

# DIRECTORS' REPORT

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 31 March 2001.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the operation of restaurants in Hong Kong.

All of the activities of the Group are based in Hong Kong and all of the Group's turnover and operating loss are derived from Hong Kong.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2001, the percentage of turnover attributable to the Group's five largest customers was less than 30%. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 60% of the Group's total purchases of which the largest supplier accounted for approximately 41%.

At 31 March 2001, Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"), a deemed substantial shareholder, is also a deemed substantial shareholder of one of the five largest suppliers of the Group. All transactions between the Group and the supplier concerned were carried out on normal commercial terms.

Save as disclosed above, 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 share capital) have an interest in any of the Group's five largest suppliers.

## RESULTS

The results of the Group for the year ended 31 March 2001 are set out in the consolidated income statement on page 23.

# DIRECTORS' REPORT

## SHARE CAPITAL AND WARRANTS

Pursuant to a resolution passed at a special general meeting of the Company held on 18 April 2000, 5,000,000 shares of HK\$0.10 each were issued on 25 April 2000 at HK\$1 each to Dr. Chan Kong Sang, Jackie ("Dr. Jackie Chan"), the Chairman of the Company, as part of the consideration pursuant to the agreement under which Best Mix Limited, a wholly-owned subsidiary of the Company, was granted the sole and exclusive right to use the name and likeness of Dr. Jackie Chan on the Internet to promote any food and/or beverages and/or any related products for a term of one year.

On 27 November 2000, 595,245,200 new shares of HK\$0.10 each were issued by way of a rights issue on the basis of one rights share for every existing share then held at an issue price of HK\$0.128 per share ("Rights Issue"). The net proceeds of the Rights Issue of approximately HK\$73,586,000 were used by the Group to repay bank loans, other borrowings and the loan from a shareholder and provide general working capital of the Group.

A bonus issue of warrants was made on the basis of one warrant for every five shares held on 16 November 1999. Each warrant entitles its holder to subscribe in cash for one share of the Company at a price of HK\$0.35, at any time from the date of issue to 31 October 2001.

Subsequent to the Rights Issue, the subscription price payable on exercise of the subscription rights attaching to the warrants has been adjusted from HK\$0.35 per share to HK\$0.28 per share with effect from 2 November 2000.

At 31 March 2001, the Company had outstanding warrants in the amount of HK\$41,301,540. Exercise in full of such warrants would result in the issue by the Company of 147,505,500 additional shares of HK\$0.10 each for total consideration of HK\$41,301,540.

Details of movements during the year in the share capital and outstanding warrants of the Company are set out in notes 25 and 26 to the financial statements.

## SHARE OPTIONS

Details of the share option scheme of the Company are set out in note 27 to the financial statements.

# DIRECTORS' REPORT

## RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 28 to the financial statements.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 64.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired furniture, fixtures and equipment at a cost of approximately HK\$7 million.

The Group's leasehold land and buildings were revalued at 31 March 2001. The result of the revaluation was a net surplus of HK\$266,000, of which a surplus of HK\$1,296,000 has been credited against the corresponding deficits previously recognised in the income statement and a deficit of HK\$1,030,000 is charged to the income statement.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

## DIRECTORS AND SERVICE CONTRACTS

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

### Executive directors:

Dr. Chan Kong Sang, Jackie (*Chairman*)

Mr. Chan Chee Kheong

Mr. So Che Hung, Solon

Mr. Wong Chi Fai

Ms. Fan Man Seung, Vanessa

Mr. Cheung Ting Kau, Vincent

# DIRECTORS' REPORT

## DIRECTORS AND SERVICE CONTRACTS *(continued)*

### Independent non-executive directors:

Dr. Chow King Wai	
Ms. Wan Choi Ha, Noven	(appointed on 26 September 2000)
Mr. Law Ka Ming, Michael	(resigned on 26 September 2000)

In accordance with bye-law 86(2) of the Company's Bye-laws, Ms. Wan Choi Ha, Noven who was appointed during the year, retires but shall be eligible for re-election at the forthcoming annual general meeting.

In accordance with bye-law 87 of the Company's Bye-laws, Mr. Chan Chee Kheong and Mr. So Che Hung, Solon will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

- (a) During the year, amounts totalling HK\$47,155,000 were advanced by Mr. Albert Yeung, a deemed substantial shareholder of the Company. The loan is unsecured, bears interest at the best lending rate plus one percent and has no fixed repayment term. During the year, part of the accumulated loan amounting to HK\$76,090,000 was repaid to Mr. Albert Yeung and an accrued interest of approximately HK\$6,476,000 was provided on the advance.
- (b) On 25 April 2000, Best Mix Limited, a wholly-owned subsidiary of the Company, was granted the sole and exclusive right to use the name and likeness of Dr. Jackie Chan, the Chairman of the Company, on the internet to promote any food and/or beverages and/or any related products for a term of one year at a consideration of HK\$10 million. The consideration was satisfied by HK\$5,000,000 in cash and by the issue of 5,000,000 shares of HK\$0.10 each of the Company at HK\$1 each.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS *(continued)*

- (c) On 26 September 2000, the Company entered into an underwriting agreement with Ample Wealth Limited ("Ample Wealth") pursuant to which Ample Wealth agreed to underwrite not less than 514,060,700 rights shares and not more than 610,908,200 rights shares. Ample Wealth is an indirect wholly-owned subsidiary of Questrel Holdings Limited ("Questrel"), a deemed substantial shareholder of the Company. The Company paid to Ample Wealth an underwriting commission of approximately HK\$1,955,000 which was calculated on the basis of 2.5% of the amount underwritten.

No contracts of significance to which the Company or any of 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.

## DIRECTORS' INTERESTS IN SHARES AND WARRANTS

At 31 March 2001, the interests of the directors and their associates in the share capital and warrants of the Company and its associated corporations within the meaning of Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of director	Number of shares/ Unit of warrants	Notes
Dr. Jackie Chan		
– shares	109,798,000	(1)
– warrants	20,959,600	(1)
Mr. Cheung Ting Kau, Vincent ("Mr. Vincent Cheung")		
– shares	11,500,000	(2)
– warrants	2,300,000	(2)

# DIRECTORS' REPORT

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

Notes:

- (1) The shares and warrants are beneficially owned by Pariain Enterprises Corp., a company controlled by the discretionary trust of Dr. Jackie Chan.
- (2) The shares and warrants are beneficially owned by Giant Profit Investments Inc., a company controlled by the discretionary trust of Mr. Vincent Cheung.

Save as disclosed above, at 31 March 2001, none of the directors or chief executives or their respective associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives, nor 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.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholder had an interest of 10% or more in the issued share capital of the Company:

Name of substantial shareholder	Number of shares	Shareholding percentage
Forever Rich Profits Limited ("Forever Rich")	675,842,500	56.77%

Forever Rich is a wholly-owned subsidiary of Forever Gold Group Limited ("Forever Gold") which in turn is a wholly-owned subsidiary of Questrel, a company controlled by Mr. Albert Yeung. Accordingly, the following parties were deemed to be interested in the 675,842,500 shares held by Forever Rich:

Forever Gold  
Questrel  
Mr. Albert Yeung

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

# DIRECTORS' REPORT

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the Company's share option scheme, details of which are set out in note 27 to the financial statements, 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 debentures of, the Company or any other body corporate.

## 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.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

## CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 March 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 Hong Kong Limited except that no full board meeting was held during the year.

## AUDITORS

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

On behalf of the Board

**Wong Chi Fai**  
*Director*

Hong Kong, 13 July 2001