

The directors herein present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2002 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 19 to 62.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated/combined results and of the assets, liabilities and minority interests of the Group prepared on the bases set out in the notes below. The amounts for each year in the financial summary have been adjusted for the effects of the retrospective changes in accounting policy affecting dividends as detailed in note 2 to the financial statements. The effect of this change in accounting policy is that prior year adjustment has been made to reduce the Group's current liabilities at 31 March 2000 by HK\$18,504,000 as a result of the reclassification of the final proposed dividend recognised as a current liability at 31 March 2000 to the reserves section of the balance sheet. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 March				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
TURNOVER	<u>256,546</u>	<u>275,622</u>	<u>366,830</u>	<u>271,276</u>	<u>232,640</u>
PROFIT/(LOSS) BEFORE TAX	<u>(65,359)</u>	9,769	63,938	45,108	28,030
Tax	<u>934</u>	<u>(2,364)</u>	<u>(6,940)</u>	<u>(4,681)</u>	<u>(2,629)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<u>(64,425)</u>	7,405	56,998	40,427	25,401
Minority interests	<u>1,030</u>	<u>180</u>	<u>(59)</u>	<u>(55)</u>	<u>(55)</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(63,395)</u>	<u>7,585</u>	<u>56,939</u>	<u>40,372</u>	<u>25,346</u>

ASSETS AND LIABILITIES

	At 31 March			
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000 (Restated)	1999 HK\$'000
NON-CURRENT ASSETS	<u>162,841</u>	<u>176,970</u>	<u>99,190</u>	<u>76,385</u>
CURRENT ASSETS	<u>197,497</u>	<u>177,940</u>	<u>209,202</u>	<u>79,239</u>
CURRENT LIABILITIES	<u>(64,259)</u>	<u>(123,646)</u>	<u>(106,289)</u>	<u>(73,343)</u>
NET CURRENT ASSETS	<u>133,238</u>	<u>54,294</u>	<u>102,913</u>	<u>5,896</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>296,079</u>	<u>231,264</u>	<u>202,103</u>	<u>82,281</u>
NON-CURRENT LIABILITIES	<u>(16,589)</u>	<u>(12,924)</u>	<u>(11,614)</u>	<u>(12,440)</u>
MINORITY INTERESTS	<u>(2,387)</u>	<u>(3,417)</u>	<u>(3,597)</u>	<u>(3,538)</u>
	<u>277,103</u>	<u>214,923</u>	<u>186,892</u>	<u>66,303</u>

Notes:

1. The summary of the combined results of the Group for each of the two years ended 31 March 1999 has been extracted from the Company's prospectus dated 28 September 1999. The summary has been prepared based on the audited financial statements of the companies then comprising the Group, after appropriate adjustments and reclassifications, as if the current Group structure had been in existence throughout these financial years. The results of the Group for each of the three years ended 31 March 2002 are extracted from the audited financial statements and reclassified as appropriate.
2. As the Company was incorporated on 26 July 1999, the only published consolidated/combined balance sheets that have been prepared to date are those as at 31 March 1999, 2000, 2001 and 2002. The consolidated/combined balance sheets of the Group as at 31 March 1999 and 2000 are extracted from the published financial statements for the year ended 31 March 2000 and reclassified as appropriate, prepared on the basis as if the Group had been in existence for each of these years.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 27 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and of the Group during the year and details of the distributable reserves of the Company are set out in note 28 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 55% of the total sales for the year and sales to the largest customer included therein amounted to approximately 32%. Purchases from the Group's five largest suppliers accounted for approximately 29% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 7%.

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

DIRECTORS

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

Executive directors:

Mr. Tong Yiu Lun
Mr. Yau Pui Kau
Ms. Wu Pik Ying
Mr. Ng Wa On (resigned on 11 March 2002)
Mr. Cheung Ki Wai (resigned on 28 June 2001)

Independent non-executive directors:

Mr. Chan Chi Shing, Willie
Mr. Fong Wang Fun

In accordance with article 108 of the Company's articles of association, Mr. Chan Chi Sing, Willie will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election. Apart from Mr. Tong Yiu Lun and Mr. Yau Pui Kau, all the other directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election in accordance with the provisions of the Company's articles of association.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 9 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing from 1 September 1999 which will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

In addition, Mr. Tong Yiu Lun is entitled to the provision of a residential apartment pursuant to the service contract entered into by the Company and Mr. Tong Yiu Lun.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 34 to the financial statements, no director had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2002, the interests of certain directors and their associates in the share capital of the Company or its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "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 held and nature of interest Corporate
Mr. Tong Yiu Lun (Note)	<u>280,000,000</u>

Note: These shares are beneficially owned by and registered in the name of Great Wonder Investments Limited, a company incorporated in the British Virgin Islands whose entire issued capital is legally and beneficially owned by Mr. Tong Yiu Lun.

10,000 non-voting deferred shares in Marine Union Limited are beneficially owned as to 7,000 by Mr. Tong Yiu Lun and 3,000 by Ms. Wu Pik Ying. Two non-voting deferred shares in Century Hope Limited are beneficially owned as to one by Mr. Tong Yiu Lun and the other by Ms. Wu Pik Ying. 500,000 non-voting deferred shares in Cedar Base Electronic Limited are beneficially owned as to 450,000 by Mr. Tong Yiu Lun and 50,000 by Ms. Wu Pik Ying.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be kept under 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Existing Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants of the Group. Eligible participants of the Existing Share Option Scheme include executive directors and other employees of the Group. The Existing Share Option Scheme was adopted on 22 September 1999 and became effective on 7 October 1999 and, unless otherwise cancelled or amended, would remain in force for 10 years from the adoption date.

The maximum number of share options permitted to be granted under the Existing Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time (excluding any shares which were issued pursuant to the exercise of any option granted under the Existing Share Option Scheme).

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Existing Share Option Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the nominal value of the ordinary shares of the Company; and (ii) 80% of the average Stock Exchange closing price of the Company's ordinary shares for the five trading days immediately preceding the date of the offer.

The following information on share options is required to be disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Category of participant	Number of share options				Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares ***	
	At 1 April 2001	Granted during the year	Exercised during the year	At 31 March 2002				At grant date of options	At exercise date of options
								HK\$	HK\$
Other employees									
In aggregate	-	69,225,000	(69,225,000)	-	28 May 2001	28 May 2001 to 21 Sept 2009	0.222	0.240	0.242

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

Further details of the Existing Share Option Scheme are also set out in note 27 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their costs. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date or lapsed are deleted from the register of outstanding options.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year to the employees because in the absence of a readily available market value of the share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of these share options.

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Listing Rules in respect of share option schemes, which came into effect on 1 September 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the directors consider that it is in the interests of the Company to terminate the Existing Share Option Scheme and to adopt a new share option scheme. An ordinary resolution will be proposed at the annual general meeting of the Company for the approval of the said adoption of the new share option scheme and the termination of the Existing Share Option Scheme.

The share options granted by the Company to the grantee under the Existing Share Option Scheme will not be affected by the proposed new share option scheme.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of the Company's share capital
Great Wonder Investments Limited (Note)	<u>280,000,000</u>	<u>21.33</u>

Note: The shareholding is duplicated in the "Directors' interests in shares" disclosed above.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions and connected transactions of the Group are set out in note 34 to the financial statements.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 33 to the financial statements.

PENSION SCHEMES

Details of the pension schemes of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 3 and 6 to the financial statements, respectively.

In the opinion of the directors of the Company, the Group had no significant obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong, at 31 March 2002.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the Annual Report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's articles of association.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Tong Yiu Lun
Chairman

Hong Kong
25 July 2002