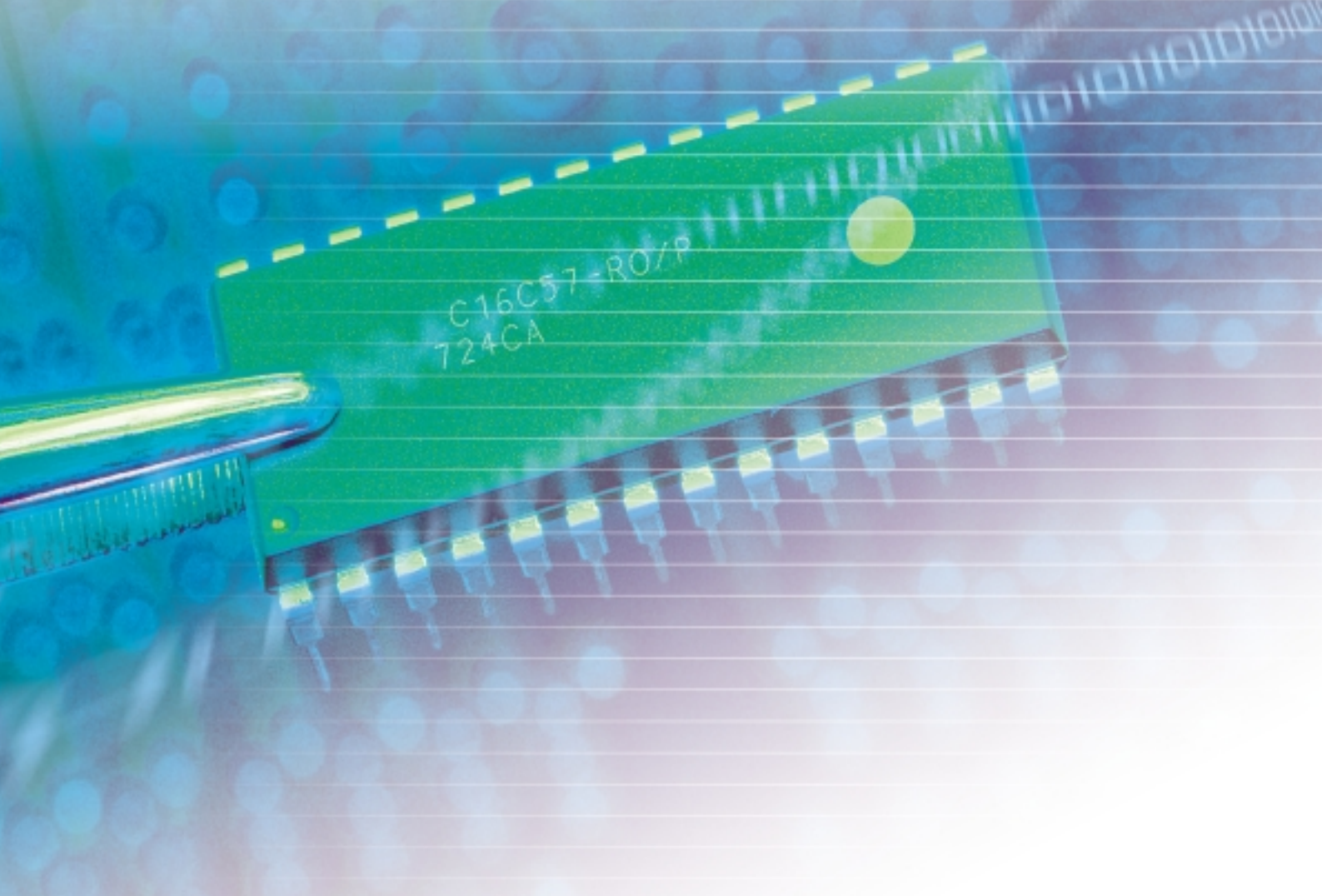




010011010110010111010101010101010101

0101001



DIRECTORS' REPORT

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

REORGANISATION AND LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

Pursuant to a group reorganisation to rationalise the group structure in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the group (the "Group") formed after the completion of the group reorganisation on 29th April, 2000 and the shares of the Company have been listed on the Stock Exchange since 15th June, 2000.

Details of the group reorganisation are set out in note 1 to the financial statements.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 34 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 23 of the annual report.

An interim dividend of HK\$0.015 per share amounting to HK\$2,820,000 was paid during the year.

The directors now recommend a final dividend of HK\$0.10 per share amounting to HK\$18,800,000 to be paid to the shareholders.

FINANCIAL SUMMARY

A summary of the Group's results for the past five years, and its assets and liabilities for the past three years is set out on page 57 of the annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital of the Company are set out in note 20 to the financial statements.

Details of the share options of the Company are set out in note 21 to the financial statements.

DIRECTORS' REPORT (Continued)

RESERVES

Details of movements during the year in the reserves of the Group and of the Company are set out in note 22 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$7 million for the purpose of expanding its business.

Details of these and others movements during the year in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors

Mr. Chang Chung Wa, Eddie

Ms. Tang Kit Ching, Venus

Mr. Yau Kwan Shan

Independent non-executive directors

Dr. Li Chi Kwong (appointed on 1st May, 2000)

Prof. Pan Xiao Mei (appointed on 1st May, 2000)

In according with Clause 86 of the Company's Bye-laws, Mr. Yau Kwan Shan, Dr. Li Chi Kwong and Prof. Pan Xiao Mei, retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing 1st May, 2000, which will continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN SECURITIES

(I) SHARES

At 31st March, 2001, the interests of the directors in the ordinary shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Type of interest	Number of ordinary shares held
Mr. Chang Chung Wa, Eddie ("Mr. Chang")	Family interest (Notes 1 and 2)	112,800,000
Ms. Tang Kit Ching, Venus ("Ms. Tang")	Corporate interest (Notes 1 and 3)	28,200,000

Notes:

- (1) Tactful Finance Limited, a company incorporated in the British Virgin Islands, held 141,000,000 ordinary shares of the Company. Tactful Finance Limited is beneficially owned as to 80% by Spiritrider Development Inc., a company incorporated in the British Virgin Islands and as to 20% by Rubyrider Development Corp., a company incorporated in the British Virgin Islands.
- (2) The entire issued share capital of Spiritrider Development Inc. is owned by A-One International Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Maple Securities Limited, a limited liability company incorporated in the British Virgin Islands, which is a discretionary trust set up by Mr. Chang, the trustee of which is HSBC International Trustee Limited. Beneficiaries of the trust include the family members of Mr. Chang.
- (3) Rubyrider Development Corp. is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Ms. Tang.

Save as disclosed above and other than certain nominee shares in the Company's subsidiaries held in trust for the Group by certain directors, none of the directors or the chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' REPORT (Continued)

(II) OPTIONS

A share option scheme was adopted by the Company on 29th April, 2000, under which the directors of the Company may be granted options to subscribe for shares in the Company. Details of the Company's share option scheme are set out in note 21 to the financial statements.

At 31st March, 2001, the following directors had personal interests in share options to subscribe for shares in the Company as follows:

- (i) The following share options granted to a director of the Company on 15th July, 2000 to subscribe for ordinary shares of the Company of HK\$0.100 per share at a subscription price of HK\$0.568 per share, subject to adjustment, are exercisable from 15th January, 2001 to 14th July, 2005:

Name of director	Option granted during the year and outstanding at 31.3.2001
Mr. Yau Kwan Shan	1,000,000

- (ii) The following share options granted to directors of the Company on 26th August, 2000 to subscribe for ordinary shares of the Company of HK\$0.100 per share at a subscription price of HK\$0.770 per share, subject to adjustment, are exercisable from 26th August, 2001 to 25th August, 2005:

Name of director	Option granted during the year and outstanding at 31.3.2001
Dr. Li Chi Kwong	500,000
Prof. Pan Xiao Mei	100,000

No options were exercised by the directors of the Company during the year.

Save as disclosed above, at no time during the year was the Company, its holding 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, their spouses or children under the age of 18, had any rights to subscribe for securities in the Company, or had exercised any such rights.

DIRECTORS' REPORT (Continued)

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed as of that date that, other than the interests disclosed under the heading "Directors' interests in securities", the Company had not been notified of any interests representing 10% or more of the Company's issued share capital.

CONNECTED TRANSACTIONS

Save as disclosed in note 32 to the financial statements, in the opinion of directors, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in note 32 to the financial statements, 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.

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, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

As the Company only became a listed company on 15th June, 2000, the Company has complied with the requirements of the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the "Code of Best Practice") for the period between its listing date and 31st March, 2001.

The Company's audit committee was formed on 23rd May, 2000, comprising the independent non-executive directors, Dr. Li Chi Kwong and Prof. Pan Xiao Mei. The terms of reference of the audit committee have been established with regard to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

DIRECTORS' REPORT (Continued)

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company since its incorporation. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint them.

On behalf of the Board

Chang Chung Wa, Eddie

Chairman

Hong Kong, 28th June, 2001