

REPORT OF THE DIRECTORS

The directors present herewith their report and the accounts for the year ended 31 March 2002.

ACCOUNTS

The results for the year are set out in the consolidated income statement on page 14.

The state of affairs of the Group and the Company as at 31 March 2002 are set out in the balance sheets on pages 15 and 16 respectively.

The cash flows of the Group are set out in the statement on page 18.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The principal activities of its subsidiaries are the design, production and sale of computer-aided-design systems and machinery and property holding. An analysis of the operations and contributions to trading results is as follows:

	Turnover		Contribution to operating profit/(loss)	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Computer-aided-design systems and machinery				
Mainland China	11	2,028	(1,943)	(3,765)
Hong Kong	251	3,141	(5,897)	(4,205)
Other Far East Asian countries	1,974	3,008	225	(2,456)
North America	2	4,890	(41)	(6,021)
	<u>2,238</u>	<u>13,067</u>	<u>(7,656)</u>	<u>(16,447)</u>
Property investment				
Mainland China	1,754	–	1,332	–
Hong Kong	81	–	(127)	–
	<u>1,835</u>	<u>–</u>	<u>1,205</u>	<u>–</u>
	<u>4,073</u>	<u>13,067</u>	<u>(6,451)</u>	<u>(16,447)</u>

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MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales attributable to the Group's major suppliers and customers are as follows:

	2002 %	2001 %
Purchases		
– the largest supplier	93	16
– five largest suppliers combined	100	40
Sales		
– the largest customer	31	23
– five largest customers combined	45	54

No directors, their associates or shareholders (which to the knowledge of the directors own more than 5% of the company's share capital) were interested at any time in the year in the above suppliers or customers.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 15 on page 36.

DIVIDENDS

The directors do not recommend payment of any dividend in respect of the year ended 31 March 2002.

RESERVES

The amounts and particulars of material transfers to and from reserves during the year are set out in notes 16 to 19 on pages 36 to 37.

DONATIONS

There was no donation made by the Group during the year.

PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the year are set out in note 9 on page 31.

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PURCHASE, SALE AND REDEMPTION OF SHARES

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

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Mr. WONG Kwong Yu – appointed on 18 April 2002
Mr. LAM Pang
Mr. NG Kin Wah
Mr. NG Lap Kwan**
Mr. PENG Chengzhi**
Mr. LEE Ban Hee** – resigned on 28 August 2001

** *independent non-executive directors*

In accordance with Clause 102 of the Company's Bye-laws, all directors appointed during the year retires at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its holding company was a party, and in which any director had a material interest, subsisted at the end of the year or at any time during the year, other than the related party transaction as disclosed in notes 22 and 24 on pages 40 and 42 respectively.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 27 March 1992, a share option scheme was approved by the shareholders of the Company under which the directors may, at their discretion, invite full time employees of the Company and its subsidiaries (the "Group") including executive directors of the Group, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. This share option scheme has expired at the close of business on the day preceding the tenth anniversary thereof. As at 31 March 2002, no option has been granted under this scheme.

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Apart from the above, at no time during the year was the Company, its subsidiaries or its holding company a party to any arrangements to enable the directors of the Company to acquire shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 March 2002, none of the directors or the chief executives of the Company had any interests in the shares or debentures of the Company or any associated corporations as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, according to the register of substantial shareholders kept by the Company under section 16(1) of the Securities (Disclosure of Interests) Ordinance and so far as was known to the directors, the following persons were interested or taken or deemed to be interested in 10% or more of the nominal value of the issued share capital of the Company:

Name of shareholder	Number of shares	Shareholding percentage
Wong Kwong Yu (<i>Note 1</i>)	1,386,003,500	85.65%
Shinning Crown Holdings Inc.	1,350,000,000	83.42%

Note 1: The shares are held as to 36,003,500 personally by Mr. Wong Kwong Yu and as to 1,350,000,000 shares by Shinning Crown Holdings Inc., which is 100% beneficially owned by Mr. Wong.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the annual report, in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited except that independent non-executive directors are not appointed for a specific term as they are subject to rotation at Annual General Meetings in accordance with the Bye-laws of the Company.

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POST BALANCE SHEET EVENTS

Details of the post balance sheet events are set out in note 25 on page 43.

AUDITORS

The accounts for the year ended 31 March 2002 have been audited by Louis Leung & Partners CPA Limited. A resolution for their appointment as the Company's auditors for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

WONG Kwong Yu

Chairman

Hong Kong, 10 July 2002