



# DIRECTORS' REPORT

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

## **CHANGE OF COMPANY NAME**

Pursuant to a special resolution passed on 12 August 2002 the name of the Company was changed from Kessel International Holdings Limited to A-Max Holdings Limited with effect from 4 September 2002.

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries during the year are set out in note 16 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 29 to the financial statements.

## **RESULTS AND DIVIDENDS**

The results of the Group for the year ended 31 March 2003 are set out in the consolidated income statement on page 17.

The Directors do not recommend the payment of any dividends in respect of the year.

## **SUMMARY FINANCIAL INFORMATION**

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 50.

## **FIXED ASSETS**

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

## **SUBSIDIARIES**

Details of the Company's subsidiaries as at 31 March 2003 are set out in note 16 to the financial statements.

## **SHARE CAPITAL AND SHARE OPTIONS**

Details of the movements in the Company's share capital during the year and details of the Company's share option scheme are set out in notes 23 and 24 to the financial statements, respectively.

## **RESERVES**

Details of the movements in the reserves of the Group and the Company are set out in the statement of changes in equity on page 20.



Under The Companies Act 1981 of Bermuda (as amended), in addition to the accumulated profits, contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

## DISTRIBUTABLE RESERVES

As computed in accordance with The Companies Act 1981 of Bermuda (as amended), the Company had no reserves available for cash distribution and/or distribution in specie to shareholders of the Company as at 31 March 2003. In addition, the Company's share premium account with a balance of approximately HK\$106,007,000 may be distributed in the form of fully paid bonus shares.

## DIRECTORS

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

### Executive directors

Ms. Ng Wai Fong, Wendy ( <i>Chairperson</i> )	– appointed on 17 March 2003
Ms. Leung Kwai Hing ( <i>Deputy-chairperson</i> )	– appointed on 17 March 2003
Ms. Kam Shuk Ling	– appointed on 17 March 2003
Mr. Lam Yiu Man, Lewis	– appointed on 17 March 2003
Ms. Ching Mei Yee	– appointed on 21 August 2002
Mr. Li Wing Bun	– appointed on 21 August 2002 and resigned on 17 March 2003
Mr. Lee Wing Chan	– appointed on 21 August 2002 and resigned on 17 March 2003
Mr. Shun Wing Chiu	– resigned on 21 August 2002
Mr. Lam Chi Kong	– resigned on 21 August 2002

### Independent non-executive directors

Mr. Wong Chi Keung	– appointed on 24 December 2002
Mr. Ng Wai Hung, Raymond	– appointed on 21 August 2002
Mr. Gordon Ng	– appointed on 21 August 2002 and resigned on 24 December 2002

Pursuant to the bye-laws of the Company, Mr. Lam Yiu Man, Lewis will retire and, being eligible, offer himself for re-election as an executive director of the Company at the forthcoming annual general meeting.

# DIRECTORS' REPORT

Pursuant to the services contracts, Mr. Wong Chi Keung and Mr. Ng Wai Hung, Raymond will retire and, being eligible, offer themselves for re-election as a non-executive director of the Company at the forthcoming annual general meeting.

## DIRECTORS' SERVICE CONTRACTS

Ms. Ching Mei Yee has entered into a service contract with the Company for a term of three years commencing 21 August 2002 which is subject to termination by either party giving not less than three months' written notice. Mr. Lam Yiu Man, Lewis has entered into a service contract with the Company for a term of one year commencing 17 March 2003.

The rest of the existing executive directors have entered into a service contract with the Company commencing 17 March 2003. These service contracts will continue thereafter unless and until terminated by either party giving not less than three months' written notice. Following the resignation of Mr. Shun Wing Chiu, Mr. Lam Chi Kong, Mr. Li Wing Bun and Mr. Lee Wing Chan as a Director, their service contracts were terminated with effect from the date of their resignation as a Director.

The independent non-executive directors entered into service contracts with the Company for a term of one year, subject to their re-elections at the forthcoming annual general meeting and their termination by either party giving written notice with immediate effect.

Save as disclosed above, no Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

## DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), Chapter 396 of the Laws of Hong Kong), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

Name of director	Type of interest	Number of shares held
Ms. Ching Mei Yee	Corporate (Note)	7,710,000,000

Note: The shares are held by A-Max (Asia) Limited ("A-Max (Asia)"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability. The entire issued share capital of A-Max (Asia) is held by its ultimate holding company, in which 286,000 shares or 1.2% are held by Ms. Ching Mei Yee at 31 March 2003.

Save as disclosed above, none of the Directors, chief executives or their associates had any interest in the issued share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.



## BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of Directors of the Company are set out on page 7 of the annual report.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option schemes are set out in note 24 to the financial statements.

No share options were granted to the Directors during the year.

Save as disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under the age 18 to acquire benefits by means of acquisition of shares in or debentures of the Company, or any other body corporate.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 28 to the financial statements, no Director had a significant beneficial interest, either direct or indirect, 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.

## SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, according to the register required to be kept by the Company under Section 16(1) of the SDI Ordinance, the following parties were interested in 10% or more of the issued share capital of the Company (taking no account of the shares which may be taken up under the options granted or to be granted under the Share Option Scheme):

Name	Number of shares held	Approximate percentage of issued shares
A-Max (Asia)	7,710,000,000 (Note)	60.92%

Note:

- (a) These interests have also been disclosed as corporate interest of Ms. Ching Mei Yee in the section headed "Directors' interests in shares" above, where further details of A-Max (Asia) are set out.
- (b) At the date of the report, A Max (Asia) was interested in 38.87% of the issued share capital of the Company.

Save as disclosed above, the Company had not been notified of any other party whose interests represents 10% or more of the Company's issued share capital at 31 March 2003.



# DIRECTORS' REPORT

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 73.9% of the total sales for the year and sales to the largest customer included therein accounted for approximately 38.4%.

Purchases from the Group's five largest suppliers accounted for approximately 48.9% of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 24.3%.

A group company of A-Max (Asia), a substantial shareholder of the Company, was one of the five largest customers and one of the five largest suppliers of the Group.

Save as disclosed above, none of the Directors, any of their associates or 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 or suppliers.

## RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group and the employer's costs charged to the income statement for the year are set out in note 12 to the financial statements.

## CONNECTED TRANSACTIONS

Certain significant related party transactions entered by the Group for the year ended 31 March 2003, which constitute connected transactions under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") are disclosed in note 28 to the financial statements.

## MAJOR EVENTS DURING THE YEAR

Save as disclosed under the heading "Related Party Transactions" in note 28, details of the major events of the Group occurred during the year are set out in notes 2 to 4 to the financial statements.

## CONVERTIBLE NOTES

Details of the convertible notes issued by the Group and the exercise of the conversion rights under the notes during the year are set out in note 22 to the financial statements.

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

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

## PRE-EMPTIVE RIGHTS

There are no provision 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.



## ◀ DIRECTORS' REPORT

### CODE OF BEST PRACTICE

Save as disclosed otherwise, in the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the year under review.

### AUDIT COMMITTEE

The Company has established an audit committee (the "Committee") on 21 August 2002 for the purpose of reviewing and providing supervision on the financial reporting process and internal control systems of the Group. The Committee comprised Mr. Ng Wai Hung, Raymond, Mr. Wong Chi Keung and Mr. Gordon Ng, all being independent non-executive directors of the Company. Mr. Gordon Ng resigned on 24 December 2002 and Mr. Wong Chi Keung was appointed on 24 December 2002. The Group's financial statements for the year ended 31 March 2003 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

### POST BALANCE SHEET EVENTS

Details of significant post balance sheet events of the Group, up to the date of auditors' report, are set out in note 30 to the financial statements.

### AUDITORS

RSM Nelson Wheeler retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of RSM Nelson Wheeler as auditors of the Company is to be proposed at the forthcoming annual general meeting.

Deloitte Touche Tohmatsu were auditors of the Company for the years ended 31 March 2002 and retired. RSM Nelson Wheeler were appointed as auditors of the Company to fill in the causal vacancy.

On behalf of the Board

**Ng Wai Fong, Wendy**

*Chairperson and Executive Director*

Hong Kong, 30 July 2003