

The directors present their annual report and the audited financial statements of the Company for the year ended 31st March, 2001.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 49 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 26 of the annual report.

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 74 of the annual report.

## SHARE CAPITAL AND SHARE OPTIONS

During the year, the Company issued 99,141,104 ordinary shares of HK\$0.10 each at an agreed price of HK\$0.815 per share to satisfy the consideration for the acquisition of approximately 66.67% interest in Planet Hollywood Asia Pte Ltd ("PHA").

The Company repurchased 20,774,000 ordinary shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Company also granted an aggregate of 17,000,000 share options under the employee share option scheme.

Details of these and other movements in the share capital and share options are set out in notes 31 and 32, respectively to the financial statements.

## CONVERTIBLE NOTES

During the year, the Company issued convertible note of HK\$100 million as partial consideration for the acquisition of a subsidiary from Paul Y. – ITC Construction Holdings Limited ("Paul Y.").

Details of this and the other convertible note outstanding at 31st March, 2001 are set out in note 34 to the financial statements.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 33 to the financial statements.

## INVESTMENT PROPERTIES

During the year, the Group disposed of certain of its investment properties with a carrying value of approximately HK\$191 million, resulting in a loss on disposal of approximately HK\$2.6 million. The Group also revalued all of its investment properties at the balance sheet date and the deficit arising on revaluation of approximately HK\$18 million has been charged to the income statement.

Details of these and other movements in investment properties are disclosed in note 15 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the year, property, plant and equipment with an aggregate net book value of approximately HK\$153 million were acquired as a result of the acquisition of subsidiaries.

The Group also incurred expenditure of approximately HK\$24 million on construction in progress in respect of the construction of a movie production house in Hong Kong.

Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 16 to the financial statements.

## PROPERTY INTERESTS

A summary of property interests of the Group at 31st March, 2001 is set out on pages 75 and 76 of the annual report.

## PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

During the year, the Group acquired an initial 33.33% interest in PHA for cash and further acquired the remaining 66.67% interest in PHA by the issue of 99,141,104 ordinary shares of HK\$0.10 each as consideration.

The Group also acquired the entire interest and shareholder's loans in Unicon Industrial Group Limited from a subsidiary of Paul Y. in June 2000. Details of such acquisition are disclosed in the section headed "Connected Transactions".

The Group's interest in STAREASTnet (BVI) Limited ("Stareastnet") was transferred to STAREASTnet.com Corporation ("STAREASTnet.com"), upon a group reorganisation carried out by Stareastnet in May 2000, whereby the Group acquired a 24.3% effective interest in STAREASTnet.com in exchange for its 24.3% interest in Stareastnet. The Group's interest was reduced to 19.67% when STAREASTnet.com listed its shares on the Growth Enterprise Market on the Stock Exchange.

In April 2000, the Group disposed of its 50% interest in and the entire interest in the shareholder's loans due from Park Solid Enterprises Limited, a jointly controlled entity, to third parties.

In May 2000, the Group disposed of its 50% interest in Real Pleasure Limited, a jointly controlled entity which held a 100% interest in Movie Dragon Limited, to STAREASTnet.com.

The Group further disposed of its entire interest in Tin Hang Profits Limited which held a 12.5% interest in Legend Power Ltd. to a third party in November 2000.

In November 2000, the Group entered into an agreement to dispose of a 29% interest in StarEastWorks Limited ("StarEastWorks") to a subsidiary of Singapore Press Holdings Limited, a company listed on the Singapore Exchange Securities Trading Limited. The Group's interest in StarEastWorks was further reduced to 50% following the subscription of new shares by the new shareholder in StarEastWorks simultaneously.

In November 2000, the Group's 35% owned associate, Optima Media Holding Limited ("Optima"), acquired from Sing Pao Newspapers and Publications Limited the right to publish newspapers in Hong Kong under the trademarks and tradenames of "Sing Pao" and the machineries and equipment necessary to carry out the printing and publication of the newspaper.

The Group's another 35% owned associate, Gold Brilliant Limited ("Gold Brilliant"), entered into agreements in November 2000 to acquire approximately 38.65% interest in Sing Pao Media Group Limited ("Sing Pao Media", formerly Huey Tai International Limited), a company listed on the Stock Exchange. Simultaneously, the Group disposed of its 35% interest in Optima to Sing Pao Media.

Upon completion of the above acquisition and disposal in January 2001, Gold Brilliant was required to make a cash offer to acquire all the shares in Sing Pao Media. Following the close of the cash offer, Gold Brilliant held 76.20% interest in Sing Pao Media, which was subsequently reduced to 74.99%.

Details of the Company's principal subsidiaries and the Group's principal jointly controlled entities and associates at 31st March, 2001 are set out in notes 49, 50 and 21 to the financial statements respectively.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### Executive directors:

Tam Wing Lun, Alan (*Chairman*)

Tsang Chi Wai, Eric (*Deputy Chairman*)

Chan Pak Cheung, Natalis (*Deputy Chairman*)

Wong Yat Cheung (*Deputy Chairman*)

Chau Mei Wah, Rosanna (*Managing Director*)

Wong Kun To

Chan Kong Sang, Jackie

Mui Yim Fong

Chan Yan Kin, Philip

Chan Chak Mo

Robert Ian Earl

(appointed on 3rd November, 2000)

Lau Buong Lik, Stephen

(appointed on 3rd November, 2000)

Lam Shan

(resigned on 25th April, 2000)

Chan Kwok Hung

(resigned on 3rd November, 2000)

Siu Mei Wai, Irene Olivia

(resigned on 31st January, 2001)

### Non-executive director:

Lai Ming, Leon

(appointed on 25th April, 2000)

### Independent non-executive directors:

Au Chun Kwok, Augustus

Lam Tak Shing

In accordance with clause 86(2) of the Company's Bye-laws, Mr. Robert Ian Earl and Mr. Lau Buong Lik, Stephen will retire and, being eligible, offers themselves for re-election at the forthcoming annual general meeting.

In accordance with clauses 87(1) and 87(2) of the Company's Bye-laws, Mr. Tsang Chi Wai, Eric, Mr. Chan Pak Cheung, Natalis and Mr. Wong Yat Cheung will retire and, being eligible, offer themselves for re-election, at the forthcoming annual general meeting.

The term of office of each non-executive director is the period from the date of appointment up to his retirement by rotation as required by the Company's Bye-laws.

Mr. Wong Yat Cheung has entered into a service contract with the Company for a fixed term of 3 years from 13th January, 2000.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has any 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' INTERESTS IN SECURITIES**

As at 31st March, 2001, the interests of the directors of the Company in the securities of the Company and its associated corporations, within the meaning of the Securities (Disclosure of interests) Ordinance (the "SDI Ordinance") as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") in the Rules Governing the Listing of Securities on The Stock Exchange ("Listing Rules") were as follows:

**(a) Interests in the Company**

Name of director	Number of ordinary shares held as personal interests
Tam Wing Lun, Alan	424,000
Tsang Chi Wai, Eric	394,000
Chan Pak Cheung, Natalis	394,000
Wong Yat Cheung	7,130,571
Chan Kong Sang, Jackie	394,000
Mui Yim Fong	26,000
Chan Chak Mo	270,000

**(b) Interests in associated corporations****(i) The Saint News Limited**

Mr. Wong Yat Cheung had, as at 31st March, 2001, a personal interest of 10 shares, representing 10% shareholding, in the issued share capital of The Saint News Limited, an indirect 51% owned subsidiary of the Company.

**(ii) STAREASTnet.com**

Name of director	Number of ordinary shares held as corporate interests
Tam Wing Lun, Alan	87,150,000 <i>(Note)</i>
Tsang Chi Wai, Eric	87,150,000 <i>(Note)</i>
Chan Pak Cheung, Natalis	87,150,000 <i>(Note)</i>

*Note:* These shares were beneficially owned by Gold Miracles Limited, a company in which each of Mr. Tam Wing Lun, Alan, Mr. Tsang Chi Wai, Eric and Mr. Chan Pak Cheung, Natalis held one third of its issued share capital. Each of these directors were therefore deemed to be interested in 87,150,000 shares in STAREASTnet.com.

Save as disclosed above, as at 31st March, 2001, none of the directors of the Company, or their associates, had any interests in any securities of the Company or any of its associated corporations, within the meaning of the SDI Ordinance, as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Interests of directors of the Company in competing businesses as at 31st March, 2001 required to be disclosed pursuant to Rule 8.10 of the Listing Rules, were as follows:

Name of director	Name of companies	Nature of competing business	Nature of interest
Chau Mei Wah, Rosanna	Paul Y. and its subsidiaries	Property business in Hong Kong and the Mainland China	As a director
	China Strategic Holdings Limited and its subsidiaries	Property business in Hong Kong and the Mainland China	As a director
	China Land Group Limited and its subsidiaries	Property business in Hong Kong and the Mainland China	As a director
	Certain subsidiaries of New World CyberBase Limited	Property business in Hong Kong	As a director
Chan Kong Sang, Jackie	Emperor Entertainment Group Limited	Music production and distribution Artiste management	As a non-executive director
Mui Yim Fong	Mui Music Limited	Provision of agency and talent management services to artistes	As a director and substantial shareholder
Chan Yan Kin, Philip	Circle Asia Limited	Co-production and distribution of Korean movies and TV drama series Provision of artistes agency and talent management services Production and distribution of music products and concerts	As Chairman and a substantial shareholder
Robert Ian Earl	Planet Hollywood International, Inc.	Franchisor of theme restaurants	As Chairman and Chief Executive Officer
Lau Buong Lik, Stephen	HRC Holdings Pte Ltd	Operation of Hard Rock Cafés in Asia	As a director

Having considered the nature, size and scope of the above businesses, the directors of the Company believe that they are unlikely to cause any significant competition to the businesses of the Group.

Save as disclosed above, none of the directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

As at 31st March, 2001, certain directors and a former director of the Company had share options granted by the Company and its associated corporation to subscribe for ordinary shares as follows:

**(a) The Company**

Name of director/ former director *	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1.4.2000	Number of share options			Outstanding at 31.3.2001
					Granted during the year	Exercised during the year	Lapsed during the year	
Tam Wing Lun, Alan	14.9.1999	14.3.2000 to 13.3.2003	1.5880	6,900,000	-	-	-	6,900,000
	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	-	-	-	5,000,000
	17.3.2000	17.9.2000 to 16.9.2003 **	1.1600	4,500,000	-	-	-	4,500,000
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	-	2,000,000	-	-	2,000,000
Tsang Chi Wai, Eric	3.11.2000	3.5.2001 to 2.5.2004	0.2680	-	2,000,000	-	-	2,000,000
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	-	2,000,000	-	-	2,000,000
Chan Pak Cheung, Natalis	14.9.1999	14.3.2000 to 13.3.2003	1.5880	6,900,000	-	-	-	6,900,000
	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	-	-	-	5,000,000
	17.3.2000	17.9.2000 to 16.9.2003 **	1.1600	4,500,000	-	-	-	4,500,000
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	-	2,000,000	-	-	2,000,000
Chau Mei Wah, Rosanna	14.9.1999	14.3.2000 to 13.3.2003	1.5880	6,900,000	-	-	-	6,900,000
	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	-	-	-	5,000,000
	17.3.2000	17.9.2000 to 16.9.2003 **	1.1600	4,500,000	-	-	-	4,500,000
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	-	1,000,000	-	-	1,000,000
Wong Kun To	14.9.1999	14.3.2000 to 13.3.2003	1.5880	6,900,000	-	-	-	6,900,000
	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	-	-	-	5,000,000
	17.3.2000	17.9.2000 to 16.9.2003 **	1.1600	4,500,000	-	-	-	4,500,000
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	-	2,000,000	-	-	2,000,000
Robert Ian Earl	3.11.2000	3.5.2001 to 2.5.2004	0.2680	-	5,000,000	-	-	5,000,000
Lau Buong Lik, Stephen	23.12.2000	23.6.2001 to 22.6.2004	0.2256	-	1,000,000	-	-	1,000,000

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES – continued

### (a) The Company – continued

Name of director/ former director*	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1.4.2000	Number of share options			Outstanding at 31.3.2001
					Granted during the year	Exercised during the year	Lapsed during the year	
Chan Kwok Hung *	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,500,000	–	–	(5,500,000)	–
	17.3.2000	17.9.2000 to 16.9.2003 **	1.1600	4,500,000	–	–	(4,500,000)	–

\*\* The expiry date of the aforesaid share options was amended from 16th March, 2004 to 16th September, 2003.

### (b) STAREASTnet.com

Pursuant to the Pre-IPO Share Option Scheme and the Employee Share Option Scheme of STAREASTnet.com, share options were granted to the directors of the Company to subscribe for shares in STAREASTnet.com as follows:

Name of director	Date of grant	Exercise price HK\$	Number of underlying shares comprised in the options <sup>(note 2)</sup>			
			Outstanding at 1.4.2000	Granted during the year	Exercised during the year	Outstanding at 31.3.2001
Tam Wing Lun, Alan	26.5.2000	1.18	–	12,500,000	–	12,500,000
Tsang Chi Wai, Eric	26.5.2000	1.18	–	10,000,000	–	10,000,000
Chan Pak Cheung, Natalis	26.5.2000	1.18	–	12,500,000	–	12,500,000
Chau Mei Wah, Rosanna	26.5.2000	1.18	–	2,000,000	–	2,000,000
	10.1.2001	1.10	–	6,000,000	–	6,000,000
Wong Kun To	26.5.2000	1.18	–	6,000,000	–	6,000,000
	10.1.2001	1.10	–	2,000,000	–	2,000,000
Chan Kong Sang, Jackie	26.5.2000	1.18	–	1,100,000	–	1,100,000
	10.1.2001	1.10	–	2,000,000	–	2,000,000
Robert Ian Earl <sup>(note 1)</sup>	5.9.2000	1.75	–	3,000,000	–	3,000,000

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES – continued****(b) STAREASTnet.com – continued**

Notes:

- (1) The option was granted to Mrs. Patricia Earl, the spouse of Mr. Robert Ian Earl. Mr. Earl was therefore deemed to be interested in the same option.
- (2) The options are exercisable in accordance with the terms of the Pre-IPO Share Option Scheme and the Employee Share Option Scheme at any time during the period commencing 1 year after the date of grant and ending 5 years after the date of grant in accordance with the following schedule:

Period since date of grant	Percentage of shares comprised in options which become exercisable
Year 1	zero
Year 2	up to 25%
Year 3	up to 50% (less the percentage of shares which arose upon the exercise of options between the first anniversary and the second anniversary)
Year 4	up to 75% (less the percentage of shares which arose upon the exercise of options between the first anniversary and the third anniversary)
Year 5	all shares in respect of which the option has not been previously exercised

Details of the employee share option scheme of the Company are set out in note 32 to the financial statements.

Save as disclosed above, 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 debt securities, including debentures, of the Company or any other body corporate, and none of the directors, 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.

**SUBSTANTIAL SHAREHOLDERS**

As at 31st March, 2001, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed the following persons as having an interest of 10% or more in the issued ordinary shares of the Company:

Name of shareholder	Number of ordinary shares held	Approximate shareholding percentage
Dr. Chan Kwok Keung, Charles	154,064,857	18.65%
Chinaview International Limited ("Chinaview")	154,064,857	18.65%
Galaxyway Investments Limited ("Galaxyway")	154,064,857	18.65%
ITC Corporation Limited ("ITC")	154,064,857	18.65%
ITC Investment Holdings Limited ("ITC Investment")	154,064,857	18.65%
Coxson Limited ("Coxson")	121,922,000	14.76%

Note: Dr. Chan Kwok Keung, Charles owns the entire interest in Chinaview which in turn owns the entire interest in Galaxyway. Galaxyway owns more than one-third of the entire issued share capital of ITC. ITC owns the entire interest in ITC Investment which in turn owns the entire interest in Vigour Services Limited ("Vigour") and Coxson. Vigour and Coxson hold 32,142,857 and 121,922,000 shares of the Company, respectively. Accordingly, Dr. Chan Kwok Keung, Charles, Chinaview, Galaxyway, ITC and ITC Investment were deemed to be interested in an aggregate of 154,064,857 shares of the Company.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued ordinary share capital of the Company as at 31st March, 2001.



## CONNECTED TRANSACTIONS

During the year and subsequent to the balance sheet date, the Group had the following connected transactions:

- (i) On 3rd March, 2000, the Company entered into a sale and purchase agreement with a wholly-owned subsidiary of Paul Y., to acquire the entire interest in Unicon Industrial Group Limited ("Unicon") and the entire amount of the shareholder's loan. Upon completion of the sale and purchase agreement, Unicon was only engaged in holding an interest in a property situated in Hong Kong. The acquisition price of HK\$150 million was satisfied by the Company as to HK\$50 million in cash and as to HK\$100 million by the issue of a convertible note. The acquisition constituted a connected transaction of the Company under the Listing Rules since Paul Y. is an associate (as defined under the Listing Rules) of ITC and is deemed to be a connected person of the Company. The acquisition was approved by the independent shareholders of the Company in a special general meeting held on 12th April, 2000 and was completed on 28th June, 2000.
- (ii) The Company's wholly-owned subsidiaries, Star East Management Limited ("SEML") and Star East Management Services Limited, entered into tenancy agreements and offer letters, respectively, with two wholly-owned subsidiaries of Paul Y. for the lease of premises and provision of building management services to the Group. As Paul Y. is an associate of ITC and is deemed to be a connected person of the Company, these transactions constituted connected transactions of the Company under the Listing Rules. An aggregate amount of rent and building management fees of HK\$2,074,000 was paid to the two subsidiaries of Paul Y. during the year.
- (iii) On 3rd August, 2000, SEML entered into a franchise agreement with Star East Cafe and Entertainment Limited ("Star East Cafe"), a company in which ITC has a 45% beneficial interest and which is therefore an associate of a connected person of the Company. According to the franchise agreement, SEML granted Star East Cafe the right and licence to operate the business of the "Star East" entertainment complex ("franchise business") in Hong Kong for a term of four years from 3rd August, 2000 to 2nd August, 2004 in exchange for royalties of a minimum of HK\$300,000 per month calculated with reference to the gross sales or net profit after tax for any particular calendar month generated from the franchise business. Prior to the date on which Star East Cafe became a wholly-owned subsidiary of the Group, SEML received royalties from Star East Cafe amounting to HK\$900,000. In addition, royalties of HK\$900,000 were waived by SEML during the year.
- (iv) The Group paid interest expenses in connection with two convertible notes amounting to approximately HK\$4,607,000 and HK\$3,795,000 to Star East Group Limited, in which ITC has a 45% beneficial interest, and a wholly-owned subsidiary of Paul Y. respectively.
- (v) On 8th June, 2001, the Company entered into a conditional placing agreement to place through a placing agent an aggregate of 383,000,000 new ordinary shares of HK\$0.10 each at a price of HK\$0.185 per share to independent investors and a conditional subscription agreement with ITC pursuant to which ITC conditionally agreed to subscribe for an aggregate of 67,000,000 new ordinary shares of HK\$0.10 each at a subscription price of HK\$0.185 per share. The Company also entered into a conditional note amendment agreement with Star East Group Limited, the noteholder of the HK\$50 million convertible note, to amend the conversion price of the convertible note from HK\$0.70 per share to HK\$0.185 per share.

As ITC is a substantial shareholder of the Company and Star East Group Limited is an associate of ITC, ITC and Star East Group Limited were deemed to be connected persons of the Company and these transactions constituted connected transactions of the Company under the Listing Rules.

## DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group paid legal and professional fees of approximately HK\$230,000 for services rendered by a firm of solicitors, Vincent T.K. Cheung, Yap & Co., in which Mr. Au Chun Kwok, Augustus, an independent non-executive director of the Company, is a partner.

Save as disclosed above and under the heading "Connected Transactions", there were no other 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, subsisting at the end of the year or at any time during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

The largest and five largest customers accounted for approximately 24% and approximately 41% of the Group's turnover, respectively, and the largest and five largest suppliers accounted for approximately 16% and approximately 36% of the Group's cost of sales, respectively, for the year ended 31st March, 2001.

None of the directors, their associates or shareholders, which to the knowledge of the directors own more than 5% of the Company's ordinary share capital, have any interest in the above customers or suppliers.

**DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES**

As at 31st March, 2001, the amounts due from the Group's affiliated companies in respect of advances made by the Group were HK\$169,425,000, and the guarantees given by the Group to banks in respect of banking facilities granted to its affiliated companies amounted to HK\$17,500,000. Details of these amounts due and guarantees are set out in notes 20, 21 and 45 to the financial statements.

The total value of all amounts due from and guarantees given to secure obligations of the various affiliated companies was approximately HK\$186,925,000 as at 31st March, 2001, which represents approximately 41% of the net asset value of the Group as set out in the audited consolidated balance sheet on pages 27 and 28 of the annual report.

The proforma combined balance sheet of these affiliated companies, to which advances and guarantees are given, at 31st March, 2001 is as follows:

	<b>Proforma combined balance sheet HK\$'000</b>
Non-current assets	534,335
Current assets	591,935
Current liabilities	(517,723)
Non-current liabilities	(734,229)
	<u>(125,682)</u>
Group's attributable interests	<u>(72,570)</u>

Details of these affiliated companies are set out in notes 21 and 50 to the financial statements.

**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.

**PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

During the year ended 31st March, 2001, the Company repurchased on the Stock Exchange a total of 20,774,000 ordinary shares of HK\$0.10 each in the ordinary share capital of the Company for an aggregate consideration of approximately HK\$18,085,000 (excluding transaction costs). All of these ordinary shares were cancelled by the Company upon repurchases. Details of the repurchases are as follows:

Month of repurchase	Number of ordinary shares	Price per ordinary share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
April 2000	8,310,000	1.50	0.87	9,084
May 2000	5,214,000	0.93	0.68	4,135
June 2000	7,250,000	0.70	0.63	4,866
	<u>20,774,000</u>			<u>18,085</u>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st March, 2001.

## AUDIT COMMITTEE

The Company has established an audit committee in April, 1999 with written terms of reference based on the guidelines set out in "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 process and internal control procedures of the Group. The audit committee comprises two independent non-executive directors, namely, Messrs. Au Chun Kwok, Augustus and Lam Tak Shing. The audit committee has met five times since its formation.

## CORPORATE GOVERNANCE

Save that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at annual general meeting in accordance with the Company's Bye-laws, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year.

## POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 54 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

**TAM WING LUN, ALAN**  
*Chairman*

Hong Kong, 16th July, 2001