

# Directors' Report

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

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 30 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 17.

An interim dividend of HK\$0.03 per share amounting to HK\$24,750,000 was paid to the shareholders during the year.

The directors recommend the payment of a final dividend of HK\$0.05 per share to the shareholders on the register of members on 19 August 2003, amounting to HK\$41,250,000.

## SHARE CAPITAL

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

## SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 22 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$16 million for the purpose of expanding its business. In addition, the Group revalued its property, plant and equipment at 31 March 2003. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

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## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### Executive directors

Wai Siu Kee (*Chairman*)

Poon Lai Ming

Ng Yu Hung

Lee Marina Man Wai

Lee Wan Keung (resigned on 28 January 2003)

Hui Yick Kwan, Tony (resigned on 28 January 2003)

### Independent non-executive directors

Lee Ming Cheong, Alfred

Wan Chi Keung, Aaron

Wong Kai Tung, Tony (resigned on 24 December 2002)

Heng Kwoo Seng (resigned on 24 December 2002)

In accordance with Article 87 of the Company's Articles of Association, Poon Lai Ming and Ng Yu Hung retire and, being eligible, offer themselves for re-election.

The term of office of each of the independent non-executive directors is the period up to his retirement as required by the Company's Articles of Association.

Each of the executive directors has entered into a service agreement with the Company for an initial period of three years commencing 1 January 2002, which will continue thereafter unless and until terminated by either party by three months' prior written notice.

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## DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2003, the interests of directors and their associates in the ordinary shares of the Company and of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company were as follows:

Name of director	Number of ordinary shares in the Company held			
	Personal interest	Family interest	Corporate interest	Other interest
Wai Siu Kee	–	–	–	609,750,000 (Note)
Poon Lai Ming	1,000,000	–	–	–
Ng Yu Hung	–	–	–	–
Lee Marina Man Wai	–	–	–	–
Lee Ming Cheong, Alfred	–	–	–	–
Wan Chi Keung, Aaron	–	–	–	–

Note: 609,750,000 ordinary shares in the Company were held by Fortune Star Tradings Ltd., a company wholly-owned by Newcourt Trustees Limited as trustee for The Fortune Star 1992 Trust, a discretionary trust the discretionary objects of which include Ms. Wai Siu Kee.

Save as disclosed above, none of the directors or any of their associates had any interest in the securities of the Company or any of its associated corporations as at 31 March 2003 as defined in the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme detailed in note 22 to the financial statements, at no time during the year was the Company, its holding company or any of its fellow subsidiaries or 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 debts securities (including debentures) of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed under the heading "Directors' interests in securities", the Company had not been notified of any interests representing 10% or more of the Company's issued share capital.

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## CONNECTED TRANSACTIONS

Details of the discloseable connected transactions for the year are set out in note 29 to the financial statements. In the opinion of the independent non-executive directors, these transactions entered into by the Group were:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either (a) on normal commercial terms; or (b) where there is no available comparison, on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (iii) either (a) in accordance with the terms of the agreements; or (b) where there are no such agreements, on terms no less favourable than those available to or from independent third parties; and
- (iv) within the relevant cap amounts as agreed by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

## DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed under the heading “Connected transactions”, there were no contracts of significance to which the Company, its holding company or any of its fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisting at the end of the year or at any time during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 55% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 26% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

None of the directors, their associates or any shareholder which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital had any interest in the share capital of any of the five largest customers of the Group.

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

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

## PRE-EMPTIVE RIGHTS

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

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

## AUDITORS

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

**Wai Siu Kee**

*Chairman*

Hong Kong, 16 July 2003