

The directors present their annual report and the audited financial statements of the Group and the Company 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 notes 15 and 41 to the financial statements.

RECEIVERSHIP AND FINANCIAL RESTRUCTURING

Against the background of the Group's past liquidity difficulties, on 1st September, 2000, Messrs. Nicolas Timothy Cornforth Hill and Wong Tak Man, Stephen of Nelson Wheeler Corporate Advisory Services Limited (the "Receivers") were appointed as receivers and managers to take control of all the properties and assets of the Group and work with the former directors and management to stabilise the Group's operations.

On 19th and 20th December, 2000, the Company entered into conditional agreements with Oasis Star Limited and Tian An China Hotel and Property Investments Company Limited in respect of the restructure of the Company's share capital and the Group's obligations to bankers, finance lease creditors and holder of convertible note, subscription of new shares in the Company and assets injection and transfer (the "Financial Restructuring"). Upon the completion of the Financial Restructuring on 15th May, 2001, the Receivers were released and discharged with effect on the same date. Details of the Financial Restructuring are set out in note 2 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 25 of the annual report.

No dividend was paid during the year.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

DIRECTORS' REPORT

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 64 of the annual report.

SUBSIDIARIES AND ASSOCIATES

On 1st February, 2001, the factory of the Company's non wholly-owned subsidiary, Shenzhen Matform Ceramics Industry Co., Ltd. ("Shenzhen Matform") was seized by its creditors because Shenzhen Matform was unable to meet its financial obligations as they fell due. As a result of loss of effective control, Shenzhen Matform has been deconsolidated from the Group's consolidated income statement from that date. Details of these are set out in note 15 to the financial statements.

Details of the Company's principal subsidiaries and associates as at 31st March, 2001 are set out in notes 15, 41 and 16 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 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital and share options of the Company are set out in notes 25 and 26 to the financial statements, respectively.

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

DIRECTORS

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

Executive directors:

Ng Qing Hai	(appointed on 15th May, 2001)
Lo King Yau, Edwin	(appointed on 15th May, 2001)
Ko Sing Ming	(appointed on 15th May, 2001)
Ngan Man Po	(resigned on 15th May, 2001)
Ngan Man Hay	(resigned on 15th May, 2001)
Chan Sau Kuen	(resigned on 15th May, 2001)
Yiu Woon Shing, Raymond	(resigned on 15th May, 2001)

Independent non-executive directors:

Lai Hin Wing, Henry	(appointed on 15th May, 2001)
Lo Wai On	(appointed on 15th May, 2001)
Chen Yan	(resigned on 8th December, 2000)

In accordance with the provisions of the Company's Bye-laws, all current directors retire and, being eligible, offer themselves for re-election. The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the provisions of the Company's Bye-laws.

The directors proposed for re-election at the forthcoming annual general meeting do not have any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES

At 31st March, 2001, the interests of the directors, the chief executive and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance (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 in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of director	Type of interest	Number of shares
Ngan Man Po	Corporate <i>(note 1)</i>	387,992,304
	Family <i>(note 2)</i>	980,000
Ngan Man Hay	Personal	4,549,450
Chan Sau Kuen	Personal	900,000
Yiu Woon Shing, Raymond	Personal	1,400,000

Notes:

1. These shares were beneficially owned by Great Chance Holdings Limited ("Great Chance"), a company incorporated in the British Virgin Islands and wholly owned by Ngan Man Po.
2. Ngan Man Po is deemed upon the SDI Ordinance to have an interest in 980,000 shares held by his wife.

Save as disclosed above, at 31st March, 2001, none of the directors, the chief executive or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The directors had personal interests in share options to subscribe for shares in the Company as follows:

- (a) Share options exercisable on or before 24th October, 2004, each of which enables the holder to subscribe for one share in the Company at an exercise price of HK\$0.64, subject to adjustment:

Name of director	Outstanding at 1.4.2000 and 31.3.2001
Ngan Man Hay	11,700,000
Chan Sau Kuen	2,400,000
Yiu Woon Shing, Raymond	2,400,000
	<u> </u>

- (b) Share options exercisable on or before 18th December, 2004, each of which enables the holder to subscribe for one share in the Company at an exercise price of HK\$0.53, subject to adjustment:

Name of director	Outstanding at 1.4.2000 and 31.3.2001
Chan Sau Kuen	3,000,000
	<u> </u>

In addition to the above, Ngan Man Po is deemed under the SDI Ordinance to have an interest in 9,000,000 share options at 31st March, 2001 exercisable on or before 24th October, 2004 at an exercise price of HK\$0.64, subject to adjustment, held by his wife.

None of the directors or their associates exercised any of their options during the year.

The above options were lapsed on 15th May, 2001 following the resignation of the above directors on the same date according to the terms of the share option scheme.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(continued)*

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 debt securities, including debentures, of the Company or any other body corporate, and none of the directors, chief executive or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

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.

SUBSTANTIAL SHAREHOLDERS

Other than interest as disclosed above in respect of certain directors and their associates, the register required to be maintained under Section 16(1) of the SDI Ordinance showed that the Company has not been notified of any interests representing 10% or more of the issued share capital of the Company 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.

LITIGATIONS

Details of significant litigations are set out in note 37 to the financial statements.

CORPORATE GOVERNANCE

The current directors are unable to form an opinion as to whether the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 31st March, 2001.

On 21st August, 2001, the Company established an audit committee with written terms of the reference based on the guidelines set out in "A Guide for the Formation of An Audit Committee" published by the Hong Kong Society of Accountants. The audit committee comprises two independent non-executive directors, namely Lai Hin Wing, Henry and Lo Wai On.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for approximately 36% and the largest customer accounted for about 9% of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 47% and the largest supplier accounted for about 18% of the Group's total purchases for the year.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest customers and five largest suppliers.

DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES

At 31st March, 2001, the Group has made the following advances to a subsidiary not consolidated and associates:

	<i>HK\$'000</i>
Subsidiary not consolidated	
Foshan Hunter Ceramic Co., Ltd.	13,230
Associates	
Foshan INI Ceramic Equipment Co., Ltd.	90,075
Foshan Three Union Ceramic Co., Ltd. ("Foshan Three Union")	41,479
	<u>144,784</u>

The advances are unsecured, interest free and have no fixed terms of repayment. In view of the liquidity position of these affiliated companies, full provision was made against the advances.

The Group has also given guarantee for banking facilities granted to Foshan Three Union. The amounts of facilities granted by the bank and utilised by Foshan Three Union were approximately HK\$23,250,000 and HK\$19,375,000, respectively.

DIRECTORS' REPORT

DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES *(continued)*

The pro-forma combined balance sheet of these affiliated companies are as follows:

	Pro-forma combined balance sheet <i>HK\$'000</i>
Non-current assets	105,671
Current assets	59,410
Current liabilities	<u>(330,109)</u>
	<u>(165,028)</u>
Group's attributable interest	<u>(71,421)</u>

Details of these affiliated companies are set out in notes 15 and 16 to financial statements.

CONNECTED TRANSACTIONS

The current directors are unable to form an opinion as to whether there were any connected transactions as defined by the Listing Rules entered by the Group during the year.

FINANCIAL RESTRUCTURING

Details of Financial Restructuring are set out in note 2 to the financial statements.

AUDITORS

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

On behalf of the Board

NG QING HAI

Director

Hong Kong, 21st August, 2001