

# D i r e c t o r s ' R e p o r t

---

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended March 31, 2001.

## **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The principal activities of the major subsidiaries and associates are set out in notes 44 and 45 to the financial statements, respectively.

## **RESULTS**

The results of the Group for the year ended March 31, 2001 are set out in the consolidated income statement on page 29.

## **FINANCIAL SUMMARY**

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 86.

## **SHARE CAPITAL**

Details of movements in the issued share capital of the Company during the year are set out in note 25 to the financial statements.

## **SHARE OPTIONS**

Details of share options issued by the Company are set out in note 26 to the financial statements.

## **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

## **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group acquired property, plant and equipment at an aggregate cost of approximately HK\$117,739,000 of which approximately HK\$105,974,000 resulted from the acquisition of certain subsidiaries. The Group also disposed of property, plant and equipment with an aggregate net book value of approximately HK\$8,940,000, of which approximately HK\$7,863,000 resulted from the disposal of certain subsidiaries.

Details of the above and other changes in the property, plant and equipment of the Group and the Company during the year are set out in note 13 to the financial statements.

## **INVESTMENT PROPERTY**

A deficit of HK\$900,000 arose from the revaluation of the Group's investment property at March 31, 2001. Details of the movement in the Group's investment property are set out in note 14 to the financial statements.

## **MAJOR CUSTOMERS AND SUPPLIERS**

For the year ended March 31, 2001, the aggregate amount of purchases and turnover attributable to the Group's five largest suppliers and customers respectively represented less than 30% of the Group's total purchases and turnover for the year.

# D i r e c t o r s ' R e p o r t

## **DIRECTORS**

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

Wong Chi Fai

Fan Man Seung, Vanessa

Kwok Chi Sun, Vincent \*

Li Siu Lok, Albert \* (appointed on January 30, 2001)

Wong Ching Yue \* (resigned on December 2, 2000)

*\* Independent non-executive directors*

In accordance with Article 96 of the Company's Articles of Association, Mr. Li Siu Lok, Albert who was appointed during the year, shall retire at the forthcoming annual general meeting and being eligible, offer himself for re-election.

In accordance with Article 105(a) of the Company's Articles of Association, Ms. Fan Man Seung, Vanessa retires by rotation, and being eligible, offer herself for re-election at the forthcoming annual general meeting.

The term of office of each director, including the independent non-executive directors, is for a period up to his/her retirement by rotation in accordance with the Company's Articles of Association.

None of the directors has a 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' AND CHIEF EXECUTIVES' INTERESTS IN SHARES**

At March 31, 2001, none of the directors, chief executives or their associates had any interests in any securities of the Company or its subsidiaries as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

## **DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

The Company has a share option scheme, details of which are set out in note 26 to the financial statements.

There were no outstanding options at April 1, 2000 or March 31, 2001, and no share options were granted during the year.

During the year,

- (i) none of the directors or chief executives 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; and
- (ii) at no time was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company or their spouses, or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

No contract of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# D i r e c t o r s ' R e p o r t

## **SUBSTANTIAL SHAREHOLDERS**

At March 31, 2001, according to the register kept by the Company under Section 16 (1) of the SDI Ordinance, the following parties had notified the Company that they were interested in 10% or more of the issued share capital of the Company:

<b>Name of substantial shareholder</b>	<i>Notes</i>	<b>Number of shares</b>
Goldstream Group Limited (“Goldstream”)	<i>1</i>	205,905,721
Wide Profit Investments Limited (“Wide Profit”)	<i>1</i>	205,905,721
Emperor International Holdings Limited (“EIHL”)	<i>1</i>	205,905,721
Charron Holdings Limited (“Charron”)	<i>2</i>	205,905,721
Questrel Holdings Limited (“Questrel”)	<i>2</i>	205,905,721
Yeung Sau Shing, Albert (“Mr. Albert Yeung”)	<i>2</i>	205,905,721

### *Notes:*

1. Goldstream is a wholly-owned subsidiary of Wide Profit which in turn is a wholly-owned subsidiary of EIHL. Accordingly, Wide Profit and EIHL were deemed to be interested in the 205,905,721 shares held by Goldstream.
2. By virtue of their substantial interests in EIHL, Charron, Questrel and Mr. Albert Yeung were deemed to be interested in the 205,905,721 shares held by Goldstream.

## **CONNECTED TRANSACTIONS**

- (1) On May 16, 2000, the Group acquired from Questrel Holdings Limited, a company controlled by Mr. Albert Yeung, Record Breakers Limited, Glorious Twelfth Holdings Limited, Darling Land Limited and Receivable Agents Limited (collectively the “Digital Rights Companies”) which held the internet streaming rights of songs recordings and movies, at a total consideration of HK\$250 million, out of which a total amount of HK\$150 million was settled by the issue of 5% fixed interest convertible redeemable loan notes (“Loan Notes”) by the Company with the same face amount, and the remainder was settled in cash.

During the year, the Group paid an interest on the Loan Notes amounted to HK\$4,063,000.

- (2) On September 28, 2000, the Group sold to a wholly owned subsidiary of EIHL the entire equity interests of Amazing Growth Profits Limited which held the Digital Rights Companies (collectively the “Amazing Growth Group”) and the shareholder’s loan outstanding from the Amazing Growth Group at a consideration of HK\$250 million. HK\$100 million was settled in cash upon completion of the transaction. The remaining balance of HK\$150 million was payable in cash within 6 months after the completion date and bearing interest at prime rate per annum until payment in full. EIHL is a deemed substantial shareholder of the Company.

Interest received by the Group in connection with this transaction during the year amounted to approximately HK\$6,799,000.

## **CONNECTED TRANSACTIONS** *(continued)*

On the same date, the Group disposed of 50% equity interest in the share capital of eDaily Group Limited and its subsidiaries (collectively the “eDaily Group”) and 50% of shareholder’s loan outstanding from the eDaily Group to EIHL at a consideration of approximately HK\$2.2 million.

- (3) Before the disposal of 50% equity interest in the eDaily Group to EIHL as mentioned in (2) above, the eDaily Group was owned as to 78% by the Group and 22% by other minority shareholders. At that time, the working capital of the eDaily Group was financed entirely by the Company at an interest rate of 2% per annum over the prime rate. The Company received an interest amounted to approximately HK\$11,858,000.

After the said disposal, the Group’s equity interest in the eDaily Group was reduced from 78% to 28%. The Company and EIHL agreed to finance the eDaily Group in a 50% to 50% split. In view of the cessation of business of eDaily Group in early 2001, no interest was accrued in the financial statements of the Company.

- (4) On June 27, 2000, the Company acquired Island Gold Development Limited and its subsidiaries (collectively the “Island Gold Group”) from Graneagle Holdings Limited (“Graneagle”), an associate of EIHL at that time, at a consideration of approximately HK\$28.2 million which represented the loan outstanding from the Island Gold Group to Graneagle after netting off the net liabilities of the Island Gold Group. After such acquisition, the Company finances the entire working capital of Smart Ideal Limited, a 75% owned subsidiary of Island Gold Development Limited, by way of loan at an interest rate equivalent to 5% over prime rate per annum. The outstanding loan balance as at the year end date was approximately HK\$4,264,000.

During the year, the Company received an interest on the loan amounted to approximately HK\$764,000.

## **CONNECTED TRANSACTIONS** *(continued)*

- (5) Certain subsidiaries of Island Gold Development Limited rented properties from Frontgoal Development Limited, Sharp View Investment Limited and Civilink Investment Limited, which are wholly owned subsidiaries of EIHL. The tenancy agreements cover a period of two years commencing from August 25, 1999 with a monthly rental of HK\$100,000, HK\$120,000 and HK\$150,000, excluding rates, management fees and air-conditioning charges, respectively.

During the year, the Group paid rental charges amounted to approximately HK\$3,367,000.

- (6) During the year, the Group rented properties from Very Sound Investments Limited, a wholly owned subsidiary of EIHL at a monthly rental of HK\$80,000, excluding rates, management fees and air-conditioning charges. The tenancy agreement was renewed on June 30, 2001 and it covers a period of two years commencing from July 1, 2001 with a monthly rental of HK\$93,000, excluding rates, management fees and air-conditioning charges.

During the year, the Group paid rental charges amounted to approximately HK\$960,000.

- (7) During the year, the Group sold goods amounted to approximately HK\$3,606,000 to subsidiaries of Global Food Culture Group Limited (“Global”). Global is a listed company of which Questrel is deemed to be a substantial shareholder.



## **CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS**

On May 16, 2000, the Company issued 5% fixed interest convertible redeemable loan notes with a total face value of HK\$150 million to Questrel, a company controlled by Mr. Albert Yeung, as part of the consideration for the acquisition of the Digital Rights Companies as explained in the section headed "Connected transactions".

During the year, all of the above convertible redeemable loan notes were redeemed by the Company at face value.

The Company had no outstanding convertible securities, options, warrants or similar rights at March 31, 2001.

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

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

## **CODE OF BEST PRACTICE**

The Company has complied throughout the year ended March 31, 2001 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 the Hong Kong Limited except that:

- (i) the audit committee comprises one independent non-executive director only during the period from December 3, 2000 to January 29, 2001 due to the resignation of Mr. Wong Ching Yue as independent non-executive director of the Company; and
- (ii) the directors of the Company held one physical board meeting only during the year.

# D i r e c t o r s ' R e p o r t

---

## **AUDITORS**

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

On behalf of the Board

**Wong Chi Fai**

*Director*

July 18, 2001