

# Report of the Directors

The directors have pleasure in presenting their report and the audited financial statements for the year ended March 31, 2002.

## Principal activities

The Company and its subsidiaries (the "Group") are investment holding companies.

## Segmental information

The Group's turnover and contribution to operating results were all derived from investments in listed and unlisted companies in Hong Kong.

## Subsidiaries

Details of the Company's subsidiaries at March 31, 2002 are set out in note (12) to the financial statements.

## Results and appropriations

The results of the Group for the year ended March 31, 2002 are set out in the consolidated income statement on page 17.

The directors consider it is more appropriate for the Company to retain the financial resources for investing as and when attractive investment opportunities arise. The directors have resolved not to recommend a payment of final dividend for the year.

## Share capital and warrants

Details of the Company's share capital and warrants are set out in note (18) to the financial statements.

# Report of the Directors

## Financial summary

A summary of the results and of the assets and liabilities of the Group for the last three financial years is set out below. This summary is not part of the audited financial statements.

### RESULTS

	<b>1/4/2001- 31/3/2002 HK\$'000</b>	<b>1/4/2000- 31/3/2001 HK\$'000</b>	<b>8/6/1999- 31/3/2000 HK\$'000</b>
Turnover	<b>27,800</b>	36,380	29,595
Profit (Loss) before taxation	<b>14,055</b>	(25,992)	17,384
Taxation	<b>—</b>	820	(2,642)
Net profit (loss) attributable to shareholders	<b>14,055</b>	(25,172)	14,742

### ASSETS AND LIABILITIES

	<b>2002 HK\$'000</b>	<b>March 31 2001 HK\$'000</b>	<b>2000 HK\$'000</b>
Total assets	<b>101,216</b>	87,149	117,667
Total liabilities	<b>(317)</b>	(305)	(6,691)
Net assets	<b>100,899</b>	86,844	110,976

#### Notes:

The Company was incorporated in the Cayman Islands on November 4, 1999 and became the holding Company of the companies comprising the Group as a result of the group reorganisation on December 22, 1999. The financial results of the Group for the period from June 8, 1999 (date of incorporation of Super Idea International Limited, a then wholly-owned subsidiary of the Company after the group reorganisation) to March 31, 2000 were prepared on the basis of merger accounting as if the Group structure had been in existence throughout the period presented.

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in note (19) to the financial statements.

The Company's reserves available for distribution represent the share premium, contributed surplus and retained profits under the Companies Law of the Cayman Islands. The share premium of the

# Report of the Directors

Company is available for paying dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends can be distributed out of the share premium, contributed surplus and retained profits of the Company which in aggregate amounted to approximately HK\$89,334,000 (2001: HK\$90,533,000) as at March 31, 2002.

## Purchase, sale and 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.

## Directors

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

### EXECUTIVE DIRECTORS

Li Kwok Cheung, George

Chiu Sui Keung

Lin Wai Yan, Monica

Cheng Wai Lun, Andrew (Appointed on January 30, 2002)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Wong Wai Kwong, David

Lewis Hung Fung

Kwok Hong Yee, Jesse

In accordance with Article 123 of the Company's Articles of Association, Mr. Cheng Wai Lun, Andrew who was appointed as director of the Company during the year shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

In accordance with Article 157 of the Company's Articles of Association, Mr. Chiu Sui Keung and Mr. Kwok Hong Yee, Jesse shall retire by rotation from office and, being eligible, offer themselves for re-election. All other directors continue in office.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

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

# Report of the Directors

## Directors' interests in securities

As at March 31, 2002, the interests of the directors, chief executive or their associates in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) were as follows:

Name of director	Number of ordinary shares held as corporate interests	Nominal value of warrants held as corporate interests
Cheng Wai Lun, Andrew ( <i>Note</i> )	340,000,000	HK\$8,160,000

*Note:* Mr. Cheng Wai Lun, Andrew is one of the discretionary objects of a trust which assets include interests in the entire issued share capital of Fung Fai Growth Limited. Fung Fai Growth Limited holds 340,000,000 shares and warrants in the nominal amount of HK\$8,160,000 of the Company.

Save as disclosed above, as at March 31, 2002, none of the directors and chief executive or their associates had any personal, family, corporate or other interests in equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors and chief executive, nor their respective 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.

## Directors' rights to acquire shares or debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

# Report of the Directors

## Substantial shareholders

As at March 31, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more of the issued share capital of the Company:

Name of shareholder	Number of shares held	Notes
Fung Fai Growth Limited	340,000,000	(a)
Kingswell Holdings Group Limited	170,000,000	(b)

Notes:

- (a) The entire issued share capital of Fung Fai Growth Limited is owned by a trust of which the discretionary objects are family members of Mr. Cheng Kai Ming, Charles, including a director of the Company, Mr. Cheng Wai Lun, Andrew.
- (b) The entire issued share capital of Kingswell Holdings Group Limited is beneficially owned by Mr. Janusz Mieczyslaw Stempnowski.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at March 31, 2002.

## Directors' interests in contracts

In the opinion of the directors, there were no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any 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.

## Management contracts

Details of significant management contracts in relation to the Company's business are included in note (24)(a) to the financial statements.

Save as disclosed above, no other 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.

## Pre-emptive rights

There are no provisions for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders under the Company's Memorandum and Articles of Association and the Companies Laws of the Cayman Islands.

# Report of the Directors

## Audit Committee

The Company has established an audit committee according to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee of the Group consists of three independent non-executive directors, namely Mr. Wong Wai Kwong, David, Dr. Lewis Hung Fung and Mr. Kwok Hong Yee, Jesse.

## Corporate governance

The Company has complied throughout the year ended March 31, 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that independent non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation according to the provision of the Company's bye-laws.

## Auditors

Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, resigned as joint auditors of the Company on April 3, 2001 while Messrs. Chu and Chu, Certified Public Accountants, continued to act as auditors of the Company from that date.

Apart from the foregoing, there were no other changes in auditors of the Company in any of the preceding three years.

Messrs. Chu and Chu, Certified Public Accountants, retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

**Li Kwok Cheung, George**

*Executive Director*

Hong Kong, June 10, 2002