

# 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 principal activities of its subsidiaries and associates are set out in notes 14 and 15 respectively to the financial statements.

## Results

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

## Share Capital And Warrants

Details of movements during the year in the share capital and warrants of the Company are set out in notes 25 and 26 to the financial statements, respectively.

## Share Option Scheme

Details of changes in the share option scheme of the Company and movements in the share options of the Company are set out in note 27 to the financial statements.

## Financial Summary

A financial summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 78 of the annual report.

## Major Customers And Suppliers

The five largest customers of the Group accounted for less than 30% of the Group's turnover for the year ended 31st March, 2001.

The aggregate purchases attributable to the Group's five largest suppliers was less than 30% of the total purchases.



## Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 28 to the financial statements.

Under The Companies Act 1981 of Bermuda, the Company's contributed surplus account is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if

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

In the opinion of the directors, the Company does not have reserves available for distribution to shareholders as at 31st March, 2001.

## Subsidiaries And Associates

Details of the Company's subsidiaries and associates at 31st March, 2001 are set out in notes 14 and 15 to the financial statements, respectively.

## Property, Plant And Equipment

During the year, the Group spent approximately HK\$54 million on construction in progress, approximately HK\$16 million on land and buildings and approximately HK\$49 million on plant, machinery and equipment.

Details of these and other movements in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

# Directors' Report

## Directors

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

### Executive directors:

Kwok Yan Lam (*Chairman*)

Kwok Hing Lam (*Deputy Chairman and  
Managing Director*)

Geoffrey F. Paterson

(resigned on 5th April, 2000)

Chin Chan

(resigned on 8th May, 2000)

### Non-executive director:

Alan Wang Wai Kwan

### Independent non-executive directors:

David Chi Kin Ng

Kin Wai Cheung

In accordance with Clause 87 of the Company's Bye-laws, Mr. Kin Wai Cheung retires and, being eligible, offers himself for re-election.

The term of office of the non-executive director and each independent non-executive director is the period up to his retirement by rotation in accordance with the above clause.

No director being 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 Group within one year without payment of compensation (other than statutory compensation).



## Directors' Service Contracts

Each of Messrs. Kwok Yan Lam, Kwok Hing Lam, Chin Chan and Geoffrey F. Paterson had a service contract with the Company. These service contracts continued unless and until terminated by either the Company or the director giving to the other 6 months' notice in writing. Following the resignation of Messrs. Chin Chan and Geoffrey F. Paterson as directors of the Company, each of their directors' service contracts was terminated with effect from their dates of resignation as director of the Company.

## Directors' Interests In Shares

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

Name of Director	Number of Shares		Number of Ordinary Shares of Asia Nice Art Production Limited, a Subsidiary of the Company
	Personal Interests	Corporate Interests	
Kwok Yan Lam	69,503,340	Note	1,000
Kwok Hing Lam	69,493,340	Note	—

*Note:*

At 31st March, 2001, an aggregate of 1,940,826,660 shares of the Company were held by Optimist International Limited ("Optimist"). Messrs. Kwok Yan Lam and Kwok Hing Lam ("Messrs. Lam") are each entitled to exercise or control the exercise of one-third or more of the voting rights at general meetings of Medusa Group Limited, which in turn is entitled to exercise or control the exercise of one-third or more of the voting rights at general meetings of Optimist. Accordingly, under the SDI Ordinance, Messrs. Lam are each deemed to be interested in all the 1,940,826,660 shares of the Company held by Optimist.

Save as aforesaid and other than nominee shares in certain subsidiaries held in trust for the Company by certain directors, none of the directors, the chief executive or their associates had any personal interests, family interests, corporate interests or other interests in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31st March, 2001.

## Directors' Report

### Directors' Interest in Contracts of Significance

No contract of significance to which the 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.

### Directors' Rights to Acquire Shares or Debentures

The Company has an executive share option scheme under which executive directors and employees of the Company or any of its subsidiaries may be granted options to subscribe for shares in the Company. Details of the option scheme and the options granted to the directors are set out in note 27 to the financial statements.

Save as aforesaid, at no time during the year was the 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, and none of the directors or the chief executive, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

### Substantial Shareholders

At 31st March, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that, other than the interests disclosed above in respect of Optimist, no shareholder was interested in 10% or more of the issued share capital of the Company.

### Purchase, Sale or Redemption of the Company's Listed Shares

During the year, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited, details of which are set out in note 25 to the financial statements. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

None of the Company's 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 restrictions against such rights under the law 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### Post Balance Sheet Events

Details of the post balance sheet events are set out in note 40 to the financial statements.

### Auditors

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

On behalf of the Board

#### **Kwok Hing Lam**

*Deputy Chairman and Managing Director*

Hong Kong

26th July, 2001