

## Report of the Directors

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

### Group Reorganisation

The Company was incorporated as an exempted company with limited liability in Bermuda on 14 March 2002 under the Companies Act 1981 of Bermuda.

Pursuant to an arrangement (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24 July 2002, the Company became the holding company of the Group on 5 July 2002. The Group Reorganisation involved companies under common control. Further details of the Group Reorganisation, together with details of the subsidiaries acquired pursuant thereto, are set out in notes 1, 25 and 26 to the financial statements, and in the Company's prospectus dated 12 July 2002.

### Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the provision and installation of fire-rated timber door sets, as well as the provision of interior decoration and renovation services and other carpentry works.

## 10 Results and dividends

The Group's loss for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 17 to 53.

An interim dividend of 2 HK cents per share was paid on 7 January 2003. The directors do not recommend the payment of any final dividend in respect of the year.

### Use of proceeds from the Company's initial public offering

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange in July 2002, after deduction of related issuance expenses, amounted to approximately HK\$39.4 million. At the date of this annual report, approximately HK\$6.4 million has been applied as follows:

- approximately HK\$4.4 million was used for market development in The People's Republic of China; and
- approximately HK\$2 million was applied as additional working capital of the Group to support its ongoing operations.

The actual and intended applications of the net proceeds are consistent with the plans set out in the Company's prospectus dated 12 July 2002.

## Summary financial information

A summary of the published results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 54. This summary does not form part of the audited financial statements.

## Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 15 to the financial statements.

## Share capital and share options

Details of the movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 25 to the financial statements.

## Pre-emptive rights

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

## Purchase, redemption or sale of listed securities of the Company

Other than in connection with the Company's initial public offering and the listing of the Company's shares on the Stock Exchange on 24 July 2002, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements and in the consolidated statement of changes in equity, respectively.

## Distributable reserves

At 31 March 2003, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK\$22,920,000.

## Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 99% of the total sales for the year and sales to the largest customer included therein amounted to 64%. Purchases from the Group's five largest suppliers accounted for 73% of the total purchases for the year and purchases from the largest supplier included therein amounted to 62%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

## Report of the Directors

### Directors

The directors of the Company during the year were:

*Executive directors:*

|                            |                              |
|----------------------------|------------------------------|
| Mr. Chu Chi Ming           | (appointed on 17 April 2002) |
| Mr. Tang Hin Keung, Alfred | (appointed on 17 April 2002) |
| Mr. Pun Yuen Sang          | (appointed on 17 April 2002) |
| Mr. Mak Kui Yuen           | (appointed on 17 April 2002) |
| Ms. Ip Siu Fung            | (appointed on 17 April 2002) |
| Ms. Lee Lim                | (appointed on 17 April 2002) |

*Independent non-executive directors:*

|                      |                              |
|----------------------|------------------------------|
| Mr. Leung Chi Hung   | (appointed on 17 April 2002) |
| Mr. Ng Kenny Chi Kin | (appointed on 17 April 2002) |

In accordance with the Company's bye-laws, Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

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### Directors' biographies

Biographical details of the directors of the Company are set out on pages 8 to 9 of the annual report.

### Directors' service contracts

Each of the executive directors has entered into a service contract with the Company for a term of two years commencing from 1 July 2002, which shall continue thereafter until terminated by either party giving to the other not less than six months' prior written notice, with such notice to expire not earlier than 1 July 2004.

Apart from the foregoing, no director has entered into any service agreements with any members of the Group (excluding contracts expiring or determinable by the employee within one year without payment of compensation other than statutory compensation).

### Directors' interests in contracts

Save for transactions in connection with the Group Reorganisation in preparation for the Company's initial public offering, no director had a beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## Directors' interests in shares

At 31 March 2003, the interests of the directors in the share capital of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

### Ordinary shares of the Company

| Name of directors                          | Number of ordinary shares held and nature of interest |             |
|--|---|-------------|
|  | Corporate   | Personal    |
| Mr. Chu Chi Ming                           | —   | 342,720,000 |
| Mr. Tang Hin Keung, Alfred ( <i>Note</i> ) | 161,280,000   | —           |
| Mr. Pun Yuen Sang ( <i>Note</i> )          | 161,280,000   | —           |

*Note:* Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang are interested in these shares through Pan-Star Nominees Limited, a company which is 40%, 30% and 30% beneficially owned by Mr. Wei Ming, Mr. Pun Yuen Sang and Mr. Tang Hin Keung, Alfred respectively.

The interests of the directors in the share options of the Company are separately disclosed in note 25 to the financial statements.

Save as disclosed above and as disclosed below under the heading "Directors' rights to acquire shares", none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance and recorded in the register required to be maintained pursuant to Section 29 thereof.

## Directors' rights to acquire shares

Apart from as disclosed under the heading "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## Report of the Directors

### Share option scheme

Details of the share option scheme of the Company are set out in note 25 to the financial statements.

### Substantial shareholders

At 31 March 2003, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

| Name of shareholders                      | Number of<br>ordinary<br>shares held | Percentage of<br>the Company's issued<br>share capital |
|---|--------------------------------------|--|
| Mr. Chu Chi Ming                          | 342,720,000                          | 51   |
| Pan-Star Nominees Limited ( <i>Note</i> ) | 161,280,000                          | 24   |

*Note:* Pan-Star Nominees Limited is beneficially owned as to 40%, 30% and 30% by Mr. Wei Ming, Mr. Pun Yuen Sang and Mr. Tang Hin Keung, Alfred, respectively. The above interest in the name of Pan-Star Nominees Limited was also disclosed as interests of Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang, respectively, in the section headed "Director's interests in shares" above.

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Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

### Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, since the date of listing of the Company's shares in accordance with the provisions of the Company's bye-laws, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's articles of association.

### Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

### Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Mak Kui Yuen**

*Director*

Hong Kong, 29 July 2003