



## DIRECTORS' REPORT

The directors have pleasure in presenting 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 the Company's subsidiaries are set out in note 13 to the financial statements.

### SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2001 are set out in note 13 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 at that date are set out in the financial statements on pages 23 to 65.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 23 to the financial statements.

The Company does not have any distributable reserves.

### FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 66.

### FIXED ASSETS

During the year, properties with an aggregate carrying value of HK\$12,424,000 (2000: HK\$4,492,000) were reclassified from leasehold properties to investment properties. The Group spent HK\$4,162,000 (2000: HK\$2,370,000) on leasehold improvements, furniture, fixtures, fittings, machinery and equipment and motor vehicles and wrote off and disposed an aggregate carrying value of HK\$3,864,000 (2000: HK\$3,249,000) of leasehold improvements, furniture, fixtures, fittings, machinery and equipment and motor vehicles.

The Group's investment properties were revalued on 31st March, 2001 at approximately HK\$37,423,000 (2000: HK\$24,540,000) and the resulting revaluation surplus of HK\$459,000 (2000: deficit of HK\$5,648,000) has been credited to the investment property revaluation reserve as set out in note 23 to the financial statements.

Details of these and other changes in fixed assets are set out in note 12 to the financial statements.



### PROPERTIES

Particulars regarding properties held by the Group at 31st March, 2001 are set out on pages 67 and 68.

### SHARE CAPITAL AND SHARE OPTION

Details of movements in the share capital and share option of the Company during the year are set out in notes 21 and 22 to the financial statements respectively.

### CONVERTIBLE NOTES

Details of convertible notes are set out in note 19 to the financial statements.

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

*Executive directors:*

Leung Chung Ping (*Chief Executive Officer*)

Sum Pui Ying

Wong Wang Chan (*appointed on 11th June, 2001*)

*Non-executive director:*

Leung Miu King

*Independent non-executive directors:*

Sit Kien Ping, Peter

Lai Si Ming

In accordance with Clause 92 of the Company's Bye-laws, Dr. Wong Wang Chan retires, and being eligible, offers himself for re-election.

In accordance with Clauses 85 and 86 of the Company's Bye-laws, Mr. Lai Si Ming retire, and being eligible, offer himself for re-election.

The independent non-executive directors are subject to retirement by rotation in accordance with the above Bye-laws.

Neither of the directors proposed for re-election has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.



### DIRECTORS' INTERESTS IN SHARES

At 31st March, 2001, the interests of the directors and their associates in the share capital of the Company and its associated corporations, 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:

Name of director	Number of shares held			
	Personal interests	Family interests	Corporate interests	Other interests
Leung Chung Ping	20,000,000	–	–	–
Sum Pui Ying	–	–	–	–
Wong Wang Chan	–	–	–	–
Leung Miu King	–	–	–	–
Sit Kien Ping, Peter	–	–	–	–
Lai Si Ming	–	–	–	–

Dr. Wong Wang Chan appointed on 11th June, 2001.

Saved as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Group, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

### DIRECTORS' INTEREST IN CONTRACTS

No contracts 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

At 31st March, 2001, the directors had the following personal interests in share options to subscribe for shares in the Company granted under the Share Option Scheme of the Company, details of which are set out in note 22 to the financial statements:

Name of director	Date granted	Exercise price	Number of share options
Leung Chung Ping	24th September, 1997	HK\$1.00	3,000,000
Sum Pui Ying	24th September, 1997	HK\$1.00	3,000,000

No share option was exercised, lapsed or cancelled during the year under review. The options granted are exercisable for a period of ten years commencing from the date the option scheme is adopted.



## DIRECTORS' REPORT (Continued)

Other than as disclosed above, at no time during the year the Company or any of its subsidiaries was 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. None of the directors, their spouses or their 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.

### CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the convertible notes and the share option scheme as explained in notes 19 and 22 to the financial statements respectively, the Company had no outstanding convertible securities, options, warrants or similar rights at 31st March, 2001 and there was no issue or exercise of any convertible securities, options, warrants or similar rights during the year.

### SUBSTANTIAL SHAREHOLDERS

At 31st March, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shown that the Company has been notified of the following persons with interests representing 10% or more of the Company's issued share capital:

Name	Number of Shares
Leung Shu Wing	55,000,000 (Note 1)
Kee Shing (Holdings) Limited	55,000,000 (Note 1)
Pacific Apex International Limited	55,000,000
Leong Lou Teck	37,550,540 (Note 2)
Yap Han Hoe	37,508,000 (Note 2)
Galmare Investment Limited	37,500,000
Eav Yin	51,239,980 (Note 3)
Eav An Unit Trust	32,876,000

#### Notes:

1. These shares refer to the same holding of 55,000,000 shares held by Pacific Apex International Limited. Pacific Apex International Limited is a wholly owned subsidiary of Kee Shing (Holdings) Limited. Mr. Leung Shu Wing is the chairman and controlling shareholder of Kee Shing (Holdings) Limited.
2. These shares include 37,500,000 shares held through Galmare Investment Limited. Galmare Investment Limited is equally owned by Mr. Leong Lou Teck and Mr. Yap Han Hoe.
3. These shares include 32,876,000 shares held by the Eav An Unit Trust, a family trust the beneficiaries of which include Mr. Eav Yin, his wife and children.

### 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 is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the law in Bermuda.

### CORPORATE GOVERNANCE

During the year under review, the directors are not aware of any information which would reasonably indicate that the Company is not or was not in compliance 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, except that the non-executive director and independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

### POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in note 37 to the financial statements.

### MAJOR SUPPLIERS AND CUSTOMERS

The Group's largest supplier contributed 32% to the total purchases for the year and the aggregate amount of purchases attributable to the Group's top five suppliers represented 80% of the Group's total purchases.

Since the customer base of the Group is very wide, the aggregate sales attributable to the Group's five largest customers are less than 30% of the total sales during the year.

None of the directors, their associates or any shareholders (to the best of the knowledge of the directors owning more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers or customers.

### LITIGATION

The Company is the co-defendant with 2 Executive Directors in a representative action (the "Action") commenced by Galmare Investment Limited ("Galmare") on 27th April, 2001, suing on behalf of itself and all other Shareholders, other than the Executive Directors. Galmare is seeking a declaration that the Acquisition is not in the best interests of the Company or the Shareholders, a declaration that the Executive Directors are precluded from regarding the conditions precedent to completion from having been complied with, damages against the Executive Directors and other appropriate declarations or further ancillary reliefs. The conduct of litigation on behalf of the Company has been delegated to an Independent Board Committee comprising the independent non-executive directors.

An acknowledgement of service and notice of intention to defend has been filed on behalf of the Company on 10th May, 2001.



## DIRECTORS' REPORT (Continued)

The Executive Directors have separately appointed legal advisers and have filed an acknowledgement of service and notice of intention to defend on 8th May, 2001.

On 28th May, 2001, the Plaintiff obtained an Order granting an extension of time for filing and serving its Statement of Claim until 25th June, 2001. The Plaintiff failed to serve its Statement of Claim by the extended date. Consequently, on 10th July, 2001, the Executive Directors, acting by their solicitors, issued and served a Summons for the Action to be dismissed for want of prosecution. On 11th July, 2001, the Plaintiff issued a Cross-Summons for a further extension of time to file and serve its Statement of Claim. The substantive hearing of the Summons and Cross-Summons is listed for 20th September, 2001.

Save as disclosed herein, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

### AUDITORS

A resolution will be submitted at the Annual General Meeting of the Company to re-appoint Messrs. Charles Chan, Ip & Fung CPA Ltd. as the auditors of the Company.

On behalf of the Board

**Leung Chung Ping**

*Director & Chief Executive Officer*

Hong Kong SAR, 20th July, 2001