

# REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consisted of the manufacture and sale of leather garments and the trading and distribution of leather, fur and garment accessories. During the year and subsequent thereto, the Group diversified its business by way of an investment in a coal-fired electricity power plant (the "Power Plant") located in Fujian Province, the People's Republic of China ("PRC"), further details of which are set out in notes 15 and 30(v) to the financial statements.

Save as disclosed above, there were no changes in the nature of the principal activities of the Group during the year.

## CHANGE OF NAME

On 20 October 2000, the name of the Company was changed from Dragonfield Holdings Limited to Everbest Century Holdings Limited.

## SEGMENTAL INFORMATION

Details of the Group's segmental information are set out in notes 3 and 4 to the financial statements.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 64.

The directors do not recommend the payment of any dividend in respect of the year.

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## SUMMARY FINANCIAL INFORMATION

A summary of the published results and the assets and liabilities of the Group for the last five financial years, as extracted from the Group's published audited financial statements, is set out below:

### Results

	<b>2001</b> <b>HK\$'000</b>	<b>Year ended 31 March</b>			
		2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Turnover	<b>42,910</b>	68,167	288,275	517,806	513,034
Profit/(loss) before tax	<b>(3,775)</b>	(68,783)	(110,373)	10,566	49,916
Tax	<b>4,500</b>	—	338	(2,627)	(5,499)
Net profit/(loss) from ordinary activities attributable to shareholders	<b>725</b>	(68,783)	(110,035)	7,939	44,417

### Assets and Liabilities

	<b>2001</b> <b>HK\$'000</b>	<b>As at 31 March</b>			
		2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Non-current assets	<b>100,183</b>	20,922	33,285	41,960	35,455
Current assets	<b>72,901</b>	117,106	180,221	294,955	178,232
Total assets	<b>173,084</b>	138,028	213,506	336,915	213,687
Current liabilities	<b>49,243</b>	56,703	110,568	149,720	117,436
Non-current liabilities	<b>10,999</b>	66,203	29,045	24,867	14,188
Total liabilities	<b>60,242</b>	122,906	139,613	174,587	131,624
Minority interests	<b>5</b>	5	5	5	5
Net assets	<b>112,837</b>	15,117	73,888	162,323	82,058

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## **FIXED ASSETS AND INVESTMENT PROPERTIES**

Details of movements in the fixed assets and investment properties of the Group are set out in notes 12 and 13 to the financial statements, respectively.

## **SUBSIDIARIES**

Particulars of the Company's principal subsidiaries are set out in note 14 to the financial statements.

## **BANK LOANS AND OTHER BORROWINGS**

Details of the Group's bank loans and other borrowings are set out in notes 20 to 21 to the financial statements.

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

Details of movements in the Company's share capital, share options and warrants during the year, together with reasons therefor, are set out in note 24 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 OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 25 to the financial statements.

## **DISTRIBUTABLE RESERVES**

As at 31 March 2001, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$3,579,000 as computed in accordance with the Companies Act 1981 of Bermuda (as amended). In addition, the Company's share premium account, with a balance of HK\$78,389,000 as at 31 March 2001, may be distributed in the form of fully paid bonus shares.

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## CONVERTIBLE NOTE

Details of the Company's convertible note as at the balance sheet date are set out in note 22 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (1) The aggregate amount of sales attributable to the Group's five largest customers accounted for approximately 46% of the Group's total sales for the year. The amount of sales to the Group's largest customer included therein represented approximately 12%.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 87% of the Group's total purchases for the year. The amount of purchases from the Group's largest supplier included therein represented approximately 50%.

As far as the directors are aware, neither the directors, their associates nor shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers during the year.

## DIRECTORS

The directors of the Company during the year were as follows:

### Executive directors:

Mr. Chan Chun Keung  
Mr. Chau On Ta Yuen  
Mr. Poon Chak Keung  
Mr. Pu Ziren  
Mr. Chan Kin  
Mr. Chan Ngam (resigned on 27 June 2000)

### Independent non-executive directors:

Mr. Dominic Lai  
Mr. Chan Kam Man

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## DIRECTORS (continued)

The term of office for each of the independent non-executive directors of the Company is two years commencing from their date of appointment, but they may be re-elected to serve consecutive terms.

In accordance with clause 111 of the Company's bye-laws, Mr. Chan Kin and Mr. Pu Ziren, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the directors' emoluments and those of the five highest paid employees in the Group are set out in notes 5 and 6 to the financial statements, respectively.

## DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

## DIRECTORS' INTERESTS IN SHARES AND WARRANTS

As at 31 March 2001, the interests of the directors and their associates in the share capital and warrants of the Company or 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:

Name of director	Number of securities held and nature of interest			
	Personal interest	Family interest	Corporate interest	Other interest
Mr. Chan Chun Keung (note)	—	—	951,600,000 shares	—
	—	—	HK\$4,744,000 warrants	—
Mr. Poon Chak Keung	<u>75,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

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## **DIRECTORS' INTERESTS IN SHARES AND WARRANTS** (continued)

The interests of the directors in the share options and convertible note of the Company are disclosed in the section headed "Directors' rights to acquire shares or debentures" below.

Note: The 951,600,000 shares and HK\$4,744,000 warrants are all held through Century Enterprise Investments Inc. ("Century Enterprise"), a company incorporated in the British Virgin Islands ("BVI"). Century Enterprise is beneficially owned by Mr. Chan Chun Keung, City Corner Limited ("City Corner") and a former director, Ms. Chan Hung, in the ratios of approximately 63.7%, 20.5% and 15.8%, respectively. City Corner is a company incorporated in the BVI with limited liability whose entire issued share capital is beneficially held by Mr. Poon Chak Keung and Mr. Pu Ziren, in equal proportions.

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

Save as disclosed above, none of the directors or chief executives of the Company or their respective associates had any personal, family, corporate or other interest in the equity and debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

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## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

### (1) Share options

Pursuant to the Company's share option scheme, the Company has granted options on the Company's shares in favour of certain directors of the Company, the summary details of which are as follows:

Name of director	Exercise period		Exercise price	Notes	Number of share options granted during the year and outstanding as at 31 March 2001
	From	To			
Mr. Chan Chun Keung	10 April 2000	9 April 2002	0.07	(i)	17,142,857
	16 January 2001	15 January 2006	0.017	(ii)	60,460,000
Mr. Chau On Ta Yuen	10 April 2000	9 April 2002	0.07	(i)	7,857,142
	16 January 2001	15 January 2006	0.017	(ii)	20,000,000
Mr. Poon Chak Keung	10 April 2000	9 April 2002	0.07	(i)	17,142,857
	16 January 2001	15 January 2006	0.017	(ii)	50,000,000
Mr. Pu Ziren	10 April 2000	9 April 2002	0.07	(i)	17,142,857
	16 January 2001	15 January 2006	0.017	(ii)	50,000,000
Mr. Dominic Lai	16 January 2001	15 January 2006	0.017	(ii)	5,000,000
Mr. Chan Kam Man	16 January 2001	15 January 2006	0.017	(ii)	5,000,000
					249,745,713

Notes:

- (i) The exercise price was adjusted from HK\$0.10 per share to HK\$0.07 per share as a result of the rights issue of the Company in November 2000. Subsequent to the balance sheet date, the exercise price was further adjusted to HK\$0.066 per share following the open offer of the Company in June 2001; and
- (ii) Subsequent to the balance sheet date, the exercise price was adjusted to HK\$0.016 per share following the open offer of the Company in June 2001.

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

### **(1) Share options** (continued)

None of the directors has exercised or cancelled any of their share options during the year.

Further details of the Company's share option scheme are set out in note 24 to the financial statements.

### **(2) Convertible note**

During the year, the Company issued a convertible note with a principal amount of HK\$30,000,000 to Halligan Profits Limited ("Halligan") as part of the consideration for the acquisition of a 12.6% attributable interest in the Power Plant.

The convertible note carries the rights for the conversion of the note principal, in whole or in part and at the discretion of its holder, into 300,000,000 shares of the Company at a conversion price of HK\$0.10 per share during the period of seventeen months commencing from 23 September 2000, being one month after the date of issue. The conversion price was adjusted to HK\$0.07 per share as a result of the rights issue of the Company in November 2000. Further details of the convertible note are set out in note 22 to the financial statements.

Halligan is a company incorporated in the BVI and beneficially owned by Mr. Chan Chun Keung, Mr. Poon Chak Keung, Mr. Pu Ziren and an employee of the Company in the ratios of 90%, 5%, 3% and 2%, respectively. On 29 September 2000, Halligan made a distribution to its shareholders by way of assigning the full rights of the convertible note according to the respective shareholding in Halligan. Therefore, as at the balance sheet date, Mr. Chan Chun Keung, Mr. Poon Chak Keung and Mr. Pu Ziren have interests in the convertible note in the principal amounts of HK\$27,000,000, HK\$1,500,000 and HK\$900,000, respectively.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Company's directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Details of the directors' interests in the Company's warrants are set out in the section headed "Directors' interests in shares and warrants" above.



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## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Connected transactions" below and in note 31 to the financial statements, no director had a material interest in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries, was a party during the year.

## SUBSTANTIAL SHAREHOLDERS

No person, other than the directors of the Company whose interests are set out in the section headed "Directors' interests in shares and warrants" 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 as at 31 March 2001.

## CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling approximately HK\$28,000.

## PENSION SCHEME AND COSTS

Details of the Group's pension scheme and the employer's pension costs charged to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements, respectively.

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 30 to the financial statements.

## CONNECTED TRANSACTIONS

On 12 June 2000, in accordance with the terms of an agreement of the same date, the Group acquired from Halligan a 12.6% attributable interest in the Power Plant for an aggregate consideration of HK\$90,000,000. Further details of the transaction are included in note 31 to the financial statements.

## 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year covered by the annual report.

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## **COMPLIANCE WITH THE CODE OF BEST PRACTICE** (continued)

The Company established an audit committee (the "Committee") in prior year with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants and in accordance with paragraph 14 of the Code of Best Practice. The Committee comprises two independent non-executive directors, Mr. Dominic Lai and Mr. Chan Kam Man. The Committee has reviewed the financial statements of the Group for the year ended 31 March 2001 and are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

## **AUDITORS**

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Chan Chun Keung**

Chairman

Hong Kong  
27 July 2001