

REPORT OF THE DIRECTORS

The directors present herewith their report and the accounts for the year ended 31 March 2001.

ACCOUNTS

The results for the year are set out in the consolidated income statement on page 15.

The state of affairs of the Group and the Company as at 31 March 2001 are set out in the balance sheets on pages 16 and 17 respectively.

The cash flows of the Group are set out in the statement on page 18.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The principal activities of its subsidiaries are the design, production and sale of computer-aided-design systems and machinery and property holding. An analysis of the operations and contributions to trading results is as follows:—

	Turnover		Contribution to operating profit/(loss)	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Computer-aided-design systems and machinery				
Mainland China	2,028	10,544	(3,765)	(7,874)
Hong Kong	3,141	1,314	(4,205)	(502)
Other Far East Asian countries	3,008	228	(2,456)	(402)
North America	4,890	9,446	(6,020)	(2,394)
	<u>13,067</u>	<u>21,532</u>	<u>(16,446)</u>	<u>(11,172)</u>
Property development				
Mainland China	—	2,491	—	(283)
	<u>13,067</u>	<u>24,023</u>	<u>(16,446)</u>	<u>(11,455)</u>

REPORT OF THE DIRECTORS (CONT'D)

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales attributable to the Group's major suppliers and customers are as follows:—

	2001 %	2000 %
Purchases		
– the largest supplier	16	41
– five largest suppliers combined	40	81
Sales		
– the largest customer	23	8
– five largest customers combined	54	32

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No directors, their associates or shareholders (which to the knowledge of the directors own more than 5% of the company's share capital) were interested at any time in the year in the above suppliers or customers.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 15 on page 33.

FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group for the five years ended 31 March 2001 prepared on a consolidated basis:—

	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Turnover	<u>13,067</u>	<u>24,023</u>	<u>21,490</u>	<u>18,617</u>	<u>15,321</u>
Loss attributable to the shareholders	<u>(14,205)</u>	<u>(9,626)</u>	<u>(5,250)</u>	<u>(6,352)</u>	<u>(9,258)</u>
Total assets	55,828	58,989	73,637	77,320	77,803
Total liabilities	<u>(5,745)</u>	<u>(6,727)</u>	<u>(11,749)</u>	<u>(10,183)</u>	<u>(4,314)</u>
Net assets	<u>50,083</u>	<u>52,262</u>	<u>61,888</u>	<u>67,137</u>	<u>73,489</u>

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DIVIDENDS

The directors do not recommend payment of any dividend in respect of the year ended 31 March 2001.

RESERVES

The amounts and particulars of material transfers to and from reserves during the year are set out in notes 16 to 19 on pages 33 to 35.

DONATIONS

There was no donation made by the Group during the year.

PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the year are set out in note 9 on page 28.

ISSUE OF SHARES

During the year the Company pursuant to a placing agreement dated 7 September 2000 issued an additional 31,000,000 ordinary shares of HK\$0.1 each at a price of HK\$0.40 each to independent third parties to raise additional working capital. The net considerations received by the Company is set out in notes 15 and 16 on page 33.

PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company, or any of its subsidiaries during the year.

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DIRECTORS

The directors who held office during the year and up to the date of this report were:–

Mr. LAM Pang	– appointed on 30 September 2000
Mr. NG Kin Wah	– appointed on 30 September 2000
Mr. NG Lap Kwan**	– appointed on 7 November 2000
Mr. LEE Ban Hee**	– appointed on 13 November 2000
Mr. PENG Chengzhi**	– appointed on 13 November 2000
Mr. CHAN Ngan Hoi	– resigned on 29 September 2000
Mr. LEUNG King Wa	– resigned on 13 November 2000
Mr. CHUNG Sing Hung**	– resigned on 13 November 2000
Ms. LAM King Chuen**	– resigned on 13 November 2000
Mr. CHAN Tik Yuen	– resigned on 7 December 2000
Mr. HO Man Tsun**	– resigned on 7 December 2000
Mr. LEUNG Chun Tai**	– resigned on 7 December 2000

** *independent non-executive directors*

In accordance with Clause 102 of the Company's Bye-laws, all directors appointed during the year retires at the forthcoming annual general meeting and, being eligible, offer themselves for re-election, except that Mr. LEE Ban Hee does not offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its holding company was a party, and in which any director had a material interest, subsisted at the end of the year or at any time during the year, other than the related party transaction as disclosed in notes 22 and 26 on page 37 and 39 respectively.

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DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 27 March 1992, a share option scheme was approved by the shareholders of the Company under which the directors may, at their discretion, invite full time employees of the Company and its subsidiaries (the "Group") including executive directors of the Group, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. This share option scheme will expire at the close of business on the day preceding the tenth anniversary thereof. As at 31 March 2001, no option has been granted under this scheme.

Apart from the above, at no time during the year was the Company, its subsidiaries or its holding company a party to any arrangements to enable the directors of the Company to acquire shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 March 2001, none of the directors or the chief executives of the Company had any interests in the shares or debentures of the Company or any associated corporations as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2001, according to the register of substantial shareholders kept by the Company under section 16(1) of the Securities (Disclosure of Interests) Ordinance and so far as was known to the directors, the following persons were interested or taken or deemed to be interested in 10% or more of the nominal value of the issued share capital of the Company:

Name of shareholder	Number of shares held		Shareholding percentage
	Direct interest	Deemed interest	
Chim Pui Chung	50,000,000	—	26.60%
Golden Mount Limited	50,000,000	—	26.60%

Note: Golden Mount Limited held 50,000,000 shares and is solely owned by Chim Pui Chung.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the annual report, in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited except that independent non-executive directors are not appointed for a specific term as they are subject to rotation at Annual General Meetings in accordance with the Bye-laws of the Company.

REPORT OF THE DIRECTORS (CONT'D)

AUDITORS

Coopers & Lybrand have merged their practice with Price Waterhouse and now practise in the name of PricewaterhouseCoopers. They resigned from the office of auditors of the Company on 14 June 1999. Graham H.Y. Chan & Co. was then appointed to fill the vacancy and remained as the Company's auditors from that date.

Graham H.Y. Chan & Co resigned from the office of auditors of the Company on 14 March 2000 and then Wong Chan Lau C.P.A. Co., Ltd. was appointed to fill the vacancy and remained as the Company's auditors from that date.

Wong Chan Lau C.P.A. Co., Ltd. did not seek reappointment at the annual general meeting held on 29 September 2000. A resolution to authorize the Board to appoint another auditors in place of Wong Chan Lau CPA Co., Ltd. was passed at such meeting. On 13 November 2000, the Board appointed Louis Leung & Partners CPA Limited to fill the vacancy. A resolution will be submitted to the annual general meeting of the Company to re-appoint Louis Leung & Partners CPA Limited as auditors of the Company.

On behalf of the Board

LAM Pang

Chairman

Hong Kong, 20 July 2001