

## Report of the Directors

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The directors submit their report together with the audited accounts for the year ended 30th April 2002.

### **CHANGE OF NAME**

Pursuant to a special resolution passed by the shareholders of the Company on 6th November 2001, the Company's name was changed from Lamex Holdings Limited to Ezcom Holdings Limited.

### **PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the trading of mobile phones, parts and components, manufacturing and trading of office furniture and building materials, together with supply of kitchen cabinets.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

### **RESULTS AND APPROPRIATIONS**

The results for the year are set out in the consolidated profit and loss account on page 30.

The directors do not recommend the payment of a dividend.

### **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the accounts.

### **FIXED ASSETS**

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

### **BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS**

Particulars of the bank loans, overdrafts and other borrowings of the Group as at 30th April 2002 are set out in notes 21 and 22 to the accounts.

### **SHARE CAPITAL**

Details of movements in the share capital of the Company are set out in note 19(a) to the accounts.

### **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 68.

### **DISTRIBUTABLE RESERVES**

As at 30th April 2002, the Company had no distributable reserves under the Companies Act of Bermuda.

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

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 listed securities during the year.

### **SHARE OPTION SCHEMES**

During the year, share options were granted to certain executive directors and employees under the share option schemes adopted on 4th November 1992 and 25th February 1999 (the "Old Option Schemes"). Pursuant to the resolutions of the shareholders of the Company dated 13th March 2002, the Old Option Schemes were terminated and a new share option scheme (the "New Option Scheme") was adopted.

Upon the termination of the Old Option Schemes, no further options can be granted thereunder but in all other aspects, the provisions of these schemes should remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

Details of the New Option Scheme are as follows:

#### **(a) Purpose of the scheme**

The purpose of the New Option Scheme is to enable the Company to grant options to participants as incentive or rewards for the contributions to the Group.

#### **(b) Participants of the New Option Scheme**

The Board may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares, subject to such conditions as the Board may think fit.

- any employee or proposed employee;
- any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any invested entity;
- any supplier of goods or services to any member of the Group or any invested entity;
- any customer of the Group or any invested entity;
- any person or entity that provides research, development or other technological support to the Group or any invested entity;

**SHARE OPTION SCHEMES** *(Continued)*

**(b) Participants of the New Option Scheme** *(Continued)*

- any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity; and
- any company wholly owned by one or more persons belonging to any of the above classes of participants.

The eligibility of any of the above classes of participants to the grant of any options shall be determined by the directors from time to time on the basis of their contribution to the development and growth of the Group.

**(c) Maximum number of shares available for issue under the New Option Scheme**

The maximum aggregate number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% (the “10% Limit”) of the shares in issue as at the date of approving of the New Option Scheme. The Company may however seek approval by the Shareholders in general meeting for refreshing the 10% Limit in accordance with the note to Rule 13.03(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

**(d) Maximum entitlement of each participant**

Unless approved by shareholders in the manner set out in the note to Rule 17.03(4) of the Listing Rules, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

**(e) Exercisable period of options**

An option may be exercised in accordance with the terms of the New Option Scheme at any time during the option period subject to the provisions for early termination thereof.

**(f) Payment on acceptance of option offer**

Pursuant to the New Option Scheme, a nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

**SHARE OPTION SCHEMES** *(Continued)*

**(g) Minimum period before an option can be exercised**

The Board may in its absolute discretion impose a minimum period for which an option has to be held before it is exercised.

**(h) Basis of determining the subscription price**

The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price must be the highest of:

- (i) the closing price of shares as stated in the Stock Exchange of Hong Kong Limited (the “Stock Exchange”)’s daily quotations sheet on the date of grant, which must be a business day;
- (ii) the average closing price of shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a share.

Without prejudice to the generality of the forgoing, the directors may grant options in respect of which the subscription price is fixed at different prices for certain periods during the option period.

**(i) Remaining life of the New Option Scheme**

The New Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption.

No share options were granted under the New Option Scheme since its adoption on 13th March 2002 up to the date of this report.

**SHARE OPTION SCHEMES** *(Continued)*

The following share options were outstanding under the Old Option Schemes at 1st May 2001 and 30th April 2002:

	Date of grant	Exercise price per share	Options outstanding at 1st May 2001	Resigned directors became employees	Granted during the year <i>(note (a))</i>	Exercised during the year	Lapsed during the year	Options outstanding at 30th April 2002	Exercisable period
<b>Directors</b>									
Kok Kin Hok	31st August 2001	HK\$0.10	-	-	30,000,000	-	-	30,000,000	1st September 2001 to 31st August 2005
Lam Bing Sum	31st August 2001	HK\$0.10	-	-	20,000,000	-	-	20,000,000	1st September 2001 to 31st August 2005
Lam Ching Wah, Clement <i>(note (b))</i>	3rd January 2000	HK\$0.1055	32,100,000	-	-	-	-	32,100,000	3rd January 2000 to 2nd January 2004
	3rd July 1997	HK\$0.2619	50,400,000	-	-	-	-	50,400,000	3rd July 1997 to 2nd July 2007
Chow Siu Fan, Farida <i>(note (b))</i>	3rd January 2000	HK\$0.1055	36,000,000	(36,000,000)	-	-	-	-	3rd January 2000 to 2nd January 2004
	3rd July 1997	HK\$0.2619	720,000	(720,000)	-	-	-	-	3rd July 1997 to 2nd July 2007
	13th July 1996	HK\$0.3164	360,000	(360,000)	-	-	-	-	13th July 1996 to 12th July 2006
Lam Andy Siu Wing <i>(note (b))</i>	3rd January 2000	HK\$0.1055	42,000,000	(42,000,000)	-	-	-	-	3rd January 2000 to 2nd January 2004
Ng Chung Shu, Andy <i>(note (b))</i>	3rd January 2000	HK\$0.1055	36,000,000	(36,000,000)	-	-	-	-	3rd January 2000 to 2nd January 2004
Lee Kam Chee, Donald	3rd January 2000	HK\$0.1055	36,000,000	(36,000,000)	-	-	-	-	3rd January 2000 to 2nd January 2004
Chan Kit Yee, Joyce	3rd January 2000	HK\$0.1055	12,000,000	(12,000,000)	-	-	-	-	3rd January 2000 to 2nd January 2004
	3rd July 1997	HK\$0.2619	648,000	(648,000)	-	-	-	-	3rd July 1997 to 2nd July 2007
	13th July 1996	HK\$0.3164	216,000	(216,000)	-	-	-	-	13th July 1996 to 12th July 2006
Hung Kim Yung, Dayton	3rd January 2000	HK\$0.1055	12,000,000	(12,000,000)	-	-	-	-	3rd January 2000 to 2nd January 2004
	3rd July 1997	HK\$0.2619	576,000	(576,000)	-	-	-	-	3rd July 1997 to 2nd July 2007
	13th July 1996	HK\$0.3164	288,000	(288,000)	-	-	-	-	13th July 1996 to 12th July 2006
<b>Employees</b>									
	31st August 2001	HK\$0.10	-	-	70,000,000	-	-	70,000,000	1st September 2001 to 31st August 2005
	3rd January 2000	HK\$0.1055	-	174,000,000	-	(48,000,000)	(90,000,000)	36,000,000	3rd January 2000 to 2nd January 2004
	3rd July 1997	HK\$0.2619	2,304,000	1,944,000	-	-	(3,312,000)	936,000	3rd July 1997 to 2nd July 2007
	13th July 1996	HK\$0.3164	504,000	864,000	-	-	(1,080,000)	288,000	13th July 1996 to 12th July 2006

### SHARE OPTION SCHEMES (Continued)

*Notes:*

- (a) At the date (being a business day) immediately before the options were granted on 31st August 2001, the closing price per share of the Company was HK\$0.108.
- (b) These directors/employees have undertaken that they would not exercise their options.

The financial impact of options granted is not recorded in the Company's or the Group's accounts until such time as the options are exercised. Upon the exercise of the options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the outstanding options.

The directors do not consider it appropriate to disclose a theoretical value of the options granted during the year to the directors and employees because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful and would be misleading.

### DIRECTORS

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

*Executive directors:*

Kok Kin Hok	(appointed on 8th August 2001)
Lam Ching Wah, Clement	
Lam Bing Sum	(appointed on 8th August 2001)
Lian Song Qing	(appointed on 6th March 2002)
Chow Siu Fan, Farida	(resigned on 8th August 2001)
Lam Andy Siu Wing J.P.	(resigned on 8th August 2001)
Ng Chung Shu, Andy	(resigned on 8th August 2001)
Lee Kam Chee, Donald	(resigned on 8th August 2001)
Chan Kit Yee, Joyce	(resigned on 8th August 2001)
Hung Kim Yung, Dayton	(resigned on 8th August 2001)

*Non-executive director:*

Hou Ziqiang	(appointed on 8th August 2001)
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### **DIRECTORS** (Continued)

#### *Independent non-executive directors:*

Dr. Yang Shiqin	(appointed on 8th August 2001)
Dr. Li Jianhua	(appointed on 8th August 2001)
Wang Shunian	(appointed on 8th August 2001)
Dato Dr. Tan Tiong Hong	(resigned on 8th August 2001)
Zhang Yunkun	(resigned on 8th August 2001)

In accordance with the Company's Bye-laws, Lam Bing Sum, Lam Ching Wah, Clement and Lian Song Qing retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

### **DIRECTORS' SERVICE CONTRACTS**

No directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

### **DIRECTORS' INTERESTS IN CONTRACTS**

Saved as disclosed in note 26 to the accounts, no contracts of significance in relation to the Group's business 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.

### **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

Brief biographical details of directors and senior management are set out on pages 16 to 17.

### **CONNECTED TRANSACTIONS**

- (a) Significant related party transactions entered by the Group during the year ended 30th April 2002, which do not constitute connected transactions under the Listing Rules, are disclosed in note 26(b) to the accounts.
- (b) Other related party transactions, which also constitute connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14 of the Listing Rules, are disclosed as follows:
  - (i) On 14th November 2001, the Company acquired a 73% equity interest in Select Right Development Limited, a company holding 70% equity interest in Ezcom Technology Limited, from Kok Kin Hok ("Mr. Kok"), the Chairman and a substantial shareholder of the Company, for a total consideration of HK\$200,000,000 by way of payment of cash of HK\$155,000,000 and an allotment of 450,000,000 new shares of HK\$0.10 each of the Company.

**CONNECTED TRANSACTIONS** *(Continued)*

(b) *(Continued)*

- (ii) On 28th March 2002, the Company further acquired a 27% equity interest in Select Right Development Limited from Mr. Kok for a total consideration of approximately HK\$76,914,000 by the issue of a convertible note with an aggregate equivalent amount.

The convertible note is unsecured, interest-free and repayable on or before 27th March 2004. The noteholder has the right to convert any part of the principal amount of the convertible note into ordinary issued shares of HK\$0.10 each of the Company at the price of HK\$0.10 each per share, subject to adjustment, at any time on or before the expiry date of the note.

The shares to be issued upon conversion shall rank pari passu in all respect with all other existing shares in issue at the date of the conversion and be entitled to all dividends and other distributions the record date of which falls on a date or after the date of the conversion.

- (iii) On 28th March 2002, the Company acquired two-thirds of the issued share capital of Future Circle Holdings Limited, a company holding 30% equity interest in Ezcom Technology Limited, from Mr. Li Tung Wai, a director of Ezcom Technology Limited, for a consideration of approximately HK\$81,391,000 by the issue of a convertible note with an aggregate equivalent amount.

The convertible note is unsecured, interest-free and repayable on or before 27th March 2004. The noteholder has the right to convert any part of the principal amount of the convertible note into ordinary issued shares of HK\$0.10 each of the Company at the price of HK\$0.10 each per share, subject to adjustment, at any time on or before the expiry date of the note.

The shares to be issued upon conversion shall rank pari passu in all respect with all other existing shares in issue at the date of the conversion and be entitled to all dividends and other distributions the record date of which falls on a date or after the date of the conversion.

- (iv) On 28th March 2002, the Company was granted an option by Mr. Li Tung Wai to purchase the remaining one-third of the issued share capital of Future Circle Holdings Limited. The exercise price for this option is approximately HK\$40,695,000. The price shall be paid and satisfied by the issue of a convertible note of the same amount to Mr. Li Tung Wai. The terms of the convertible note shall be the same as the convertible notes granted to Mr. Kok and Mr. Li Tung Wai as mentioned above.



**CONNECTED TRANSACTIONS** *(Continued)*

(b) *(Continued)*

- (v) During the year ended 30th April 2002, the Group has made purchases from Ezze Mobile Tech Inc., a company in which Mr. Kok held an indirect 40% interest in capital, for an aggregate amount of approximately HK\$145,864,000. A waiver from the strict compliance with the relevant requirements under Chapter 14 of the Listing Rules for this transaction has been granted by the Stock Exchange. In the opinion of the directors, this transaction was carried out on normal commercial terms and in the usual course of business of the Group.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN EQUITY OR DEBT SECURITIES**

As at 30th April 2002 the interests of the directors and chief executive in the shares and options of the Company and its associated corporation (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:

(a) **Shares of the Company**

Name of directors	Number of shares	
	Personal interest	Corporate interest
Mr. Kok	–	1,699,092,000 <i>(Note)</i>
Lian Song Qing	20,000,000	–

*Note:* 1,699,092,000 shares are held by Anglo Express Group Limited, a company wholly owned by Mr. Kok.

(b) **Share options**

Details of the outstanding share options granted by the Company to the directors of the Company as at 30th April 2002 were set out under the heading of "Share option schemes" above.

(c) **Convertible note**

As at 30th April 2002, Mr. Kok is the registered holder of the convertible note of the Company amounted to approximately HK\$76,914,000, issued on 28th March 2002 with maturity of 2 years from the issue date. The note can be converted into ordinary issued shares of the Company at a conversion price of HK\$0.10 per share.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN EQUITY OR DEBT SECURITIES** *(Continued)*

Saved as disclosed above, none of the directors and chief executive including their spouse and children under 18 years of age had any interest in, or had been granted or exercised, any rights to subscribe for shares or options or convertible note of the Company and its associated corporations (within the meaning of the SDI Ordinance); and 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 debentures of, the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30th April 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. Details of the interests are also disclosed above under directors' and chief executive's interest in equity or debt securities.

<b>Name of shareholder</b>	<b>Number of ordinary shares</b>
Anglo Express Group Limited	1,699,092,000

## **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 purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases:	
the largest supplier	53%
five largest suppliers combined	73%
Sales:	
the largest customer	33%
five largest customers combined	44%

As at 30th April 2002, Mr. Kok and Mr. Lam Bing Sum held an indirect 40% and a direct 8% equity interest in the share capital of the Group's second largest supplier respectively.

Mr. Hou Ziqiang and Mr. Kok are the chairman and the managing director of the Group's largest customer respectively. They have significant control of the day to day operations of that customer.

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

Saved as disclosed above, 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 suppliers and customers noted above.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that non-executive directors of the Company are not appointed for specific terms. According to the Company's Bye-laws, non-executive directors are subject to retirement by rotation and re-election at the Annual General Meeting of the Company. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

### **AUDIT COMMITTEE**

The Company has established an audit committee since December 1998 ("the Committee") with written terms of reference. The Committee's principal duties are the review and supervision of the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors. Two meetings were held during the current financial year.

### **AUDITORS**

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

On behalf of the Board

**KOK Kin Hok**

*Chairman*

Hong Kong, 5th August 2002