

Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31st March, 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 54 to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 25.

No dividend was paid during the year.

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 74.

SHARE CAPITAL

During the year, the Company issued and allotted 205,000,000 and 383,000,000 ordinary shares of HK\$0.10 each at HK\$0.14 and HK\$0.185 per share, respectively, as a result of private placements of shares to institutional investors.

The Company also issued and allotted 67,000,000 ordinary shares of HK\$0.10 each at HK\$0.185 per share to ITC Corporation Limited ("ITC"), a substantial shareholder of the Company.

The Company further issued 270,270,270 ordinary shares of HK\$0.10 each upon the exercise of conversion rights attaching to the HK\$50 million convertible note at the adjusted conversion price of HK\$0.185 per share as mentioned in the section headed "Convertible Notes" below.

In accordance with the mandatory redemption provision contained in the terms constituting the redeemable preference shares, 2,567,000 redeemable preference shares of HK\$0.10 each in issue were redeemed at the redemption price of HK\$10 per preference share.

Details of these and other movements in the share capital are set out in note 38 to the financial statements.

CONVERTIBLE NOTES

During the year, the Group entered into a conditional note agreement with Star East Group Limited ("Star East Group"), the holder of the HK\$50 million convertible note, to amend the conversion price of the convertible note from HK\$0.70 per share to HK\$0.185 per share. Upon the amendment agreement becoming unconditional on 16th July, 2001, Star East Group converted the convertible note into 270,270,270 ordinary shares of HK\$0.10 each at the adjusted conversion price of HK\$0.185 per share.

Details of this and the remaining convertible note outstanding at 31st March, 2002 are set out in note 37 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 40 to the financial statements.

INVESTMENT PROPERTIES

During the year, the Group revalued all of its investment properties at the balance sheet date and the deficit arising on revaluation of approximately HK\$15 million has been charged to the income statement. The Group also transferred certain of its investment properties with a carrying value of approximately HK\$23 million to properties held for resale.

Details of these and other movements in the investment properties are disclosed in note 15 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred the costs for leasehold improvements in respect of new theme restaurants in Tokyo, Japan and Shanghai, the People's Republic of China other than Hong Kong (the "PRC") of approximately HK\$37 million.

Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 16 to the financial statements.

PROPERTY INTERESTS

A summary of property interests of the Group at 31st March, 2002 is set out on pages 75 and 76 of the annual report.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

During the year, the Group acquired an 80% interest in Planet Hollywood Japan K.K., which operates a theme restaurant under the name "PLANET HOLLYWOOD" in Tokyo, Japan.

In addition, Planet Hollywood Australia Pty Ltd and its subsidiaries ("PH Australia") were placed under administration during the year. Accordingly, the results of PH Australia are consolidated in the Company's financial statements up to the date they were placed under administration as they operated under severe restrictions that significantly impair the control by the Company thereafter. The gain on deconsolidation of subsidiaries of approximately HK\$4 million was recognised in the income statement.

On 18th May, 2001, the Company and China Strategic Holdings Limited ("CSH") entered into a conditional agreement with Upland Profits Limited ("Upland"), a wholly-owned subsidiary of Capital Strategic Investment Limited ("CSI"), in respect of the disposal of the entire issued share capital of and shareholders' loans to Gold Brilliant Limited ("Gold Brilliant"), a company beneficially held as to 35% by the Company and as to 65% by CSH, for a consideration of HK\$206 million to Upland. Gold Brilliant holds 74.99% shareholding in Premium Land Limited ("Premium Land"). At the same time, Expert Solution Limited ("Expert Solution"), which was owned as to 35% by the Company and as to 65% by CSH, acquired the entire issued share capital of and shareholder's loan to Actiwater Resources Limited ("Actiwater"), a wholly-owned subsidiary of Premium Land, whose principal activities are publication of Sing Pao Daily News, books and magazine publishing and an Internet portal specializing mainly in news and information in the PRC, from Premium Land for a cash consideration of HK\$110 million. Completion of the aforesaid transactions took place on 9th July, 2001.

On 24th September, 2001, Expert Solution entered into an agreement with Sing Pao Media Group Limited ("Sing Pao Media") (formerly known as STAREASTnet.com Corporation) regarding the disposal of the entire issued share capital of and shareholder's loan of approximately HK\$210 million to Actiwater for a consideration of HK\$210 million to a wholly owned subsidiary of Sing Pao Media. The consideration was satisfied as HK\$50 million in cash and HK\$160 million by the issue of 1,600 million new shares in Sing Pao Media at HK\$0.10 per share. Completion of the aforesaid transaction took place on 4th December, 2001.

Upon the completion of the above transactions, 560 million new shares in Sing Pao Media were issued to the Group as directed by Expert Solution. Together with the subscription of 302,535,000 shares through the rights issue of Sing Pao Media which was completed on 29th November, 2001, the Group's interest in Sing Pao Media increased from 19.67% to 25.56%.

Details of the Company's principal subsidiaries and the Group's principal jointly controlled entities and associates at 31st March, 2002 are set out in notes 54, 22 and 23 to the financial statements, respectively.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Tam Wing Lun, Alan (*Chairman*)
Tsang Chi Wai, Eric (*Deputy Chairman*)
Chan Pak Cheung, Natalis (*Deputy Chairman*)
Wong Yat Cheung (*Deputy Chairman*)
Wong Kun To (*Managing Director*)
Chau Mei Wah, Rosanna
Chan Kong Sang, Jackie
Mui Yim Fong
Chan Yan Kin, Philip
Chan Chak Mo
Robert Ian Earl
Lau Buong Lik, Stephen

Non-executive director:

Lai Ming, Leon

Independent non-executive directors:

Au Chun Kwok, Augustus
Lam Tak Shing

In accordance with clauses 87(1) and 87(2) of the Company's Bye-laws, Ms. Chau Mei Wah, Rosanna, Dr. Chan Kong Sang, Jackie, Ms. Mui Yim Fong and Mr. Au Chun Kwok, Augustus will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each non-executive director is the period from the date of appointment up to his retirement by rotation as required by the Company's 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 SECURITIES

At 31st March, 2002, the interests of the directors of the Company in the securities of the Company and its associated corporations, within the meaning of the Securities (Disclosure of interests) Ordinance (the "SDI Ordinance") as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

(a) Interests in the Company

Name of director	Personal interests	Number of ordinary shares held as		
		Family interests	Corporate interests	Other interests
Tam Wing Lun, Alan	424,000	–	–	–
Tsang Chi Wai, Eric	394,000	–	–	–
Chan Pak Cheung, Natalis	394,000	–	–	–
Wong Yat Cheung	7,130,571	–	–	–
Chan Kong Sang, Jackie	394,000	–	–	–
Mui Yim Fong	26,000	–	–	–
Chan Chak Mo	270,000	–	–	–

(b) Interests in associated corporations

(i) The Saint News Limited

Mr. Wong Yat Cheung had, as at 31st March, 2002, a personal interest of 10 shares, representing 10% shareholding, in the issued share capital of The Saint News Limited, an indirect 51% owned subsidiary of the Company.

(ii) Sing Pao Media

Name of director	Personal interests	Number of ordinary shares held as		
		Family interests	Corporate interests	Other interests
Tam Wing Lun, Alan	–	–	87,150,000 (Note)	–
Tsang Chi Wai, Eric	–	–	87,150,000 (Note)	–
Chan Pak Cheung, Natalis	–	–	87,150,000 (Note)	–

Note: These shares were beneficially owned by Gold Miracles Limited, a company in which each of Mr. Tam Wing Lun, Alan, Mr. Tsang Chi Wai, Eric and Mr. Chan Pak Cheung, Natalis held one third of its issued share capital. Each of these directors was therefore deemed to be interested in 87,150,000 shares in Sing Pao Media.

Save as disclosed above, as at 31st March, 2002, none of the directors of the Company or their associates had any interests in any securities of the Company or any of its associated corporations, within the meaning of the SDI Ordinance, as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR'S INTEREST IN COMPETING BUSINESSES

Interests of the directors of the Company in competing businesses required to be disclosed pursuant to Rule 8.10 of the Listing Rules are as follows:

Name of director	Name of companies	Nature of competing business	Nature of interest
Chau Mei Wah, Rosanna	Paul Y. – ITC Construction Holdings Limited and its subsidiaries	Property business in Hong Kong and the PRC	As an executive director
	China Strategic Holdings Limited and its subsidiaries	Property business in Hong Kong and the PRC	As an executive director
	China Land Group Limited and its subsidiaries	Property business in Hong Kong and the PRC	As an executive director
Chan Kong Sang, Jackie	Emperor Entertainment Group Limited	Music entertainment Event marketing Artistes agency	As a non-executive director
	Jackie & Willie Productions Limited	Artistes agency	As a director
Mui Yim Fong	Mui Music Limited	Provision of artistes agency and talent management services	As a director and substantial shareholder
Chan Yan Kin, Philip	Mandarin Entertainment (Holdings) Limited	Film distribution in the PRC Music entertainment	As Chief Executive Officer (China)
	Circle Asia Limited	Co-production and distribution of Korean movies and TV drama series Provision of artistes agency and talent management services (Korean artistes related) Music entertainment (Korean artistes related)	As Chairman
Robert Ian Earl	Planet Hollywood International, Inc.	Franchising of theme restaurants	As Chairman and Chief Executive Officer
Lau Buong Lik, Stephen	HRC Holdings Pte Ltd	Operation of Hard Rock Cafés in Asia	As a director

Having considered (i) the nature, geographical market, scope and size of the above businesses; and (ii) the nature and extent of the above-named directors' respective interest in these businesses, the directors of the Company believe that there is unlikely to be any significant competition caused to the businesses of the Group.

Save as disclosed above, none of the directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

SHARE OPTIONS SCHEME

(A) The Company

The Company's share option scheme (the "Scheme"), adopted on 29th April, 1996 for the primary purpose of providing incentives to directors and eligible employees, will expire on 28th April, 2006. Under the Scheme, the board of directors of the Company may grant options to executive directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. Options granted must be accepted within 28 days and are exercisable not earlier than half year nor later than three and a half years from the date of grant. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company by way of consideration of the grant.

The following table discloses movements in the Company's share options during the year:

Name of director	Date of grant	Exercisable period	Exercise price HK\$	Outstanding	Number of share options		Outstanding
				at 1.4.2001	Granted during the year	Exercised during the year	at 31.3.2002
Tam Wing Lun, Alan	14.9.1999	14.3.2000 to 13.3.2003	1.5880	6,900,000	–	–	6,900,000
	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	–	–	5,000,000
	17.3.2000	17.9.2000 to 16.9.2003	1.1600	4,500,000	–	–	4,500,000
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	2,000,000	–	–	2,000,000
	13.6.2001	13.12.2001 to 12.12.2004	0.1700	–	4,000,000	–	4,000,000
Tsang Chi Wai, Eric	3.11.2000	3.5.2001 to 2.5.2004	0.2680	2,000,000	–	–	2,000,000
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	2,000,000	–	–	2,000,000
	13.6.2001	13.12.2001 to 12.12.2004	0.1700	–	4,000,000	–	4,000,000
Chan Pak Cheung, Natalis	14.9.1999	14.3.2000 to 13.3.2003	1.5880	6,900,000	–	–	6,900,000
	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	–	–	5,000,000
	17.3.2000	17.9.2000 to 16.9.2003	1.1600	4,500,000	–	–	4,500,000
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	2,000,000	–	–	2,000,000
	13.6.2001	13.12.2001 to 12.12.2004	0.1700	–	4,000,000	–	4,000,000

SHARE OPTIONS SCHEME – continued

(A) The Company – continued

Name of director	Date of grant	Exercisable period	Exercise price HK\$	Number of share options		Outstanding at 31.3.2002	
				Outstanding at 1.4.2001	Granted during the year		Exercised during the year
Wong Kun To	14.9.1999	14.3.2000 to 13.3.2003	1.5880	6,900,000	–	–	6,900,000
	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	–	–	5,000,000
	17.3.2000	17.9.2000 to 16.9.2003	1.1600	4,500,000	–	–	4,500,000
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	2,000,000	–	–	2,000,000
	13.6.2001	13.12.2001 to 12.12.2004	0.1700	–	4,000,000	–	4,000,000
Chau Mei Wah, Rosanna	14.9.1999	14.3.2000 to 13.3.2003	1.5880	6,900,000	–	–	6,900,000
	20.12.1999	20.6.2000 to 19.6.2003	1.7400	5,000,000	–	–	5,000,000
	17.3.2000	17.9.2000 to 16.9.2003	1.1600	4,500,000	–	–	4,500,000
	23.12.2000	23.6.2001 to 22.6.2004	0.2256	1,000,000	–	–	1,000,000
	13.6.2001	13.12.2001 to 12.12.2004	0.1700	–	2,000,000	–	2,000,000
Robert Ian Earl	3.11.2000	3.5.2001 to 2.5.2004	0.2680	5,000,000	–	–	5,000,000
Lau Buong Lik, Stephen	23.12.2000	23.6.2001 to 22.6.2004	0.2256	1,000,000	–	–	1,000,000
Sub-total				82,600,000	18,000,000	–	100,600,000
Employees	13.6.2001	13.12.2001 to 12.12.2004	0.1700	–	2,500,000	–	2,500,000
Total				82,600,000	20,500,000	–	103,100,000

At 31st March, 2002, the number of shares in respect of which options had been granted under the Scheme was 103,100,000, representing approximately 6% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the total number of the issued shares of the Company from time to time excluding any shares issued pursuant to the Scheme. No individual shall be granted an option which, if exercised in full, would result in such individual becoming entitled to subscribe for such number of shares, as when aggregated with the total number of shares already issued or was issuable under all the options previously granted to him, exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme. Options may be exercised at any time not earlier than half year nor later than three and a half years after the date the options are granted. The exercise price is determined by the board of directors of the Company, and will not be less than the higher of 80% of the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of a share.

SHARE OPTIONS SCHEME – continued

The fair value of the options granted in the current year measured as at the date of grant on 13th June, 2001 was HK\$0.13 per option. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

- 1) an expected volatility of 84% based on historical volatility;
- 2) no annual dividend based on historical dividends;
- 3) the estimated expected life of the options granted during the year is three and a half years; and
- 4) a risk-free interest rate of 4.94% was based on the weighted average of 3-year and 5-year Hong Kong Exchange Fund Notes interest rate at the date the options were granted.

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognised in the income statement in respect of the value of options granted in the year.

The closing price of the Company's shares immediately before 13th June, 2001, the date of grant, was HK\$0.20.

(B) Sing Pao Media

As at 31st March, 2002, certain directors of the Company also had share options granted by Sing Pao Media, an associated corporation of the Company, pursuant to its Pre-IPO Share Option Scheme and its Employee Share Option Scheme to subscribe for shares in Sing Pao Media as follows:

Directors	Date of grant	Exercise price HK\$ (note 2)	Number of share options granted (note 1)			
			Outstanding at 1.4.2001	Granted during the year	Exercised during the year	Outstanding at 31.3.2002
Tam Wing Lun, Alan	26.5.2000	0.570	31,250,000	–	–	31,250,000
Tsang Chi Wai, Eric	26.5.2000	0.570	25,000,000	–	–	25,000,000
Chan Pak Cheung, Natalis	26.5.2000	0.570	31,250,000	–	–	31,250,000
Wong Yat Cheung	26.5.2000	0.570	12,275,000	–	–	12,275,000
Wong Kun To	26.5.2000	0.570	31,250,000	–	–	31,250,000
	10.1.2001	0.532	15,000,000	–	–	15,000,000
Chau Mei Wah, Rosanna	26.5.2000	0.570	5,000,000	–	–	5,000,000
Chan Kong Sang, Jackie	26.5.2000	0.570	15,000,000	–	–	15,000,000
Chan Yan Kin, Philip	26.5.2000	0.570	2,750,000	–	–	2,750,000
	10.1.2001	0.532	5,000,000	–	–	5,000,000
Robert Ian Earl (note 3)	5.9.2000	0.846	7,500,000	–	–	7,500,000
Lai Ming, Leon	26.5.2000	0.570	15,000,000	–	–	15,000,000

SHARE OPTIONS SCHEME – continued

Notes:

- (1) The options are exercisable in accordance with the terms of the Pre-IPO Share Option Scheme and the Employee Share Option Scheme at any time during a period commencing 1 year after the date of grant and ending 5 years after the date of grant in accordance with the following schedule:

Period since date of grant	Percentage of share options granted which become exercisable
Year 1	zero
Year 2	up to 25%
Year 3	up to 50% (less the percentage of shares which arose upon the exercise of options between the first anniversary and the second anniversary)
Year 4	up to 75% (less the percentage of shares which arose upon the exercise of options between the first anniversary and the third anniversary)
Year 5	all shares in respect of which the option has not been previously exercised

- (2) According to the respective terms of the Pre-IPO Share Option Scheme and the Employee Share Option Scheme of Sing Pao Media, the subscription prices of the shares to be issued and the number of shares to be issued on the exercise of the outstanding share options have been adjusted taken into account the rights issue ("Rights Issue") as disclosed in the Sing Pao Media's Rights Issue prospectus dated 6th November, 2001.
- (3) The option was granted to Mrs. Patricia Earl, the spouse of Mr. Robert Ian Earl. Mr. Earl was therefore deemed to be interested in the same option.

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, chief executive 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.

Details of the share option scheme of the Company are set out in note 39 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2002, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed the following persons as having an interest of 10% or more in the issued ordinary shares of the Company:

Name of shareholder	Number of ordinary shares held	Approximate shareholding percentage
Dr. Chan Kwok Keung, Charles ("Dr. Chan")	368,068,479	21.02%
Chinaview International Limited ("Chinaview")	368,068,479	21.02%
Galaxyway Investments Limited ("Galaxyway")	368,068,479	21.02%
ITC	368,068,479	21.02%
ITC Investment Holdings Limited ("ITC Investment")	368,068,479	21.02%
Vigour Services Limited ("Vigour")	241,750,479	13.80%

Note: Dr. Chan owns the entire interest in Chinaview which in turn owns the entire interest in Galaxyway. Galaxyway owns more than one-third of the entire issued share capital of ITC. ITC owns the entire interest in ITC Investment which in turn owns the entire interest in Vigour and Coxson Limited ("Coxson"). Vigour and Coxson hold 241,750,479 and 126,318,000 shares of the Company, respectively. Accordingly, Dr. Chan, Chinaview, Galaxyway, ITC and ITC Investment were deemed to be interested in an aggregate of 368,068,479 shares of the Company.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued ordinary share capital of the Company as at 31st March, 2002.

CONNECTED TRANSACTIONS

During the year and subsequent to the balance sheet date, the Group had the following connected transactions:

- (i) During the year, the Company issued and allotted an aggregate of 67,000,000 new ordinary shares of HK\$0.10 each to ITC at a subscription price of HK\$0.185 per share.

The Company entered into a conditional note amendment agreement with Star East Group, the noteholder of the HK\$50 million convertible note, to amend the conversion price of the convertible note from HK\$0.70 per share to HK\$0.185 per share. Upon the amendment agreement becoming unconditional on 16th July, 2001, Star East Group converted the convertible note into 270,270,270 ordinary shares of HK\$0.10 each at the adjusted conversion price of HK\$0.185 per share.

As ITC is a substantial shareholder of the Company and Star East Group is an associate of ITC, ITC and Star East Group were deemed as connected persons of the Company and these transactions constituted connected transactions for the Company under the Listing Rules. These transactions were duly approved by the independent shareholders of the Company in a special general meeting held on 16th July, 2001.

- (ii) Pursuant to a tenancy agreement entered into by the Company's wholly-owned subsidiary, Star East Management Limited, with Cycle Company Limited and Gunnell Properties Limited, wholly-owned subsidiaries of Paul Y. - ITC Construction Holdings Limited ("Paul Y."), for the lease of premises and provision of building management services to the Group, the Group paid rent and building management fees of approximately HK\$2,862,000 during the year. As Paul Y. is an associate of ITC and is deemed to be a connected person of the Company, such transaction constituted a connected transaction for the Company under the Listing Rules.
- (iii) The Group paid interest expenses in connection with two convertible notes amounting to approximately HK\$5,000,000 and HK\$1,126,000 to a wholly-owned subsidiary of Paul Y. and Star East Group, respectively.
- (iv) During the year, the Company granted a guarantee of approximately HK\$8 million and pledged time deposits of approximately HK\$33 million to secure the banking facilities granted to Planet Hollywood (Japan) K.K., a non wholly-owned subsidiary of the Company.
- (v) As announced on 17th May, 2002, the Company entered into a conditional sale and purchase agreement with Paul Y., to dispose of the entire interest in Unicon Industrial Group Limited ("Unicon") and the entire amount of the shareholder's loan at a cash consideration of HK\$103 million (the "Disposal"). Unicon, through its wholly-owned subsidiary, holds an interest in a property situated in Hong Kong. The Disposal was duly approved by independent shareholders of the Company in a special general meeting held on 21st June, 2002 and was completed on 28th June, 2002.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group paid legal and professional fees of approximately HK\$165,000 for services rendered by a firm of solicitors, Vincent T.K. Cheung, Yap & Co., in which Mr. Au Chun Kwok, Augustus, an independent non-executive director of the Company, is a partner.

Save as disclosed above and under the heading "Connected Transactions", there were no other 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, subsisting at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales and purchase attributable to the Group's five largest customers and suppliers were less than 30% of the Group's turnover and cost of sales, respectively.

DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES

The total value of the amounts due from the Group's affiliated companies in respect of advances made by the Group was approximately HK\$97,903,000 at 31st March, 2002, which represents approximately 71% of the net tangible asset value of the Group as set out in the consolidated balance sheet on pages 26 and 27. Details of which are set out in notes 22, 23 and 30 to the financial statements.

The proforma combined balance sheet of these affiliated companies, to which advances are given, at 31st March, 2002 is as follows:

	Proforma combined balance sheet HK\$'000
Non-current assets	539,535
Current assets	293,773
Current liabilities	(245,136)
Non-current liabilities	(555,148)
	<u>33,024</u>
Group's proforma attributable interests	<u>(38,729)</u>

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 AND REDEMPTION OF LISTED SECURITIES

During the year ended 31st March, 2002, the Company redeemed 2,567,000 redeemable preference shares of HK\$0.10 each in issue at the redemption price of HK\$10 per preference share in accordance with the mandatory redemption provision contained in the terms constituting the redeemable preference shares. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st March, 2002.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$100,000.

CORPORATE GOVERNANCE

Save that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at annual general meeting in accordance with the Company's Bye-laws, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year.

AUDIT COMMITTEE

The Company has established an audit committee in April, 1999 with written terms of reference based on the guidelines set out in "A Guide for the Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The primary duties of the audit committee are to review and supervise the financial process and internal control procedures of the Group. The audit committee comprises two independent non-executive directors, namely, Messrs. Au Chun Kwok, Augustus and Lam Tak Shing.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 57 to the financial statements.

AUDITORS

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

On behalf of the Board
Tam Wing Lun, Alan
 Chairman

Hong Kong, 12th July, 2002