

## **REPORT OF THE DIRECTORS**

(Amounts expressed in Hong Kong dollars unless otherwise stated)

The Directors have the pleasure in presenting to their shareholders their report together with the audited financial statements of Egana Jewellery & Pearls Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31st December, 2000.

### **ULTIMATE HOLDING COMPANY**

The Directors consider EganaGoldpfeil (Holdings) Limited ("EganaGoldpfeil"), a limited company incorporated in the Cayman Islands and whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), to be the ultimate holding company.

### **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) design, manufacturing, distribution and trading of jewellery products and (ii) licensing or assignment of brandnames to third parties for the design, manufacturing and/or distribution of jewellery and consumer products other than timepieces.

An analysis of the Group's turnover by principal activities and geographical locations, together with their respective contributions to profit before tax for the years ended 31st December, 1999 and 2000 is set out in Note 3 to the accompanying financial statements.

### **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the five largest customers in aggregate accounted for approximately 19% of the total sales of the Group and the largest customer accounted for approximately 8% of the total sales of the Group.

During the year, the five largest suppliers in aggregate accounted for approximately 42% of the total purchases of the Group and the largest supplier accounted for approximately 20% of the total purchases of the Group.

As at 31st December, 2000, none of the Directors, their associates, or any shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers or suppliers.

### **RESULTS AND DIVIDENDS**

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated income statement on page 42.

An interim dividend of 0.38 cent (1999 - 0.38 cent) per share was declared and paid during the year. The Directors do not recommend the payment of a final dividend (1999 - 1 cent) and recommend that the retained profits of approximately \$131,693,000 as at 31st December, 2000 be carried forward.

## **REPORT OF THE DIRECTORS**

(Amounts expressed in Hong Kong dollars unless otherwise stated)

### **MANAGEMENT DISCUSSION AND ANALYSIS**

During 2000, the Company remained committed to maximizing its synergies to enhance the corporate and product awareness of the EganaGoldpfeil Group. 2000 saw the Euro lost to the extent of 20% of its value against the US dollar, and the impact of this affected our financial results particularly as 84% of our turnover was derived from Europe.

Turnover for 2000 was \$671 million (US\$86 million), a 3% decrease from 1999. However, when the devaluation of the Euro is taken into consideration, in real terms, our turnover has increased by approximately 9%.

Profit before tax was \$48.3 million (US\$6.2 million), a decrease of 43%. This decline was due primarily to the devalued Euro as well as the write-off of \$13 million (US\$1.7 million) of pre-launch advertising and promotion for new collections, which amount could have been deferred in the accounts and amortized over the expected economic life, but was expensed. The price and terms for our new collections are established at the beginning of the launch and remain unchanged as far as practicable during the season. Thus our decline in turnover and profit margin was, to a large extent, uncontrollable and unexpected despite our use of natural hedging of matching revenues and costs in the same currency. We prudently estimate that the fall of the Euro has effectively had an estimated \$25 million (US\$3.2 million) effect on operating profit. This policy is viewed as fair and demonstrates long term commitment to our distribution partners and enables them to be prepared to participate more actively with the Group to minimize any currency effect on the product prices, which would be beneficial in controlling currency devaluation impacts upon the price and profitability going forward.

Using the assumption of no currency effect and applying a comparable accounting basis to 1999 for the pre-launch marketing and development costs for new collections of \$13 million (US\$1.7 million), the resultant profit figure after taxation would be \$9.7 million (US\$1.2 million) higher than that of 1999, being \$81.7 million (US\$10.5 million). This represents an effective increase of 13%.

On a more positive note, our jewellery production facilities located at Nanao and Dongguan, PRC, continue to improve our overall production efficiency with enlarged volume and higher product acceptability. This production strength, in conjunction with the latest jewellery technology from our German production facilities under Burkhard Mueller, has enabled us to maintain the highest quality and production efficiency, as well as to retain a leading position in the fashion and fine quality branded jewellery sector. 86% of the 2000 revenue came from our branded products (1999 - 70%). 2000 inventory turnover increased slightly to an average of 166 days from 149 days in 1999, which still remains ahead of the jewellery industry average of 220 days. Our debt collection improved to an average of 51 days in 2000 (1999 - 57 days). We attribute this improvement to the increasing high recognition of our brandname products and our commitment to strong global marketing and promotion support to our distributor and retailing network.

## **REPORT OF THE DIRECTORS**

(Amounts expressed in Hong Kong dollars unless otherwise stated)

### **MANAGEMENT DISCUSSION AND ANALYSIS** *(Cont'd)*

The working capital in 2000 was approximately \$264 million (US\$33.8 million), up 12% over 1999. The current ratio is 2.1x, which compares favourably to the industry norm. Our cash balance at year end stood at \$135 million (US\$17.3 million), an increase of over 80% from 1999.

The Company's gearing ratio in 2000 was 0.33x (1999 - 0.18x), which remains well ahead of the industry average of 1.1x.

Shareholder fund increased by \$25.7 million (US\$3.3 million) to \$351 million (US\$45 million), with a return on equity of 12% (1999 - 22%). The operating profit margin in 2000 was 7.2% (1999 - 12%), which compares favourably to other entities in the industry given the decline in the Euro.

We will strive to improve our currency risk exposure control to minimize the currency risks and to enhance our overall operating results and shareholder value.

### **SHARE CAPITAL, SHARE OPTIONS AND WARRANTS**

Details of the movement in share capital, share options and warrants of the Company during the year are set out in Note 20 to the accompanying financial statements.

### **RESERVES AND RETAINED PROFITS**

Movements in reserves and retained profits of the Group and the Company during the year are set out in Note 21 to the accompanying financial statements.

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for distributions or payments of dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or payment of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, no dividend shall be paid otherwise than out of retained profits of the Company or the amount held in any share premium account. As at 31st December, 2000, the Company's share premium amounted to approximately \$31,224,000 (1999 - \$31,019,000) while its retained profits amounted to approximately \$3,680,000 (1999 - \$2,224,000).

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31st December, 2000, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **REPORT OF THE DIRECTORS**

(Amounts expressed in Hong Kong dollars unless otherwise stated)

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### **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Memorandum and Articles of Association of the Company and the Companies Law of the Cayman Islands.

### **SUBSIDIARIES AND AN ASSOCIATE**

Particulars of the Company's subsidiaries and an associate as at 31st December, 2000 are set out in Notes 14 and 15 to the accompanying financial statements respectively.

### **FIXED ASSETS**

Details of the movement in fixed assets during the year are set out in Note 12 to the accompanying financial statements.

### **BANK LOANS AND OVERDRAFTS**

Particulars of bank loans and overdrafts as at 31st December, 2000 are set out in Notes 17 and 18 to the accompanying financial statements. There was no interest capitalised by the Group during the year.

### **DONATIONS**

During the year, the Group made charitable and other donations of approximately \$18,000 (1999 - \$83,000).

### **PENSION SCHEME AND COSTS**

Details of pension scheme and costs are set out in Note 23 to the accompanying financial statements.

### **SUBSEQUENT EVENTS**

Details of significant subsequent events are set out in Note 27 to the accompanying financial statements.

## **REPORT OF THE DIRECTORS**

(Amounts expressed in Hong Kong dollars unless otherwise stated)

### **DIRECTORS**

The Directors who held office during the year and up to the date of this report were as follows:

#### **Executive Directors**

Hans-Joerg SEEBERGER (*Chairman and Chief Executive*)

Peter Ka Yue LEE

Michael Richard POIX

Shunji SAEKI

Hartmut VAN DER STRAETEN

Michael BOMMERS

Burkhard MUELLER

#### **Non-executive Directors**

David Wai Kwong WONG

Hing Sheung FUNG (Resigned on 28th June, 2000)

Charles Cho Chiu SIN

Eduardo Tang Lung LAU (Appointed on 6th March, 2000)

Professor Zhengfu WANG (Appointed on 25th September, 2000)

In accordance with Article 99 of the Company's Articles of Association, Professor Zhengfu WANG shall hold office until the next following annual general meeting of the Company, and being eligible, offer himself for re-appointment.

In accordance with Article 116 of the Company's Articles of Association, Mr. Hartmut VAN DER STRAETEN, Mr. Michael BOMMERS and Mr. Burkhard MUELLER shall retire by rotation from office and, being eligible, offer themselves for re-election. All other Directors continue in office.

### **DIRECTORS' SERVICE CONTRACTS**

Mr. Hans-Joerg SEEBERGER has entered into a service agreement with the Company for a term of three years commencing 1st January, 1998 until 31st December, 2000. The service agreement has been extended for three years until 31st December, 2003.

Mr. Peter Ka Yue LEE has entered into a service agreement with the Company for a term of three years commencing 1st January, 1998 until 31st December, 2000. The service agreement has been extended for one year until 31st December, 2001.

Mr. Michael Richard POIX has entered into a service agreement with the Company for a term of thirty-nine months commencing 1st January, 1998 until 31st March, 2001. The service agreement has been extended for three years until 31st March, 2004.

## REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

### DIRECTORS' SERVICE CONTRACTS (Cont'd)

Mr. Shunji SAEKI has entered into a service agreement with the Company commencing 1st January, 1998 and shall continue thereafter unless and until the agreement is terminated.

Mr. Hartmut VAN DER STRAETEN has entered into a service agreement with the Company commencing 1st October, 1998 until 30th September, 1999. The service agreement has continued upon its terms unless and until the agreement is terminated.

Mr. Michael BOMMERS has entered into a service agreement with the Company commencing 1st January, 1998 and shall continue thereafter unless and until the agreement is terminated.

Mr. Burkhard MUELLER has entered into a service agreement with the Company for a term of one year commencing 1st November, 1998 until 31st October, 1999. The service agreement has continued upon its terms unless and until the agreement is terminated.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company or its subsidiaries which is not terminable by the Company or its subsidiaries within one year without payment of compensation (other than statutory compensation).

### DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2000, the interests of the Directors and their associates in the securities 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:

#### The Company

Name of Directors	Number of shares			Amount of warrants (in \$)			Number
	Personal interests	Corporate interests	Total	Personal interests	Corporate interests	Total	Personal interests
Hans-Joerg SEEBERGER	—	2,266,340,990	2,266,340,990	—	29,675,219.00	29,675,219.00	33,000,000
		(Note i)			(Note i)		(Note iii)
Peter Ka Yue LEE	736,516	11,148,386	11,884,902	69,968.75	1,059,096.50	1,129,065.25	2,500,000
		(Note ii)			(Note ii)		(Note iii)
Michael Richard POIX	3,733,986	—	3,733,986	354,728.50	—	354,728.50	2,500,000
							(Note iii)
Hartmut VAN DER STRAETEN	—	—	—	—	—	—	2,500,000
							(Note iii)
Burkhard MUELLER	—	—	—	11,250.00	—	11,250.00	—

## REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

### DIRECTORS' INTERESTS IN SECURITIES (Cont'd)

Notes:

- i. 10,449,548 shares were registered in the name of Peninsula International Limited and its nominee which held the same as nominee for the Captive Insurance Trust, a discretionary trust whose prospective beneficiaries included Mr. Hans-Joerg SEEBERGER and his family. 2,255,891,442 shares and warrants in the amount of \$29,675,219.00 were registered in the name of EganaGoldpfeil and its nominee. By virtue of his interest in EganaGoldpfeil pursuant to section 8 of the SDI Ordinance, Mr. Hans-Joerg SEEBERGER was deemed to be interested in these shares and warrants.
- ii. These shares and warrants were beneficially owned by Joshua Limited, a company which was wholly and beneficially owned by Mr. Peter Ka Yue LEE.
- iii. The options, exercisable at \$0.224 per share, were granted pursuant to the Company's Executive Share Option Scheme.

### EganaGoldpfeil

Name of Directors	Number of shares			Number of options
	Personal interests	Corporate interests	Total	Personal interests
Hans-Joerg SEEBERGER	—	4,466,984,746 (Note i)	4,466,984,746	120,000,000 (Note i)
Peter Ka Yue LEE	5,302,915	80,268,380 (Note ii)	85,571,295	5,200,000 (Note ii)
Michael Richard POIX	28,265,860	—	28,265,860	5,380,000 (Note iii)
Shunji SAEKI	616,400 (Note iv)	—	616,400	1,790,000 (Note iv)
Hartmut VAN DER STRAETEN	—	—	—	2,500,000 (Note v)
Burkhard MUELLER	1,800,000	—	1,800,000	—

Notes:

- i. These shares were registered in the name of Peninsula International Limited and its nominee which held the same as nominee for the Captive Insurance Trust, a discretionary trust whose prospective beneficiaries included Mr. Hans-Joerg SEEBERGER and his family. The options, exercisable at \$0.211 per share, were granted pursuant to EganaGoldpfeil's Executive Share Option Scheme.

## REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

### DIRECTORS' INTERESTS IN SECURITIES *(Cont'd)*

- ii. These shares were beneficially owned by Joshua Limited, a company which was wholly and beneficially owned by Mr. Peter Ka Yue LEE. 200,000 and 5,000,000 options, exercisable at \$0.128 and \$0.211 per share respectively, were granted pursuant to EganaGoldpfeil's Executive Share Option Scheme.
- iii. 380,000 and 5,000,000 options, exercisable at \$0.128 and \$0.211 per share respectively, were granted pursuant to EganaGoldpfeil's Executive Share Option Scheme.
- iv. 86,400 shares were held by the spouse of Mr. Shunji SAEKI. Mr. Shunji SAEKI held 990,000 and 800,000 options, exercisable at \$0.128 and \$0.211 per share respectively, pursuant to EganaGoldpfeil's Executive Share Option Scheme.
- v. The options, exercisable at \$0.211 per share, were granted pursuant to EganaGoldpfeil's Executive Share Option Scheme.

Except that certain Directors held certain nominee shares in subsidiaries in trust for the Company or its subsidiaries as at 31st December, 2000, no Directors held an interest in the share capital of the Company or any of its subsidiaries other than those as disclosed above.

Save as disclosed above, as at 31st December, 2000, none of the Directors or chief executive or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under section 31 or Part I of the Schedule to the SDI Ordinance) or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, and neither the Directors nor any of 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 during the year.



## REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

### CONNECTED TRANSACTIONS

Details of the connected transactions for the year are set out in Note 5 to the accompanying financial statements. The independent Non-executive Directors of the Company have reviewed the connected transactions set out in Notes 5.a and b and confirmed that these transactions were:

- (i) in accordance with the terms of the agreements governing such transactions;
- (ii) in the ordinary and usual course of business of the relevant members of the Group;
- (iii) on normal commercial terms and were fair and reasonable so far as the shareholders of the Company were concerned; and
- (iv) within the amount calculated under the terms of the relevant agreements and, in respect of the Trading Transaction set out in Note 5.a, the cap amount as agreed by the Stock Exchange.

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Executive Share Option Scheme adopted by the Company on 26th June, 1998, the Company may grant options to employees (including Executive Directors) of the Group to subscribe for shares in the Company. Details of the scheme are set out in Note 20 to the accompanying financial statements. Movements of the share options granted to the Company's Directors during the year ended 31st December, 2000 were as follows:

	Number of share options			
	Beginning of the year	Granted during the year	Exercised during the year	End of the year
Hans-Joerg SEEBERGER	—	33,000,000	—	33,000,000
Peter Ka Yue LEE	—	2,500,000	—	2,500,000
Michael Richard POIX	—	2,500,000	—	2,500,000
Hartmut VAN DER STRAETEN	—	2,500,000	—	2,500,000
	—	40,500,000	—	40,500,000

All of the above options are exercisable at any time up to 23rd July, 2008 at a subscription price of \$0.224 per share.

## REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(Cont'd)*

Save as disclosed above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, none of the Directors 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.

### DIRECTORS' INTERESTS IN CONTRACTS

Mr. David Wai Kwong WONG is a director of International Taxation Advisory Services Limited, a company which received professional fees from the Group of approximately \$1,859,000 (inclusive of disbursements) during the year (1999 - \$1,968,000) in connection with the provision of taxation and corporate advisory services to the Group.

Except as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Hans-Joerg SEEBERGER**, aged 57, is the founder, Chairman and Chief Executive of the Group. He is also the Chairman and Chief Executive of EganaGoldpfeil (the ultimate holding company of the Group, hereinafter collectively referred to as "EganaGoldpfeil Group") and has more than 20 years' experience in the timepiece and jewellery business in Asia and Europe. He is responsible for the Group's overall corporate policy and development strategy as well as for overseeing the Group's operations worldwide, particularly the financial and marketing aspects.

**Peter Ka Yue LEE**, aged 54, is responsible for the financial and general management of the Group's Hong Kong operations and is also a director of EganaGoldpfeil. Before joining the EganaGoldpfeil Group, he worked as an executive in marketing and corporate management in several international companies in the consumer and manufacturing industries. He joined the EganaGoldpfeil Group in 1978.

**Michael Richard POIX**, aged 48, joined the EganaGoldpfeil Group in October 1988 and is a director of EganaGoldpfeil. He previously worked with a large German mail order house, a large German department store organisation as a foreign trader in their trade department and a retail company in Germany as the head of the purchasing department for watches, jewellery and electronics. He is responsible for the day-to-day operations of the Group's business and ensuring compliance with the Group's obligations under its brandname licences.

## REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Cont'd)*

**Shunji SAEKI**, aged 51, has been with the EganaGoldpfeil Group for more than 23 years and is responsible for sourcing pearls from Japan and other Asian countries for sale by the Group to its European customers and brand products development. He graduated from Kassel University in Germany with a diploma in industrial design and has extensive experience in sourcing pearls.

**Hartmut VAN DER STRAETEN**, aged 59, has over 11 years' experience in the jewellery and timepiece industries. Prior to joining the EganaGoldpfeil Group in 1997, he was the chief executive of a leading timepiece and jewellery retail chain in Germany. He is well versed in the jewellery industry in Europe and oversees the business and corporate development of the Group in Germany and neighbouring countries.

**Michael BOMMERS**, aged 45, is responsible for overseeing the financial reporting functions and the development of the Group's activities in Europe. He is currently a member of the supervisory board of Egana Europe (Holdings) GmbH, a wholly-owned subsidiary of EganaGoldpfeil. He joined the EganaGoldpfeil Group as a managing director of Egana Europe (Holdings) GmbH in 1994 and was involved in the merging and restructuring of the European operations of the EganaGoldpfeil Group. Prior to joining the EganaGoldpfeil Group, he worked in the corporate finance division of West Merchant Bank in Germany and was involved in advising the EganaGoldpfeil Group on the acquisition of Egana Deutschland GmbH, a company engaged in the distribution of timepieces and jewellery prior to its corporate reorganisation.

**Burkhard MUELLER**, aged 52, has been active and successful for 27 years in the area of design and distribution of jewellery in Germany. He holds a diploma in wholesale merchant and studied economics in the Frankfurt University. He joined the Group in November 1998 and is responsible for the sales and marketing of products in Europe and oversees the business development of the Group's operations there.

#### Non-executive Directors

**David Wai Kwong WONG**, aged 43, has over 20 years' experience in finance, accounting, corporate and taxation affairs. He is a fellow of the Association of Chartered Certified Accountants, and an associate of the Hong Kong Society of Accountants, the Australian Association of Practising Accountants and the Australasian Association of Secretaries and Managers. He is a director of International Taxation Advisory Services Limited. Mr. Wong has been a non-executive director of EganaGoldpfeil since 1992 and is also a non-executive director of eight other Hong Kong listed companies including EganaGoldpfeil.

**Charles Cho Chiu SIN, OBE**, aged 64, is a director and company secretary of Tian Teck Land Limited, a company listed on the Stock Exchange. He is also an independent non-executive director and company secretary of Associated International Hotels Limited. He is a solicitor and notary public and holds a Master of Arts degree from the University of Cambridge. Mr. Sin was the Chairman of the Kam Ngan Stock Exchange from 1985 to 1986 and the Stock Exchange from 1987 to 1988. He is a former Chairman of the Home Ownership Scheme Committee and the Management Committee of the Hong Kong Housing Authority. He is also a former member of the Urban Council and the Hong Kong Housing Authority.

## REPORT OF THE DIRECTORS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Cont'd)*

**Eduardo Tang Lung LAU**, aged 44, has over 16 years' experience in footwear business, particularly in the US market and became an independent Non-executive Director of the Company in March 2000. Mr. Lau is also an independent non-executive director of another Hong Kong listed company.

**Professor Zhengfu WANG**, aged 49, joined the Group in 1997 as a consultant and is responsible for overseeing and advising on the Group's strategic and business development in the People's Republic of China. He became an independent Non-executive Director of the Company in September 2000. Prior to joining the Group, he was involved in the corporate restructuring of certain state-owned enterprises and advising Chinese-foreign joint ventures. Professor Wang holds a Bachelor degree in Economics and had further study in Europe. He is well conversant with international business and economics.

Biographical details of senior management of the Group are set out in Senior Management section on page 5.

### SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, the following entities (not being a Director or chief executive of the Company) had or deemed to have interest of 10% or more of the issued share capital of the Company which is required to be recorded under section 16(l) of the SDI Ordinance:

<b>Name</b>	<b>Number of issued shares</b>	<b>Percentage holding</b>
Glorious Concept Limited <i>(Note i)</i>	632,616,000	20.39%
EganaGoldpfeil <i>(Note ii)</i>	2,255,891,442	72.72%
Peninsula International Limited <i>(Note iii)</i>	2,266,340,990	73.06%
Trustcorp Limited as trustee of the Captive Insurance Trust <i>(Note iv)</i>	2,266,340,990	73.06%

#### Notes:

- i. Glorious Concept Limited is a wholly-owned subsidiary of EganaGoldpfeil and these shares were registered in the name of its nominee.
- ii. The interest includes 1,623,275,442 and 632,616,000 shares held by EganaGoldpfeil and Glorious Concept Limited respectively.
- iii. The interest includes EganaGoldpfeil's deemed interest in 2,255,891,442 shares and 10,449,548 shares registered in the name of Peninsula International Limited and its nominee which held the same as nominee for the Captive Insurance Trust, a discretionary trust whose prospective beneficiaries included Mr. Hans-Joerg SEEBERGER and his family. Peninsula International Limited is taken to be interested in the said shares by virtue of its interest in EganaGoldpfeil's shares.

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

### **SUBSTANTIAL SHAREHOLDERS** *(Cont'd)*

- iv. Duplication of Peninsula International Limited's holding. Trustcorp Limited as trustee of the Captive Insurance Trust is taken to be interested in the said shares by virtue of its interest in the shares of Peninsula International Limited.

Save as disclosed above, as at 31st December, 2000, the Company was not notified by any persons who had an interest of 10% or more of the issued share capital of the Company which is required to be recorded under section 16(l) of the SDI Ordinance.

### **AUDIT COMMITTEE**

The Audit Committee, comprising not less than two independent Non-executive Directors, mainly focuses on the review and supervision of the Company's financial reporting process and internal controls.

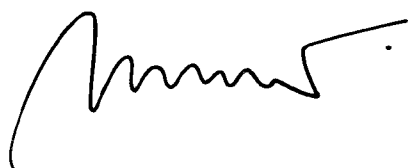
### **CODE OF BEST PRACTICE**

Except that the Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings of the Company, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the annual report, in compliance with Appendix 14 of the Listing Rules.

### **AUDITORS**

The financial statements for the year ended 31st December, 2000 and the accompanying financial statements were audited by Messrs. Arthur Andersen & Co. A resolution for their re-appointment as the Company's auditors for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



**Hans-Joerg SEEBERGER**

*Chairman and Chief Executive*

Hong Kong, 26th April, 2001.