

# Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2004.

## 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.

During the year, the Group acquired the entire 100% interest in MFT Epping Trading Limited (formerly known as Epping Trading Limited), details of which are set out in note 30 to the financial statements. The principal activity of MFT Epping Trading Limited is the trading of timber.

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 16 to 49.

The directors do not recommend the payment of any dividend in respect of the year.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 50. This summary does not form part of the audited financial statements.

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## FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 14 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

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 25 to the financial statements and in the consolidated statement of changes in equity, respectively.

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## DISTRIBUTABLE RESERVES

At 31 March 2004, 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\$3,264,000.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 100% of the total sales for the year and sales to the largest customer included therein amounted to 85%. Purchases from the Group's five largest suppliers accounted for 99% of the total purchases for the year and purchases from the largest supplier included therein amounted to 86%.

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 or suppliers.

## DIRECTORS

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

### *Executive directors:*

Mr. Lum Chor Wah, Richard	(appointed on 9 June 2004)
Mr. Yeung Tony Ming Kwong	(appointed on 9 June 2004)
Mr. Pun Yuen Sang	
Mr. Tang Hin Keung, Alfred	
Mr. Chu Chi Ming	(resigned on 9 June 2004)
Mr. Mak Kui Yuen	(resigned on 9 June 2004)
Ms. Ip Siu Fung	(resigned on 9 June 2004)
Ms. Lee Lim	(resigned on 9 June 2004)

### *Independent non-executive directors:*

Mr. Leung Chi Hung  
Mr. Ng Kenny Chi Kin

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

## DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company and the Group are set out on page 8 of the annual report.

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## 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 not expiring 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

No director had a material interest, either directly or indirectly, 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 AND SHORT POSITIONS IN SHARES

As at 31 March 2004, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation		
Mr. Pun Yuen Sang ( <i>Note</i> )	–	134,400,000	134,400,000	20
Mr. Tang Hin Keung, Alfred ( <i>Note</i> )	–	134,400,000	134,400,000	20

*Note:* Mr. Pun Yuen Sang and Mr. Tang Hin Keung, Alfred 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.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors had registered an interest or short position in the shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed above under the heading "Directors' interests and short positions in shares" above and in the share option scheme disclosures in note 24(b) to the financial statements, 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 minor children, 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.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2004, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions in ordinary shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Smart Town Holdings Limited	1	Directly beneficially owned	369,600,000	55.00
Mr. Yeung Tony Ming Kwong	1	Through a corporation	369,600,000	55.00
Mr. Liu Ching Hua	1	Through a corporation	369,600,000	55.00
Pan-Star Nominees Limited	2	Directly beneficially owned	134,400,000	20.00
Mr. Wei Ming	2	Through a corporation	134,400,000	20.00
Orient Hope Limited	3	Directly beneficially owned	60,000,000	8.93
Mr. Chang Wa Shan	3	Through a corporation	60,000,000	8.93

#### Notes:

- (1) The ordinary shares are held by Smart Town Holdings Limited, which is 50% beneficially owned by Mr. Yeung Tony Ming Kwong and 50% beneficially owned by Mr. Liu Ching Hua.
- (2) The ordinary shares are held by Pan-Star Nominees Limited, which is 40%, 30% and 30% beneficially owned by Mr. Wei Ming, Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang, respectively.
- (3) The ordinary shares are held by Orient Hope Limited, which is wholly-owned by Mr. Chang Wa Shan.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares" above, had registered an interest or short position in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

# Report of the Directors

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company 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, throughout the accounting period covered by the annual report, 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

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**Lum Chor Wah, Richard**

*Chairman*

Hong Kong  
22 July 2004