

## CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in note 33(i) to the financial statements, there were no transactions which needed to be disclosed as connected transactions in accordance with the requirements of the Listing Rules and no contract of significance, to which the Company, its subsidiaries, its ultimate holdings company, or any subsidiaries of its ultimate holding company 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.

The Independent Non-executive Directors of the Company have reviewed the connected transactions as set out in note 33(i) to the financial statements and confirmed that:

- (i) the transactions have been carried out in the ordinary and usual course of business of the Group;
- (ii) the transactions have been entered into on normal commercial terms and on arm's length basis, and in accordance with the terms of the agreements governing such transactions or on terms no less favourable than those available to/from independent third parties;
- (iii) the transactions have been entered into on terms that are fair and reasonable in so far as the independent shareholders of the Company are concerned; and
- (iv) the aggregate value of such transactions entered into during the year did not exceed HK\$3,000,000.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2001, according to the register maintained by the Company pursuant to Section 16(1) of the SDI Ordinance, the following shareholder was interested in 10% or more of the Company's issued share capital:

Name of shareholder	Number of shares	Percentage of shareholding
J&A ( <i>Note</i> )	157,500,000	75%

*Note:* J&A is a company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.

Save as disclosed above, at 31 March 2001, there is no person known to any Director or chief executive of the Company, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of any member of the Company.

## 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.

## RETIREMENT BENEFITS SCHEME

The Group did not operate any retirement benefits scheme for its employees or its Directors on or before 30 November 2000.

Since 1 December 2000, the Group has operated a pension scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance (the “MPF Scheme”) after the implementation of the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirement of 5% of eligible employees’ relevant aggregate income. The contributions are charged to the income statement as incurred.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2001, less than 30% of the Group’s sales were attributable to the Group’s five largest customers.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 March 2001, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company.

## AUDIT COMMITTEE

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company set up an audit committee on 16 August 2000 with written terms of reference for the purpose of reviewing and providing supervision of the financial reporting process and internal control system of the Group. The audit committee has two members comprising Messrs. Ng Chi Kin David and Chen Wei-Ming Eric, both being Independent Non-executive Directors. Since its establishment, the audit committee has met twice for the purpose of reviewing the Group’s interim and final results.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the period from 8 September 2000 (the date on which the shares of the Company were listed on the Stock Exchange) to 31 March 2001.

## POST BALANCE SHEET EVENTS

Particulars of the significant post balance sheet events of the Group are set out in note 34 to the financial statements.

## AUDITORS

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

By Order of the Board

**LAM KWOK HING**

*Chairman*

Hong Kong, 20 July 2001