

# the Origin

The Creative works sublime success, furthering through perseverance.

## R e p o r t   o f   t h e   D i r e c t o r s

The directors submit their report together with the audited financial statements for the year ended 31 March 2006.

### **Principal activities and geographical analysis of operations**

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the importing and sale of architectural builders hardware, bathroom and kitchen collections in Hong Kong.

Details of the analysis of the Group's turnover and contribution to operating profit for the year by principal activity and market is set out in note 7 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 27.

### **Dividend**

The Board has resolved to recommend the payment of a final dividend of HK2.5 cents per share in respect of the year ended 31 March 2006 (2005: 2.5 cents) at the forthcoming annual general meeting to be held on 30 August 2006 (the "AGM"). The final dividend, if approved by the members, will be paid on 9 October 2006 to members whose names appear on the principal or branch register of members of the Company in Grand Cayman or Hong Kong respectively (collectively the "Register of Members") as at the close of business on 30 August 2006.

### **Reserves**

Details of the movements in the reserves of the Group and of the Company during the year are set out in note 24 to the financial statements.

### **Property, plant and equipment**

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

### **Share capital**

Details of the share capital of the Company are set out in note 22 to the financial statements.

### **Distributable reserves**

Distributable reserves of the Company as at 31 March 2006 amounted to HK\$126,503,000. Under Section 34 of the Companies Law (2000 Revision) of the Cayman Islands, the share premium is available for distribution to shareholders, provided that no distribution shall be paid to shareholders out of the Company's share premium unless the Company shall be able to pay its debts as they fall due in the ordinary course of business.

### **Pre-emptive rights**

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

### **Five year financial summary**

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 25.

### **Purchase, sale or redemption of shares**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

是萬物之始，乃一切善行的發端。

## Directors

The directors during the year were:

Mr. TSE Sun Fat, Henry  
Mr. TSE Sun Po, Tony  
Mr. TSE Sun Lung, Alan  
Mr. WONG Tin Cheung, Ricky  
Mr. LAU Shiu Sun  
Mr. YICK Kai Chung  
Mr. MAK So  
Mr. LEUNG Kwong Kin, J.P.<sup>1</sup>  
Mr. WONG Wah, Dominic<sup>1</sup>  
Mr. WAN Sze Chung, Wilson

<sup>1</sup> Independent non-executive directors who entered into contracts with the Company for an initial fixed term of one year and thereafter shall continue for further successive periods of one year, provided that the Company may terminate the contracts at the end of each one year period by giving the other party at least one month's notice in writing thereof.

Mr. TSE Sun Lung, Alan, Mr. YICK Kai Chung, Mr. MAK So and Mr. LEUNG Kwong Kin, JP. shall retire at the forthcoming annual general meeting in accordance with Articles 86(3) and 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

## Directors' service contracts

Each of Mr. TSE Sun Fat, Henry, Mr. TSE Sun Po, Tony and Mr. TSE Sun Lung, Alan has entered into a service contract with the Company for a term of three years commencing on 1 March 2000 and continuing thereafter unless terminated by either party with at least three months advance notice in writing.

Each of Mr. WONG Tin Cheung, Ricky and Mr. LAU Shiu Sun has entered into a service contract with the Company for a term of three years commencing on 24 April 2001 and 10 December 2001, respectively and will continue thereafter unless terminated by either party by three months prior written notice to other party expiring not earlier than 23 April 2004 and 9 December 2004, respectively.

Save as disclosed herein, none of the directors of the Company has entered into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

## Directors' interests in contracts

Save as disclosed under the section "Connected transactions" below, no other contracts of significance in relation to the Group's business to which the Company, its subsidiaries or holding companies 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.

## Report of the Directors

### Directors' benefits from rights to acquire shares or debentures

Under the terms of the Company's share option scheme adopted on 22 March 2000, the board of directors of the Company may, at their discretion, invite any full-time employees or executive directors of the Company or any of its subsidiaries to subscribe for ordinary shares of HK\$0.10 each in the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued share capital of the Company. No options have been granted to the directors since its adoption. The Stock Exchange of Hong Kong Limited amended the Listing Rules governing share option schemes. The new requirements have come into effect from 1 September 2002 and render some of the provisions of the existing Share Option Scheme no longer applicable.

Apart from the above, at no time during the year was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### Directors' interests in shares and underlying shares

As at 31 March 2006, the interests and long positions of the directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and long positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code contained in the Listing Rules, were as follows:

#### Long position in shares and underlying shares

Director	Number of ordinary shares held				Percentage of issued share capital
	Personal interest	Family interest	Corporate interest	Other interest	
Mr. TSE Sun Fat, Henry ( <i>Note 1</i> )	-	-	-	140,000,000	70%
Mr. TSE Sun Po, Tony ( <i>Note 1</i> )	-	140,000,000	-	140,000,000	70%

*Note 1:* Bache Hill Group Limited ("BHGL") is holding these shares. BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr. TSE Sun Fat, Henry is one of the objects of The Tse's Family Trust. In addition, as the spouse and other family members of Mr. TSE Sun Po, Tony are objects of The Tse's Family Trust.

是通達的行為，使一切美好的事物集合。

## Directors' interests in shares and underlying shares (cont'd)

### Long position in shares of associated corporations

#### (i) BHGL

Director	Number of ordinary shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr. TSE Sun Fat, Henry ( <i>Note 2</i> )	–	–	–	30,491	30,491
Mr. TSE Sun Po, Tony ( <i>Note 2</i> )	–	30,491	–	30,491	30,491
Mr. TSE Sun Lung, Alan	3,025	–	–	–	3,025
Mr. WONG Tin Cheung, Ricky	1,265	–	–	–	1,265

*Note 2:* These shares are held by Tse Brother Assets Management Limited which is the trustee of The Tse Brothers Unit Trust (which is in turn held by a discretionary trust, The Tse's Family Trust). Mr. TSE Sun Fat, Henry is one of the objects of The Tse's Family Trust. In addition, as the spouse and other family members of Mr. TSE Sun Po, Tony are objects of The Tse's Family Trust.

#### (ii) Negotiator Consultants Limited ("NCL")

Director	Number of ordinary shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr. TSE Sun Fat, Henry ( <i>Note 3</i> )	–	–	–	1	1
Mr. TSE Sun Po, Tony ( <i>Note 3</i> )	–	1	–	1	1

*Note 3:* Such share is held by BHGL.

Save as disclosed above, none of the directors or their associates had, as at 31 March 2006, any interests or short positions in any shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed above, at no time during the year was the Company, its subsidiaries or holding company a party to any arrangement to enable the directors, their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## R e p o r t   o f   t h e   D i r e c t o r s

### **Biographical details of directors and senior management**

#### *Executive directors*

Mr. TSE Sun Fat, Henry, aged 49, is a founding member of the Group and the Chairman of the Company. Mr. TSE has over 25 years of experience in the trading of building materials. He is responsible for the planning of the Group's overall strategies and the overall management of the Group.

Mr. TSE Sun Po, Tony, aged 47, is the managing director of the Company and joined the Group in 1979. Mr. TSE has over 25 years of experience in the trading of building materials and is responsible for the retail business of the Group. Mr. TSE also assists in the strategic planning and management of the Group. He is a brother of Mr. TSE Sun Fat, Henry, the Chairman of the Group.

Mr. TSE Sun Lung, Alan, aged 39, is an executive director of the Company. He joined the Group in 1990 and is now responsible for project sales and the marketing of products distributed by the Group. Mr. TSE Sun Lung, Alan is a cousin of Mr. TSE Sun Fat, Henry and Mr. TSE Sun Po, Tony.

Mr. WONG Tin Cheung, Ricky, aged 63, joined the Group in 1979. Mr. WONG was appointed as an executive director of the Company on 24 April 2001, and is responsible for the operation of the Group in project management. He has over 25 years of experience in selling building materials and was a civil servant before joining the Group.

Mr. LAU Shiu Sun, aged 39, joined the Group in 1994. Mr. LAU was appointed as an executive director of the Company on 10 December 2001, before his appointment, Mr. Lau was a sales manager of the Group and is responsible for project sales. He graduated from Hong Kong Baptist University in 1992 with a bachelor of science degree.

Mr. YICK Kai Chung, aged 47, joined the Group in 1979 and was appointed as an executive director of the Company on 13 July 2004. Mr. Yick is a director of two subsidiaries of the Company. He has over 25 years of experience in building materials industry and is responsible for overseeing major accounts and wholesale business of the Group and products sourcing and technical support.

#### *Non-executive directors*

Mr. LEUNG Kwong Kin, J.P., aged 59, was appointed as an independent non-executive director in January 2000. Mr. LEUNG is a senior practising director of Wong Lam Leung & Kwok C.P.A. Ltd. He is a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants. Mr. LEUNG is also an associate member of the Institute of Chartered Accountants in England & Wales, the member of the Macau Society of Certified Practising Accountants, the Society of Chinese Accountants & Auditors, the Taxation Institute of Hong Kong, the Institute of Management and the International Institute of Management.

Mr. WONG Wah, Dominic, aged 57, was appointed as an independent non-executive director on 19 June 2001. He graduated from the Chinese University of Hong Kong in 1972 with honours bachelor's degree of Social Science in Economics. He was appointed director and general manager of Hongkong Ferry (Holdings) Ltd., formerly The Hongkong & Yaumatei Ferry Co., Ltd. until late 1989. He has been actively involved in China trade and garment industry over the last few years.

Mr. MAK So, aged 66, joined the Group in 1993 and retired in June 2006. He has over 34 years of experience in the building materials industry. Mr. MAK worked for Chau, Lee & She, Architects & Engineers, Town Planning Consultants as an office manager for 27 years. Mr. MAK has been a non-executive director since 2004.

是合於義理，使一切事物各得其宜，彼此和諧。

## Biographical details of directors and senior management (cont'd)

### *Non-executive directors (cont'd)*

Mr. WAN Sze Chung, Wilson, aged 33, was appointed as an independent non-executive director on 27 September 2004. Mr. Wan obtained a Master degree in Business Administration from the Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. WAN is a director of Training and Consultancy Firm specializing in corporate and personal training. In addition, Mr. WAN is also the Hong Kong Chapter Leader of International Coach Federation (USA).

### *Senior management*

Mr. TSE Sun Ming, Almond, aged 46, is a director of three subsidiaries of the Company and a founding member of the Group. Mr. TSE has over 25 years of experience in the building materials industry and is responsible for product sourcing and development. He is a cousin of Mr. TSE Sun Fat, Henry and Mr. TSE Sun Po, Tony and a brother of Mr. TSE Sun Lung, Alan.

Mr. AU Lai Chuen, Hercules, aged 49, joined the Group in 1982 and is a director of a subsidiary of the Company. Mr. AU has over 25 years of experience in the building materials industry and is responsible for project related sales and marketing activities.

Mr. LO Wai Man, aged 52, joined the Group in 1979. Mr. LO is a technical director and is responsible for overseeing provision of technical support for bathroom collections. He has over 25 years of experience in selling building materials and is a licensed plumber.

Mr. SHUM Lup Chi, aged 50, joined the Group in 1982. Mr. SHUM is the office manager and is responsible for office internal control and cost analysis. He had worked for various solicitor firms for 7 years before joining the Group.

Mr. CHAN Chiu Keung, aged 57, joined the Group since 1976. Mr. CHAN is the manager of the Mongkok retail shop of the Group and is in charge of overall shop management of that shop. He has over 28 years of experience in retail business.

Mr. CHANG Kai Chuen, aged 32, joined the Group in 1991. Mr. CHANG is a marketing manager of the Group and is responsible for project sales.

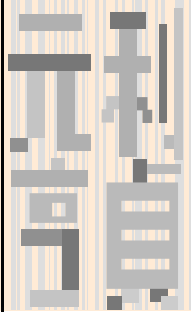
## Substantial shareholders

The register of substantial shareholders maintained under Section 336 of the SFO of shows that as at 31 March 2006, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

### *Long position in shares of the Company*

Name of Shareholder	Number of Shares	Percentage of issued share capital
BHGL	140,000,000	70%
Tse Brothers Assets Management Limited ( <i>Note 4</i> )	140,000,000	70%
Messrs. Kelvin K W Cheung & Chu Hei Chun ( <i>Note 4</i> )	140,000,000	70%

*Note 4:* BHGL is held as to approximately 60.98 per cent. by Tse Brothers Assets Management Limited, the entire issued share capital of which is in turn held by Messrs. Kelvin K W Cheung & Chu Hei Chun (who are the trustee of the Tse's Family Trust). Tse Brothers Assets Management Limited and Messrs. Kelvin K W Cheung & Chu Hei Chun are respectively taken to be interested in these shares under Section 336 of the SFO.



# Correct Virtue

The Creative works sublime success, furthering through perseverance.

## R e p o r t o f t h e D i r e c t o r s

### **Management contracts**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### **Major customers and suppliers**

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

#### Purchases

The largest supplier	8%
Five largest suppliers combined	36%

#### Sales

The largest customer	9%
Five largest customers combined	17%

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

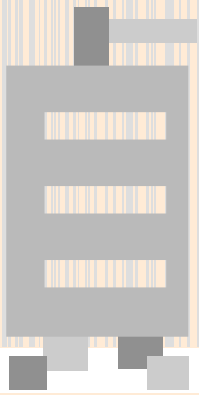
### **Pension scheme arrangements**

With effect from 1 December 2000, the mandatory provident fund scheme (the "MPF Scheme") was made compulsory as enforced by the Mandatory Provident Fund Schemes Authority of Hong Kong. The MPF Scheme is a defined contribution retirement benefit scheme administered by the independent trustees. The employer and the employee have to contribute in total an amount equal to 10% of the relevant income of the employee to the MPF Scheme. Contributions from the employer are 100% vested in the employees as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 subject to a few exceptions.

The aggregate employer's contributions under the above schemes which amounted to approximately HK\$1,002,885 have been dealt with in the income statement of the Group for the year ended 31 March 2006.

### **Connected transactions**

The related party transaction as disclosed in note 28 to the financial statements for the year ended 31 March 2006 in respect of rental expenses of approximately HK\$2,510,000 paid to Negotiator Consultants Limited ("NCL") also constitutes a connected party transaction. NCL is a fellow subsidiary of the Company in which Mr. TSE Sun Fat, Henry, Mr. TSE Sun Po, Tony, Mr. TSE Sun Lung, Alan and Mr. WONG Tin Cheung, Ricky has beneficial interests. The Stock Exchange has granted conditional waivers to the Company from strict compliance with the requirements of Chapter 14 of the Listing Rules. In the opinion of the directors including the independent non-executive directors of the Company, the transactions were conducted in the ordinary course of the business of the Group and in accordance with the terms of the agreements.



是正直執著，是處理一切事物的骨幹。

**Public float**

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this report, there is sufficient public float of the Company's Securities as required under the Listing Rules.

**Auditors**

A resolution will be submitted to the annual general meeting to re-appoint Moores Rowland Mazars, Chartered Accountants, Certified Public Accountants, as auditors of the Company.

On behalf of the Board

**TSE Sun Fat, Henry**  
*Chairman*

Hong Kong, 14 June 2006