

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Group and the Company for the year ended 31 March 2003.

### CHANGE OF BOARD OF DIRECTORS

As a result of the shareholders of the Company requisitioning a special general meeting (“SGM”) of the Company held on 21 June 2002, all former directors of the Company (except one independent non-executive director) resigned prior to the SGM or were removed at the SGM, and a new board of directors was elected (“Current Directors”).

An investigation committee was established at a board meeting held on 24 June 2002 to implement a thorough review of the current financial position and operations of the Company and its subsidiaries (the “Group”). However, despite repeatedly requested and demanded access to the books and records of the Group’s major subsidiaries in Shanghai from the previous Chairman, the Company has not been able to access such records as of the date of this Report.

The Current Directors have taken all reasonable steps and have used their best endeavors to prepare the financial statements for the year under review as well as to disclose all the relevant information of the Group as required by the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (“Listing Rules”) and the Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

Given the fact that the Current Directors were unable to access all books and records which were removed from the Company premises by the former directors of the Company, the Current Directors did not have all the records to prepare accurate and complete financial statements for the Company and its subsidiaries, specifically the affairs on or before 21 June 2002.

The Current Directors therefore disclaim any liabilities on the financial statements of the Group in relation to the affairs of the Group on or before 21 June 2002, including but not limit to, the completeness of recording of transactions entered into by the Group for the period from 1 April 2002 to 21 June 2002 and of the completeness of disclosure of claims, commitments and contingent liabilities of the Group in the financial statements.

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### CHANGE OF NAME

Pursuant to a resolution passed at the Annual General Meeting held on 24 October 2002, 力特有限公司 was adopted as the new chinese name of the Company, to replace the former name 力普有限公司. The chinese name of the Company is for identification purpose only. The English name of the Company, Leaptek Limited, remains unchanged.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the principal subsidiaries are set out in note 32 to the financial statements.

### RESULTS

The results of the Group for the year ended 31 March 2003 are set out in the consolidated income statement on page 24 of the annual report.

The directors do not recommend the payment of any dividend in respect of the year (2002: Nil).

### RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 27 and in note 22 to the financial statements.

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 60 of the annual report.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

### SHARE CAPITAL

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

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

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### DIRECTORS

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

#### Executive directors:

Mr. Chan Kam Kwan, Jason	(appointed on 21 June 2002)
Mr. Ho Te Hwai, Cecil	(appointed on 21 June 2002)
Mr. Hon Tung Keung*	(resigned on 20 June 2002)
<i>Chairman and Chief Executive Officer</i>	
Mr. Xu Zhi Feng	(resigned on 20 June 2002)
Mr. Liu Sean	(resigned on 18 April 2002)
Mr. Chen Jun Wei	(resigned on 20 June 2002)
Mr. Chen Jun	(resigned on 20 June 2002)
Ms. Hao Min	(resigned on 20 June 2002)
Mr. Yuen Wai Ho, Dominic	(appointed on 21 June 2002 and resigned on 17 April 2003)

#### Non-executive directors:

Mr. Wilton Timothy Carr Ingram **	(appointed on 21 June 2002)
<i>Non-executive Chairman</i>	
Mr. Pun Kin Wa	(appointed on 21 June 2002 and resigned on 26 September 2002)
Mr. Chin Cheng Sin	(appointed on 21 June 2002 and resigned on 26 September 2002)
Mr. Wong Siu Kang	(appointed on 21 June 2002 and resigned on 27 June 2002)
Mr. Wong Jake Leong, Sammy	(appointed on 21 June 2002 and resigned on 27 June 2002)
Mr. Tang Ho Sum	(appointed on 21 June 2002 and resigned on 27 June 2002)
Ms. Song Hong Fang	(resigned on 17 June 2002)

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### Independent non-executive directors:

Mr. Ha Shu Tong, Albert	
Mr. Lau Kwok Kuen	(appointed on 21 June 2002)
Ms. Chen Jing Xian	(removed on 21 June 2002)
Mr. Zhao Jiahe	(appointed on 30 April 2002 and removed on 21 June 2002)

\* Mr. Hon Tung Keung resigned as the Chairman and Chief Executive Officer of the Company on 20 June 2002.

\*\* Mr. Wilton Timothy Carr Ingram was appointed as the non-executive Chairman on 24 June 2002.

In accordance with Bye-law 87(2) of the Company's Bye-laws, Mr. Wilton Timothy Carr Ingram by virtue of being the Chairman of the Company, is not subject to retirement at any Annual General Meeting of the Company.

In accordance with Bye-laws 87(2) and (3) of the Company's Bye-laws, Mr. Lau Kwok Kuen retires and, being eligible, offers himself for re-election.

The directors proposed for re-election at the forthcoming annual general meeting do not have any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the directors and senior management are set out below.

Name of directors	Age	Position held	Number of years of service	Business experience
Mr. Wilton Timothy Carr Ingram	53	Non-executive Chairman	1	Investment, brokerage and direct investment
Mr. Chan Kam Kwan, Jason	29	Executive Director	1	Corporate finance

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Name of directors	Age	Position held	Number of years of service	Business experience
Mr. Ho Te Hwai, Cecil	42	Executive Director	1	Finance, accounting and business operation
Mr. Ha Shu Tong, Albert	53	Independent Non-executive Director	3	Corporate finance and corporate development
Mr. Lau Kwok Kuen	47	Independent Non-executive Director	1	Accounting

### DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, none of the directors, the chief executive or their associates had any interests in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or any of its associated corporations as defined in the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code.

### SHARE OPTIONS

The Company does not have a valid share option scheme. During the year, the Company did not grant any share options and there are no share options outstanding as at the balance sheet date.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the 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 the directors, chief executive nor any 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.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Based on the information available to the Current Directors, the Current Directors are not aware of any 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.

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### SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interest) 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 of HK\$0.01 each held	
Ace Smart Assets Limited	159,049,090	(Note 1)
Yeung Wing Sang	159,049,090	(Note 1)
Super China Development Limited	127,289,300	(Note 2)
Universal Appliances Limited	127,289,300	(Note 2)
Universal Holdings Limited	127,289,300	(Note 2)
Kwan Wing Holdings Limited	127,289,300	(Note 2)
Ko Chun Shun, Johnson	127,289,300	(Note 2)

Name of shareholders	Number of preference shares of HK\$0.10 each held	
Ace Smart Assets Limited	118,333,333	(Note 1)
Yeung Wing Sang	118,333,333	(Note 1)

Name of shareholders	Number of preference shares of HK\$1.00 each held	
Super China Development Limited	24,137,700	(Note 2)
Universal Appliances Limited	24,137,700	(Note 2)
Universal Holdings Limited	24,137,700	(Note 2)
Kwan Wing Holdings Limited	24,137,700	(Note 2)
Ko Chun Shun, Johnson	24,137,700	(Note 2)

*Notes:*

1. The interests are held by Ace Smart Assets Limited directly. Mr. Yeung Wing Sang is the sole beneficial owner of Ace Smart Assets Limited.
2. The interests are held by Super China Development Limited, a direct wholly-owned subsidiary of Universal Appliances Limited ("UAL"). UAL is a wholly-owned subsidiary of Universal Holdings Limited ("UHL"), whose shares are listed on the Stock Exchange. At 31 March 2003, Mr. Ko Chun Shun, Johnson controlled approximately 36.7% direct and indirect interests in UHL in person or through his 100% interests in Kwan Wing Holdings Limited.

Other than above, the Company has not been notified of any interests representing 10% or more of the Company's issued share capital as at 31 March 2003.

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## POST BALANCE SHEET EVENT

Details of significant events occurring after the balance sheet date are set out in note 31 to the financial statements.

## 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.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Based on the information available to the Current Directors, during the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

The Current Directors, after they were appointed, have tried their best endeavour to prepare the annual report for the year ended 31 March 2002 ("2002 Annual Report"), which supposed to be dispatched to the shareholders by 31 July 2002 according to the Listing Rules.

Due to the inability to access all the books and records of the Group, the Current Directors were only able to dispatch the 2002 Annual Report on 30 September 2002. Such failure to dispatch the 2002 Annual Report on time resulted from the matters beyond the control of the Current Directors of the Company.

Accordingly, the Current Directors were unable to satisfy themselves whether the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period from 1 April 2002 to 21 June 2002. The Current Directors are of the opinion that the Company has complied with the Code of Best Practice after 21 June 2002, the date the new Board of Directors was formed.

On 24 June 2002, the Company established an audit committee with written terms of the reference based on the guidelines set out in "A Guide for the Formation of An Audit Committee" published by the Hong Kong Society of Accountants. The audit committee comprises the non-executive Chairman, Mr. Wilton Timothy Carr Ingram and two independent non-executive directors, namely Mr. Ha Shu Tong, Albert and Mr. Lau Kwok Kuen.

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### MAJOR CUSTOMERS AND SUPPLIERS

Because no sufficient information is available, the Current Directors were unable to identify any information relating to the major customers and suppliers of the Group for the period from 1 April 2002 to 21 June 2002. For the period from 22 June 2002 to 31 March 2003, the Group had business with only a sole supplier and two customers, representing all of the Group's purchases and sales respectively carried out by the Group.

### DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES

As explained in note 2 to the financial statements, no disclosure under Practice Note 19 of the Listing Rules is presented as no sufficient information is available.

### CONNECTED TRANSACTIONS

The Current Directors are unable to form an opinion as to whether there were any connected transactions as defined by the Listing Rules entered by the Group from the period from 1 April 2002 to 21 June 2002. The Group did not enter into any connected transactions as defined in the Listing Rules during the period from 22 June 2002 to 31 March 2003.

### AUDITORS

Messrs. PricewaterhouseCoopers acted as auditors of the Company for each of the years ended 31 March 2000 and 2001, retired and did not seek for re-appointment.

Messrs. KPMG, who were appointed as auditors of the Company for the six months ended 30 September 2001, resigned subsequently after the issuance of the Company's interim report and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company to fill the vacancy.

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

On behalf of the Board

**Jason Chan**

*Director*

Hong Kong, 18 June 2003