive directors, is for a period up to his/her resignation or his/her retirement by rotation in accordance with the Company's Articles of Association.

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.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES**

At 31st March, 2002, none of the directors, chief executives or their associates had any interests in any securities of the Company or its subsidiaries as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

## **DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

The Company has a share option scheme which will be expired on 3rd September, 2002 under which the directors may grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The subscription price will not be less than 80% of the average of the closing prices of the Company's shares on the Stock Exchange on the five trading days immediately preceding the offer of the option provided that in no circumstances shall the subscription price be less than the nominal value of the Company's share. The maximum number of shares in respect of which options may be granted under this scheme may not exceed 10% of the issued share capital of the Company from time to time. An option may be exercised at any time within ten years from the date of grant of the relevant options.

## DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(continued)

There were no outstanding options at 1st April, 2001 or 31st March, 2002, and no share options were granted during the year.

During the year,

- (i) none of the directors or chief executives or 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; and
- (ii) at no time was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company or their spouses, or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

On 16th July, 2002, the Directors proposed to adopt a new share option scheme which is conditional upon (i) the passing of an ordinary resolution at the extraordinary general meeting of the Company ("EGM") to be held on 27th August, 2002 and (ii) the listing committee of HKSE granting the listing of, and permission to deal in any new shares which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the options that may be granted under the new share option scheme up to 10% of the shares in issue as at the date of the EGM.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or 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 SHAREHOLDERS

At 31st March, 2002, according to the register of substantial shareholders kept by the Company under Section 16 (1) of the SDI Ordinance, the following parties had notified the Company that they were interested in 10% or more of the issued share capital of the Company:

Name of substantial shareholder	Notes	Number of shares
Goldstream Group Limited ("Goldstream")	1	205,905,721
Wide Profit Investments Limited ("Wide Profit")	1	205,905,721
Emperor International Holdings Limited ("EIHL")	1	205,905,721
Charron Holdings Limited ("Charron")	2	205,905,721
Jumbo Wealth Limited ("Jumbo Wealth")	2	205,905,721
Yeung Sau Shing, Albert ("Mr. Albert Yeung")	2	205,905,721

## SUBSTANTIAL SHAREHOLDERS (continued)

### Notes:

1. Goldstream was a wholly-owned subsidiary of Wide Profit which in turn was a wholly-owned subsidiary of EIHL as at 31st March, 2002. Accordingly, Wide Profit and EIHL were deemed to be interested in the 205,905,721 shares held by Goldstream.
2. EIHL was a company with its shares listed in Hong Kong, 68.7% of the shares of which were registered in the name of and beneficially owned by Charron, a company controlled by Mr. Albert Yeung, as at 31st March, 2002. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust, a unit trust under the discretionary trust of Mr. Albert Yeung. Accordingly, Mr. Albert Yeung, Jumbo Wealth and Charron were deemed to be interested in the 205,905,721 shares held by EIHL.

## CONNECTED TRANSACTIONS

- (1) During the year, the Company and a wholly-owned subsidiary, finance the entire working capital of Smart Ideal Limited, a 75% owned subsidiary, by way of loans at interest rates equivalent to 5% and 2% respectively over the Hong Kong prime interest rate per annum.

During the year, Smart Ideal Limited paid interest on the loans due to the Company and the wholly-owned subsidiary amounted to approximately HK\$1,265,000 and HK\$426,000 respectively.

- (2) During the year, the Group rented properties from Distinct Rich Limited, Frontgoal Development Limited, Sharp View Investment Limited and Civilink Investment Limited, which are wholly-owned subsidiaries of EIHL, at monthly rental of HK\$71,000, HK\$100,000, HK\$120,000 and HK\$150,000 respectively, exclusive of rates, management fees and air-conditioning charges. The tenancy agreements were renewed on 3rd September, 2001 for a term of two years commencing from 25th August, 2001 at monthly rental of HK\$66,500, HK\$95,000, HK\$120,000 and HK\$150,000 respectively, exclusive of rates, management fees and air-conditioning charges. The tenancy agreements were on normal commercial terms and the rental were determined by reference to open market rent as valued by an independent valuer.

During the year, the Group paid rental charges to those companies amounted to approximately HK\$5,212,000.

- (3) During the year, the Group rented property from Very Sound Investments Limited, a wholly-owned subsidiary of EIHL at a monthly rental of HK\$80,000, exclusive of rates, management fees and air-conditioning charges. The tenancy agreement was renewed on 28th June, 2001 for a term of two years commencing from 1st July, 2001 at a monthly rental of HK\$93,000, exclusive of rates, management fees and air-conditioning charges. The tenancy agreement was on normal commercial terms and the rental was determined by reference to open market rent as valued by an independent valuer.

During the year, the Group paid rental charges amounted to approximately HK\$1,077,000.

## **CONNECTED TRANSACTIONS** *(continued)*

- (4) During the year, the Group sold goods amounted to approximately HK\$2,450,000 to subsidiaries of Global Food Culture Group Limited ("Global"). Global is a listed company of which Jumbo Wealth is deemed to be a substantial shareholder.
  
- (5) During the year, the Group received advertising income amounted to approximately HK\$1,300,000 from Slot Limited, a private company of which Mr. Albert Yeung has beneficial interest, for advertising services provided thereto.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## **POST BALANCE SHEET EVENTS**

Details of significant events occurring after the balance sheet date are set out in note 48 to the financial statements.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31st March, 2002 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.

## **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

**Wong Chi Fai**

*Director*

16th July, 2002