

Directors' Report

The directors present their first report and the audited financial statements of the Company for the period from 15 September, 2000 (date of incorporation) to 31 December, 2001 and of the Group for the year ended 31 December, 2001.

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

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 September, 2000 under the Companies Law of the Cayman Islands.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 17 January, 2001. Details of the Group Reorganisation are set out in the prospectus issued by the Company dated 26 April, 2001.

The shares of the Company were listed on the Stock Exchange on 9 May, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 12 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December, 2001 are set out in the consolidated income statement on page 20.

A subsidiary of the Company declared interim dividend amounting to HK\$21,500,000 to the then shareholders prior to the Group Reorganisation.

The directors now recommend the payment of a final dividend of HK1.50 cents per share to the shareholders on the register of members on 31 May, 2002, amounting to HK\$8,760,000.

PROPERTY, PLANT AND EQUIPMENT

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

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SHARE CAPITAL

Details of movements in the share capital of the Company during the period are set out in note 18 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 19 to the financial statements.

The Company's reserves available for distributions represent the share premium, contributed surplus and accumulated loss with an aggregate amount of approximately HK\$115,795,000.

DIRECTORS

The directors of the Company from 15 September, 2000 (date of incorporation) and up to the date of this report were:

Executive directors:

Mr. Wong Yin Sen (Chairman and president)	(appointed on 15 September, 2000)
Mr. Hon Lik (Vice Chairman)	(appointed on 15 September, 2000)
Mr. Wong Hei Lin (Vice president)	(appointed on 15 September 2000)
Mr. Yu Yanming	(appointed on 17 January, 2001)
Ms. Theresa L. Pearson	(appointed on 15 September, 2000 and resigned on 15 September, 2000)

Non-executive director:

Ms. Cheng Kong Yin	(appointed on 17 January, 2001)
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Independent non-executive directors:

Mr. Pang Hong	(appointed on 17 January, 2001)
Mr. Mo Kwan Nin	(appointed on 17 January, 2001)

In accordance with Articles 87 and 88 of the Company's Articles of Association, Mr. Wong Yin Sen, being the chairman of the Company is not required to retire by rotation and Messrs. Hon Lik and Wong Hei Lin shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The non-executive directors have no set term of office but are subject to retirement by rotation, and being eligible, offer themselves for re-election, in accordance with the Company's Articles of Association.

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DIRECTORS' SERVICE CONTRACTS

Each of Messrs. Wong Yin Sen, Hon Lik, Wong Hei Lin and Yu Yanming has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 January, 2001, and shall continue thereafter until terminated by either party giving to the other not less than six months' notice in writing, expiring not earlier than 31 December, 2003.

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

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 December, 2001, the interests of the directors 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 Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name	Number of ordinary shares			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Wong Yin Sen	-	-	438,000,000 (Note)	-
Mr. Hon Lik	-	-	438,000,000 (Note)	-
Mr. Wong Hei Lin	-	-	-	438,000,000 (Note)

Note:

Messrs. Wong Yin Sen, Hon Lik and Wong Hei Lin are beneficially interested in 46.25%, 42.50% and 11.25% of the entire issued share capital of the major shareholder, Absolute Target Limited, which holds 438,000,000 shares in the Company, representing 75% of the entire issued shares in the Company.

Save as disclosed above, as at 31 December, 2001, none of the directors or any of their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

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SHARE OPTION SCHEME

In accordance with the terms of a share option scheme (the "Scheme") adopted by the Company on 6 April, 2001 for the primary purpose of providing incentives to directors and eligible employees, the board of directors of the Company is authorised, at its absolute discretion, to grant options to eligible employees, including executive directors of the Company and its subsidiaries to subscribe for shares in the Company. The Scheme became effective upon the listing of the shares in the Company on the Stock Exchange on 9 May, 2001. Options granted may be exercised in accordance with the terms of the Scheme at any time during the three-year period commencing on the date on which the option is accepted and expiry on the last day of the three-year period or the tenth anniversary of the date the Scheme is adopted, whichever is the earlier. As at the date of this report, no options have been granted to any executive directors or employees of the Company under the Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period from 9 May, 2001 to 31 December, 2001 was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company a party to any arrangements to enable the directors of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company was a party in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed in the section "Directors' Interests in Share Capital", as at 31 December, 2001, the Company has not been notified of any other interests representing 10% or more of the Company's issued ordinary share capital that were required to be recorded under section 16(1) of the SDI Ordinance.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the 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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RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 24 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest customer of the Group by itself and together with the next four largest customers accounted for about 31% and 71%, respectively, of the Group's turnover.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for about 21% and 83%, respectively, of the Group's purchases.

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) have any interest in the five largest customers or suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE

Since the listing of its shares on the Stock Exchange on 9 May, 2001, the Company has complied with the Code of Best Practice as established in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

AUDITORS

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

On behalf of the Board

Wong Yin Sen

Chairman

Hong Kong, 23 April, 2002