



The directors herein present their report and the audited financial statements of the Group and the Company for the year ended 30th June, 2001.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 38 to the financial statements.

### RESULTS

The results of the Group for the year ended 30th June, 2001 are set out in the consolidated income statement on page 19.

The directors do not recommend the payment of any dividend for the year ended 30th June, 2001.

### FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group is set out on page 50.

### FIXED ASSETS

Particulars of movements in fixed assets of the Group during the year are set out in note 12 to the financial statements.

### SHARE CAPITAL AND WARRANTS

During the year, the Company undertook a consolidation of shares, a reduction of capital, a rights issue with bonus shares and bonus warrants and issued of shares on exercise of warrants. Details of these movements in the share capital and in the warrants of the Company during the year are set out in notes 24 and 25 to the financial statements, respectively.

### SHARE OPTIONS

Information on the Company's share option scheme is set out in note 26 to the financial statements.

### RESERVES

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



## DIRECTORS

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

### *Executive Directors*

Chan Tak Hung  
 Lum Chor Wah, Richard  
 Lai Tin Ying, Michael  
 Yuen Chi Ho (appointed on 31st July, 2000)  
 Wong Shu Wing (resigned on 30th April, 2001)

### *Independent Non-Executive Directors*

Lau Kit Hung  
 Kong Chung Yau

In accordance with Clause 86(2) of the Company's Bye-Laws, Mr. Lau Kit Hung will retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the above Bye-Laws.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any 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 SHARES

At 30th June, 2001, the interests of the directors and their associates in the share capital of the Company and its associated corporations, within the meaning of the Hong Kong 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of director	Number of ordinary shares held		Number of warrants held (note ii)	
	Personal interests	Corporate interests	Personal interests	Corporate interests
Chan Tak Hung	123,357,411	-	15,412,587	-
Lai Tin Ying, Michael	200,000	-	-	-
Yuen Chi Ho	75,000	4,762,500 (note i)	10,000	-



## DIRECTORS' INTERESTS IN SHARES (continued)

### Notes:

- (i) Mr. Yuen Chi Ho is the sole shareholder of Heng Fai Trading Limited, which is the beneficial owner of 4,762,500 shares in the Company.
- (ii) The warrants entitle the holders thereof to subscribe for shares of HK\$0.001 each in the Company at an initial subscription price of HK\$0.007, subject to adjustment, during the period from 17th October, 2000 to 16th October, 2001. During the year, the subscription price was adjusted to HK\$0.56 per share of HK\$0.01 each in the Company as a result of the consolidation of shares in the Company.

In addition, at 30th June, 2001, Lai Tin Ying, Michael held 30% interest in the shares of Michael Lai Production Holdings Limited, a 70% owned subsidiary of the Company.

Save as disclosed above, at 30th June, 2001 none of the directors or chief executives or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

## SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 30th June, 2001.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the share option scheme of the Company are set out in note 26 to the financial statements.

At the balance sheet date, no option was granted to directors by the Company under the Scheme.

Save as disclosed above and under the section headed "DIRECTORS' INTERESTS IN SHARES", 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, 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 right during the year.

## POST BALANCE SHEET EVENT

Details of the significant post balance sheet event is set out in note 39 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.



### DIRECTORS' INTERESTS IN CONTRACTS

Details of the connected transactions for the year are set out in note 37 to the financial statements.

Save as disclosed above, no contract 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.

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

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

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 92% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 52% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers accounted for 97% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 57% of the Group's total purchases.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has any interest in the share capital of any of the five largest customers or suppliers of the Group.

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30th June, 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.

### 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

**CHAN Tak Hung**  
*Chairman*

Hong Kong, 18th October, 2001