

# Directors' Report

Save as disclosed above and under the section headed "Directors' rights to acquire shares or debentures" below, as at 31st March, 2001, none of the directors or their associates had any interests in the securities of the Company or any of its associated corporations within the meaning of the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the Company's share option scheme adopted on 2nd July, 1999, certain former directors of the Company have personal interests in share options which have been granted to them to subscribe for shares in the Company. The movements during the year in the share options granted to these directors were as follows:

Name of former director	Date of grant	Exercise price per share	Number of share options			
			Outstanding at 1.4.2000	Granted during the year	Exercised during the year	Outstanding at 31.3.2001
Chan Kwok Hung	27.8.1999	0.205	8,500,000	—	—	8,500,000
	1.3.2000	0.453	2,700,000	—	—	2,700,000
Cheung Kwok Wah	27.8.1999	0.205	8,500,000	—	8,500,000	—
	8.9.1999	0.319	2,000,000	—	—	2,000,000
	1.3.2000	0.453	2,500,000	—	—	2,500,000
Lam Shan	1.3.2000	0.453	2,600,000	—	—	2,600,000
Tong Chin Shing	1.3.2000	0.453	2,500,000	—	—	2,500,000
Wong Kun To	27.8.1999	0.205	8,500,000	—	2,000,000	6,500,000
	8.9.1999	0.319	2,000,000	—	—	2,000,000
	1.3.2000	0.453	2,600,000	—	—	2,600,000

The outstanding share options can be exercised at any time within five years since the date of grant.

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, or their spouses or children under the age of eighteen, had any right to subscribe for the securities of the Company, or had exercised any such rights during the year.

## SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance disclosed the following entities as having an interest of 10% or more of the issued share capital of the Company:

Name of shareholder	Nature of interests	Number of ordinary shares of the Company held		Notes
		Direct interest	Deemed interest	
Multiple Wealth International Limited	Corporate	64,106,000	—	1
Pacific Rim Investment Management Enterprises Limited	Corporate	178,200,000	—	1
Hastings Gold Limited	Corporate	—	242,306,000	1
Mainland Talent Developments Limited	Corporate	—	242,306,000	1, 2 and 3
Rymer Group Limited	Corporate	—	242,306,000	1 and 2
Red China Holdings Limited	Corporate	—	242,306,000	1 and 3
Lo Ki Yan, Karen	Corporate	—	242,306,000	1 and 2
Yau Shum Tek, Cindy	Corporate	—	242,306,000	1 and 3

Notes:

- 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. Lo Ki Yan, Karen wholly owns and controls Rymer Group Limited and Rymer Group Limited is entitled to exercise more than one-third of the voting power in Mainland Talent Developments Limited. Ms. Lo Ki Yan, Karen is deemed to be interested in 242,306,000 ordinary shares of the Company held by Multiple Wealth International Limited and Pacific Rim Investment Management Enterprises 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 ordinary shares of the Company held by Multiple Wealth International Limited and Pacific Rim Investment Management Enterprises Limited.

Ms. Lo Ki Yan, Karen and Ms. Yau Shum Tek, Cindy are deemed to be interested in 242,306,000 ordinary shares of the Company held by Multiple Wealth International Limited and Pacific Rim Investment Management Enterprises Limited.

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

## **DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS**

On 19th December, 2000, the Group granted an unsecured loan facility (the "Loan Facility") of HK\$15,000,000 (the "Loan") to Tung Fong Hung Investment Limited ("TFHI"). TFHI was at the time of granting the Loan Facility a wholly-owned subsidiary of the Company and since 15th January, 2001 became a non-wholly owned subsidiary of the Company in which no connected person is a substantial shareholder (excluding a person who is a connected person by virtue only of its substantial shareholding in TFHI). The purpose of the Loan Facility was to provide working capital to TFHI. The Loan bore interest at the prevailing market rate. The Loan was assigned to a third party subsequent to the balance sheet date. The granting of the Loan Facility constituted a connected transaction not subject to any disclosure or shareholder approval requirement under Rule 14.24(3) of the Listing Rules at the time it was granted and a connected transaction under Rule 14.25(2)(a) of the Listing Rules since 15th January, 2001 which is subject only to disclosure requirements in the annual report.

During the year, the Group paid legal and professional fees totalling HK\$209,000 and HK\$670,000 for services rendered by firms of solicitors, Iu, Lai & Li and Vincent T.K. Cheung, Yap & Co., respectively, in which Mr. Tsang Link Carl, Brian and Mr. Lee Kee Wai, Frank, former independent non-executive directors of the Company, are partners of the respective firms.

Save as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director (including former 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 aggregate sales during the year attributable to the Group's five largest customers were less than 30% of the Group's total turnover.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 44% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 14% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the five largest suppliers of the Group.

## **RETIREMENT BENEFITS SCHEME**

Information of the Group's retirement benefits scheme is set out in notes 8 and 52 to the financial statements.

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

Save as disclosed in note 38 to the financial statements, 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 are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **CORPORATE GOVERNANCE**

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 year ended 31st March, 2001, except that following the resignation of Mr. Lai Ming Wai the Audit Committee of the Company had only one member during the period from 9th January, 2001 to 6th March, 2001. The Audit Committee now comprises of two members, Mr. Lam Ping Cheung and Mr. Kwong Kai Sing, Benny, who are independent non-executive directors of the Company.

## **POST BALANCE SHEET EVENTS**

Details of significant post balance sheet events are set out in note 54 to the financial statements.

## **DONATIONS**

During the year, the Group made charitable and other donations totalling HK\$200,000.

## **AUDITORS**

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Kwong Wai Tim, William**  
*Managing Director*

Hong Kong, 23rd July, 2001