

## Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2002.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 13, 15 and 16 to the financial statements, respectively.

### RESULTS

The results of the Group for the year ended 31 March 2002 are set out in the consolidated income statement on page 21.

No dividend was paid during the year.

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 72.

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$18,171,000 on the acquisition of property, plant and equipment to expand the Group's production facilities.

The leasehold land and buildings of the Group were revalued on 31 March 2002. The revaluation resulted in a net deficit over book value of HK\$7,185,000 which has been debited directly to the asset revaluation reserve.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

### SHARE CAPITAL

Details of changes during the year in the share capital of the Company are set out in note 26 to the financial statements.

### RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 27 to the financial statements.

Directors' Report (*Continued*)**DIRECTORS AND DIRECTORS' SERVICE CONTRACTS**

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

**Executive directors:**

Mr. Chau Lai Him (Chairman and Managing Director)

Mr. Zhou Jin Hua (Deputy Chairman)

Mr. Yeung Kam Tung

Mr. Lau Man Tak (appointed on 4 January 2002)

Mr. Szeto Chak Wah (appointed on 2 May 2002)

Mr. Chow Kin Ming (resigned on 4 January 2002)

**Independent non-executive directors:**

Mr. Lo Kao Cheng

Mr. Lo Wai Ming

Mr. Wong Chi Pang, Panny

Except for the Chairman, all directors are subject to retirement by rotation.

In accordance with Clause 87(1) and Clause 86(2) of the Company's Bye-Laws, Messrs. Lau Man Tak and Szeto Chak Wah shall retire and, being eligible, offer themselves for re-election. The other directors continue in office.

Independent non-executive directors are not appointed for a specific term and are subject to retirement by rotation in accordance with the above Bye-Laws.

None of the directors 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.

Directors' Report *(Continued)***DIRECTORS' INTERESTS IN SECURITIES****(i) Shares**

At 31 March 2002, the interests of the directors and their associates in the share capital of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

<b>Name of director</b>	<b>Type of interest</b>	<b>Number of shares</b>
Mr. Chau Lai Him	Personal	205,200,000
	Other (Note)	3,965,000,000

Note: These shares are held by Chau's Family 1996 Limited which is wholly owned by the Chau's Family 1996 Trust, a discretionary trust of which Mr. Chau Lai Him is a discretionary object.

Other than as disclosed above, none of the directors or their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31 March 2002.

**(ii) Share options**

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 26 November 1996 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 25 November 2006. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors, of the Company and any of its subsidiaries, to subscribe for shares in the Company.

At 31 March 2002, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 848,000,000, representing 4.5% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The total number of shares in respect of which options may be granted to any individual is not permitted to exceed 2.5% of the shares of the Company in issue at any point in time.

## Directors' Report (Continued)

**DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)****(ii) Share options (Continued)**

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$10 as consideration. Options may be exercised at any time from six months from the date of grant of the share option to the second anniversary of the beginning date of the exercisable period. The exercise price is determined by the directors of the Company, and will not be less than the higher of 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of grant of the options, and the nominal value of the shares.

The following table discloses movements in the Company's share options during the year:

Capacity	Name of director	Date of grant	Exercisable period	Exercise price HK\$	Number of share options			
					Balance at 1.4.2001	Granted during the year	Lapsed during the year	Balance at 31.3.2002
Director	Mr. Zhou Jin Hua	5 October 2000	5 April 2001 to 4 April 2003	0.015	285,000,000	-	-	285,000,000
Director	Mr. Yeung Kam Tung	5 October 2000	5 April 2001 to 4 April 2003	0.015	100,000,000	-	-	100,000,000
Director	Mr. Chow Kin Ming	5 October 2000	5 April 2001 to 4 April 2003	0.015	100,000,000	-	(100,000,000)	-
					485,000,000	-	(100,000,000)	385,000,000
Employees		5 October 2000	5 April 2001 to 4 April 2003	0.015	178,000,000	-	-	178,000,000
Employees		13 August 2001	13 February 2002 to 12 February 2004	0.010	-	285,000,000	-	285,000,000
					178,000,000	285,000,000	-	463,000,000
Total					663,000,000	285,000,000	(100,000,000)	848,000,000

The fair value of the share options granted during the year is not disclosed as in the directors' opinion, no accurate value can be obtained under the existing pricing model.

Other than as disclosed above, none of the directors or their associates had any right to subscribe for securities of the Company, or had exercised any such right during the year, and 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.

*Directors' Report (Continued)***DIRECTORS' INTERESTS 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.

**SUBSTANTIAL SHAREHOLDERS**

Other than the interests disclosed under the heading "Directors' Interests in Securities" above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no other person as having an interest of 10% or more in the issued share capital of the Company as at 31 March 2002.

**MAJOR CUSTOMERS AND SUPPLIERS**

For the year ended 31 March 2002, the five largest customers of the Group together accounted for less than 30% of the Group's total turnover and the five largest suppliers of the Group together accounted for approximately 48% by value of the Group's total purchases during the year, with the largest supplier accounted for 19%.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

**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, 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 31 March 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 of Hong Kong Limited.

Directors' Report (*Continued*)

**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

**Chau Lai Him**

*Chairman*

22 July 2002