



## ***Directors' Report***

The directors of the Company have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st March, 2001.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries during the year were property development in Mainland China and treasury activities in Hong Kong.

An analysis of the Group's turnover and contribution to profit before taxation by activity and geographical location is set out in note 2 to the financial statements.

### **RESULTS**

The results of the Group for the year ended 31st March, 2001 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 19 to 50.

### **DIVIDEND**

No interim dividend was paid in the current year (2000: first special interim dividend of HK\$10 per share of HK\$0.8 each and second special interim dividend of HK\$0.08 per share of HK\$0.08 each). The board of directors of the Company does not recommend the payment of a final dividend (2000: Nil).

### **SHARE CAPITAL**

Details of the share capital of the Company are set out in note 20 to the financial statements. There were no movements in the Company's share capital during the year.

### **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

### **MAJOR PROPERTIES**

Particulars of the Group's major properties held for development and completed properties held for sale are set out on page 51.



## **RESERVES**

Details of movements in reserves of the Group and the Company during the year are set out in note 21 to the financial statements.

## **BORROWINGS AND INTEREST CAPITALIZED**

During the year, the Group has no long term borrowing and no interest or other borrowing costs were capitalized.

## **DONATIONS**

During the year, the Group made charitable and other donations amounting to HK\$90,000 (2000: HK\$700,000).

## **FIVE YEAR FINANCIAL SUMMARY**

A five year financial summary of the Group is set out on pages 52 and 53.

## **DIRECTORS**

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

### **Executive Directors**

Mr. Lee Lap

Mdm. Leung Lai Ping

Mr. Lee Hon Kai (resigned on 8th November, 2000)

Mr. Wong Shiu Kee (appointed on 18th January, 2001)

### **Independent Non-Executive Directors**

Dr. Lee Tung Hai, Leo, G.B.S., L.L.D., J.P.

Mr. Lee Ka Sze, Carmelo

In accordance with the Company's Bye-laws, Mr. Wong Shiu Kee and Mr. Lee Ka Sze, Carmelo, shall retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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



## **DIRECTORS' SERVICE CONTRACTS**

Mr. Wong Shiu Kee has a service contract with the Company with a remaining unexpired period of 3 years which is not determinable within one year without payment of compensation (other than statutory compensation).

Save as aforementioned, none of the directors was a party to any other service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

## **BIOGRAPHICAL DETAILS OF DIRECTORS**

### **Executive Directors**

**Mr. Lee Lap**, aged 58, is the Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has been actively involved in the printed circuit board and electronics industry in Hong Kong since 1968. Mr. Lee is responsible for overall policy and decision making and business development of the Group. Mr. Lee is an honorary citizen of Zhongshan, Shenzhen and Guangzhou in the PRC.

**Madam Leung Lai Ping**, aged 52, is the wife of Mr. Lee Lap. She has been involved in overall policy and decision making and general administration of the Group since 1968.

**Mr. Wong Shiu Kee**, aged 37, is the Finance Director of the Company. He first joined the Company in 1991 and rejoined the Company in October, 2000. Mr. Wong, with over 15 years of experience in financial management, is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants, and is also a qualified Chartered Secretary designated as ACIS and ACS.

### **Independent Non-executive Directors**

**Dr. Lee Tung Hai, Leo**, G.B.S., L.L.D., J.P., aged 79, is the Chairman of Tung Tai Group of Companies and a non-executive director of several public listed companies in Hong Kong, including Beijing Enterprises Holdings Limited. He is a member of a number of public services committees and heads many social service organizations, including as an Adviser of the Advisory Board of the Tung Wah Group of Hospitals, Chairman of the Association of Chairman of Tung Wah Group of Hospitals, Chairman of Friends of Hong Kong Association and Vice President of the China Overseas Friendship Association. Dr. Lee is a member of the Standing Committee of the National Committee of The Chinese People's Political Consultative Conference. He served as an Adviser on Hong Kong Affairs to Hong Kong & Macau Affairs Office of the State Council and Xinhua News Agency, Hong Kong Branch; a member of the Preparatory Committee for the Hong Kong Special Administrative Region; and a member of the Hong Kong Special Administrative Region Selection Committee. He has been honoured with awards by different governments, which include Cavaliere di Gran Croce of Italy, O.B.E. of Great Britain, Chevalier Legion d'Honneur of France, Commandeur de l'Ordre de Leopold II of Belgium and Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China in 1999. Dr. Lee has over 40 years of experience in business management.



## BIOGRAPHICAL DETAILS OF DIRECTORS (Continued)

### Independent Non-executive Directors (Continued)

**Mr. Lee Ka Sze, Carmelo**, aged 41, has been an independent non-executive director of the Company since March, 1997. He holds a Bachelor of Law degree from the University of Hong Kong. He is a practising solicitor and a partner of Woo, Kwan, Lee & Lo. He is a non-executive director of various companies listed on The Stock Exchange of Hong Kong Limited. He is also a member of the listing committee of the main board of The Stock Exchange of Hong Kong Limited.

## SENIOR MANAGEMENT

The directors are closely involved in and are directly responsible for all activities of the Group. The board of directors considers that only the above-mentioned three Executive Directors are regarded as members of the Group's senior management.

## EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of the emoluments of directors and senior employees are set out in note 12 to the financial statements.

## PARTICULARS OF INTERESTS IN SECURITIES HELD BY DIRECTORS, CHIEF EXECUTIVE AND THEIR ASSOCIATES

As at 31st March, 2001, the beneficial interests of the Company's directors, chief executive and their associates in the shares of the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:–

### (a) Interests in the Company

Name of directors	Number of ordinary shares of HK\$0.08 each			
	Personal interest	Family interest	Corporate interest	Other interest
Mr. Lee Lap	37,500,000	–	884,752,780	–
Mdm. Leung Lai Ping	37,500,000	884,752,780	–	–

Mr. Lee Lap and his spouse, Mdm. Leung Lai Ping, are the beneficial owners of the issued share capital of Lee & Leung (B.V.I.) Limited. The shares included under family interest and corporate interest refer to the shares held by Lee & Leung (B.V.I.) Limited.



## PARTICULARS OF INTERESTS IN SECURITIES HELD BY DIRECTORS, CHIEF EXECUTIVE AND THEIR ASSOCIATES *(Continued)*

### (b) Interests in Associated Corporations

Name of directors	Name of subsidiary	Number of non-voting deferred shares held
Mr. Lee Lap	Applied Industrial Company Limited	1,000
	Lee Plastics Manufacturing Company Limited	250,000
	Magnetic Electronics Limited	5,000
	Termbray Electronics Company Limited	7,000
Mdm. Leung Lai Ping	Applied Industrial Company Limited	1,500
	Lee Plastics Manufacturing Company Limited	250,000
	Termbray Electronics Company Limited	3,000

Save as disclosed herein and except for shares in the subsidiaries held by a director in trust for their immediate holding companies, as at 31st March, 2001, none of the directors or chief executive of the Company had any interest in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

### DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No share options under the share option scheme of the Company approved by the shareholders on 28th September, 1991 were granted or exercised during the year or outstanding as at 31st March, 2001.

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

### DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group had entered into transactions with Panda Investment Company Limited ("Panda Investment") as disclosed in note 30 to the financial statements. Mr. Lee Lap and Mdm. Leung Lai Ping have controlling interests in Panda Investment.



## DIRECTORS' INTERESTS IN CONTRACTS *(Continued)*

Save as aforementioned, no other contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party or were parties 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.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to paragraph 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company discloses that Mr. Lee Lap and Mdm. Leung Lai Ping are interested in companies engaged in property investment and development in Mainland China and Hong Kong ("Competing Business").

The board of directors of the Company has established procedures to identify any conflict of interest due to the interests of Mr. Lee Lap and Mdm. Leung Lai Ping. If conflict of interest arises, Mr. Lee Lap and Mdm. Leung Lai Ping will abstain from participating in making any decision. The Company is therefore capable of carrying on its business independently of, and at arm's length from the Competing Business.

## MANAGEMENT CONTRACTS

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

## SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001, the persons interested in 10% or more of the issued share capital of the Company as recorded in the register kept under Section 16(1) of the SDI Ordinance were as follows:

Name of shareholder	Number of ordinary shares of HK\$0.08 each held
Mr. Lee Lap	922,252,780
Mdm. Leung Lai Ping	922,252,780
Lee & Leung (B.V.I.) Limited*	884,752,780

- \* Lee & Leung (B.V.I.) Limited is beneficially owned by Mr. Lee Lap and his spouse, Mdm. Leung Lai Ping, and its interest in the issued share capital of the Company is included in the interests held by Mr. Lee Lap and Mdm. Leung Lai Ping respectively.



## PROVIDENT FUND SCHEME

Prior to 1st December, 2000, the Group had established a defined contribution provident fund scheme for their Hong Kong employees. The assets of the scheme were held separately from those of the Group and managed by an insurance company. Both of the employer and employee in the scheme were required to make contributions to the scheme calculated at 5% of the employee's monthly basic salary.

The Group's contributions made for employees who had left the scheme prior to their interests being fully vested were forfeited, and could be used by the Group to set off against its contributions payable.

Following the implementation of the Mandatory Provident Fund Schemes Ordinance ("MPFS Ordinance"), the Group terminated the defined contribution provident fund scheme previously established. In December, 2000, the Group registered with a mandatory provident fund scheme ("MPF Scheme") managed by a banking group. All staff employed in Hong Kong joined the MPF Scheme. The MPF Scheme is also a defined contribution scheme and the assets of which are held separately from those of the Group in independently administered funds. Both of the employer and the employee are required to make mandatory contributions to the MPF Scheme calculated at 5% of the employee's monthly relevant income, subject to the rules and regulations of the MPFS Ordinance.

The Group's voluntary contributions made for employees who have left the MPF Scheme prior to their interests being fully vested are forfeited and will be refunded to the Group.

The Group's provident fund scheme contributions, net of forfeited contributions, charged to the income statement for the year are as follows:–

	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Gross employers' contributions	<b>67</b>	353
Less: Forfeited contributions	<b>(19)</b>	(150)
Net contributions	<b>48</b>	203

As at 31st March, 2001, the Group had no forfeited contributions (2000: HK\$9,473) available to offset future employers' contributions to the MPF Scheme.

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

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



### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no statutory restrictions against such rights under the laws in Bermuda.

### **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 Listing Rules.

In addition, the Company has established an Audit Committee comprising the two independent non-executive directors for review and supervision of the Group's financial reporting process and internal controls.

### **AUDITORS**

The financial statements for the three years ended 31st March, 2001 were audited by Messrs. Deloitte Touche Tohmatsu. A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

**Lee Lap**

*Chairman & CEO*

Hong Kong, 6th July, 2001