



# REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2002.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the principal activities of the subsidiaries during the year.

## SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operation for the year ended 31 March 2002 is set out in note 4 to the financial statements.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2002 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 24 to 64.

The directors do not recommend the payment of any dividend in respect of the year.

## USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

Details of the use of proceeds from the Company's initial public offering are set out on page 7 of the Annual Report.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 8 of the Annual Report. This summary does not form part of the audited financial statements.

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## **FIXED ASSETS AND INVESTMENT PROPERTY**

Details of movements in the fixed assets and investment property of the Group during the year are set out in note 14 to the financial statements.

## **SHARE CAPITAL AND SHARE OPTIONS**

Details of the Company's share capital and share options are set out in note 23 to the financial statements.

## **RESERVES**

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

## **DISTRIBUTABLE RESERVES**

As at 31 March 2002, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$115,566,000, as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account, in the amount of HK\$50,006,000, may be distributed in the form of fully paid bonus shares.

## **MAJOR CUSTOMERS AND SUPPLIERS**

25% of the Group's turnover was attributable to the Group's five largest customers. Sales to the Group's largest customer accounted for 10% of the Group's turnover for the year.

35% of the Group's total purchases were attributable to the Group's five largest suppliers. Purchases from the Group's largest supplier accounted for 16% of the Group's total purchases for the year.

According to the best knowledge of the directors, neither the directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers and five largest suppliers during the year.

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## DIRECTORS

The directors of the Company during the year were:

### **Executive director**

Mr. But Tin Hing (*Chairman*)  
Mr. But Tin Fu (*Deputy chairman*)  
Mr. But Tin Hung  
Mr. Leung Cheong  
Mr. Leung Kuen, Ivan  
Mr. Leung Ka Lok  
Mr. Szeto Kin Yue

### **Independent non-executive director**

Mr. Au Son Yiu  
Mr. Goh Gen Cheung

In accordance with clauses 87 and 88 of the Company's bye-laws, Messrs. But Tin Hung and Leung Kuen, Ivan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the Annual Report.

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## DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 1 September 2000 which will continue thereafter until termination by three months' notice in writing served by either party on the other.

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

## DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

## DIRECTORS' INTERESTS IN SHARES

As at 31 March 2002, the interests of the directors and their associates in the share capital of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), are set out below:

Name	Type of interest	Number of ordinary shares held	Percentage of issued shares
Mr. But Tin Hing	Corporate	157,575,600	50.50
Mr. But Tin Fu	Corporate	157,575,600	50.50
Mr. Leung Cheong	Corporate	157,575,600	50.50
Mr. Leung Kuen, Ivan	Corporate	157,575,600	50.50

157,575,600 shares are held by Mind Seekers Investment Limited ("Mind Seekers"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Messrs. But Tin Hing, But Tin Fu, Leung Cheong and Leung Kuen, Ivan, as to 50%, 20%, 20% and 10%, respectively.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other beneficial interest in the issued share capital of the Company or any of its associated corporations, as recorded in the register required to be kept under Section 29 of the SDI Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' interests in shares" above and "Share option scheme" below, at no time during the year were the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, 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.

## SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose for providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme included the Company's executive directors or employees of the Group. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 16 October 2000 and, unless otherwise cancelled or amended, will remain in force on or before 18 September 2010.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, up to 10% of the shares of the Company in issue at any time (except shares issued pursuant to the exercise of any options granted under the Scheme). No share options have been granted under the Scheme up to the date of this report. The maximum number of shares issuable under share options to each eligible participant in the Scheme is limited to 25% of the aggregate number of shares issuable under the Scheme.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, with no consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors and shall not be more than ten years after the date when the option is granted and expiring on the last date of such period.

The exercise price of the share option is determined by the directors, and equal to the higher of 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, and the nominal value of the shares of the Company.

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## SHARE OPTION SCHEME *(continued)*

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Rules Governing the Listing of Securities issued by the Stock Exchange (the “Listing Rules”) in respect of share option schemes, which came into effect on 1 September 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the directors consider that it is in the interest of the Company to terminate the existing Scheme of the Company and to adopt a new Scheme. The directors also consider to propose an ordinary resolution to be passed at the Company’s shareholders’ meeting for the approval of the said adoption of the new Scheme and termination of the Company’s existing Scheme. The notice to convene such shareholders’ meeting will be despatched to shareholders in due course. Until the adoption of the proposed new Scheme, the share options which may be from time to time granted by the Company under the existing Scheme will however not be affected by the proposed new Scheme.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of ordinary shares held	Percentage of issued shares
Mind Seekers	157,575,600	50.50

Save for the interests disclosed above, which are also included in the section “Directors’ interests in shares” above, the directors are not aware of any person who was, directly or indirectly, interested in 10% or more of the issued share capital of the Company as at 31 March 2002 that was required to be recorded under Section 16(1) of the SDI Ordinance.

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

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

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## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Listing Rules, throughout the year, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

## AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company. The Group's financial statements for the year ended 31 March 2002 have been reviewed by the Committee. The Committee is of the opinion that these statements comply with the applicable accounting standards, and the Stock Exchange and legal requirements, and that adequate disclosures have been made.

## AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**But Tin Hing**

*Chairman*

Hong Kong

24 July 2002