

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the provision of logistics technology services and the operation of bowling recreation centres in major cities within Fujian Province of The People's Republic of China (the "PRC"). During the year, the Group acquired a business involved in the provision of logistics technology services, further details of which are set out in note 30(c) to the financial statements. In addition, during the year, the Group subscribed for certain exchangeable notes and these exchangeable notes were all exercised subsequently after the balance sheet date for the issued share capital of a company, a subsidiary of which is involved in the provision of logistics technology services. Further details of the transactions are set out in notes 19 and 32(a) to the financial statements. The operation of bowling recreation centres was discontinued following the disposal during the year of all of the subsidiaries operating bowling recreation centres, further details of which are included in note 6 to the financial statements. There were no changes in the nature of the Group's principal activities, other than the disposal and discontinuance of the Group's bowling recreation business, during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2001 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2001 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 23 to 75.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and the Company's prospectus dated 25 September 1998 and reclassified as appropriate, is set out on page 3 of the annual report. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Company and of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 28 to the financial statements.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year and details of the distributable reserves of the Company are set out in note 29 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 42% of the total sales for the year and sales to the largest customer included therein amounted to 11%. Purchases from the Group's five largest suppliers accounted for 93% of the total purchases for the year and purchases from the largest supplier included therein amounted to 84%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

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DIRECTORS

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

Executive directors:

Mr. Lo Lin Shing, Simon

Mr. Chan Ki

Mr. Chan Wai Keung, Ringo *(appointed on 9 April 2001)*

Mr. Yu Ansheng, Ben *(appointed on 1 June 2001)*

Mr. Lo Lin Kwong *(appointed on 15 February 2002)*

Mr. Wu Wing Kin *(resigned on 1 March 2002)*

Mr. Hui Mang Mang *(resigned on 1 June 2001)*

Mr. Zhang Guo Liang *(resigned on 29 March 2001)*

Non-executive directors:

Mr. Ho Hau Chong, Norman

Dr. Cheng Kar Shun, Henry *(appointed on 26 November 2001)*

Mr. Hung Fan Wai, Wilfred *(resigned on 15 May 2001)*

Independent non-executive directors:

Mr. To Hin Tsun, Gerald

Mr. Wei Chi Kuan, Kenny

In accordance with articles 99 and 116 of the Company's articles of association, Messrs. Yu Ansheng, Ben, Cheng Kar Shun, Henry, Lo Lin Kwong, Lo Lin Shing, Simon and To Hin Tsun, Gerald will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The non-executive directors do not have specific terms of appointment, but are subject to the retirement provisions contained in the Company's articles of association.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 11 to 13 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 33 to the financial statements, no director had a material interest 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.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2001, the interests of certain directors and their associates in the share capital of the Company or its associated corporations, 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:

Director	<i>Notes</i>	Number of ordinary shares held and nature of interest Corporate
Mr. Lo Lin Shing, Simon	(a)	1,129,758,000
Mr. Chan Ki	(b)	306,388,000

Notes:

- (a) These shares are beneficially owned by Golden Infinity Co., Ltd., a company incorporated in the British Virgin Islands whose entire issued share capital is legally and beneficially owned by Mr. Lo Lin Shing, Simon.
- (b) These shares are beneficially owned by Silver Valley Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is legally and beneficially owned by Mr. Chan Ki.

The interests of the directors in the share options of the Company are separately disclosed in the section "Share option scheme" below.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the executive directors and other full-time employees of the Group. The Scheme became effective on 11 September 1998 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 December 2001, the number of shares issuable under share options granted under the Scheme was 114,000,000, which represented approximately 3.58% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Scheme is limited to 2.5% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) 80% of the average closing price of the ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of the offer; and (ii) the nominal value of the ordinary shares of the Company.

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SHARE OPTION SCHEME (continued)

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) in respect of share option schemes, which came into effect on 1 September 2001. To comply with the amendments to the Listing Rules and the announcement of the Stock Exchange, the directors consider that it is in the interests of the Company to terminate the existing Scheme of the Company adopted on 11 September 1998 and to adopt a new share option scheme. An ordinary resolution will be proposed at the Company’s shareholders’ meeting for the approval of the adoption of the new share option scheme and the termination of the Company’s existing Scheme.

The share options granted by the Company to the grantees under the existing Scheme will not be affected by the proposed new share option scheme.

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options				Date of grant of share options*	Exercise price of share options** HK\$	Exercise period of share options	Price of Company’s shares at grant date of options*** HK\$
	At 1 January 2001	Granted during the year	Exercised during the year	At 31 December 2001				
Directors								
Mr. Lo Lin Shing, Simon	57,000,000	-	-	57,000,000	14 August 2000	0.284	15 August 2000 to 14 August 2003	0.38
Mr. Chan Ki	57,000,000	-	-	57,000,000	14 August 2000	0.284	15 August 2000 to 14 August 2003	0.38
Total	114,000,000	-	-	114,000,000				

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SHARE OPTION SCHEME (continued)

- * The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- ** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- *** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

Summary details of the Company's share option scheme are also set out in note 28 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the share options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise date are deleted from the register of outstanding share options.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of the Company's share capital
Golden Infinity Co., Ltd. #	1,129,758,000	35.5

The shareholding is duplicated in the "Directors' interests in shares" disclosed above.

Save as disclosed above, no person, other than a director of the Company, whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the connected and related party transactions of the Group are set out in note 33 to the financial statements.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 32 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company’s articles of association.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

AUDITORS

During the year ended 31 December 1999, PricewaterhouseCoopers resigned as auditors of the Company and Ernst & Young were appointed by the directors to fill the casual vacancy so arising. Save as aforesaid, there have been no other changes of auditors in the past three years. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lo Lin Shing, Simon

Chairman

Hong Kong, 22 April 2002