

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES

As at 31 July 2000, the interests of the Company's directors and their respective associates in the issued share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

(a) Interests in the Company

Name of director	Number of shares and nature of interests		
	Personal	Family	Other
Leung Yat Tung	–	297,000 <i>Note (3)</i>	156,664,176 <i>Notes (1) & (2)</i>
Leung Yu Oi Ling, Irene	297,000	–	156,664,176 <i>Notes (1) & (2)</i>

Notes:

- (1) 149,842,780 ordinary shares of the Company are held by Harbour Front Limited ("Harbour Front") or its designated nominees, as the trustee of a unit trust. All of the units in the unit trust are beneficially owned by a discretionary trust set up by Leung Yat Tung, the beneficiaries of which include members of the family of Leung Yat Tung and Leung Yu Oi Ling, Irene.
- (2) 6,821,396 ordinary shares of the Company are held by the designated nominees of Multi-Wishes Limited, which is a wholly-owned subsidiary of Harbour Front.
- (3) 297,000 ordinary shares of the Company are held by Leung Yu Oi Ling, Irene, who is the spouse of Leung Yat Tung.

(b) Interest in Universal Dockyard Limited (a 98.75% owned subsidiary of the Company)

Name of director	Nature of interest	Number of shares
Leung Yat Tung	Personal	11,858 non-voting deferred shares

The rights and restrictions attached to the non-voting deferred shares in Universal Dockyard Limited are as follows:

- (1) the non-voting deferred shares entitle the holders thereof to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year of the company in respect of which the net profit of the company available for dividends exceed HK\$1,000,000,000;

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DIRECTORS' INTERESTS IN SHARES (Continued)

(b) Interest in Universal Dockyard Limited (a 98.75% owned subsidiary of the Company) (Continued)

- (2) on a winding-up, the holders of the non-voting deferred shares are entitled to a return of the capital paid up on the non-voting deferred shares, out of the surplus assets of the company after a total sum of HK\$100,000,000,000 has been distributed in such a winding-up in respect of each of the ordinary shares of the company;
- (3) save as described above, the holders of the non-voting deferred shares are not entitled to any participation in the profit or assets of the company; and
- (4) the non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company by virtue or in respect of their holdings of such non-voting deferred shares.

In addition to the above, certain directors had non-beneficial personal equity interests in certain subsidiaries held for the benefit of the respective holding company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above and under the heading "Directors' rights to acquire shares", none of the directors or their associates had any personal, family, corporate or other interest in the issued share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 31 July 2000, according to the register maintained by the Company pursuant to Section 16(1) of the SDI Ordinance, the following persons were, directly or indirectly, beneficially interested in 10% or more of the issued share capital of the Company.

Name of shareholder	Note	Number of shares held
Harbour Front	(1)	156,664,176

Note:

- (1) Harbour Front held 149,842,781 ordinary shares in the Company and is deemed to be interested in a further 6,821,395 ordinary shares by virtue of its 100% shareholding in Multi-Wishes Limited.

Save as disclosed above, no person, other than Leung Yat Tung and Leung Yu Oi Ling, Irene, whose interests are set out under "Directors' interests in shares" above, had registered an interest in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

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DIRECTORS' REMUNERATION

The remuneration of the directors for the period fell within the following bands:

	Number of directors	
	Period ended 31 July 2000	Year ended 31 March 1999
Nil – HK\$1,000,000	6	6
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	1	–
	<u>7</u>	<u>8</u>

There were no arrangements under which any director waived or agreed to waive any remuneration during the period. Further details of the remuneration of the directors are set out in note 9 to the financial statements.

FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the period included four (year ended 31 March 1999: four) executive directors, details of whose remuneration are set out in note 9 to the financial statements. The details of the remuneration of the remaining one (year ended 31 March 1999: one) non-director, highest paid employee are set out below:

	Period ended 31 July 2000 HK\$'000	Year ended 31 March 1999 HK\$'000
Salaries and other emoluments	<u>1,668</u>	<u>799</u>

The remuneration of the non-director, highest paid employee for the period fell within the range of HK\$1,500,001 – HK\$2,000,000 (year ended 31 March 1999: range of Nil-HK\$1,000,000).

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MAJOR CUSTOMERS AND SUPPLIERS

In the period under review, sales to the Group's five largest customers accounted for approximately 68% of the total sales of the Group for the period, and sales to the largest customer included therein amounted to approximately 33%.

In the period under review, purchases from the Group's five largest suppliers accounted for approximately 38% of the total purchases for the period, and purchases from the largest supplier therein amounted to approximately 10%.

Save as disclosed in note 34 to the financial statements, which included the Group's five largest customers and suppliers for the period, neither the directors, their associates nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital, held any interest in the Group's five largest customers or suppliers.

CONNECTED TRANSACTIONS

Save as disclosed in notes 2(a), 2(f) and 34 to the financial statements, the directors are not aware of any connected transactions not otherwise dealt with in this report.

YEAR 2000 COMPLIANCE

The directors advised that details concerning the Year 2000 issue were disclosed in the Company's 1999 Annual Report and the 1999 Interim Report. The costs which have been incurred associated with the Year 2000 Compliance Project are not considered to be significant to the Group and the Year 2000 issue has not caused any significant operational problems.

POST BALANCE SHEET EVENT

Particulars of the significant event which occurred after the balance sheet date are set out in note 35 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

AUDIT COMMITTEE

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 (the "Listing Rules"), the Company established an Audit Committee on 2 January 1999, comprising two independent non-executive directors. The primary duties of the Audit Committee are to review and advise on the problems on the audit and the financial reporting process.

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COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by this Annual Report, except that the independent non-executive directors of the Company are not employed for specific term, but are subject to retirement and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

ON BEHALF OF THE BOARD

Leung Yat Tung
Chairman

Hong Kong
29 November 2000