



[Directors' Report]

The directors present their annual report and the audited financial statements for the year ended 31st March, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the design, manufacture, marketing and distribution of Christmas festive products including artificial Christmas trees and other decorative accessories, and leisure furniture. The principal activities of each of the subsidiaries are set out in note 36 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 28.

An interim dividend of 0.6 cents per share of HK\$0.02 each, amounting to approximately HK\$21 million in aggregate, was paid during the year.

The directors recommend the payment of a final dividend of 1.8 cents per share of HK\$0.02 each, amounting to approximately HK\$61 million in aggregate, to the shareholders whose names shall appear on the register of members of the Company on 6th August, 2001.

SUBSIDIARIES AND ASSOCIATE

Details of the Company's subsidiaries and of the Group's associate at 31st March, 2001 are set out in notes 36 and 14 to the financial statements, respectively.

RESERVES

Details of the movements during the year in the reserves of the Group and of the Company are set out in note 23 to the financial statements.

FINANCIAL SUMMARY

A summary of the results of the Group for the eight years ended 31st March, 2001 and of the assets and liabilities of the Group as at 31st March, 1997, 1998, 1999, 2000 and 2001 is set out on page 3.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 10 to the financial statements.

BORROWINGS

Details of borrowings of the Group are set out in note 19 to the financial statements.

CONVERTIBLE NOTES

Details of the Group's convertible notes are set out in note 25 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements during the year in the share capital, share options and warrants of the Company are set out in notes 20, 21 and 22 to the financial statements, respectively.

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

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DIRECTORS

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

Executive Directors:

Mr. Kao Cheung Chong, Michael	(Chairman and Managing Director)
Mr. Lai Chi Kin, Lawrence	(Deputy Chairman and Deputy Managing Director)
Mr. Lam Pak Kin, Philip	(Deputy Managing Director)
Mr. Kui Yiu Ngok	
Ms. Tsen Yun Lei, Liliana	

Non-executive Directors:

Mr. Zhuo Fu Min	
Mr. Lip-Bu Tan	(resigned on 15th April, 2000)
Ms. Zhang Yu Chen	
(Alternate for Mr. Lip-Bu Tan)	(resigned on 15th April, 2000)
Mr. Hamid Ahmadi	(resigned on 15th September, 2000)
Mr. Kok-Onn Chia	(appointed on 15th April, 2000 and resigned on 6th April, 2001)

Independent Non-executive Directors:

Mr. Alexander Reid Hamilton
Mr. Oh Kok Chi

In accordance with Articles 86(2) and 87 of the Company's Bye-laws, Messrs. Lam Pak Kin, Philip and Lai Chi Kin, Lawrence shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for an initial term of three years commencing 1st February, 1997 and his/her appointment shall continue thereafter, subject to termination by either party giving at least six months' prior notice to the other party.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.





Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 31st March, 2001, the interests of the directors and chief executives and their associates in the securities of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

(A) Interests in shares in the Company:

Name of directors	Number of shares held		
	Personal interest	Corporate interest	Other interest
Mr. Kao Cheung Chong, Michael	47,500,000	31,243,410 (note (ii))	1,857,249,990 (note (iii))
Mr. Lai Chi Kin, Lawrence	10,000,000	-	-
Mr. Lam Pak Kin, Philip	6,500,000	-	-
Mr. Kui Yiu Ngok	10,000,000	-	51,934,410 (note (iii))
Ms. Tsen Yun Lei, Liliana	10,000,000	-	169,435,300 (note (iv))

(B) Interests in share options in the Company:

Name of directors	Exercise price per share (note v) HK\$	Exercisable period	Number of share options held			
			At 1.4.2000	Share sub-division (note v)	Exercised during the year	At 31.3.2001
Mr. Kao Cheung Chong, Michael	0.7936	7th May, 1998 to 6th May, 2000	9,500,000	(9,500,000)	-	-
	0.15872	7th May, 1998 to 6th May, 2000	-	47,500,000	(47,500,000)	-
Mr. Lam Pak Kin, Philip	0.7936	7th May, 1998 to 6th May, 2000	1,300,000	(1,300,000)	-	-
	0.15872	7th May, 1998 to 6th May, 2000	-	6,500,000	(6,500,000)	-
Mr. Kui Yiu Ngok	0.4688	24th April, 1999 to 23rd April, 2001	1,800,000	(1,800,000)	-	-
	0.09376	24th April, 1999 to 23rd April, 2001	-	9,000,000	-	9,000,000
Ms. Tsen Yun Lei, Liliana	0.4688	24th April, 1999 to 23rd April, 2001	1,800,000	(1,800,000)	-	-
	0.09376	24th April, 1999 to 23rd April, 2001	-	9,000,000	-	9,000,000

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Notes:

- (i) These shares are held by Kessuda Consultants Limited whose entire issued share capital is beneficially owned by Mr. Kao Cheung Chong, Michael.
- (ii) Of these shares, 40,659,960 shares are beneficially owned by Happy Nation Limited, whose entire issued share capital is beneficially owned by China Link Holding Limited, whose entire issued share capital is in turn beneficially owned by HSBC International Trustee Limited, acting as trustee for The Cheerco Trust, of which Mr. Kao Cheung Chong, Michael and his family members are discretionary objects. The remaining 1,816,590,030 shares are beneficially owned by Sunni International Limited, 51% of whose issued share capital is beneficially owned by Happy Nation Limited.
- (iii) These shares are beneficially owned by Golden Jungle Limited, whose entire issued share capital is beneficially owned by Cheong Kin Management Limited, whose entire issued share capital is in turn beneficially owned by HSBC International Trustee Limited, acting as trustee for Kui Yiu Ngok Family Trust, of which Mr. Kui Yiu Ngok and his family members are discretionary objects.
- (iv) These shares are beneficially owned by Pleasure International Limited, whose entire issued share capital is beneficially owned by Sunshine Concept Investment Limited, whose entire issued share capital is in turn beneficially owned by HSBC International Trustee Limited, acting as trustee for Garry Cheng Ka Yun Family Trust, of which Ms. Tsen Yun Lei, Liliana and her family members are discretionary objects.
- (v) Details of the share option scheme of the Company are set out in note 21 to the financial statements. As a result of the share sub-division referred to in note 20(a) to the financial statements, the exercise prices of the share options were adjusted from HK\$0.7936 and HK\$0.4688 to HK\$0.15872 and HK\$0.09376, respectively.

Other than as disclosed above and the interests in certain non-voting 5% deferred shares in subsidiaries of the Company referred to in note 36 to the financial statements, none of the directors or chief executives, or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance at 31st March, 2001.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company adopted a share option scheme on 12th February, 1997, details of which are set out in note 21 to the financial statements.

Except for the share options as mentioned in "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES" above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 35 to the financial statements, no contract of significance to which the Company, its holding company or any of its subsidiaries 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.

CONNECTED TRANSACTION

Other than as disclosed in note 35 to the financial statements, on 15th January, 2001, the Company issued a corporate guarantee to a bank in respect of credit facilities of HK\$7,000,000 granted to Imagi Production Limited, a company in which the Group holds a 65% interest.





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SUBSTANTIAL SHAREHOLDERS

Other than as disclosed in note (ii) of the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES", the register of 10% or substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person having an interest of 10% or more in the issued share capital of the Company as at 31st March, 2001.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to approximately HK\$659,000.

PRE-EMPTIVE RIGHTS

There are no provisions 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.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Kao Cheung Cheong, Michael

Chairman

Hong Kong, 3rd July, 2001