

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 the principal subsidiaries are set out in note 12 to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 16.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 21 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 44.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired land and buildings outside Hong Kong and new plant and machinery at a cost of approximately HK\$7.9 million and HK\$5.5 million respectively. In addition, the Group acquired machinery at a cost of approximately HK\$32.8 million which is still under installation at the balance sheet date.

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 19 to the financial statements.

DIRECTORS

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

Executive directors:

Mr. **Fang** Hung, Kenneth

Mr. **Li** Kwok Wai, Frankie

Mr. **Ling**, Harry Ph.D. (appointed on 26th April, 2001)

Mr. **Lam** Kam Cheung, Kelvin

Non-executive director:

Mr. **Chen** Chin Tung, Daniel (appointed on 26th April, 2001)

Independent non-executive directors:

Mr. **Tien** Pei Chun, James

Mr. **Chu** Chi Wai, Allan

In accordance with Clauses 86(2) and 87 of the Company's Bye-Laws, Messrs. Li Kwok Wai, Frankie, Ling, Harry Ph.D. and Chen Chin Tung, Daniel retire and, being eligible, offer themselves for re-election.

None of the directors 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.

The non-executive directors have been appointed for a term subject to retirement by rotation in accordance with the Company's Bye-Laws.

DIRECTORS' INTERESTS IN SHARES**(i) Share capital**

At 31st March, 2001, the interests of the Company's directors and their associates in the issued share capital of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

| | Number of ordinary shares held | |
|----------------------------|--------------------------------|----------------------|
| | Personal interests | Corporate interests |
| Mr. Fang Hung, Kenneth | 14,130,000 | 332,499,228 (Note 1) |
| Mr. Li Kwok Wai, Frankie | 10,332,520 | 332,499,228 (Note 1) |
| Mr. Ling, Harry Ph.D. | – | 350,000,000 (Note 2) |
| Mr. Chen Chin Tung, Daniel | – | 350,000,000 (Note 2) |

Notes:

- These shares are held by Antrix Investment Limited, a company controlled by Messrs. Fang Hung, Kenneth and Li Kwok Wai, Frankie.
- These shares are held by Cando Corporation, a company in which Messrs. Ling, Harry Ph.D. and Chen Chin Tung, Daniel are shareholders.

(ii) Options

Details of the options to subscribe for shares in the Company granted to the directors on 4th October 1999 are as follows:

| Name of directors | Number of share options | | | |
|--------------------------|-------------------------|---------------------------|--------------|---------------------|
| | At 1.4.2000 | Exercised during the year | At 31.3.2001 | Exercise price HK\$ |
| Mr. Fang Hung, Kenneth | 15,000,000 | (9,000,000) | 6,000,000 | 0.20 |
| Mr. Li Kwok Wai, Frankie | 15,000,000 | (9,000,000) | 6,000,000 | 0.20 |

DIRECTORS' INTERESTS IN SHARES *(Continued)*

(ii) Options *(Continued)*

These options are exercisable from 4th October, 1999 to 4th October, 2002 (both days inclusive). Details of the share option scheme are set out in note 20 to the financial statements.

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain directors in trust for the Group at 31st March, 2001, none of the Company's directors or their associates had any interests in the shares of the Company or any of its subsidiaries or associated corporations as defined in the SDI Ordinance. In addition, save as disclosed above, none of the directors or their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

The share option scheme adopted on 9th August, 1993 enables directors and employees of the Group to subscribe for shares in the Company. Details of the share option scheme are set out in note 20 to the financial statements.

Save as disclosed above, at no time during the year was the 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 debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the Company has not been notified of any other interests representing 10 per cent. or more of the Company's issued share capital as at 31st March, 2001.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

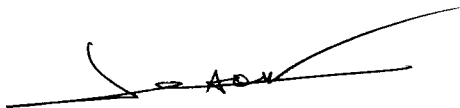
COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st March, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

AUDITORS

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

On behalf of the Board



LI KWOK WAI, FRANKIE

Chief Executive Officer

Hong Kong

19th July, 2001