

The directors present their annual report and the audited financial statements for the year ended 31st March, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 40 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest suppliers accounted for 39% of the Group's total purchases. The largest supplier accounted for 13% of the Group's total purchases.

During the year, the Group's five largest customers accounted for 41% of the Group's total sales. The largest customer accounted for 11% of the Group's total sales.

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

RESULTS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 18 and the accompanying notes to the financial statements. The directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2001. The Company did not have any distributable reserves as at 31st March, 2001.

FINANCIAL SUMMARY

A financial summary of the Group is set out on pages 54 and 55.

CAPITAL REORGANISATION, ALLOTMENT OF NEW SHARES TO FIRST CENTURY HOLDINGS LIMITED AND RESTRUCTURING OF BANK INDEBTEDNESS

During the year, the Group continued to experience a shortage of working capital and remained dependent on financial support from its bank creditors. On 20th October, 2000, the Company entered into a conditional subscription agreement (the "Subscription Agreement") with First Century Holdings Limited (the "Subscriber") involving a capital reorganisation of the Company which involved capital reduction, capital subdivision and allotment and issue of new shares to the Subscriber. On 22nd November, 2000, the Company and its subsidiaries entered into a conditional bank debt restructuring agreement (the "Bank Debt Restructuring Agreement") with all of its 26 bank creditors (the "Bank Creditors"). Details of the terms and conditions of the Subscription Agreement and the Bank Debt Restructuring Agreement are set out in the circular of the Company dated 5th December, 2000. Both the Subscription Agreement and Bank Debt Restructuring Agreement were completed on 11th January, 2001.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

During the year, the Company underwent a capital reorganisation which involved capital reduction, capital subdivision and allotment and issue of new shares to the Subscriber and the Bank Creditors as part of the bank debt restructuring exercise. Details of these and other changes in the share capital of the Company are set out in note 26 to the financial statements.

Pursuant to the Bank Debt Restructuring Agreement, the Company granted warrants by way of bonus issue to the shareholders whose names appeared on the register of members of the Company on 1st February, 2001 on the basis of one warrant for every five shares held on that date. A total of 723,559,214 units of warrants with subscription rights of approximately HK\$36,178,000 were therefore issued. Each warrant entitles the holder thereof to subscribe in cash at an initial subscription price of HK\$0.05 per share, subject to adjustment, for one share at any time within a period of three years from 9th February, 2001, the date on which dealings in the warrants on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") commenced. Details of movements in warrants of the Company during the year are set out in note 26 to the financial statements.

Details of movements in share options of the Company during the year are set out in note 26 to the financial statements.

Other than the share option scheme and warrants as set out in note 26 to the financial statements, the Company had no outstanding convertible securities, options, warrants or similar rights as at 31st March, 2001 and there had been no exercise of convertible securities, options, warrants or similar rights during the year.

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.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 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:

KAN Shiu Cheong, Frederick, Chairman	(appointed as non-executive director on 11th January, 2001 and redesignated as executive director on 2nd April, 2001)
CHU Hung Lin, Victor, Deputy Chairman	(appointed on 11th January, 2001)
CHAN Hoi Lam	(appointed on 11th January, 2001)
FUNG Kin Keung, Derek	(also as alternate to Fung Kwong Yan on 3rd August, 15th to 18th November, 2000 and as alternate to Yip Wai Ming on 3rd August, 11th, 15th to 18th November, 2000)
LIM Bin Hua	
YAU Kang Nam	(appointed on 4th June, 2001)

Non-executive directors:

FUNG Kwong Yan	(also as alternate to Yip Wai Ming on 10th May, 16th June and 20th October, 2000 and resigned on 11th January, 2001)
YIP Wai Ming	(resigned on 11th January, 2001)
HO Che Kong	(resigned on 11th January, 2001)
HSU Nai Cheng, Simon	(also as alternate to Yen Shiao Hua, Sheridan on 10th May and 12th June, 2000 and resigned on 11th January, 2001)
OEI Liang Chung Lawrence Reginald	(also as alternate to Ho Che Kong on 20th October and 11th November, 2000 (and its adjournments on 13th and 16th November, 2000) and resigned on 11th January, 2001)
WONG Hei Pui, Andy	(resigned on 11th January, 2001)
YEN Shiao Hua, Sheridan	(resigned on 28th July, 2000)

Independent non-executive directors:

LIU Ngai Wing	(appointed on 11th January, 2001)
NG Sui Keung	(appointed on 6th April, 2001)
FUNG Siu Wu	(resigned on 11th January, 2001)
Ramon Sy PASCUAL	(resigned on 28th July, 2000)

As at the date of this report, Messrs. Fung Kin Keung, Derek and Lim Bin Hua have tendered their resignation as directors of the Company with effect from 23rd July, 2001 and 1st July, 2001 respectively.

In accordance with Bye-law 102(B) of the Company's Bye-Laws, Messrs. Kan Shiu Cheong, Frederick, Chu Hung Lin, Victor, Chan Hoi Lam, Yau Kang Nam, Liu Ngai Wing and Ng Sui Keung will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The term of office for each of the independent non-executive directors is the period up to his retirement by rotation pursuant to the Company's Bye-laws.

None of the directors being proposed for re-election at the forthcoming annual general meeting 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

The Company issued guarantees in favour of banks for credit facilities to the extent of HK\$4,000,000 granted to a 60% owned subsidiary of the Company. Such guarantees are financial assistance provided by the Company under Rule 14.25(2) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and constitute connected transactions.

Save as disclosed above, no contracts of significance to which the Company, its holding 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 SECURITIES

None of the directors or their associates had any interests in the securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as at 31st March, 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme of the Company as set out in note 26 to the financial statements, at no time during the year was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors or the chief executives or associates of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, none of the directors or their spouses and 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 31st March, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following shareholder with interest representing 10% or more of the Company's issued share capital:

Name of shareholder	Number of shares held
First Century Holdings Limited	2,037,435,889

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

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.

PRE-EMPTIVE RIGHTS

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

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year except that the audit committee comprised only one member during the period from 28th July, 2000 to 5th April, 2001 as the Company has only one independent non-executive director during that period.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years.

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

Kan Shiu Cheong, Frederick

Chairman

Hong Kong

15th June, 2001