

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 30 November 2001.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries and a jointly-controlled entity are set out in notes 14 and 15, respectively, to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

Segmental information

Details of the Group's segmental information relating to its turnover and contribution to loss from operating activities for the year ended 30 November 2001 are set out in notes 5 and 6 to the financial statements.

Results

The Group's loss for the year ended 30 November 2001 and the state of affairs of the Company and the Group as at that date are set out in the accompanying financial statements on pages 21 to 60.

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Summary of financial information (continued)

Notes:

1. The summary of the combined results for the year ended 30 November 1997 has been extracted from the Company's prospectus dated 1 September 1998. This summary was prepared from the audited financial statements of the companies now comprising the Group as if the structure of the Group had been in existence throughout that financial year. The results of the Group for each of the two years ended 30 November 2001 are set out in the audited consolidated profit and loss account of the Group set out on page 21 of the financial statements.
2. The summary of the net assets of the Group as at 30 November 1997 has been extracted from the Company's prospectus dated 1 September 1998. The summary of net assets and net liabilities of the Group as at 30 November 2001 and 30 November 2000, respectively, has been extracted from the audited consolidated balance sheet of the Group set out on pages 23 and 24 of the financial statements.

Major customers and suppliers

Sales to the five largest customers of the Group accounted for approximately 88% of the Group's total turnover for the year. In particular, sales to the Group's largest customer accounted for approximately 28% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for all of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 94% of the Group's total purchases for the year.

As far as the directors are aware, neither the directors, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital had any beneficial interest in the Group's five largest customers and/or five largest suppliers mentioned in the preceding paragraphs.

Fixed assets

Details of the movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

Subsidiaries

Particulars of the Company's subsidiaries are set out in note 14 to the financial statements.

Jointly-controlled entity

Particulars of the Group's interest in its jointly-controlled entity are set out in note 15 to the financial statements.

Borrowings

Details of the Group's borrowings at the balance sheet date are set out in notes 19 to 22 to the financial statements.

Share capital and share options

Details of the movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 23 to the financial statements.

Share premium and reserves

Details of the movements in the share premium account and reserves of the Company and the Group during the year are set out in note 24 to the financial statements.

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Distributable reserves

As at 30 November 2001, the Company had no reserves available for cash distribution and/or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands. However, the capital reserve and share premium of the Company may be distributed in the form of fully paid bonus shares. As at 30 November 2001, the Company's capital reserve and share premium account amounted to approximately HK\$182,607,000 in aggregate.

Directors

The directors of the Company during the year were as follows:

Executive directors

Mr. Yeung Kwok Kwong (*Chairman*)

Mr. Au-Yeung Chi Hung, Alex

Mr. Lai Ka Fai

Mr. Au Tung Chi

(resigned on 12 September 2001)

Mr. Wei Cheng Wen

(resigned on 12 September 2001)

Non-executive director

Mr. Ho Ping

Independent non-executive directors

Mr. Conway Anthony Francis Martin

Mr. Siu Leung Yau

Mr. Liu Kwong Sang

(appointed on 1 December 2000)

In accordance with articles 108(A) and (B) and 112 of the Company's articles of association, Mr. Au-Yeung Chi Hung, Alex and Mr. Lai Ka Fai will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the non-executive director and independent non-executive directors, but excluding the Chairman, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

Directors' service contracts

Mr. Au Tung Chi entered into a service contract with the Company for a term of three years commencing on 1 September 1998, which provided that either party to the service contract might terminate the contract by serving to the other party a written notice not less than six months prior to the effective date of termination. Upon termination of the service contract on 31 August 2001, Mr. Au Tung Chi did not renew his service contract with the Company. Mr. Au Tung Chi resigned as an executive director of the Company on 12 September 2001.

Each of Mr. Yeung Kwok Kwong, Mr. Au-Yeung Chi Hung, Alex and Mr. Lai Ka Fai entered into a service contract with the Company for a term of three years commencing on 1 September 2000, subject to the provision that either party to the service contract may terminate the contract by serving to the other party a written notice not less than six months prior to the effective date of termination.

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Directors' service contracts (continued)

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Directors' interests in shares

At 30 November 2001, no director or their associates have interests in the share capital of the Company and its associated corporations as recorded in the register (the "Register") maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or notified to the Company, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Mr. Au Tung Chi, an ex-director of the Company, holds shares in certain subsidiaries of the Company in a non-beneficial capacity which is solely for the purpose of complying with the minimum company membership requirements.

None of the directors or their associates had any personal, family, corporate or other interest in the share capital of the Company or any of its associated corporations which were recorded in the Register as defined in the SDI Ordinance.

Directors' rights to acquire shares

Under the terms of a share option scheme adopted by the Company on 19 August 1998, the directors may, at their absolute discretion, grant options to employees and directors of the Company or any of its subsidiaries to subscribe for shares in the Company. Details of the share option scheme are set out in note 23 to the financial statements. The share option scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 September 1998.

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), which came into effect on 1 September 2001. Under the transitional arrangements stipulated in the amended Chapter 17 of the Listing Rules, options already granted before 1 September 2001 are not affected by the amended rules. The Group may permit to grant options under the existing share option scheme up to 1 September 2001. Otherwise, the Group may have to alter the terms of the existing share option scheme, or to adopt a new share option scheme before further options are granted. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the directors intend to terminate the existing share option scheme, which had no options outstanding as at 30 November 2001, and to adopt a new share option scheme.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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Financial assistance to an affiliated company

Pursuant to a shareholder's agreement dated 20 December 1999 entered into among the Company, City Power Services Limited ("City Power") (a subsidiary of the Company) and Li Yang Advertising Public Relations (HK) Limited ("LY Advertising") (a then unrelated party), the Group advanced an interest-free shareholder's loan to Li Yang Broadcasting & Advertising (HK) Limited ("Li Yang"), a jointly-controlled entity of the Group. The shareholder's loan of HK\$25,750,000 as at 30 November 2001 was not repayable by Li Yang without the approval of both City Power and LY Advertising. As at 30 November 2001, full provision has been made against the shareholder's loan by the Group.

Directors' and five highest paid individuals' remuneration

Details of remuneration of the directors of the Company and of the five highest paid individuals of the Group are set out in note 7 to the financial statements.

Directors' interests in contracts

Save as disclosed in note 4 to the financial statements, no director had a significant interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Retirement benefits scheme

Details of the retirement benefits scheme and the related contributions of the Group for the year are set out in notes 3 and 6 to the financial statements, respectively.

Substantial shareholders

As at 30 November 2001, the following interests of 10% or more in the issued share capital of the Company were recorded in the register required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of ordinary shares held	Percentage of holding
Marble King International Limited	3,338,460,250	56.1%

In addition, Marble King International Limited held the entire 4,000,000,000 convertible preference shares in the Company issued partly paid as to 10% of the subscription price of HK\$0.02 per share as at 30 November 2001.

Marble King International Limited, a company incorporated in the British Virgin Islands, is beneficially and wholly owned by Mr. Or Wai Sheun.

Save as disclosed above, no other person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

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Biographical details in respect of directors

Executive directors

Mr. Yeung Kwok Kwong, aged 43, joined the Company in September 2000 as the Chairman and managing director of the Company. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 20 years of experience in finance, accounting, financial management and corporate planning. He is currently responsible for the development of corporate strategies, corporate planning and day-to-day management of the Group. Mr. Yeung is a fellow member of both the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

Mr. Au-Yeung Chi Hung, Alex, aged 42, joined the Company in September 2000 as an executive director of the Company. Prior to joining the Company, he held managerial and director positions in large property development and manufacturing companies and worked for various international consultancy firms involved in infrastructure work and power projects. He has over 19 years of experience in project management, finance, operational management, and production planning and development. He is currently responsible for the development of corporate strategies and day-to-day management of the Group. Mr. Au-Yeung is a fellow member of the Hong Kong Institution of Engineers.

Mr. Lai Ka Fai, aged 37, joined the Company in September 2000 as an executive director of the Company. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 15 years of experience in finance, accounting, financial and operational management, and corporate planning. He is currently responsible for the corporate planning, and day-to-day financial and operational management of the Group. Mr. Lai graduated from the University of East Anglia in the United Kingdom with a bachelor's degree in science. He is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

Mr. Au Tung Chi, aged 47, is the founder of the Group. Mr. Au has some 16 years' experience in the garment and textile trading industry. He was responsible for the development of corporate strategies, corporate planning and day-to-day management of the Group. Mr. Au resigned on 12 September 2001.

Mr. Wei Cheng Wen, aged 46, joined the Company in August 1999 as an executive director of the Company. Prior to joining the Company, he worked for the Sunny Group. Mr. Wei has over 11 years' experience in finance and management. He was responsible for the finance, marketing, investments and day-to-day management of the Group. Mr. Wei resigned on 12 September 2001.

Non-executive director

Mr. Ho Ping, aged 45, is an investment consultant of King Pacific International Holdings Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Ho graduated from the Construction Engineering Department of Qinghua University in 1979. Mr. Ho has over 13 years' working experience in the PRC. Mr. Ho was a manager of China International Trust & Investment Corporation for eleven years.

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Biographical details in respect of directors (continued)

Independent non-executive directors

Mr. Conway Anthony Francis Martin, aged 61, joined the Company in September 2000 as an independent non-executive director. Mr. Conway has over 37 years' experience in information technology and telecommunications, having held director and senior management positions in Hongkong Telecom, New World Telephone, Unysis, and NCR. He is currently the chairman of both I. Tel Holdings Ltd., an investment holding company for I.T.-related activities, and the Hong Kong Management Association Information Technology Committee. Mr. Conway is a fellow member of the Hong Kong Institute of Directors, the Institute of Management, the British Computer Society and the Hong Kong Institution of Engineers.

Mr. Siu Leung Yau, aged 48, joined the Company in September 2000 as an independent non-executive director. Mr. Yau has over 21 years' experience in property agency, investment and development. He is currently the managing director of Pan Win Holdings Limited. Mr. Siu is a member and councillor of the Hong Kong Association for the Advancement of Real Estate and Construction Technology Limited and a member of the Hong Kong Institute of Real Estate Administration.

Mr. Liu Kwong Sang, aged 39, re-joined the Company in December 2000. He is a practising accountant in Hong Kong with more than 11 years' experience. He is also a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Society of Accountants.

Connected transactions

Details of connected transactions entered into by the Group during the year that are required to be disclosed are set out in note 4 to the financial statements. Save as disclosed therein, there were no other transactions which are required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

The independent non-executive directors are of the opinion that the terms of the abovementioned connected transactions are fair and reasonable so far as the shareholders of the Company are concerned; and that the transactions entered into by the Group are in the interests of the Company and were carried out in accordance with the terms of the agreements governing such transactions.

Purchase, redemption or sale of listed securities

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

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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Director's interests in competing businesses

During the year and up to the date of this report, no directors are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group pursuant to the Listing Rules.

Compliance with the Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except that the non-executive director and independent non-executive directors are not appointed for any specific term of office, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

Audit committee

The Company established an audit committee in March 2000 in accordance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The present members of the audit committee are two of the independent non-executive directors of the Company, namely Mr. Liu Kwong Sang and Mr. Siu Leung Yau.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Yeung Kwok Kwong

Chairman

Hong Kong

7 January 2002