

Directors' Report

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

CHANGE OF NAME

Pursuant to a special resolution of the Company passed at an extraordinary general meeting held on 27th February, 2001, the name of the Company was changed from Tung Fong Hung (Holdings) Limited to Hansom Eastern (Holdings) Limited.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and provides corporate management services.

The activities of the Company's principal subsidiaries at 31st March, 2001 are set out in note 55 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to results from operations for the year ended 31st March, 2001 is set out in note 4 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 20 of the annual report.

No interim dividend was paid during the year. The directors do not recommend the payment of a final dividend for the year.

RESERVES

Details of movements during the year in the reserves of the Company and the Group are set out in note 41 to the financial statements.

In accordance with the Company's Articles of Association, dividends shall be payable out of the profits or other reserves of the Company. The Company's reserves available for distribution to the Company's shareholders comprise share premium, capital redemption reserve, contributed surplus, distributable reserve and accumulated losses which in aggregate amounted to HK\$283,206,000 at 31st March, 2001 (2000: HK\$316,485,000).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 80 of the annual report.

INVESTMENT PROPERTIES

During the year, the Group disposed of its investment properties at carrying value of HK\$20,000,000. In addition, investment properties amounting to HK\$10,500,000 have been transferred to properties held for resale.

The remaining investment properties of the Group were revalued at 31st March, 2001 by an independent firm of professional property valuer, on an open market value basis at HK\$7,680,000. This valuation gives rise to a revaluation deficit of HK\$180,000 which has been charged to the consolidated income statement.

Details of these and other movements during the year in the investment properties of the Group are set out in note 15 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of HK\$21,992,000 for the purpose of expanding the Group's business.

Details of this and other movements during the year in the property, plant and equipment of the Company and the Group are set out in note 17 to the financial statements.

MAJOR PROPERTIES

Particulars of the major properties of the Group at 31st March, 2001 are set out on pages 81 and 82 of the annual report.

PRINCIPAL SUBSIDIARIES, ASSOCIATE AND JOINTLY CONTROLLED ENTITY

As explained in note 20 to the financial statements, the Group disposed of its entire equity interest in the jointly controlled entity during the year.

Details of the Company's principal subsidiaries and of the Group's associate at 31st March, 2001 are set out in notes 55 and 19 to the financial statements, respectively.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

By an ordinary resolution at an extraordinary general meeting of the Company held on 27th February, 2001, the authorised share capital of the Company was increased from HK\$1,541,783,000 to HK\$2,000,000,000.

During the year, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these listed shares were subsequently cancelled by the Company. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchase would increase the net asset value per share of the Company.

Pursuant to a share placing agreement entered into in December 2000, the Company issued 142,000,000 ordinary shares of HK\$0.10 each at an issue price of HK\$0.14 per share.

Directors' Report

In addition, 10,500,000 ordinary shares of HK\$0.10 each were issued on the exercise of subscription rights under the share option scheme of the Company.

Details of these and other movements during the year in the share capital, share options and warrants of the Company are set out in notes 38, 39 and 40 to the financial statements, respectively.

CONVERTIBLE NOTES

During the year, the Company redeemed all the outstanding convertible notes with an aggregate nominal value of HK\$70,000,000.

Details of the convertible notes of the Company and the Group are set out in note 36 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

Bank and other borrowings and obligations under finance leases of the Company and the Group which are repayable within one year or on demand are classified as current liabilities. Repayment analyses of obligations under finance leases and bank and other borrowings are set out in notes 32 and 33 to the financial statements, respectively.

During the year, the Group capitalised interest of HK\$637,000 in respect of properties under development.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

| | |
|---|--|
| Kwong Wai Tim, William (<i>Managing Director</i>) | (appointed on 13th November, 2000) |
| Yau Shum Tek, Cindy | (appointed on 13th November, 2000) |
| Terrence Lai | (appointed on 20th November, 2000) |
| Wang Chun Lin | (appointed on 1st December, 2000) |
| Zhang Ming Yu | (appointed on 20th December, 2000) |
| Lai Ming Wai | (redesignated on 9th January, 2001) |
| Wong Kun To | (redesignated on 15th May, 2000) |
| Chan Kwok Hung | (resigned on 13th November, 2000) |
| Cheung Kwok Wah | (resigned on 13th November, 2000) |
| Lam Shan | (resigned on 13th November, 2000) |
| Tong Chin Shing | (resigned on 13th November, 2000) |
| Wang Chia Huang, Lawrence | (appointed on 28th September, 2000 resigned on 13th November, 2000) |

Non-executive director:

Wong Kun To (redesignated on 15th May, 2000 and resigned on 13th November, 2000)

Independent non-executive directors:

Lam Ping Cheung (appointed on 13th November, 2000)
Kwong Kai Sing, Benny (appointed on 19th February, 2001)
Lai Ming Wai (appointed on 13th November, 2000 and redesignated on 9th January, 2001)
Lee Kee Wai, Frank (resigned on 13th November, 2000)
Tsang Link Carl, Brian (resigned on 13th November, 2000)

In accordance with Article 95 and Article 112 of the Company's Articles of Association, Mr. Kwong Wai Tim, William, Ms. Yau Shum Tek, Cindy, Mr. Terrence Lai, Mr. Wang Chun Lin, Mr. Zhang Ming Yu, Mr. Lai Ming Wai, Mr. Lam Ping Cheung and Mr. Kwong Kai Sing, Benny will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The non-executive director and independent non-executive directors are subject to retirement by rotation in accordance with Article 95 and Article 112 of the Company's Articles of Association.

None of the directors being proposed for re-election at the forthcoming annual general meeting has 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 and their associates in the securities 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 or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

| Name of director | Nature of interests | Number of ordinary shares held |
|---------------------|---------------------|--------------------------------|
| Yau Shum Tek, Cindy | Corporate | 242,306,000 (Note below) |

Note:

As at 31st March, 2001, Multiple Wealth International Limited and Pacific Rim Investment Management Enterprises Limited held 64,106,000 and 178,200,000 ordinary shares of the Company, respectively, and are wholly-owned subsidiaries of Hastings Gold Limited, which in turn, is a wholly-owned subsidiary of Mainland Talent Developments Limited. Ms. Yau Shum Tek, Cindy wholly owns and controls Red China Holdings Limited and Red China Holdings Limited is entitled to exercise more than one-third of the voting power in Mainland Talent Developments Limited. Ms. Yau Shum Tek, Cindy is deemed to be interested in 242,306,000 shares of the Company held by Multiple Wealth International Limited and Pacific Rim Investment Management Enterprises Limited.