

The directors present their annual report and the audited financial statements for the year ended 31st March, 2002.

## **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 14 to the financial statements.

## **RESULTS**

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 14.

## **RESERVES**

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

## **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 44.

## **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group acquired land and buildings in Hong Kong and plant and machinery at a cost of approximately HK\$5.0 million and HK\$9.5 million, respectively. In addition, the Group acquired machinery at a cost of approximately HK\$8.3 million which was still under installation at the balance sheet date.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

## **INVESTMENT PROPERTIES**

During the year, the Group reclassified land and buildings at a net book value of approximately HK\$2.4 million to investment properties which were then revalued at the year end date. The deficit arising on the valuation, which has been charged to the income statement, amounted to approximately HK\$1.1 million.

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

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the financial statements.

## DIRECTORS

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

### Executive directors:

Mr. Fang Hung, Kenneth

Mr. Li Kwok Wai, Frankie

Dr. Harry Ling (appointed on 26th April, 2001)

Mr. Lam Kam Cheung, Kelvin

Mr. Wong Kam Wah (alternate to Dr. Harry Ling appointed on 31st August, 2001)

### Non-executive director:

Mr. Chen Chin Tung, Daniel (appointed on 26th April, 2001)

### Independent non-executive directors:

Mr. Tien Pei Chun, James

Mr. Chu Chi Wai, Allan

In accordance with Clauses 86(2) and 87 of the Company's Bye-Laws, Messrs. Chu Chi Wai, Allan and Lam Kam Cheung, Kelvin retire and, being eligible, offer themselves for re-election.

None of the directors proposed for re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The non-executive directors have been appointed for a term subject to retirement by rotation in accordance with the Company's Bye-Laws.

## DIRECTORS' INTERESTS IN SHARES

At 31st March, 2002, the interests of the Company's directors and their associates in the issued share capital of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

	Number of ordinary shares held		
	Personal interests	Corporate interests	
Mr. Fang Hung, Kenneth	20,130,000	347,472,768	(Notes 1 & 3)
Mr. Li Kwok Wai, Frankie	16,332,520	347,472,768	(Notes 1 & 3)
Dr. Harry Ling	–	350,000,000	(Notes 2 & 3)
Mr. Chen Chin Tung, Daniel	–	350,000,000	(Notes 2 & 3)

Notes:

1. These shares are held by Antrix Investment Limited ("Antrix"), a company controlled by Messrs. Fang Hung, Kenneth and Li Kwok Wai, Frankie.
2. These shares are held by Cando Corporation ("Cando"), a company in which Messrs. Harry Ling and Chen Chin Tung, Daniel are shareholders.
3. On 25th June, 2002, Antrix entered into a share purchase agreement with Cando to acquire 350,000,000 shares in the Company from Cando at HK\$0.25 per share for a total consideration of HK\$87.5 million. After the completion of the share purchase agreement, the shareholding of Antrix and its shareholders in the Company increased by 350,000,000 shares and the shareholding of Cando and its shareholders in the Company decreased by 350,000,000 shares.

Save as disclosed above and in the section "Share Options" below, and other than certain nominee shares in subsidiaries held by certain directors in trust for the Group at 31st March, 2002, none of the Company's directors or their associates had any interests in the shares of the Company or any of its subsidiaries or associated corporations as defined in the SDI Ordinance, and none of the directors or their spouses or children under the age of 18, had any right to subscribe for the shares in the Company, or had exercised any such right during the year.

## SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 9th August, 1993 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 8th August, 2003. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company or any of its subsidiaries, to subscribe for shares in the Company.

## SHARE OPTIONS (continued)

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1 per option. An option may be exercised at any time before the date which is three years after the date of grant. The exercise price is determined by the directors of the Company, at a price equal to the higher of the nominal value of a share and 80% of the average closing prices of the shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the options.

The following table discloses movements in the Company's share options during the year:

	Date of grant	Exercise price HK\$	Exercisable period	Outstanding at 1.4.2001	Exercised during the year	Outstanding at 31.3.2002
<b>Directors</b>						
Mr. Fang Hung, Kenneth	4th October, 1999	0.20	4th October, 1999 to 4th October, 2002	6,000,000	(6,000,000)	–
Mr. Li Kwok Wai, Frankie	4th October, 1999	0.20	4th October, 1999 to 4th October, 2002	6,000,000	(6,000,000)	–
				12,000,000	(12,000,000)	–
Employees	4th October, 1999	0.20	4th October, 1999 to 4th October, 2002	13,184,880	(13,184,880)	–
Total				<u>25,184,880</u>	<u>(25,184,880)</u>	<u>–</u>

The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK\$0.20 per share.

## 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.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme detailed in the section "Share Options", 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 debentures of, the Company or any other body corporate.

### SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10 per cent. or more in the Company's issued share capital as at 31st March, 2002.

### POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 36 to the financial statements.

### 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.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

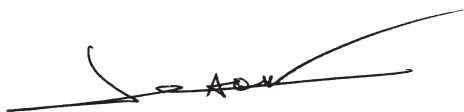
### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

### AUDITORS

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

On behalf of the Board



**LI KWOK WAI, FRANKIE**  
*CHIEF EXECUTIVE OFFICER*  
Hong Kong, 26th July, 2002